



Dave Yost • Auditor of State

**CITY OF TORONTO
JEFFERSON COUNTY
DECEMBER 31, 2016**

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JEFFERSON COUNTY
DECEMBER 31, 2016

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Toronto, Jefferson County, Ohio (the "City"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City'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 City'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 City'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.

Basis for Qualified Opinion

Capital Assets are reported in the financial statements as described in the following table:

2016	Governmental Activities	Business Type Activities	Water Fund	Sewer Fund	Refuse Fund	Total Capital Assets
Reported Capital Assets	\$4,850,857	\$15,948,835	\$13,242,628	\$2,557,091	\$149,116	\$20,799,692
Percent of Total Assets	53%	79%	86%	60%	35%	

The City has not maintained a complete capital asset listing to support the accuracy and completeness of reported capital assets, therefore, we are unable to rely on the beginning balances. The City does not have an accounting system in place to identify capital asset purchases, deletions, and depreciation expense and the City does not maintain an identification system for capitalized items. Additionally, the City's financial statements omit certain capital assets, including infrastructure and depreciation expenses. We cannot reasonably determine the impact of the omissions on capital assets, net position and expenses. As a result, we were unable to obtain sufficient appropriate audit evidence supporting in the amounts recorded as capital assets in the Governmental Activities, Business Type Activities, Water Fund, Sewer Fund, and Refuse Fund. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified Opinion

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental Activities, Business Type Activities, Water Fund, Sewer Fund and Refuse Fund of the City of Toronto, Jefferson County, Ohio, as of December 31, 2016, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, CHIP Fund, Titanium Way Bridge Replacement Fund, and the aggregate remaining fund information of the City of Toronto, Jefferson County, Ohio, as of December 31, 2016, and the respective changes in financial position thereof and the respective budgetary comparisons for the General and CHIP funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

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*, and schedules of net pension liabilities and pension contributions 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2017, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 City's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

September 14, 2017

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City of Toronto
Jefferson County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

The discussion and analysis of the City of Toronto's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2016. The intent of this discussion and analysis is to look at the City's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2016 are as follows:

- In total, net position increased \$328,759, which represents a 2 percent increase from 2015. Net position of governmental activities decreased \$353,871. Net position of business-type activities increased \$682,630.
- Total capital assets increased \$590,779 in 2016. Capital assets of governmental activities increased \$563,534 and capital assets of business-type activities increased \$27,245.
- Outstanding debt decreased from \$10,170,035 to \$10,142,024 due to principal payments made during the year.

Using this Annual Financial Report

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

The Statement of Net Position and the Statement of Activities provide information from a summary perspective showing the effects of the operations for the year 2016 and how they affected the operations of the City as a whole.

Reporting the City of Toronto as a Whole

Statement of Net Position and the Statement of Activities

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

City of Toronto
Jefferson County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

A question typically asked about the City's finances "How did we do financially during 2016?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets and deferred outflows of resources and liabilities and deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

- **Governmental Activities** - Most of the City's programs and services are reported here, including general government, security of persons and property, public health, community development, leisure time activities and transportation.
- **Business-Type Activities** - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's water, sewer and refuse major funds are reported as business activities.

Reporting the City of Toronto's Most Significant Funds

Fund Financial Statements

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

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

Proprietary Funds Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match, except for the internal service fund allocations.

City of Toronto
Jefferson County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

The City of Toronto as a Whole

Recall that the Statement of Net Position provides the perspective of the City as a whole. Table 1 provides a summary of the City's net position for 2016 compared to 2015:

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Current and Other Assets	\$ 4,291,275	\$ 4,721,431	\$ 4,322,718	\$ 4,060,891	\$ 8,613,993	\$ 8,782,322
Net Pension Asset	0	1,307	0	1,628	0	2,935
Capital Assets	4,850,857	4,287,323	15,948,835	15,921,590	20,799,692	20,208,913
<i>Total Assets</i>	<u>9,142,132</u>	<u>9,010,061</u>	<u>20,271,553</u>	<u>19,984,109</u>	<u>29,413,685</u>	<u>28,994,170</u>
Deferred Outflows of Resources						
Pension	931,484	370,813	374,525	91,424	1,306,009	462,237
Liabilities						
Current and Other Liabilities	75,925	148,610	159,525	200,013	235,450	348,623
Long-Term Liabilities						
Due Within One Year	162,422	145,230	910,088	837,769	1,072,510	982,999
Due in More Than One Year						
Net Pension Liability	3,512,215	2,782,361	859,786	504,690	4,372,001	3,287,051
Other Amounts	1,054,151	718,674	8,470,821	8,977,082	9,524,972	9,695,756
<i>Total Liabilities</i>	<u>4,804,713</u>	<u>3,794,875</u>	<u>10,400,220</u>	<u>10,519,554</u>	<u>15,204,933</u>	<u>14,314,429</u>
Deferred Inflows of Resources						
Property Taxes and Other	155,270	149,023	0	0	155,270	149,023
Pension	38,048	7,520	16,612	9,363	54,660	16,883
<i>Total Deferred Inflows of Resource:</i>	<u>193,318</u>	<u>156,543</u>	<u>16,612</u>	<u>9,363</u>	<u>209,930</u>	<u>165,906</u>
Net Position						
Net Investment in						
Capital Assets	3,983,679	3,823,006	6,572,690	6,180,848	10,556,369	10,003,854
Restricted	1,886,056	2,201,327	0	0	1,886,056	2,201,327
Unrestricted	(794,150)	(594,877)	3,656,556	3,365,768	2,862,406	2,770,891
<i>Total Net Position</i>	<u>\$ 5,075,585</u>	<u>\$ 5,429,456</u>	<u>\$ 10,229,246</u>	<u>\$ 9,546,616</u>	<u>\$ 15,304,831</u>	<u>\$ 14,976,072</u>

During 2015, the City adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions— an Amendment of GASB Statement 27*, which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting the net pension asset and deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension asset/liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

City of Toronto
Jefferson County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

Under the standards required by GASB 68, the net pension asset/liability equals the City's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the City's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension asset/liability not accounted for as deferred inflows/outflows of resources.

As a result of implementing GASB 68, the City is reporting a net pension asset/liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

At year end, capital assets represented 71 percent of total assets. Capital assets include land, work of art, construction in progress, buildings, land improvements, equipment, vehicles, infrastructure and water and sewer lines. The net investment in capital assets was \$10,556,369 at December 31, 2016, with \$3,983,679 in governmental activities and \$6,572,690 in business-type activities. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

City of Toronto
Jefferson County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

A portion of the City's net position, \$1,886,056, or 12 percent, represents resources that are subject to external restrictions on how they may be used.

The increase and decrease in the current assets of business type and governmental activities, respectively, were caused by 2016 being the first full year that the City was self-insured for health benefits. Governmental activities also saw a decrease in intergovernmental receivable as the grant for the Titanium Way Bridge project was completed in 2016. The City also saw an increase in deferred outflows of resources for pension which were caused by changes related to net pension liability in 2016. The City also entered into capital leases for a vacuum truck and a fire truck during 2016.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2016 and 2015.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 196,507	\$ 172,068	\$ 4,121,479	\$ 3,852,625	\$ 4,317,986	\$ 4,024,693
Operating Grants	1,060,256	279,269	0	0	1,060,256	279,269
Capital Grants	252,695	0	0	29,791	252,695	29,791
<i>General Revenues:</i>						
Property Taxes	152,659	146,128	0	0	152,659	146,128
Income Taxes	2,531,685	2,229,741	0	0	2,531,685	2,229,741
Other Local Taxes	47,397	69,927	0	0	47,397	69,927
Grants and Entitlements	119,735	132,237	0	0	119,735	132,237
Oil and Gas Lease	0	0	0	0	0	0
Investment Earnings	2,244	2,168	0	0	2,244	2,168
Miscellaneous	25,485	48,890	450	0	25,935	48,890
<i>Total Revenues</i>	<u>4,388,663</u>	<u>3,080,428</u>	<u>4,121,929</u>	<u>3,882,416</u>	<u>8,510,592</u>	<u>6,962,844</u>
Program Expenses						
General Government	578,672	577,697	0	0	578,672	577,697
Security of Persons and Property	1,856,844	1,779,029	0	0	1,856,844	1,779,029
Public Health	12,910	29,256	0	0	12,910	29,256
Leisure Time Services	251,159	259,641	0	0	251,159	259,641
Community Development	426,327	218,465	0	0	426,327	218,465
Transportation	1,485,162	1,043,107	0	0	1,485,162	1,043,107
Interest and Fiscal Charges	6,460	6,122	0	0	6,460	6,122
<i>Enterprise Operations:</i>						
Water	0	0	2,251,834	1,874,900	2,251,834	1,874,900
Sewer	0	0	828,468	646,550	828,468	646,550
Refuse	0	0	483,997	502,951	483,997	502,951
<i>Total Program Expenses</i>	<u>4,617,534</u>	<u>3,913,317</u>	<u>3,564,299</u>	<u>3,024,401</u>	<u>8,181,833</u>	<u>6,937,718</u>
<i>Increase (Decrease) in</i>						
<i>Net Position before Transfers</i>	(228,871)	(832,889)	557,630	858,015	328,759	25,126
<i>Transfers</i>	(125,000)	(306,454)	125,000	306,454	0	0
<i>Change in Net Position</i>	(353,871)	(1,139,343)	682,630	1,164,469	328,759	25,126
<i>Net Position Beginning of Year</i>	<u>5,429,456</u>	<u>6,568,799</u>	<u>9,546,616</u>	<u>8,382,147</u>	<u>14,976,072</u>	<u>14,950,946</u>
<i>Net Position End of Year</i>	<u>\$ 5,075,585</u>	<u>\$ 5,429,456</u>	<u>\$ 10,229,246</u>	<u>\$ 9,546,616</u>	<u>\$ 15,304,831</u>	<u>\$ 14,976,072</u>

City of Toronto
Jefferson County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

Governmental Activities

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

The City's income tax is at a rate of 2.0 percent. Both residents of the City and non-residents who work inside the City are subject to the income tax. However if residents work in a locality that has a municipal income tax, the City provides 100 percent credit up to 2.0 percent for those who pay income tax to another city. City Council could by Ordinance, choose to vary that income tax credit and create additional revenues for the City. Income tax revenue increased in 2016 due to the timing of income tax payments received.

Governmental revenue is comprised of program revenue and general revenue. General revenues include grants and entitlements, such as local government funds. Governmental activities are primarily funded with the combination of property tax, income tax and intergovernmental revenues. The City monitors its sources of revenues very closely for fluctuations.

Operating grants increased during 2016 due to additional CDBG grants received for home repair. Capital grants increased because the balance of the grant money for the Titanium Way Bridge was received during 2016.

Police and fire represent the largest expense of the governmental activities. This expense of \$1,856,844 represents 40 percent of the total governmental activities expenses. These two departments operate out of the general fund.

Transportation expense is another large area of expense for the City. The City provides many services to its citizens that include public road salting, leaf and debris pickup, paint striping and alley profiling. These expenses totaled \$1,485,162, an increase from 2015. The noncapitalized expenses for the Titanium Way bridge project are included in this function.

The City also maintains a health department (public health services) and a park (leisure time activities) within the City. These areas had expenses of \$264,069 in 2016 equaling 6 percent of the total governmental services expenses.

Business-Type Activities

Business-type activities include water, sewer and refuse operations. The revenues are generated primarily from charges for services. In 2016, charges for services of \$4,121,479 accounted for 99 percent of the business type revenues. The total expenses for the utilities were \$3,564,299, thus leaving an increase in net position of \$557,630 (before transfers) for the business-type activities.

The increase in charges for services is due to the increased collections for services provided during 2016.

City of Toronto
Jefferson County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

The City's Funds

Governmental Funds

Information about the City's governmental funds begins on page 16. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues of \$4,503,153 and expenditures of \$5,207,250. The funds are monitored consistently with adjustments made throughout the year in budgets to accommodate yearly revenues.

The general fund's net change in fund balance for 2016 was a decrease of \$199,645. This decrease was primarily the result of an increase in expenditures for the construction of the Simpson Athletic Complex.

The CHIP fund's net change in fund balance for 2016 was a decrease of \$54,876.

The Titanium Way Bridge replacement fund had a net change in fund balance of \$50,011. This fund accounts for financial resources and expenditures for the engineering and construction of the bridge replacement.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements for the business-type activities, but in more detail.

Total unrestricted net position of the water, sewer, refuse and other enterprise funds at the end of the year amounted to \$3,484,195. The total growth in net position of enterprise funds was \$542,999. This is mainly due to the increased collections for water, sewer and refuse services provided to the residents of the City combined with a transfer from the general fund.

General Fund Budgeting Highlights

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

During the course of 2016, the City amended its general fund budget on various occasions. All recommendations for appropriation changes come to Council from the City Auditor. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

The actual budget basis revenue was \$2,899,305, representing a increase of \$169 over the final budget estimate of \$2,899,136. There were no significant variances from the original to final budget revenue.

Final expenditure appropriations of \$2,670,370 were \$46,800 higher than original expenditure appropriations. Final expenditure appropriations were \$381,926 higher than the actual expenditures of \$2,288,444, as cost savings were recognized for general government and security of persons and property throughout the year.

There were no significant variances to discuss within other financing sources and uses.

City of Toronto
Jefferson County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

At the end of year 2016, the City had \$20,799,692 invested in capital assets. A total of \$4,850,857 of this was for governmental activities and \$15,948,835 was attributable to business-type activities. Table 3 shows 2016 balances compared with 2015.

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 140,000	\$ 140,000	\$ 43,904	\$ 43,904	\$ 183,904	\$ 183,904
Work of Art	17,500	17,500	0	0	17,500	17,500
Buildings	897,797	885,937	8,356,393	8,584,241	9,254,190	9,470,178
Land Improvements	270,890	196,317	1,467,415	1,495,076	1,738,305	1,691,393
Equipment	382,868	383,782	1,028,974	1,186,317	1,411,842	1,570,099
Vehicles	1,319,597	868,966	506,543	158,633	1,826,140	1,027,599
Infrastructure	1,751,048	1,794,821	0	0	1,751,048	1,794,821
Water and Sewer Lines	0	0	4,110,061	4,215,498	4,110,061	4,215,498
Construction in Progress	71,157	0	435,545	237,921	506,702	237,921
<i>Total</i>	<u>\$ 4,850,857</u>	<u>\$ 4,287,323</u>	<u>\$ 15,948,835</u>	<u>\$ 15,921,590</u>	<u>\$ 20,799,692</u>	<u>\$ 20,208,913</u>

See Note 8 for additional information about the capital assets of the City.

Debt

The outstanding debt for the City as of December 31, 2016 was \$10,142,024. See Note 14 for additional details. Table 4 summarizes outstanding debt.

Table 4
Outstanding Debt, at December 31

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Installment Loans	\$ 415,152	\$ 464,317	\$ 0	\$ 0	\$ 415,152	\$ 464,317
OWDA Loans	0	0	8,768,696	9,476,687	8,768,696	9,476,687
OPWC Loans	0	0	182,000	188,500	182,000	188,500
Garbage Packer Loan	0	0	20,546	40,531	20,546	40,531
Capital Leases	452,026	0	303,604	0	755,630	0
<i>Total</i>	<u>\$ 867,178</u>	<u>\$ 464,317</u>	<u>\$ 9,274,846</u>	<u>\$ 9,705,718</u>	<u>\$ 10,142,024</u>	<u>\$ 10,170,035</u>

Current Financial Issues

The City had a cash balance of \$1,065,076 at December 31, 2016 in the general fund.

The City has a 2 percent wage income tax, which when added together with revenue from grants, enabled the City to complete various capital improvements totaling, \$223,351 during 2016.

City of Toronto
Jefferson County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

The City sells water to Jefferson County and the revenue from these water sales totaled \$1,502,472.

Contacting the City's Finance Department

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

City of Toronto
Jefferson County, Ohio
Statement of Net Position
December 31, 2016

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 1,955,273	\$ 3,328,886	\$ 5,284,159
Cash and Cash Equivalents in Segregated Accounts	111,397	0	111,397
Cash and Cash Equivalents with Fiscal Agents	334,651	0	334,651
Restricted Assets:			
Cash and Cash Equivalents	0	71,701	71,701
Accounts Receivable	0	581,706	581,706
Intergovernmental Receivable	1,035,095	0	1,035,095
Taxes Receivable	966,340	0	966,340
Internal Balances	(172,361)	172,361	0
Prepaid Items	28,055	38,149	66,204
Materials and Supplies Inventory	32,825	129,915	162,740
Non-Depreciable Capital Assets	228,657	479,449	708,106
Depreciable Capital Assets, Net	4,622,200	15,469,386	20,091,586
<i>Total Assets</i>	<u>9,142,132</u>	<u>20,271,553</u>	<u>29,413,685</u>
Deferred Outflows of Resources			
Pension	931,484	374,525	1,306,009
Liabilities			
Accounts Payable	14,758	48,776	63,534
Contracts Payable	0	20,400	20,400
Intergovernmental Payable	25,812	11,965	37,777
Accrued Interest Payable	939	6,683	7,622
Claims Payable	19,366	0	19,366
Matured Compensated Absences Payable	15,050	0	15,050
Customer Deposits	0	71,701	71,701
Long-Term Liabilities:			
Due Within One Year	162,422	910,088	1,072,510
Due in More Than One Year:			
Net Pension Liability (see Note 10)	3,512,215	859,786	4,372,001
Other Amounts Due in More Than One Year	1,054,151	8,470,821	9,524,972
<i>Total Liabilities</i>	<u>4,804,713</u>	<u>10,400,220</u>	<u>15,204,933</u>
Deferred Inflows of Resources			
Property Taxes Levied for the Next Year	155,270	0	155,270
Pension	38,048	16,612	54,660
<i>Total Deferred Inflows of Resources</i>	<u>193,318</u>	<u>16,612</u>	<u>209,930</u>
Net Position			
Net Investment in Capital Assets	3,983,679	6,572,690	10,556,369
Restricted for Capital Outlay	564,663	0	564,663
Restricted for Other Purposes	1,321,393	0	1,321,393
Unrestricted	(794,150)	3,656,556	2,862,406
<i>Total Net Position</i>	<u>\$ 5,075,585</u>	<u>\$ 10,229,246</u>	<u>\$ 15,304,831</u>

See accompanying notes to the basic financial statements.

City of Toronto
Jefferson County, Ohio
Statement of Activities
For the Year Ended December 31, 2016

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$ 578,672	\$ 53,420	\$ 0	\$ 0	\$ (525,252)	\$ 0	\$ (525,252)
Security of Persons and Property	1,856,844	48,471	6,644	0	(1,801,729)	0	(1,801,729)
Public Health	12,910	0	0	0	(12,910)	0	(12,910)
Leisure Time Services	251,159	84,116	9,281	0	(157,762)	0	(157,762)
Community Development	426,327	10,500	849,745	0	433,918	0	433,918
Transportation	1,485,162	0	194,586	252,695	(1,037,881)	0	(1,037,881)
Interest and Fiscal Charges	6,460	0	0	0	(6,460)	0	(6,460)
<i>Total Governmental Activities</i>	<u>4,617,534</u>	<u>196,507</u>	<u>1,060,256</u>	<u>252,695</u>	<u>(3,108,076)</u>	<u>0</u>	<u>(3,108,076)</u>
Business-Type Activities							
Water	2,251,834	2,709,136	0	0	0	457,302	457,302
Sewer	828,468	997,139	0	0	0	168,671	168,671
Refuse	483,997	415,204	0	0	0	(68,793)	(68,793)
<i>Total Business-Type Activities</i>	<u>3,564,299</u>	<u>4,121,479</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>557,180</u>	<u>557,180</u>
<i>Total Primary Government</i>	<u>\$ 8,181,833</u>	<u>\$ 4,317,986</u>	<u>\$ 1,060,256</u>	<u>\$ 252,695</u>	<u>(3,108,076)</u>	<u>557,180</u>	<u>(2,550,896)</u>
General Revenues:							
Property Taxes Levied for:							
General Purposes					113,207	0	113,207
Security of Persons and Property					29,533	0	29,533
Recreation					9,919	0	9,919
Income Taxes Levied for:							
General Purposes					2,531,685	0	2,531,685
Other Local Taxes					47,397	0	47,397
Grants and Entitlements not Restricted to Specific Programs					119,735	0	119,735
Investment Earnings					2,244	0	2,244
Miscellaneous					25,485	450	25,935
<i>Total General Revenues</i>					<u>2,879,205</u>	<u>450</u>	<u>2,879,655</u>
Transfers					(125,000)	125,000	0
<i>Change in Net Position</i>					<u>(353,871)</u>	<u>682,630</u>	<u>328,759</u>
<i>Net Position Beginning of Year</i>					<u>5,429,456</u>	<u>9,546,616</u>	<u>14,976,072</u>
<i>Net Position End of Year</i>					<u>\$ 5,075,585</u>	<u>\$ 10,229,246</u>	<u>\$ 15,304,831</u>

See accompanying notes to the basic financial statements.

City of Toronto
Jefferson County, Ohio
Balance Sheet
Governmental Funds
December 31, 2016

	General	CHIP	Titanium Way Bridge Replacement	All Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 1,093,657	\$ 7,275	\$ 49,999	\$ 785,684	\$ 1,936,615
Cash and Cash Equivalents in Segregated Accounts	0	0	111,397	0	111,397
Intergovernmental Receivable	55,944	818,466	0	160,685	1,035,095
Taxes Receivable	893,158	0	0	73,182	966,340
Interfund Receivable	59,599	0	0	0	59,599
Prepaid Items	21,799	0	0	6,256	28,055
Materials and Supplies Inventory	0	0	0	32,825	32,825
<i>Total Assets</i>	<u>\$ 2,124,157</u>	<u>\$ 825,741</u>	<u>\$ 161,396</u>	<u>\$ 1,058,632</u>	<u>\$ 4,169,926</u>
Liabilities					
Accounts Payable	\$ 11,100	\$ 0	\$ 0	\$ 3,658	\$ 14,758
Intergovernmental Payable	3,668	0	0	22,144	25,812
Interfund Payable	0	0	0	59,599	59,599
Matured Compensated Absences Payable	15,050	0	0	0	15,050
<i>Total Liabilities</i>	<u>29,818</u>	<u>0</u>	<u>0</u>	<u>85,401</u>	<u>115,219</u>
Deferred Inflows of Resources					
Property Taxes Levied for the Next Year	115,361	0	0	39,909	155,270
Unavailable Revenue	509,183	806,466	0	175,080	1,490,729
<i>Total Deferred Inflows of Resources</i>	<u>624,544</u>	<u>806,466</u>	<u>0</u>	<u>214,989</u>	<u>1,645,999</u>
Fund Balances					
Nonspendable	22,200	0	0	39,081	61,281
Restricted	0	19,275	161,396	376,528	557,199
Committed	87,785	0	0	0	87,785
Assigned	475,374	0	0	403,267	878,641
Unassigned	884,436	0	0	(60,634)	823,802
<i>Total Fund Balances</i>	<u>1,469,795</u>	<u>19,275</u>	<u>161,396</u>	<u>758,242</u>	<u>2,408,708</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 2,124,157</u>	<u>\$ 825,741</u>	<u>\$ 161,396</u>	<u>\$ 1,058,632</u>	<u>\$ 4,169,926</u>

See accompanying notes to the basic financial statements.

City of Toronto
Jefferson County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2016

Total Governmental Fund Balances		\$ 2,408,708
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		4,850,857
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds:		
Property Taxes	\$ 30,098	
Other Local Taxes	20,030	
Income Taxes	440,819	
Intergovernmental	999,782	1,490,729
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		161,582
Accrued interest payable is not due and payable in the current period and therefore not reported in the funds.		(939)
The net pension liability is not due and payable in the current period, and the net pension asset is not available for spending in the current period; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds.		
Deferred Outflows - Pension	931,484	
Deferred Inflows - Pension	(38,048)	
Net Pension Liability	(3,512,215)	(2,618,779)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Installment Loans Payable	(415,152)	
Capital Leases	(452,026)	
Compensated Absences	(349,395)	(1,216,573)
<i>Net Position of Governmental Activities</i>		\$ 5,075,585

See accompanying notes to the basic financial statements.

City of Toronto
Jefferson County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2016

	General	CHIP	Titanium Way Bridge Replacement	All Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$ 112,542	\$ 0	\$ 0	\$ 39,132	\$ 151,674
Income Taxes	2,511,231	0	0	0	2,511,231
Other Local Taxes	0	0	0	46,640	46,640
Charges for Services	0	10,500	0	84,116	94,616
Licenses and Permits	54,785	0	0	0	54,785
Fines and Forfeitures	38,452	0	0	8,654	47,106
Intergovernmental	123,863	274,045	957,268	214,415	1,569,591
Interest	1,996	0	11	18	2,025
Other	15,218	0	0	10,267	25,485
<i>Total Revenues</i>	<u>2,858,087</u>	<u>284,545</u>	<u>957,279</u>	<u>403,242</u>	<u>4,503,153</u>
Expenditures					
Current:					
General Government	647,955	0	0	0	647,955
Security of Persons and Property	1,442,618	0	0	206,967	1,649,585
Public Health	10,000	0	0	0	10,000
Leisure Time Services	10,000	0	0	185,762	195,762
Community Development	0	339,421	0	86,906	426,327
Transportation	61,370	0	957,268	453,594	1,472,232
Capital Outlay	518,129	0	0	232,574	750,703
Debt Service:					
Principal Retirement	49,165	0	0	0	49,165
Interest and Fiscal Charges	5,521	0	0	0	5,521
<i>Total Expenditures</i>	<u>2,744,758</u>	<u>339,421</u>	<u>957,268</u>	<u>1,165,803</u>	<u>5,207,250</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>113,329</u>	<u>(54,876)</u>	<u>11</u>	<u>(762,561)</u>	<u>(704,097)</u>
Other Financing Sources (Uses)					
Inception of Capital Lease	452,026	0	0	0	452,026
Transfers In	0	0	50,000	590,000	640,000
Transfers Out	(765,000)	0	0	0	(765,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(312,974)</u>	<u>0</u>	<u>50,000</u>	<u>590,000</u>	<u>327,026</u>
<i>Net Change in Fund Balance</i>	(199,645)	(54,876)	50,011	(172,561)	(377,071)
<i>Fund Balance Beginning of Year</i>	<u>1,669,440</u>	<u>74,151</u>	<u>111,385</u>	<u>930,803</u>	<u>2,785,779</u>
<i>Fund Balance End of Year</i>	<u>\$ 1,469,795</u>	<u>\$ 19,275</u>	<u>\$ 161,396</u>	<u>\$ 758,242</u>	<u>\$ 2,408,708</u>

See accompanying notes to the basic financial statements.

City of Toronto
Jefferson County, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2016*

Net Change in Fund Balances - Total Governmental Funds	\$	(377,071)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Asset Additions	\$ 843,248	
Current Year Depreciation	<u>(279,714)</u>	563,534
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	984	
Other Local Taxes	757	
Income Taxes	20,454	
Intergovernmental	<u>(136,933)</u>	(114,738)
 Repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		49,165
 In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.		
		(939)
 Inception of capital lease in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues.		
		(452,026)
 Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		256,076
 Except for amount reported as deferred inflows/outflows, changes in the net pension asset/liability are reported as pension expense in the statement of activities.		
		(457,094)
 The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the entity-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		129,030
 Compensated absences reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>50,192</u>
 <i>Change in Net Position of Governmental Activities</i>	 \$	 <u><u>(353,871)</u></u>

See accompanying notes to the basic financial statements.

City of Toronto
Jefferson County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property Taxes	\$ 118,023	\$ 111,658	\$ 112,542	\$ 884
Income Taxes	2,676,426	2,626,696	2,552,138	(74,558)
Licenses and Permits	57,453	59,653	54,785	(4,868)
Fines and Forfeitures	40,325	41,969	38,452	(3,517)
Intergovernmental	130,221	50,360	124,174	73,814
Interest	2,093	1,285	1,996	711
Other	15,959	7,515	15,218	7,703
<i>Total Revenues</i>	<u>3,040,500</u>	<u>2,899,136</u>	<u>2,899,305</u>	<u>169</u>
Expenditures				
Current:				
General Government	809,640	824,640	652,282	172,358
Security of Persons and Property	1,539,430	1,571,230	1,431,184	140,046
Public Health	12,000	12,000	10,000	2,000
Leisure Time Services	10,000	10,000	10,000	0
Transportation	115,000	115,000	64,189	50,811
Capital Outlay	82,500	82,500	66,103	16,397
Debt Service:				
Principal Retirement	49,169	49,169	49,165	4
Interest and Fiscal Charges	5,831	5,831	5,521	310
<i>Total Expenditures</i>	<u>2,623,570</u>	<u>2,670,370</u>	<u>2,288,444</u>	<u>381,926</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>416,930</u>	<u>228,766</u>	<u>610,861</u>	<u>382,095</u>
Other Financing Sources (Uses)				
Transfers Out	<u>(795,000)</u>	<u>(795,000)</u>	<u>(795,000)</u>	<u>0</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(795,000)</u>	<u>(795,000)</u>	<u>(795,000)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(378,070)	(566,234)	(184,139)	382,095
<i>Fund Balance Beginning of Year</i>	<u>1,249,215</u>	<u>1,249,215</u>	<u>1,249,215</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 871,145</u>	<u>\$ 682,981</u>	<u>\$ 1,065,076</u>	<u>\$ 382,095</u>

See accompanying notes to the basic financial statements.

City of Toronto
Jefferson County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
CHIP Fund
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Charges for Services	\$ 0	\$ 0	\$ 10,500	\$ 10,500
Intergovernmental	323,043	323,043	290,416	(32,627)
<i>Total Revenues</i>	323,043	323,043	300,916	(22,127)
Expenditures				
Current:				
Community Development	368,823	368,823	339,421	29,402
<i>Net Change in Fund Balance</i>	(45,780)	(45,780)	(38,505)	7,275
<i>Fund Balance Beginning of Year</i>	45,780	45,780	45,780	0
<i>Fund Balance End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,275</u>	<u>\$ 7,275</u>

See accompanying notes to the basic financial statements.

City of Toronto
Jefferson County, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2016

	Enterprise Funds				Total	Governmental Activities - Internal Service Fund
	Water	Sewer	Refuse	All Other Enterprise Funds		
Assets						
<i>Current Assets:</i>						
Equity in Pooled Cash and Cash Equivalents	\$ 1,635,874	\$ 1,503,836	\$ 189,176	\$ 0	\$ 3,328,886	\$ 18,658
Cash and Cash Equivalents with Fiscal Agents	0	0	0	0	0	334,651
Accounts Receivable	333,743	173,343	74,620	0	581,706	0
Prepaid Items	16,696	9,758	11,695	0	38,149	0
Materials and Supplies Inventory	108,650	21,265	0	0	129,915	0
<i>Total Current Assets</i>	<u>2,094,963</u>	<u>1,708,202</u>	<u>275,491</u>	<u>0</u>	<u>4,078,656</u>	<u>353,309</u>
<i>Non-Current Assets:</i>						
<i>Restricted Assets:</i>						
Equity in Pooled Cash and Cash Equivalents	0	0	0	71,701	71,701	0
Non-Depreciable Capital Assets	23,904	455,545	0	0	479,449	0
Depreciable Capital Assets, Net	13,218,724	2,101,546	149,116	0	15,469,386	0
<i>Total Non-Current Assets</i>	<u>13,242,628</u>	<u>2,557,091</u>	<u>149,116</u>	<u>71,701</u>	<u>16,020,536</u>	<u>0</u>
<i>Total Assets</i>	<u>15,337,591</u>	<u>4,265,293</u>	<u>424,607</u>	<u>71,701</u>	<u>20,099,192</u>	<u>353,309</u>
Deferred Outflows of Resources						
Pension	180,631	105,916	87,978	0	374,525	0
Liabilities						
<i>Current Liabilities:</i>						
Accounts Payable	38,695	6,886	3,195	0	48,776	0
Contracts Payable	0	20,400	0	0	20,400	0
Intergovernmental Payable	5,705	3,542	2,718	0	11,965	0
Accrued Interest Payable	0	0	6,683	0	6,683	0
Claims Payable	0	0	0	0	0	19,366
Compensated Absences Payable	9,567	4,641	4,139	0	18,347	0
Capital Leases Payable	0	73,004	0	0	73,004	0
Loans Payable	0	0	20,546	0	20,546	0
OPWC Loans Payable	6,500	0	0	0	6,500	0
OWDA Loans Payable	778,859	12,832	0	0	791,691	0
<i>Total Current Liabilities</i>	<u>839,326</u>	<u>121,305</u>	<u>37,281</u>	<u>0</u>	<u>997,912</u>	<u>19,366</u>
<i>Long-Term Liabilities:</i>						
Compensated Absences Payable - Net of Current Portion	69,569	2,797	15,350	0	87,716	0
Capital Leases Payable - Net of Current Portion	0	230,600	0	0	230,600	0
OPWC Loans Payable - Net of Current Portion	175,500	0	0	0	175,500	0
OWDA Loans Payable - Net of Current Portion	7,595,773	381,232	0	0	7,977,005	0
Customer Deposits	0	0	0	71,701	71,701	0
Net Pension Liability (see Note 10)	414,669	243,148	201,969	0	859,786	0
<i>Total Long-Term Liabilities</i>	<u>8,255,511</u>	<u>857,777</u>	<u>217,319</u>	<u>71,701</u>	<u>9,402,308</u>	<u>0</u>
<i>Total Liabilities</i>	<u>9,094,837</u>	<u>979,082</u>	<u>254,600</u>	<u>71,701</u>	<u>10,400,220</u>	<u>19,366</u>
Deferred Inflows of Resources						
Pension	8,012	4,698	3,902	0	16,612	0
Net Position						
Net Investment in Capital Assets	4,685,994	1,758,125	128,571	0	6,572,690	0
Unrestricted	1,729,379	1,629,304	125,512	0	3,484,195	333,943
<i>Total Net Position</i>	<u>\$ 6,415,373</u>	<u>\$ 3,387,429</u>	<u>\$ 254,083</u>	<u>\$ 0</u>	<u>10,056,885</u>	<u>\$ 333,943</u>

Some amounts reported for business-type activities in the statement of net position are different because internal service fund assets and liabilities are included with business-type activities

	172,361
Net Position of business-type activities	\$ 10,229,246

See accompanying notes to the basic financial statements.

City of Toronto
Jefferson County, Ohio
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2016

	Enterprise Funds				Governmental Activities - Internal Service Fund	
	Water	Sewer	Refuse	All Other Enterprise Funds		Totals
Operating Revenues						
Charges for Services	\$ 2,709,136	\$ 997,139	\$ 415,204	\$ 0	\$ 4,121,479	\$ 627,811
Other	450	0	0	0	450	1,157
<i>Total Operating Revenues</i>	<u>2,709,586</u>	<u>997,139</u>	<u>415,204</u>	<u>0</u>	<u>4,121,929</u>	<u>628,968</u>
Operating Expenses						
Personal Services	574,070	521,805	305,796	0	1,401,671	0
Contractual Services	735,738	202,580	174,754	0	1,113,072	151,642
Materials and Supplies	298,526	51,104	5,466	0	355,096	0
Claims	0	0	0	0	0	208,913
Depreciation	456,874	93,907	28,358	0	579,139	0
<i>Total Operating Expenses</i>	<u>2,065,208</u>	<u>869,396</u>	<u>514,374</u>	<u>0</u>	<u>3,448,978</u>	<u>360,555</u>
<i>Operating Income (Loss)</i>	<u>644,378</u>	<u>127,743</u>	<u>(99,170)</u>	<u>0</u>	<u>672,951</u>	<u>268,413</u>
Non-Operating Revenues (Expense)						
Interest	0	0	0	0	0	248
Interest and Fiscal Charges	(243,376)	(3,755)	(7,821)	0	(254,952)	0
<i>Income (Loss) Before Transfers</i>	401,002	123,988	(106,991)	0	417,999	268,661
Transfers In	0	0	125,000	0	125,000	0
<i>Change in Net Position</i>	401,002	123,988	18,009	0	542,999	268,661
<i>Net Position Beginning of Year</i>	<u>6,014,371</u>	<u>3,263,441</u>	<u>236,074</u>	<u>0</u>		<u>65,282</u>
<i>Net Position End of Year</i>	<u>\$ 6,415,373</u>	<u>\$ 3,387,429</u>	<u>\$ 254,083</u>	<u>\$ 0</u>		<u>\$ 333,943</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:					<u>139,631</u>	
Changes in Net Position of Business-Type Activities					<u>\$ 682,630</u>	

See accompanying notes to the basic financial statements.

City of Toronto
Jefferson County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2016

	Enterprise Funds				Totals	Governmental Activities - Internal Service Fund
	Water	Sewer	Refuse	All Other Enterprise Funds		
Cash Flows from Operating Activities						
Cash Received from Customers	\$ 2,674,042	\$ 965,162	\$ 399,927	\$ 0	\$ 4,039,131	\$ 679,849
Cash Received from Other Operating Receipts	450	0	0	20,000	20,450	1,157
Cash Payments to Suppliers for Goods and Services	(301,364)	(58,462)	(5,466)	0	(365,292)	0
Cash Payments to Employees for Services and Benefits	(585,792)	(445,823)	(328,975)	0	(1,360,590)	0
Cash Payments for Contractual Services	(738,790)	(200,273)	(175,195)	(21,136)	(1,135,394)	(151,642)
Claims Paid	0	0	0	0	0	(194,934)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>1,048,546</u>	<u>260,604</u>	<u>(109,709)</u>	<u>(1,136)</u>	<u>1,198,305</u>	<u>334,430</u>
Cash Flows from Noncapital Financing Activities						
Interest	0	0	0	0	0	248
Transfers In	0	0	125,000	0	125,000	0
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>0</u>	<u>0</u>	<u>125,000</u>	<u>0</u>	<u>125,000</u>	<u>248</u>
Cash Flows from Capital and Related Financing Activities						
Proceeds of OWDA Loans	0	85,021	0	0	85,021	0
Acquisition of Capital Assets	(24,258)	(205,748)	0	0	(230,006)	0
Principal Payments on Debt and Leases	(761,643)	(118,767)	(19,985)	0	(900,395)	0
Interest Payments on Debt	(243,376)	(3,755)	(1,138)	0	(248,269)	0
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(1,029,277)</u>	<u>(243,249)</u>	<u>(21,123)</u>	<u>0</u>	<u>(1,293,649)</u>	<u>0</u>
<i>Net Increase in Cash and Cash Equivalents</i>	19,269	17,355	(5,832)	(1,136)	29,656	334,678
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>1,616,605</u>	<u>1,486,481</u>	<u>195,008</u>	<u>72,837</u>	<u>3,370,931</u>	<u>18,631</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 1,635,874</u>	<u>\$ 1,503,836</u>	<u>\$ 189,176</u>	<u>\$ 71,701</u>	<u>\$ 3,400,587</u>	<u>\$ 353,309</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities						
Operating Income (Loss)	\$ 644,378	\$ 127,743	\$ (99,170)	\$ 0	\$ 672,951	\$ 268,413
Adjustments:						
Depreciation	456,874	93,907	28,358	0	579,139	0
(Increase) Decrease in Assets and Deferred Outflows:						
Accounts Receivable	(35,094)	(31,977)	(15,277)	0	(82,348)	52,038
Prepaid Items	(347)	(84)	(211)	0	(642)	0
Materials and Supplies Inventory	(9,550)	0	0	0	(9,550)	0
Net Pension Asset	945	228	455	0	1,628	0
Deferred Outflows - Pension	(127,562)	(93,133)	(62,406)	0	(283,101)	0
Increase (Decrease) in Liabilities and Deferred Inflows:						
Accounts Payable	9,350	(5,606)	(734)	0	3,010	0
Accrued Wages	(11,106)	(8,754)	(8,065)	0	(27,925)	0
Contracts Payable	(6,500)	0	0	0	(6,500)	0
Customer Deposits	0	0	0	(1,136)	(1,136)	0
Compensated Absences Payable	6,590	2,343	(12,003)	0	(3,070)	0
Intergovernmental Payable	(3,721)	(30)	(2,745)	0	(6,496)	0
Claims Payable	0	0	0	0	0	13,979
Deferred Inflows - Pension	2,577	3,389	1,283	0	7,249	0
Net Pension Liability	121,712	172,578	60,806	0	355,096	0
<i>Net Cash Provided by (Used For) Operating Activities</i>	<u>\$ 1,048,546</u>	<u>\$ 260,604</u>	<u>\$ (109,709)</u>	<u>\$ (1,136)</u>	<u>\$ 1,198,305</u>	<u>\$ 334,430</u>

Noncash Capital Financing Activities:

The City purchased \$20,400 and \$28,524 of sewer fund capital assets on account in 2016 and 2015, respectively.

The sewer fund leased a Vacuum truck in the amount of \$384,502 for the sewer department in 2016.

See accompanying notes to the basic financial statements.

City of Toronto
Jefferson County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION

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

Reporting Entity

In evaluating how to define the City for financial reporting purposes, management has considered all agencies, departments, and organizations making up the City (the primary government) and its potential component units consistent with Government Accounting Standards Board Statements No. 14, *The Financial Reporting Entity*, No. 39, *Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No. 14*, and No. 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*.

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

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

The City is involved with the Ohio Mid-Eastern Governments Association and the Jefferson-Belmont Joint Solid Waste Authority, which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 17.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The most significant of the City's accounting policies are described below.

City of Toronto
Jefferson County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

A. Basis of Presentation

The City'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 City as a whole. These statements include the financial activities of the primary government. The activity of the internal service fund is also eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type.

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

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

B. Fund Accounting

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

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

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

CHIP Fund - The CHIP grant special revenue fund is used to account for grants for community and economic development activities and assistance.

City of Toronto
Jefferson County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Titanium Way Bridge Replacement Fund - The Titanium Way Bridge Replacement fund accounts for financial resources and expenditures for the engineering and construction of the bridge replacement which is funded by the Ohio Department of Transportation and the City.

The other governmental funds of the City account for grants and other resources to which the City is bound to observe constraints imposed upon the use of the resources.

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

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

Water Fund – The water fund accounts for the provision of water service to the residents and commercial users located within the City.

Sewer Fund – The sewer fund accounts for the provision of sanitary sewer service to the residents and commercial users located within the City.

Refuse Fund – The refuse fund accounts for the provision of trash disposal for the residents and commercial users located within the City.

The other enterprise fund of the City accounts for activity related to customer utility deposits.

Internal Service Fund – Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service fund accounts for the City's self-insurance program providing medical, surgical and dental insurance to its employees. The City participates in the Jefferson Health Plan, as described in Note 12.

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 liabilities and deferred inflows of resources associated with the operation of the City are included on the Statement of Net Position. The Statement of Activities presents increases (e.g. revenues) and decreases (e.g. expenses) in 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 (e.g. revenues and other financing sources) and uses (e.g. 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.

City of Toronto
Jefferson County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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

D. Basis of Accounting

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

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

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

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

Deferred Inflows of Resources and Deferred Outflows of Resources In addition to assets, the statements of financial position 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. For the City, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 10.

City of Toronto
Jefferson County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

In addition to liabilities, the statements of financial position 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 until that time. For the City, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2016, but which were levied to finance 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, intergovernmental grants and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 10)

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

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

E. Cash and Cash Equivalents

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

Investments are reported at fair value which is based on quoted market prices, with the exception of nonparticipating certificates of deposit and repurchase agreements, which are reported at cost. Investment procedures are restricted by the provisions of the Ohio Revised Code.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the City are presented on the financial statements as "equity in pooled cash and cash equivalents." Investments with an original maturity of more than three months that are not made from the pool are reported as "investments." The City has no investments.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2016 amounted to \$1,996, which includes \$1,555 assigned from other City funds.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2016 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the payment and an expenditure/expense is reported in the year in which services are consumed.

G. Materials and Supplies Inventory

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

City of Toronto
Jefferson County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

H. Restricted Assets

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

I. Capital Assets

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

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Buildings	25-50 Years	50 Years
Land Improvements	15-50 Years	15-50 Years
Equipment	10-25 Years	10-25 Years
Vehicles	8-40 Years	10-20 Years
Infrastructure	25 Years	50-100 Years

The City's infrastructure consists of roads, bridges, curbs and gutters, sidewalks, drainage systems, lighting systems and water and sewer lines. The City did not record general infrastructure assets in governmental activities prior to December 31, 2002.

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

City of Toronto
Jefferson County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

J. Interfund Balances

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables." Interfund balance amounts are eliminated in the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

K. Compensated Absences

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

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

L. Accrued Liabilities and Long-term Obligations

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

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

M. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

N. Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

City of Toronto
Jefferson County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Nonspendable – The nonspendable fund balance category 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” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

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 fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of City Council. Those committed amounts cannot be used for any other purpose unless Council 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 fund balance classification are intended to be used by the City 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 policies of the City. The City has by resolution authorized the Auditor to assign fund balance. The City may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

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 City applies restricted resources first when expenditures are 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 could be used.

O. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets 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 is reported as restricted when there are limitations imposed on their use either through constitutional provisions, enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

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P. Operating Revenues and Expenses

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

Q. Interfund Activity

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

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2016.

S. 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.

T. Budgetary Data

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

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

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

U. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, of grants or outside contributions of resources restricted to capital acquisition and construction.

V. Implementation of New Accounting Policies and Restatement of Net Position

For the year ended December 31, 2016, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, GASB Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the City.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the City.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the City.

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The implementation of this statement did not result in any change in the City's financial statements as the City does not have any material GASB Statement No. 77 tax abatements.

GASB Statement No. 78 amends the scope of GASB Statement No. 68 to exclude certain multiple-employer defined benefit pension plans provided to employees of state and local governments on the basis that obtaining the measurements and other information required by GASB Statement No. 68 was not feasible. The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the City.

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GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the City

W. Accountability and Compliance – Fund Deficit

The fund deficit at December 31, 2016 of \$60,634 in the Other Grants Fund arose from the recognition of expenditures on the modified accrual basis that are greater than expenditures recognized on the budgetary/cash basis. Deficits do not exist under the budgetary/cash basis of accounting. Transfers are provided when cash is required, not when accruals occur.

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Some funds are included in the general fund, (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

	General Fund	CHIP Fund
GAAP Basis	\$ (199,645)	\$ (54,876)
Net Adjustment for Revenue Accruals	(410,808)	16,371
Net Adjustment for Expenditure Accruals	426,213	0
Funds Budgeted Elsewhere*	101	0
Budget Basis	\$ (184,139)	\$ (38,505)

* As part of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes unclaimed monies, police severance and fire severance funds.

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NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the City into three categories.

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

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

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio and STAR Plus);
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in any amount not to exceed forty percent of the interim monies available for investment at any one time; and

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

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

According to State law, uninsured public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the City's name. During 2016, the City and public depositories complied with the provisions of these statutes.

Deposits with Financial Institutions

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

At year-end, the carrying amount of the City's deposits was \$5,467,257. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of December 31, 2016, \$5,261,369 of the City's bank balance of \$5,554,792 was exposed to custodial risk as discussed above, while \$293,423 was covered by the Federal Deposit Insurance Corporation.

Funds Held by Fiscal Agent

The City participates in the Jefferson Health Plan for employee benefits. The amount held at fiscal year end for the employee benefit self-insurance fund was \$334,651. All benefit deposits are made to the consortium's depository account. Collateral is held by a qualified third-party trustee in the name of the consortium.

NOTE 5 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2016 for real and public utility property taxes represents collections of the 2015 taxes.

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2016 real property taxes were levied after October 1, 2016 on the assessed value as of January 1, 2016, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2016 real property taxes are collected in and intended to finance 2017.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2016 public utility property taxes which became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2016, was \$3.40 per \$1,000 of assessed valuation. The assessed values of real property and public utility tangible property upon which 2016 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Property	\$ 53,606,970
Public Utilities - Real	36,530
Public Utilities - Personal	<u>3,800,340</u>
Total Assessed Value	<u>\$ 57,443,840</u>

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2016, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2016 operations is offset to deferred inflows of resources – property taxes levied for the next year. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

NOTE 6 - RECEIVABLES

Receivables at December 31, 2016 consisted of taxes, accounts (billings for user charged services including unbilled utility services), and intergovernmental receivables arising from grants and shared revenues. All receivables are deemed collectible in full.

NOTE 7 – INCOME TAX

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

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

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NOTE 8 – CAPITAL ASSETS

A summary of changes in capital assets during 2016 follows:

	Balance 12/31/2015	Additions	Deletions	Balance 12/31/2016
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 140,000	\$ 0	\$ 0	\$ 140,000
Work of Art	17,500	0	0	17,500
Construction in Progress	0	71,157	0	71,157
<i>Total Capital Assets Not Being Depreciated</i>	<u>157,500</u>	<u>71,157</u>	<u>0</u>	<u>228,657</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings	1,488,940	44,178	0	1,533,118
Land Improvements	1,216,113	111,476	0	1,327,589
Equipment	637,422	43,933	0	681,355
Vehicles	1,731,823	523,004	0	2,254,827
Infrastructure	2,315,332	49,500	0	2,364,832
<i>Total Capital Assets, Being Depreciated</i>	<u>7,389,630</u>	<u>772,091</u>	<u>0</u>	<u>8,161,721</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	(603,003)	(32,318)	0	(635,321)
Land Improvements	(1,019,796)	(36,903)	0	(1,056,699)
Equipment	(253,640)	(44,847)	0	(298,487)
Vehicles	(862,857)	(72,373)	0	(935,230)
Infrastructure	(520,511)	(93,273)	0	(613,784)
<i>Total Accumulated Depreciation</i>	<u>(3,259,807)</u>	<u>(279,714) *</u>	<u>0</u>	<u>(3,539,521)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>4,129,823</u>	<u>492,377</u>	<u>0</u>	<u>4,622,200</u>
<i>Total Governmental Activities Capital Assets, Net</i>	<u>\$ 4,287,323</u>	<u>\$ 563,534</u>	<u>\$ 0</u>	<u>\$ 4,850,857</u>

*Depreciation expense was charged to governmental functions as follows:

General Government	\$ 23,792
Leisure Time Services	52,467
Security of Persons and Property	71,977
Transportation	128,667
Public Health	2,811
Total	<u>\$ 279,714</u>

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	Balance 12/31/2015	Additions	Deletions	Balance 12/31/2016
Business-Type Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 43,904	\$ 0	\$ 0	\$ 43,904
Construction in Progress	237,921	197,624	0	435,545
<i>Total Capital Assets Not Being Depreciated</i>	<u>281,825</u>	<u>197,624</u>	<u>0</u>	<u>479,449</u>
 <i>Capital Assets, Being Depreciated:</i>				
Buildings	11,362,408	0	0	11,362,408
Improvements	1,756,420	0	0	1,756,420
Equipment	2,608,394	0	0	2,608,394
Vehicles	606,390	408,760	0	1,015,150
Infrastructure				
Water Lines	4,006,520	0	0	4,006,520
Sewer Lines	1,370,546	0	0	1,370,546
<i>Total Capital Assets, Being Depreciated</i>	<u>21,710,678</u>	<u>408,760</u>	<u>0</u>	<u>22,119,438</u>
 <i>Less Accumulated Depreciation:</i>				
Buildings	(2,778,167)	(227,848)	0	(3,006,015)
Improvements	(261,344)	(27,661)	0	(289,005)
Equipment	(1,422,077)	(157,343)	0	(1,579,420)
Vehicles	(447,757)	(60,850)	0	(508,607)
Infrastructure				
Water Lines	(934,674)	(80,130)	0	(1,014,804)
Sewer Lines	(226,894)	(25,307)	0	(252,201)
<i>Total Accumulated Depreciation</i>	<u>(6,070,913)</u>	<u>(579,139)</u>	<u>0</u>	<u>(6,650,052)</u>
 <i>Total Capital Assets Being Depreciated, Net</i>	 <u>15,639,765</u>	 <u>(170,379)</u>	 <u>0</u>	 <u>15,469,386</u>
 <i>Total Business-Type Activities Capital Assets, Net</i>	 <u>\$ 15,921,590</u>	 <u>\$ 27,245</u>	 <u>\$ 0</u>	 <u>\$ 15,948,835</u>

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Notes to the Basic Financial Statements
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NOTE 9 - RISK MANAGEMENT

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

The City belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

<u>Casualty and Property Coverage</u>	<u>2016</u>
Assets	\$ 42,182,281
Liabilities	<u>(13,396,700)</u>
Net Position	<u>\$ 28,785,581</u>

At December 31, 2016 the liabilities above include approximately \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the City's share of these unpaid claims collectible in future years is approximately \$81,000.

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

Contributions to PEP

2014	\$ 122,127
2015	127,877
2016	128,084

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

Settlements have not exceeded coverage in any of the last three fiscal years. There has not been a significant reduction in coverage from the prior year.

The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs to provide coverage to employees for job and other related injuries.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the City's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

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Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

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When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
2016 Statutory Maximum Contribution Rates	
Employer	14.00 %
Employee	10.00 %
2016 Actual Contribution Rates	
Employer:	
Pension	12.00 %
Post-employment Health Care Benefits	2.00
Total Employer	14.00 %
Employee	10.00 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$140,064 for 2016. Of this amount, \$13,389 is reported as an intergovernmental payable.

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

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The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit. Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
2016 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 2016 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
 Employee	 12.25 %	 12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$199,135 for 2016. Of this amount \$19,241 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2015, and was determined by rolling forward the total pension liability as of January 1, 2015, to December 31, 2015. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

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	OPERS		Total
	Traditional Plan	OPF	
Proportionate Share of the Net Pension Liability	\$ 1,448,750	\$ 2,923,251	\$ 4,372,001
Proportion of the Net Pension Liability	0.00836400%	0.04544100%	
Pension Expense	\$ 226,615	\$ 394,474	\$ 621,089

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS		Total
	Traditional Plan	OPF	
Deferred Outflows of Resources			
Net Difference between Projected and Actual			
Earnings on Pension Plan Investments	\$ 425,842	\$ 475,794	\$ 901,636
Changes in Proportionate Share	65,174	0	65,174
City Contributions Subsequent to the Measurement Date	140,064	199,135	339,199
Total Deferred Outflows of Resources	<u>\$ 631,080</u>	<u>\$ 674,929</u>	<u>\$ 1,306,009</u>
Deferred Inflows of Resources			
Differences between Expected and Actual Experience			
Changes in Proportionate Share	\$ 27,993	\$ 8,208	\$ 36,201
Total Deferred Inflows of Resources	<u>\$ 27,993</u>	<u>\$ 26,667</u>	<u>\$ 54,660</u>

\$339,199 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability or addition of the net pension asset in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS		Total
	Traditional Plan	OPF	
2017	\$ 123,207	\$ 120,150	\$ 243,357
2018	130,015	120,150	250,165
2019	113,432	120,151	233,583
2020	96,369	94,787	191,156
2021	0	(5,139)	(5,139)
Thereafter	0	(972)	(972)
	<u>\$ 463,023</u>	<u>\$ 449,127</u>	<u>\$ 912,150</u>

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<u>Actuarial Information</u>	<u>Traditional Pension Plan</u>
Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 percent to 10.05 percent, including wage inflation at 3.75 percent
COLA or Ad Hoc COLA	3.00 percent, simple
Investment Rate of Return	8.00 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.40 percent for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other Investments	18.00	4.59
Total	100.00 %	5.27 %

Discount Rate The discount rate used to measure the total pension liability was eight percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of eight percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (seven percent) or one-percentage-point higher (nine percent) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
City's proportionate share of the net pension liability:	\$ 2,308,213	1,448,750	\$ 723,821

Actuarial Assumptions – OPF

OPF's total pension liability as of December 31, 2015 is based on the results of an actuarial valuation date of January 1, 2015, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2015, are presented below:

Valuation Date	January 1, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11.00 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent, simple

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2015 are summarized below:

<u>Asset Class</u>	Target Allocation	10 Year Expected Real Rate of Return**	30 Year Expected Real Rate of Return**
Domestic Equity	16.00	4.47 %	7.80 %
Non-US Equity	16.00	4.47	8.00
Core Fixed Income*	20.00	1.62	5.35
Global Inflation Protected*	20.00	1.33	4.73
High Yield	15.00	3.39	7.21
Real Estate	12.00	3.93	7.43
Private Markets	8.00	6.98	10.73
Timber	5.00	4.92	7.35
Master Limited Partnerships	8.00	7.03	10.75
Total	<u>120.00</u> %		

Note: Assumptions are geometric.

* levered 2x

** Numbers include inflation

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OPF’s Board of Trustees has incorporated the “risk parity” concept into OPF’s asset liability valuation with the goal of reducing equity risk exposure, which reduces overall total portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the total portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability:	\$ 3,855,377	\$ 2,923,251	\$ 2,133,649

NOTE 11: POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan – a cost sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains two cost-sharing multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2015 CAFR details.

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The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible benefit recipients. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, State and Local employers contributed at a rate of 14.0 percent of earnable salary and Public Safety and Law Enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee’s Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016 as recommended by OPERS’ actuary. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2016 was 4.0 percent.

The City’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2016, 2015, and 2014 were \$23,344, \$19,352 and \$38,670, respectively. For 2016, 90 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2015 and 2014.

Ohio Police and Fire Pension Fund

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OPF. OPF provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OPF provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of an Other Post-employment Benefit (OPEB) as described in GASB Statement 45.

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The Ohio Revised Code allows, but does not mandate, OPF to provide OPEB benefits. Authority for the OPF Board of Trustees to provide healthcare coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OPF issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OPF, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OPF's website at www.op-f.org.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF defined benefit pension plan. Participating employers are required Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24.0 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OPF maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OPF Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contribution allocated to health care was 0.5 percent of covered payroll from January 1, 2016 through December 31, 2016. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OPF Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OPF, which were allocated to fund post-employment health care benefits, for police and firefighters were \$3,265 and \$1,597 for the year ended December 31, 2016, \$3,129 and \$1,618 for the year ended December 31, 2015, and \$40,861 and \$22,087 for the year ended December 31, 2014. 91 percent has been contributed for police and 89 percent has been contributed for firefighters for 2016. The full amount has been contributed for 2015 and 2014.

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. Additional Insurance

The City provides life insurance and accidental death and dismemberment insurance to full time employees. The policy is in the amount of \$15,000 life insurance and \$15,000 accidental death and dismemberment. All employees can purchase life insurance from the City up to \$65,000.

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Medical, surgical and dental insurance is offered to all employees through a self insurance internal service fund. The City is a member of the Jefferson Health Plan, a public entity risk management, insurance, and claims servicing pool, consisting of cities and other public entities across the state, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the City's behalf. The claims liability of \$19,366 reported in the internal service fund at December 31, 2016, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Change in fund's claims liability for 2016 is as follows:

		<u>Balance at Beginning of Year</u>		<u>Current Year Claims</u>		<u>Claim Payments</u>		<u>Balance at End of Year</u>
2016	\$	5,387	\$	208,913	\$	194,934	\$	19,366
2015	\$	0	\$	27,082	\$	21,695	\$	5,387

B. Compensated Absences

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn vacation time based on the length of service. Typically, vacation cannot be carried over, however, unforeseen circumstances may come into play and the mayor may elect to permit an employee to carryover minimal vacation time. Sick leave is accumulated at a rate of 4.6 hours per each 80 hours worked. For employees that work less than a 40 hour work week, the sick leave accumulation is prorated based on 4.6 hours per 80 hours worked. All accumulated, unused vacation time and personal days are paid upon separation if the employee has acquired at least one year of service with the City. Upon separation, AFSCME members are paid for a maximum of 220 days of accumulated sick time provided they have ten years of service with the City. Police are paid one-half of accumulated sick time with no maximum provided they have ten years of service with the City. Upon separation, firefighters are paid for half of all accumulated sick time provided they have ten years of service with the City. As of December 31, 2016, the liability for unpaid compensated absences was \$455,458.

NOTE 13 – INTERFUND BALANCES AND TRANSFERS

A. Interfund Receivables/Payables

	<u>Interfund Payable</u> Non Major Governmental Funds
<u>Interfund Receivable</u>	
General	<u>\$ 59,599</u>

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The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by December 31, 2016. The outstanding advance is expected to be repaid once the anticipated revenues are received.

B. Transfers

The City made the following transfers during 2016:

	Transfers In	Transfers Out
Major Governmental Funds:		
General	\$ 0	\$ 765,000
Titanium Way Bridge Replacement	50,000	0
Nonmajor Governmental Funds:		
Recreation	90,000	0
Police Pension	105,000	0
Fire Pension	70,000	0
Street Maintenance and Repair	125,000	0
Capital Improvement	200,000	0
Total Governmental Funds	640,000	765,000
Enterprise Funds:		
Refuse	125,000	0
Total	\$ 765,000	\$ 765,000

The General Fund transferred \$765,000 to various other governmental funds and the refuse fund to distribute income tax revenue.

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NOTE 14 - LONG-TERM OBLIGATIONS

Changes in long-term obligations during the year ended December 31, 2016, consisted of the following:

	Outstanding 12/31/2015	Additions	Reductions	Outstanding 12/31/2016	Amounts Due In One Year
Governmental Activities					
Installment Loan-City Building	\$ 464,317	\$ 0	\$ (49,165)	\$ 415,152	\$ 49,783
Compensated Absences	399,587	45,873	(96,065)	349,395	52,929
Capital Lease	0	452,026	0	452,026	59,710
Net Pension Liability	2,782,361	729,854	0	3,512,215	0
Total Governmental Activities	\$ 3,646,265	\$ 1,227,753	\$ (145,230)	\$ 4,728,788	\$ 162,422
Business-Type Activities					
Water Treatment Plant OWDA Loan	\$ 8,130,264	\$ 0	\$ (699,900)	\$ 7,430,364	\$ 722,902
Water Treatment OWDA Plant Lagoons	412,503	0	(39,423)	373,080	39,819
Waterline Replacement OWDA Loan	587,008	0	(15,820)	571,188	16,138
Combined Sewer Separation OWDA Loan	197,228	0	(12,705)	184,523	12,832
Waste Water Treatment Plant OWDA Loan	149,684	85,021	(25,164)	209,541	0
Total OWDA loans	9,476,687	85,021	(793,012)	8,768,696	791,691
Waterline Replacement OPWC Loan	188,500	0	(6,500)	182,000	6,500
Garbage Packer Loan	40,531	0	(19,985)	20,546	20,546
Capital Lease	0	384,502	(80,898)	303,604	73,004
Compensated Absences	109,133	7,681	(10,751)	106,063	18,347
Net Pension Liability	504,690	355,096	0	859,786	0
Total Business-Type Activities	\$ 10,319,541	\$ 832,300	\$ (911,146)	\$ 10,240,695	\$ 910,088

The installment loan for the City building will be paid from the general fund. In the business-type activities, the OWDA loans and OPWC loan will be paid from revenues derived from charges for services in the water and sewer funds. The garbage packer loan will be paid from the refuse fund. Capital leases will be paid from the general fund and the sewer fund. Compensated absences will be paid from the fund from which the employees' salaries are paid. The City pays obligations related to employee compensation from the fund benefitting from their service.

In 2007, the City entered into an installment loan agreement with Consumers National Bank for the purchase of the new City building. The principal amount of the loan was \$894,981 and the interest rate is currently 1.25 percent. The loan will mature in December of 2024.

In 2007, the City entered into contractual agreements with the Ohio Water Development Authority (OWDA) to construct a new water treatment plant. The City had drawn down the full amount of \$13,534,834. The City had also incurred capitalized interest of \$479,344. The City began to repay the loan in 2007.

City of Toronto
Jefferson County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

In 2005 the City was awarded a new loan from the Ohio Water Development Authority (OWDA) in the amount of \$785,842. The proceeds of this loan are being used to construct water treatment plant lagoons. As of December 31, 2016, the City had received \$781,822 from OWDA. In addition to the draw down, the City has incurred capitalized interest of \$4,020. The City began to repay this loan in July 2006.

During 2010, the City entered into a contractual agreement with the Ohio Water Development Authority (OWDA) for a loan to begin a project mandated by the U.S. EPA and the Ohio EPA to eliminate sanitary sewer overflows into the Ohio River. As of December 31, 2014, the City had drawn down the full amount of \$264,886. In addition to this loan, the City was awarded proceeds of \$468,882 as part of the American Recovery and Reinvestment Act (ARRA) and an equal amount of debt was forgiven. The OWDA loan has an interest rate of 1 percent and the City made the first payment in December of 2010. The loan matures on July 1, 2030.

During 2013, the City entered into a contractual agreement with the Ohio Water Development Authority (OWDA) for a loan to begin a waterline replacement project. The total award amount of the loan was \$877,906, which includes \$260,635 to be forgiven as part of the American Recovery and Reinvestment Act (ARRA). In 2013, the City drew down \$328,957, of which \$200,498 was forgiven. In 2014, the City drew down an additional \$375,784, of which \$30,347 was forgiven. In 2015, the City drew down an additional \$143,375, of which \$29,791 was forgiven. The OWDA loan has an interest rate of 2 percent and the City made the first payment in July of 2014. The loan matures on January 1, 2044.

Additional funding for the waterline project was provided by the Ohio Public Water Commission (OPWC) in the amount of a \$195,000 loan with no interest. The City made the first payment in June 2015. The loan matures on January 1, 2044.

During 2013, the City entered into a loan agreement with U.S. Bank for \$100,000 for the purpose of purchasing a new garbage packer. The loan agreement is for a period of five years and the interest rate is 2.81 percent. The loan matures on October 28, 2017.

During 2014, the City entered into a contractual agreement with the Ohio Water Development Authority (OWDA) for a loan, in the amount of \$202,822 to begin waste water treatment plant improvements. As of December 31, 2016 the City had drawn down \$244,713. In addition to the draw down, the City had capitalized interest in the amount of \$529. The City made the first payment on this loan on January 1, 2016. The loan matures on July 1, 2020. This loan is not fully disbursed and there is no amortization schedule available. Therefore, it is not included in the following amortization table.

City of Toronto
Jefferson County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2016 are as follows:

Governmental Activities		
Year	Installment Loan-City Building	
	Principal	Interest
2017	\$ 49,783	\$ 4,903
2018	50,409	4,278
2019	51,043	3,644
2020	51,684	3,002
2021	52,334	2,352
2022-2024	159,899	3,072
	\$ 415,152	\$ 21,251

Business-Type Activities					
Year	OWDA Loans		OPWC Loan	Installment Loan - Packer	
	Principal	Interest	Principal	Principal	Interest
2017	\$ 791,691	\$ 234,321	\$ 6,500	\$ 20,546	\$ 577
2018	816,302	211,605	6,500	0	0
2019	841,706	188,159	6,500	0	0
2020	867,927	163,958	6,500	0	0
2021	894,994	138,979	6,500	0	0
2022-2026	3,901,885	298,426	65,000	0	0
2027-2031	152,747	35,922	65,000	0	0
2032-2036	113,220	24,188	19,500	0	0
2037-2041	125,065	12,343	0	0	0
2042-2044	53,617	1,347	0	0	0
	\$ 8,559,155	\$ 1,309,248	\$ 182,000	\$ 20,546	\$ 577

NOTE 15 - CAPITAL LEASES – LESSEE DISCLOSURE

In 2016 the City entered into capitalized leases for a fire truck and a vacuum truck. The leases meet the criteria of a capital lease and have been recorded as capital assets on the government-wide statements. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reported as security of persons and property for the general fund expenditures on the budgetary statements.

Capital assets acquired by lease were initially capitalized in the amount of \$452,026 for governmental activities and \$384,502 for business-type activities, which is equal to the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation in the vehicles asset class for governmental activities was \$942 as of December 31, 2016, leaving a current book value of \$451,084. Accumulated depreciation in the vehicles asset class for business type activities was \$32,042 as of December 31, 2016, leaving a current book value of \$352,460. Corresponding liabilities were recorded on the Statement of Net Position for governmental activities. Principal payments in 2016 totaled \$80,898 in the business-type activities. There were no principal payments due for governmental activities during 2016.

City of Toronto
Jefferson County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2016:

		Governmental Activities	Business-Type Activities
Year ending December 31,	2017	\$ 71,465	\$ 80,898
	2018	71,465	80,898
	2019	71,465	80,898
	2020	71,465	80,898
	2021	71,465	0
	2022-2023	142,927	0
Minimum lease payments		500,252	323,592
Less: amount representing interest		(48,226)	(19,988)
Present value of net minimum lease payments		<u>\$ 452,026</u>	<u>\$ 303,604</u>

NOTE 16 – FUND BALANCE

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City 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 as follows:

	General	CHIP	Titanium Way Bridge Replacement	Other Governmental Funds	Total
Nonspendable for:					
Prepaid Items	\$ 21,799	\$ 0	\$ 0	\$ 6,256	\$ 28,055
Materials and Supplies Inventory	0	0	0	32,825	32,825
Unclaimed Monies	401	0	0	0	401
Total Nonspendable	<u>22,200</u>	<u>0</u>	<u>0</u>	<u>39,081</u>	<u>61,281</u>
Restricted for:					
Recreation	0	0	0	18,808	18,808
Street Maintenance and City Improvements	0	0	0	252,932	252,932
Law Enforcement and Public Safety	0	0	0	71,438	71,438
Titanium Way Bridge Replacement	0	0	161,396	0	161,396
Community Development	0	19,275	0	33,350	52,625
Total Restricted	<u>0</u>	<u>19,275</u>	<u>161,396</u>	<u>376,528</u>	<u>557,199</u>
Committed for:					
Police and Fire Severence	87,785	0	0	0	87,785
Assigned for:					
Subsequent Year Appropriations	475,374	0	0	0	475,374
Capital Projects	0	0	0	403,267	403,267
Total Assigned	<u>475,374</u>	<u>0</u>	<u>0</u>	<u>403,267</u>	<u>878,641</u>
Unassigned	884,436	0	0	(60,634)	823,802
Total Fund Balance	<u>\$ 1,469,795</u>	<u>\$ 19,275</u>	<u>\$ 161,396</u>	<u>\$ 758,242</u>	<u>\$ 2,408,708</u>

City of Toronto
Jefferson County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

A. Ohio Mid-Eastern Governments Association

Ohio Mid-Eastern Governments Association (OMEGA) is a ten-county regional council of governments comprised of Belmont, Carroll, Coshocton, Columbiana, Guernsey, Harrison, Holmes, Jefferson, Muskingum, and Tuscarawas counties. OMEGA was formed to aid and assist the participating counties and political subdivisions within the counties in the application for Appalachian Regional Commission and Economic Development grant monies. OMEGA is governed by a sixteen member executive board comprised of members appointed from each participating county and cities within each county. City membership is voluntary. The Mayor of the City of Toronto serves as the City's representative on the board; however, the City is not active. Each member currently pays a per capita membership fee based upon the most recent United States census. During 2016, no fees were paid to OMEGA. The continued existence of OMEGA is not dependent on the City's continued participation and no equity interest exists. OMEGA has no outstanding debt.

B. Jefferson-Belmont Joint Solid Waste Authority

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

NOTE 18 - CONTINGENCIES

A. Grants

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the City at December 31, 2016.

B. Litigation

The City of Toronto is party to various legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The City's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

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City of Toronto
Jefferson County, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Last Three Years (1)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Ohio Public Employees' Retirement System (OPERS)</i>			
City's Proportion of the Net Pension Liability	0.0083640%	0.0075450%	0.0075450%
City's Proportionate Share of the Net Pension Liability	\$ 1,448,750	\$ 910,011	\$ 889,457
City's Covered-Employee Payroll	\$ 941,300	\$ 925,042	\$ 700,923
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	153.91%	98.38%	126.90%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.08%	86.45%	86.36%
<i>Ohio Police and Fire Pension Fund (OPF)</i>			
City's Proportion of the Net Pension Liability	0.0454410%	0.0458851%	0.0458851%
City's Proportionate Share of the Net Pension Liability	\$ 2,923,251	\$ 2,377,040	\$ 2,234,748
City's Covered-Employee Payroll	\$ 949,388	\$ 936,300	\$ 751,774
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	307.91%	253.88%	297.26%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.77%	72.20%	73.00%

(1) Information prior to 2014 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

City of Toronto
Jefferson County, Ohio
Required Supplementary Information
Schedule of City Contributions
Last Ten Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<i>Ohio Public Employees' Retirement System (OPERS)</i>				
Contractually Required Contribution	\$ 140,064	\$ 112,956	\$ 111,005	\$ 91,120
Contributions in Relation to the Contractually Required Contribution	<u>(140,064)</u>	<u>(112,956)</u>	<u>(111,005)</u>	<u>(91,120)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's covered-employee payroll	\$ 1,167,200	\$ 941,300	\$ 925,042	\$ 700,923
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	12.00%	13.00%
<i>Ohio Police and Fire Pension Fund (OPF)</i>				
Contractually Required Contribution	\$ 199,135	\$ 194,942	\$ 192,026	\$ 130,499
Contributions in relation to the contractually required contribution	<u>(199,135)</u>	<u>(194,942)</u>	<u>(192,026)</u>	<u>(130,499)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's covered-employee payroll	\$ 972,417	\$ 949,388	\$ 936,300	\$ 751,774
Contributions as a percentage of covered-employee payroll	20.48%	20.53%	20.51%	17.36%

(n/a) Information prior to 2013 is not available.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
\$ 127,612	\$ 130,619	\$ 134,020	\$ 132,133	\$ 188,544	\$ 179,405
<u>(127,612)</u>	<u>(130,619)</u>	<u>(134,020)</u>	<u>(132,133)</u>	<u>(188,544)</u>	<u>(179,405)</u>
<u>\$ 0</u>					
\$ 895,643	\$ 922,179	\$ 947,346	\$ 935,989	\$ 1,333,221	\$ 1,264,450
14.25%	14.16%	14.15%	14.12%	14.14%	14.19%

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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

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

To the City Council:

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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Toronto, Jefferson County, (the "City") as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 14, 2017, wherein we qualified our opinion on the capital assets reported within the governmental activities and business type activities, the Water, Sewer and Refuse funds.

Internal Control Over Financial Reporting

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

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 City'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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001 and 2016-002 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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*.

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 City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Dave Yost
Auditor of State
Columbus, Ohio

September 14, 2017

**CITY OF TORONTO
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016**

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

FINDING NUMBER 2016-001

Material Weakness

Ohio Administrative Code § 117-2-02- (D) states that all local public officers may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public officer provides, and should consider the degree of automation and other factors. Such records should include capital asset records including such information as original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset depreciation, location, useful life, and tag number. Local governments preparing financial statements using generally accepted accounting principles will want to maintain additional data.

Ohio Administrative Code § 117-2-02- (E) states that each public office should establish a capitalization threshold, so that, at a minimum, eighty percent of the local public office's non-infrastructure assets are identified, classified and recorded on the local public office's financial records. It is management's responsibility to implement internal accounting control policies and procedures to reasonably ensure the City's assets are safeguarded and recorded. Specifically, these control procedures should include the maintenance of adequate documentation to support the accuracy and completeness of capital asset records. The City's capital assets are reported on the financial statements at \$20,799,692 as of December 31, 2016.

Governmental Accounting Standards Board Implementation Guide 34B (Q.145) states that it is not appropriate to report capital assets that are still in active service as "fully depreciated" if the amounts involved are significant. Instead, management should periodically reevaluate asset lives. If an asset will outlive its expected life, management should increase the asset life. This should be treated as a change in accounting estimate. These changes require allocating the remaining undepreciated life over the new estimate of remaining life.

A review of the City's capital assets identified the following:

- The City does not have a complete capital asset listing and inventory evaluation over all of the capital assets. Therefore, we are unable to rely on the beginning balances. Accordingly, the City's financial statements omit certain capital assets and depreciation expenses in the governmental and business-type activities;
- The City does not have an accounting system in place to identify capital asset purchases, deletions, and depreciation expense and the City does not maintain an identification system for capitalized items;
- The City has not adopted a written policy regarding capital assets;
- Several assets are fully depreciated, some of which do not appear to be in use by the City;
- Salvage values have not been established for any of the City's capital assets; and
- Estimated useful lives for vehicles are up to 40 years.

**FINDING NUMBER 2016-001
(Continued)**

The omission of the capital asset information resulted in a qualified opinion on the City's basic financial statements, because we cannot reasonably determine whether the amount of the capital assets is fairly stated. The items identified above are the result of the City not having a capital asset policy and complying with the requirements listed in GASB Statement 34. Failure to implement the items listed above will result in a continued modified opinion and could result in adjustments to the financial statements.

The City should conduct a complete physical inventory of its assets and prepare an accurate and complete capital asset listing. The City should then annually conduct a physical inventory of its assets and reconcile with the capital asset listing and remove assets no longer held as inventory. The City should create and approve a comprehensive written policy governing the identification, disposition, and depreciation of general infrastructure required to be reported under Governmental Accounting Standards Board (GASB) Statement No. 34. The policy should also include application and monitoring controls over the purchase, sale, and movement of capital assets within the City and periodic inventory requirements. This policy may then provide a consistent approach needed by management to exercise proper control over the acquisition, disposal, and maintenance of the City's property, plant, and equipment. If an asset will outlive its expected life, management should increase the asset life and allocate any remaining undepreciated life of similar assets over the new estimated life.

FINDING NUMBER 2016-002

Material Weakness

In order to comply with the requirements of generally accepted accounting principles, the City prepares inventory counts at each department that maintains inventory. Count sheets should include information such as the inventory category, unit price and a total value as of year-end. Information on the count sheets should be properly supported by invoices or other documentation.

While testing 2016 Water Department inventory summaries we identified the following:

- The listing did not include a price per unit and only a total amount is listed per category for each type of materials and supplies on hand at year-end;
- Inquiry over cost per units was an estimate and no invoices were provided supporting the amounts on the listings; and
- When we inquired of the Water Superintendent for additional supporting documentation only handwritten summaries were provided which included the price for each valve. No information was provided showing how many of each were on hand as of December 31, 2016 nor was support provided for the remaining items on the listing.

Without a unit price and number of items per category, we could not recalculate the total amount for each category thereby limiting the ability of the City to have accurate inventory records.

This is the result of the City not having a policy in place over annual inventory counts and records. Failure to prepare complete and accurate inventory counts at or near year-end could result in adjustments to the financial statements and a modified opinion.

**FINDING NUMBER 2016-002
(Continued)**

To help strengthen control over city inventory, the water department inventory summaries should list the total number of items by type and an average unit price per item should also be included so that the total value of the inventory type can be recalculated. The City should maintain support for the price per unit for each inventory category included on the listing.

Officials' Response: No responses were received.

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**CITY OF TORONTO
JEFFERSON COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	City has failed to report capital assets and related depreciation for the Water Fund and related business type activities since 2002.	Not Corrected	City will adopt a written policy regarding capital assets. The City will research having a professional appraisal/evaluation performed of their capital assets and will evaluate the cost versus benefit of doing so.
2015-002	Water Department failed to prepare accurate inventory records starting in 2015.	Not corrected.	Department will revise listings to include price per unit and amount per category.

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Dave Yost • Auditor of State

CITY OF TORONTO

JEFFERSON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 5, 2017