

CITY OF TORONTO



**AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 1999**

**CITY OF TORONTO
JEFFERSON COUNTY**

DECEMBER 31, 1999

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STATE OF OHIO
OFFICE OF THE AUDITOR

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Mayor and Members of Council
City of Toronto

We have reviewed the Independent Auditor's Report of the City of Toronto, Jefferson County, prepared by Rea & Associates, Inc. for the audit period January 1, 1999 through December 31, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Toronto is responsible for compliance with these laws and regulations.

A handwritten signature in black ink, appearing to read "Jim Petro", written over a large, stylized flourish that loops around the text.

JIM PETRO
Auditor of State

May 25, 2000

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Rea & Associates, Inc.
CERTIFIED PUBLIC ACCOUNTANTS

February 29, 2000

Mayor and Members of Council
City of Toronto
Toronto, OH 43964

Independent Auditor's Report

We have audited the accompanying financial statements of the City of Toronto (the "City") as of and for the year ended December 31, 1999, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Ohio Administrative Code Section 117-6-01 requires the City prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 1 and Note 7, the City prepares its financial statements on a basis of accounting formerly prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the City of Toronto as of December 31, 1999, and the revenues it received and expenditures it paid, and budgeted receipts, appropriations, and encumbrances for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated February 29, 2000 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 grants.

This report is intended solely for the information and use of the Mayor, City Council, management, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Rea & Associates, Inc.

Columbus
New Philadelphia
Millersburg
Coshocton
Cambridge
Marietta
Medina
Lima

**CITY OF TORONTO, JEFFERSON COUNTY
COMBINED STATEMENT OF CASH, INVESTMENTS
AND FUND CASH BALANCES - ALL FUND TYPES
AS OF DECEMBER 31, 1999**

CASH AND INVESTMENTS \$ 1,770,741

CASH BALANCES BY FUND TYPE

FUND TYPES:

GOVERNMENTAL FUNDS:

General Fund	\$ 397,913
Special Revenue Funds	818,510
Debt Service Funds	174
Capital Projects Funds	189,763

PROPRIETARY FUNDS:

Enterprise	301,732
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FIDUCIARY FUNDS:

Agency Funds	<u>62,649</u>
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TOTAL FUND BALANCES \$ 1,770,741

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

CITY OF TORONTO, JEFFERSON COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN FUND CASH BALANCES - GOVERNMENTAL FUND TYPES
FOR YEAR ENDING DECEMBER 31, 1999

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total (Memorandum Only)
RECEIPTS;					
Local Taxes	\$ 1,140,584	\$ 395,356	\$ 0	\$ 178,876	\$ 1,714,816
Intergovernmental Revenues	403,247	547,572	0	123,600	1,074,419
Special Assessments	0	0	4,790	0	4,790
Charges for Services	4,878	44,252	0	0	49,130
Fines, Licenses, and Permits	42,519	6,885	0	0	49,404
Revolving Loan Proceeds	0	98,935	0	0	98,935
Miscellaneous	37,246	22,366	0	45	59,657
TOTAL RECEIPTS	1,628,474	1,115,366	4,790	302,521	3,051,151
DISBURSEMENTS:					
Current:					
Security of Persons and Property	921,069	240,744	0	0	1,161,813
Public Health Services	28,258	985	0	0	29,243
Leisure Time Activities	26,163	93,679	0	0	119,842
Community Environment	17,642	318,143	0	0	335,785
Transportation	0	238,159	0	0	238,159
General Government	325,532	0	240	0	325,772
Capital Outlay	0	0	0	243,355	243,355
Debt Service - Principal	0	133,210	0	99,000	232,210
Debt Service - Interest and Fiscal Charges	0	12,925	0	5,895	18,820
TOTAL DISBURSEMENTS	1,318,664	1,037,845	240	348,250	2,704,999
Total Revenue Receipts Over/(Under)					
Expenditure Disbursements	309,810	77,521	4,550	(45,729)	346,152
OTHER FINANCING SOURCES/(USES)					
Proceeds from Sale of Notes	0	0	0	50,000	50,000
Transfers -In	22,300	20,000	0	70,000	112,300
Transfers-Out	(90,000)	(7,300)	0	0	(97,300)
TOTAL OTHER FINANCING SOURCES/(USES)	(67,700)	12,700	0	120,000	65,000
Excess of Receipts and Other Financing Sources Over Expenditure Disbursements and Other Uses	242,110	90,221	4,550	74,271	411,152
Fund Cash Balance, January 1	155,506	722,474	29,063	88,165	995,208
Fund Equity Transfers	297	5,815	(33,439)	27,327	0
Fund Cash Balance, December 31	\$ 397,913	\$ 818,510	\$ 174	\$ 189,763	\$ 1,406,360

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

**CITY OF TORONTO, JEFFERSON COUNTY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
 AND CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY
 FUND TYPES AND SIMILAR FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31,1999**

	<u>PROPRIETARY FUND TYPE</u>	<u>FIDUCIARY FUND TYPE</u>	Total (Memorandum Only)
	<u>Enterprise Funds</u>	<u>Agency Fund</u>	
OPERATING RECEIPTS:			
Charges for Services	\$ 1,265,743	\$ 0	\$ 1,265,743
Miscellaneous	8,539	0	8,539
TOTAL OPERATING RECEIPTS	<u>1,274,282</u>	<u>0</u>	<u>1,274,282</u>
OPERATING DISBURSEMENTS			
Personal Services	536,992	0	536,992
Contractual Services	622,901	35,868	658,769
Supplies and Materials	36,318	1,793	38,111
Capital Outlay	11,385	0	11,385
TOTAL OPERATING DISBURSEMENTS	<u>1,207,596</u>	<u>37,661</u>	<u>1,245,257</u>
OPERATING INCOME/(LOSS)	66,686	(37,661)	29,025
NON-OPERATING RECEIPTS:			
Local Taxes	82,654	1,230,624	1,313,278
Fines, Licenses and Permits	0	20,143	20,143
Other non-operating Receipts	12,300	0	12,300
TOTAL NON-OPERATING RECEIPTS	<u>94,954</u>	<u>1,250,767</u>	<u>1,345,721</u>
NON-OPERATING DISBURSEMENTS:			
Debt Service - Principal	52,321	0	52,321
Debt Service - Interest and Fiscal Charges	68,833	0	68,833
Distribution to City Funds	0	1,449,596	1,449,596
Distribution to Customers	12,405	0	12,405
Other Non Operating Disbursements	0	2,250	2,250
TOTAL NON-OPERATING DISBURSEMENTS	<u>133,559</u>	<u>1,451,846</u>	<u>1,585,405</u>
EXCESS OF RECEIPTS OVER(Under) DISBURSEMENTS BEFORE INTERFUND TRANSFERS	28,081	(238,740)	(210,659)
Transfers-Out	<u>(15,000)</u>	<u>0</u>	<u>(15,000)</u>
NET RECEIPTS OVER(Under) DISBURSEMENTS	<u>13,081</u>	<u>(238,740)</u>	<u>(225,659)</u>
Fund Cash Balance, January 1	<u>288,651</u>	<u>301,389</u>	<u>590,040</u>
Fund Cash Balance, December 31	<u>\$ 301,732</u>	<u>\$ 62,649</u>	<u>\$ 364,381</u>

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

CITY OF TORONTO, JEFFERSON COUNTY
COMPARISON OF BUDGETED AND ACTUAL RECEIPTS - ALL BUDGETED FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1999

FUNDS	Estimated Receipts	Actual Receipts	Variance Favorable (Unfavorable)
GOVERNMENTAL FUND TYPES:			
General Fund	\$ 1,359,699	\$ 1,650,774	\$ 291,075
Special Revenue Funds	1,190,857	1,135,366	(55,491)
Debt Service Funds	2,000	4,790	2,790
Capital Project Funds	454,000	422,521	(31,479)
PROPRIETARY FUND TYPES:			
Enterprise Funds	1,273,899	1,369,236	95,337
TOTAL ALL FUNDS	\$ 4,280,455	\$ 4,582,687	\$ 302,232

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

**CITY OF TORONTO, JEFFERSON COUNTY
COMPARISON OF DISBURSEMENTS AND ENCUMBRANCES
WITH EXPENDITURE AUTHORITY - ALL BUDGETED FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1999**

FUNDS	Prior Year Carryover Appropriations	Current Year Appropriations	Total	Actual Disbursements	Outstanding Encumbrances at 12/31/99	Total	Variance Favorable (Unfavorable)
GOVERNMENTAL FUND TYPES:							
General Fund	\$ 0	\$ 1,515,000	\$ 1,515,000	\$ 1,408,664	\$ 46,027	\$ 1,454,691	\$ 60,309
Special Revenue Funds	0	1,905,214	1,905,214	1,055,145	117,878	1,173,023	732,191
Debt Service Funds	0	674	674	240	0	240	434
Capital Project Funds	0	542,166	542,166	348,250	5,292	353,542	188,624
PROPRIETARY FUND TYPES:							
Enterprise Funds	0	1,553,100	1,553,100	1,341,155	17,759	1,358,914	194,186
TOTAL ALL FUNDS	\$ 0	\$ 5,516,154	\$ 5,516,154	\$ 4,153,454	\$ 186,957	\$ 4,340,411	\$ 1,175,743

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

CITY OF TORONTO
JEFFERSON COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The City of Toronto 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.

B. BASIS OF ACCOUNTING

The City prepares its financial statements on a basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred. A general fixed asset group and long-term debt group of accounts are not recorded on the financial statements by the City under the basis of accounting used.

C. INVESTMENTS AND INACTIVE FUNDS

Investment procedures are restricted by the provisions of the Ohio Revised Code. Purchased investments are valued at cost and are neither charged when purchased nor credited at the time of redemption to their respective fund balances. Interest earned is recognized and recorded when received.

D. FUND ACCOUNTING

The City maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of funds are as follows:

CITY OF TORONTO
JEFFERSON COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. FUND ACCOUNTING (Continued)

Governmental Funds

General Fund

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds

Special revenue funds account for proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to disbursements for specified purposes.

Debt Service Funds

Debt service funds account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. According to governmental accounting principles, the Debt Service Fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the Debt Service Fund might also be used to account for the payment of the long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds.

Capital Projects Funds

Capital projects funds account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Funds

Enterprise Funds

Enterprise funds account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose.

Fiduciary Funds

Agency Funds

Agency funds account for assets held by a governmental unit as an agent for individuals, private organizations, other governmental units, and/or other funds.

CITY OF TORONTO
JEFFERSON COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. BUDGETARY PROCESS

Budget

A budget of estimated cash receipts and disbursements is submitted to the county auditor, as secretary of the county budget commission, by July 20 of each year, for the subsequent January 1 to December 31 calendar year.

Estimated Resources

The county budget commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources which states the projected receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year.

Prior to December 31, the City must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include January 1, 1998, unencumbered fund balances. However, those fund balances are available for appropriation.

Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period of January 1 to March 31.

An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

Encumbrances

The City is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

The City did not use the encumbrance method of accounting during 1999. The City did however report the amount of appropriated and obligated commitments as encumbered at December 31, 1999.

F. PROPERTY, PLANT AND EQUIPMENT

Fixed assets acquired or constructed for general governmental service are recorded as disbursements. Depreciation is not recorded for these fixed assets.

**CITY OF TORONTO
JEFFERSON COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

NOTE 2: 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 State 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;

CITY OF TORONTO
JEFFERSON COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated 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.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Revenue Repurchase Agreements."

Deposits: At year end, the carrying amount of the City's deposits was \$1,770,741 and the bank balance was \$1,813,943. Of the bank balance, \$207,060 was covered by federal depository insurance and \$1,606,883 was uninsured and uncollateralized. Although \$1,199,346 was covered by securities serving as collateral held by the pledging financial institution's trust department in the District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

At December 31, 1999, the City had no investments.

CITY OF TORONTO
JEFFERSON COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 3: PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by City Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the City.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting and distributing all property taxes on behalf of the City.

NOTE 4: DEBT OBLIGATIONS

Debt outstanding at December 31, 1999 consisted of the following:

Bond Anticipation Note:	
Principal outstanding	\$ 50,000
Interest rate	4.85%
Maturity date	2/24/00
Equipment Acquisition Bonds:	
Principal outstanding	\$ 68,681
Interest rate	4.95%
Maturity date	7/10/2002
Fire Truck Acquisition Bond:	
Principal outstanding	\$ 133,545
Interest rate	4.80%
Maturity date	12/1/2000
O.W.D.A. Loan:	
Principal outstanding	\$ 614,386
Interest rate	9.90%
Maturity date	1/1/2010

**CITY OF TORONTO
JEFFERSON COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999**

NOTE 4: DEBT OBLIGATIONS (Continued)

Accrued Police & Fire Pension Liability	\$ 153,417
Maturity date	2035

The outstanding note at December 31, 1999 was issued for one year or less. This note was of the bond anticipation type. Proceeds were used to pay off outstanding note debt. Original proceeds were used for the improvement of the Trenton Street Bridge.

Bonded debt consisted of a new fire truck and fire equipment acquisition bond issued June 4, 1998, and a refuse department trash compactor and sewer department equipment. Proceeds of a fire tax levy will be used to pay off outstanding fire truck and equipment bonds while revenue of the utility facilities are used to repay the enterprise fund's equipment acquisition.

Accrued police and fire pension liability will be paid from general property tax revenues.

The Ohio Water Development Authority (O.W.D.A.) loans are for utility construction projects. Property and revenue of the utility facilities have been pledged to repay these debts.

The annual requirements to amortize bonded debt, accrued pension liability and O.W.D.A. debt as of December 31, 1999, including interest payments of \$562,285 are as follows:

<u>Year Ending December 31.</u>	<u>Bonded Debt</u>	<u>Accrued Pension Liability</u>	<u>O.W.D.A.</u>
2000	\$ 164,383	\$ 8,415	\$ 97,170
2001	24,648	8,415	97,170
2002	24,648	8,415	97,170
2003	0	8,415	97,170
2004	0	8,415	97,170
2005-2009	0	42,073	485,852
2010-2014	0	42,073	48,588
2015-2019	0	42,073	0
2020-2024	0	42,073	0
2025-2029	0	42,073	0
2030-2035	<u>0</u>	<u>45,905</u>	<u>0</u>
	<u>\$ 213,679</u>	<u>\$ 298,345</u>	<u>\$ 1,020,290</u>

As of December 31, 1999, the City had \$7,060 in a bond and coupon clearing account. The City owed \$11,175 in outstanding bonds and coupons for the matured Waterworks Improvement Bonds, Series 1972 .

CITY OF TORONTO
JEFFERSON COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 5: RETIREMENT SYSTEMS

The City's law enforcement officers belong to the Police & Firemen's Disability & Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, members of PFDPF contributed 10% of their wages to the PFDPF. The City contributed an amount equal to 19.5% for police and 24% for firemen of their wages. PERS members contributed 8.5% of their gross salaries. The City has paid all contributions required through December 31, 1999.

NOTE 6: RISK MANAGEMENT

The City is a member of the Public Entities Pool of Ohio. The Pool assumes the risk of loss up to the limits of the City's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- General Liability and Casualty
- Public Official's Liability
- Vehicle

The City also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

NOTE 7: LEGAL COMPLIANCE

Pursuant to Section 117.11 of the Revised Code, tests of compliance with various provisions of local, state and/or federal laws were performed, as appropriate. Material citations, if any, are included in a separate part of this presentation.

Although required by Ohio Administrative Code Section 117-6-01, to prepare its annual financial report in accordance with generally accepted accounting principles, the City chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as formerly prescribed or permitted by the Auditor of State.

**CITY OF TORONTO
JEFFERSON COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999**

NOTE 7: LEGAL COMPLIANCE (Continued)

The City did not use the encumbrance method of accounting during the year, as required by Ohio Rev. Code Section 5705.41(D), however for the purpose of financial reporting the City did report the amount certified as available and obligated at December 31, 1999 as being encumbered on the accompanying financial statements. Therefore, outstanding commitments were reported.

February 29, 2000

Mayor and Members of Council
City of Toronto
Toronto, OH 43964

**Independent Auditor's Report on Compliance and Internal Control
Over Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

We have audited the financial statements of the City of Toronto (the "City") as of and for the year ended December 31, 1999, and have issued our report thereon dated February 29, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance that are required to be reported under *Government Auditing Standards*. We also noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated February 29, 2000.

Ohio Revised Code Noncompliance

- *1. Ohio Rev. Code Section 5705.41(D) states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund, free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

Columbus
New Philadelphia
Millersburg
Coshocton
Cambridge
Marietta
Medina
Lima

This section also provides two "exceptions" to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free of any previous encumbrances, council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of council upon the completion of a "then and now" certificate.

Certain liabilities, contracts, and open purchase commitments were not certified prior to their obligation. "Then and now" certificates were not utilized by the City. The City did not use the encumbrance method of accounting during the year. However, outstanding commitments at December 31, 1999 were certified to the County Auditor on the "Certificate of Amounts from all Sources Available for Expenditures – All Funds".

Also, blanket purchase orders for continuing contracts and routine purchases were not always complete. These purchase orders were written to specific vendors approved and certified, however the fund, account or amount certified were not always indicated, which rendered these purchase orders useless and non-compliant.

- *2. Ohio Rev. Code Section 135.18 provides that the treasurer of a political subdivision must require the depository to provide as security an amount equal to the funds on deposit at all times.

During 1999 there were several periods which the city depository balances exceeded pledged securities plus FDIC, thereby, putting the City's deposits at possible risk of loss.

Ohio Administrative Code Non-Compliance

- * Ohio Administrative Code Section 117-6-01 requires the City to prepare its annual financial report in accordance with generally accepted accounting principles. However, the City prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State which is a basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The City can be fined and various other legal administrative remedies may be taken against the City

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control structure over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over financial reporting that we have reported to management of the City in a separate letter dated February 29, 2000.

This report is intended for the information and use of the Mayor, City Council, and management and is not intended to be and should not be used by anyone other than these specific parties.

Rea & Associates, Inc.

* Also reported in prior audit.



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OFFICE OF THE AUDITOR

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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.

By: Susan Babbitt

Date: JUNE 6, 2000