



Dave Yost • Auditor of State



**CITY OF TORONTO  
JEFFERSON COUNTY**

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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 City of Toronto, Jefferson County, Ohio (the City), as of and for the year ended December 31, 2014, 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:

2014	Governmental Activities	Business Type Activities	Water Fund	Sewer Fund	Refuse Fund	Total Capital Assets
Reported Capital Assets	\$4,323,479	\$16,241,362	\$14,131,105	\$1,904,213	\$206,044	\$20,564,841
Percent of Total Assets	21%	79%	68%	9%	1%	

The City has not maintained a complete capital asset listing to support the accuracy and completeness of reported capital assets. 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, 2014, and the respective changes in financial position 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, Titanium Way Bridge Replacement Fund, Capital Improvement Fund and the aggregate remaining fund information of City of Toronto, Jefferson County, Ohio, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 2 to the financial statements, during the year ended December 31, 2014, the Government adopted the provisions of Governmental Accounting Standard No. 69, *Government Combinations and Disposals of Government Operations* and Governmental Accounting Standard No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. We did not modify our opinion regarding this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context.

We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. As a result of our limited procedures, we believe Management' Discussion and Analysis does not conform to Governmental Accounting Standards Board guidelines, since as discussed in the *Basis for Qualified Opinion* paragraph above, governmental activities' assets and net assets presented in Table 1, and infrastructure in Table 3 are understated due to the omission of certain infrastructure.

Also, the changes in net assets in Table 2 do not include the effects of omitted capital assets and the depreciation for the governmental activities, the business type activities and the Water, Sewer and Refuse Funds, that should have been recorded. We do not opine or provide any assurance on management's discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

### *Supplementary and Other Information*

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2015, 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.

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

October 9, 2015

**City of Toronto**  
**Jefferson County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2014*  
*(Unaudited)*

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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, 2014. 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 2014 are as follows:

- In total, net position increased \$3,318,016, which represents a 23 percent increase from 2013. Net position of governmental activities increased \$2,000,941. Net position of business-type activities increased \$1,317,075.
- Total capital assets increased \$1,264,859 in 2014. Capital assets of governmental activities increased \$220,391 and capital assets of business-type activities increased \$1,044,468.
- Outstanding debt decreased from \$11,206,598 to \$10,726,345 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 2014 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 Titanium Way Bridge replacement fund, and the capital improvement fund are the City's most significant funds. Business-type funds consist of the water, sewer and refuse funds.

**City of Toronto**  
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A question typically asked about the City's finances "How did we do financially during 2014?" 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 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 Titanium Way Bridge replacement fund and the capital improvement 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**  
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**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 2014 compared to 2013:

**Table 1**  
**Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Assets</b>						
Current and Other Assets	\$ 5,739,837	4,071,862	\$ 3,844,454	\$ 3,632,479	\$ 9,584,291	\$ 7,704,341
Capital Assets	4,323,479	4,103,088	16,241,362	15,196,894	20,564,841	19,299,982
<i>Total Assets</i>	<u>10,063,316</u>	<u>8,174,950</u>	<u>20,085,816</u>	<u>18,829,373</u>	<u>30,149,132</u>	<u>27,004,323</u>
<b>Liabilities</b>						
Current and Other Liabilities	71,396	94,466	962,985	652,672	1,034,381	747,138
Long-Term Liabilities	896,491	986,404	10,311,255	10,682,200	11,207,746	11,668,604
<i>Total Liabilities</i>	<u>967,887</u>	<u>1,080,870</u>	<u>11,274,240</u>	<u>11,334,872</u>	<u>12,242,127</u>	<u>12,415,742</u>
<b>Deferred Inflows of Resources</b>						
Property Taxes Levied for the Next Year	139,029	138,621	0	0	139,029	138,621
<b>Net Position</b>						
Net Investment in						
Capital Assets	3,810,608	3,475,674	5,188,205	4,085,081	8,998,813	7,560,755
Restricted	1,948,441	1,915,897	0	0	1,948,441	1,915,897
Unrestricted	3,197,351	1,563,888	3,623,371	3,409,420	6,820,722	4,973,308
<i>Total Net Position</i>	<u>\$ 8,956,400</u>	<u>\$ 6,955,459</u>	<u>\$ 8,811,576</u>	<u>\$ 7,494,501</u>	<u>\$ 17,767,976</u>	<u>\$ 14,449,960</u>

At year end, capital assets represented 68 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 \$8,998,813 at December 31, 2014, with \$3,810,608 in governmental activities and \$5,188,205 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.

A portion of the City's net position, \$1,948,441, or 11 percent, represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position of \$6,820,722, or 38 percent, may be used to meet the government's ongoing obligations to citizens and creditors.

Current assets of governmental activities increased \$1,667,975 largely due to cash increases resulting from higher income tax receipts as well as oil and gas leases during 2014. Current assets of business-type activities increased \$211,975 and capital assets increased \$1,044,468. Both of these increases are related to the construction of a waterline replacement that began in 2013. A portion of the project costs were covered by various grants awarded to the City, resulting in increased grants receivable balances at year end. Additionally, the \$287,243 increase in current liabilities is due to increased contracts payable for the waterline replacement.

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Table 2 shows the changes in net position for 2014 and 2013.

**Table 2**  
**Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenues</b>						
<i>Program Revenues:</i>						
Charges for Services	\$ 164,120	\$ 176,696	\$ 3,901,834	\$ 3,900,872	\$ 4,065,954	\$ 4,077,568
Operating Grants	849,011	258,839	0	0	849,011	258,839
Capital Grants	0	0	226,347	903,006	226,347	903,006
<i>General Revenues:</i>						
Property Taxes	143,786	143,562	0	0	143,786	143,562
Income Taxes	3,492,597	2,810,294	0	0	3,492,597	2,810,294
Other Local Taxes	29,181	47,195	0	0	29,181	47,195
Grants and Entitlements	126,978	132,632	0	0	126,978	132,632
Oil and Gas Lease	749,048	0	0	0	749,048	0
Investment Earnings	1,572	1,012	0	0	1,572	1,012
Miscellaneous	20,062	18,261	1,284	5,620	21,346	23,881
<i>Total Revenues</i>	<u>5,576,355</u>	<u>3,588,491</u>	<u>4,129,465</u>	<u>4,809,498</u>	<u>9,705,820</u>	<u>8,397,989</u>
<b>Program Expenses</b>						
General Government	542,697	497,763	0	0	542,697	497,763
Security of Persons and Property	1,671,375	1,673,053	0	0	1,671,375	1,673,053
Public Health	29,088	28,255	0	0	29,088	28,255
Leisure Time Services	228,992	210,299	0	0	228,992	210,299
Community Development	352,843	237,716	0	0	352,843	237,716
Transportation	615,292	616,931	0	0	615,292	616,931
Interest and Fiscal Charges	10,127	10,337	0	0	10,127	10,337
<i>Enterprise Operations:</i>						
Water	0	0	1,855,269	2,179,727	1,855,269	2,179,727
Sewer	0	0	593,911	608,317	593,911	608,317
Refuse	0	0	488,210	465,995	488,210	465,995
<i>Total Program Expenses</i>	<u>3,450,414</u>	<u>3,274,354</u>	<u>2,937,390</u>	<u>3,254,039</u>	<u>6,387,804</u>	<u>6,528,393</u>
<i>Increase in Net Position</i>	2,125,941	314,137	1,192,075	1,555,459	3,318,016	1,869,596
Transfers	(125,000)	(251,642)	125,000	251,642	0	0
<i>Change in Net Position</i>	2,000,941	62,495	1,317,075	1,807,101	3,318,016	1,869,596
<i>Net Position Beginning of Year</i>	<u>6,955,459</u>	<u>6,892,964</u>	<u>7,494,501</u>	<u>5,687,400</u>	<u>14,449,960</u>	<u>12,580,364</u>
<i>Net Position End of Year</i>	<u>\$ 8,956,400</u>	<u>\$ 6,955,459</u>	<u>\$ 8,811,576</u>	<u>\$ 7,494,501</u>	<u>\$ 17,767,976</u>	<u>\$ 14,449,960</u>

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**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 2014 by approximately \$400,000 due to increases in profits of local businesses.

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

Operating grants increased during 2014 due to the timing of grant awards. In 2014, the City was awarded several large grants from the Ohio Development Services Agency. These grants are nonreimbursable and the entire amount was recognized as revenue in 2014 when they were awarded.

Police and fire represent the largest expense of the governmental activities. This expense of \$1,671,375 represents 48 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 \$615,292, a slight decrease from 2013. 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 \$258,080 in 2014 equaling 7 percent of the total governmental services expenses.

**Business-Type Activities**

Business-type activities include water, sewer and refuse operations. The revenues are generated primarily from charges for services. In 2014, charges for services of \$3,901,834 accounted for 94 percent of the business type revenues. The total expenses for the utilities were \$2,937,390, thus leaving an increase in net position of \$1,192,075 (before transfers) for the business-type activities.

The large decrease in capital grants is due to the timing of new grants awarded in 2013 to continue the waterline replacement project.

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***The City's Funds***

***Governmental Funds***

Information about the City's governmental funds begins on page 15. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues of \$5,038,888 and expenditures of \$3,763,686. 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 fiscal year 2014 was an increase of \$669,970. This increase was primarily the result of income tax revenue increasing over 2013 levels due to increases in profits of local businesses.

The Titanium Way Bridge replacement fund had a net change in fund balance of \$26,139. This fund accounts for financial resources and expenditures for the engineering and construction of the bridge replacement.

The capital improvement fund had a net change in fund balance of \$490,449. This increase was primarily due to the City receiving \$749,048 in oil and gas money in 2014.

***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 business-type funds at the end of the year amounted to \$3,617,401. The total growth in net position of business-type funds was \$1,314,883. This is mainly due to the completion of the waterline replacement project in 2014.

***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 2014, the City amended its general fund budget on various occasions. All recommendations for appropriation changes come to Council from the City Auditor. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

For the general fund, final budget basis revenues exceeded the original budget estimate of \$2,765,450 by \$350,675 with most of the difference attributed to an increase in the amount budgeted for income taxes. The actual budget basis revenue was \$3,657,443, representing an increase of \$541,318 over the final budget estimate of \$3,116,125. Most of this difference was attributable to an increase in actual amounts for income tax revenue versus the amount in the final budget.

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Final expenditure appropriations of \$2,530,573 were \$197,484 higher than original expenditure appropriations with the greatest variance noted in general government expenditures. Final expenditure appropriations were \$379,885 higher than the actual expenditures of \$2,150,688, as cost savings were recognized for general government, security of persons and property and transportation throughout the year.

***Capital Assets and Debt Administration***

**Capital Assets**

At the end of year 2014, the City had \$20,564,841 invested in capital assets. A total of \$4,323,479 of this was for governmental activities and \$16,241,362 was attributable to business-type activities. Table 3 shows 2014 balances compared with 2013.

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
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	918,108	950,280	8,780,861	9,007,509	9,698,969	9,957,789
Land Improvements	188,473	219,701	1,516,250	1,543,750	1,704,723	1,763,451
Equipment	272,593	197,772	1,330,847	1,447,616	1,603,440	1,645,388
Vehicles	922,168	964,022	180,936	208,590	1,103,104	1,172,612
Infrastructure	1,864,637	1,613,813	0	0	1,864,637	1,613,813
Water and Sewer Lines	0	0	4,320,935	2,078,966	4,320,935	2,078,966
Construction in Progress	0	0	67,629	866,559	67,629	866,559
<b>Total</b>	<b>\$ 4,323,479</b>	<b>\$ 4,103,088</b>	<b>\$ 16,241,362</b>	<b>\$ 15,196,894</b>	<b>\$ 20,564,841</b>	<b>\$ 19,299,982</b>

The \$1,044,468 increase in capital assets of business-type activities is due to the waterline replacement project that began during 2013 and was completed in 2014. See Note 8 for additional information about the capital assets of the City.

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**Debt**

The outstanding debt for the City as of December 31, 2014 was \$10,726,345. See Note 14 for additional details. Table 4 summarizes outstanding debt.

**Table 4**  
**Outstanding Debt, at December 31**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Installment Loans	\$ 512,871	\$ 560,821	\$ 0	\$ 0	\$ 512,871	\$ 560,821
Fire Truck Loan	0	66,593	0	0	0	66,593
OWDA Loans	0	0	9,958,505	10,305,308	9,958,505	10,305,308
OPWC Loans	0	0	195,000	195,000	195,000	195,000
Garbage Packer Loan	0	0	59,969	78,876	59,969	78,876
<i>Total</i>	<u>\$ 512,871</u>	<u>\$ 627,414</u>	<u>\$ 10,213,474</u>	<u>\$ 10,579,184</u>	<u>\$ 10,726,345</u>	<u>\$ 11,206,598</u>

***Current Financial Issues***

The City had a cash balance of \$1,742,587 at December 31, 2014 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 \$458,598 during 2014.

In 2014 the City purchased one new police cruiser at a cost of \$25,108, which included additional equipment for the cruisers.

The City sells water to Jefferson County and the revenue from these water sales totaled \$1,396,475 in 2014.

In 2014, the City completed a capital project to replace existing water lines and re-establish a reliable water distribution system at a cost of approximately \$2.3 million. The project was funded by various federal and state loans and grants.

During 2014, the City made a final and early loan payment of \$66,593 in principal and \$3,391 in interest and fiscal charges for the new fire truck.

***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 Joseph Motto, Auditor of City of Toronto, 416 Clark Street, Toronto, Ohio 43964, telephone 740-537-4505 or email [tauditor@brdband.com](mailto:tauditor@brdband.com).

**City of Toronto**  
**Jefferson County, Ohio**  
*Statement of Net Position*  
*December 31, 2014*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 3,049,193	\$ 2,794,741	\$ 5,843,934
Restricted Assets:			
Cash and Cash Equivalents	0	72,830	72,830
Accounts Receivable	0	577,209	577,209
Intergovernmental Receivable	1,435,364	296,000	1,731,364
Taxes Receivable	1,223,735	0	1,223,735
Internal Balances	(5,970)	5,970	0
Prepaid Items	25,244	35,820	61,064
Materials and Supplies Inventory	12,271	61,884	74,155
Non-Depreciable Capital Assets	157,500	111,533	269,033
Depreciable Capital Assets, Net	4,165,979	16,129,829	20,295,808
<i>Total Assets</i>	<u>10,063,316</u>	<u>20,085,816</u>	<u>30,149,132</u>
<b>Liabilities</b>			
Accounts Payable	18,084	33,342	51,426
Contracts Payable	1,223	839,683	840,906
Intergovernmental Payable	52,089	17,130	69,219
Customer Deposits	0	72,830	72,830
Long-Term Liabilities:			
Due Within One Year	90,163	781,830	871,993
Due in More Than One Year	806,328	9,529,425	10,335,753
<i>Total Liabilities</i>	<u>967,887</u>	<u>11,274,240</u>	<u>12,242,127</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes Levied for the Next Year	139,029	0	139,029
<b>Net Position</b>			
Net Investment in Capital Assets	3,810,608	5,188,205	8,998,813
Restricted for Capital Outlay	743,756	0	743,756
Restricted for Other Purposes	1,204,685	0	1,204,685
Unrestricted	3,197,351	3,623,371	6,820,722
<i>Total Net Position</i>	<u>\$ 8,956,400</u>	<u>\$ 8,811,576</u>	<u>\$ 17,767,976</u>

See accompanying notes to the basic financial statements.

**City of Toronto**  
**Jefferson County, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2014

	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
<b>Governmental Activities</b>							
General Government	\$ 542,697	\$ 53,038	\$ 0	\$ 0	\$ (489,659)	\$ 0	\$ (489,659)
Security of Persons and Property	1,671,375	46,762	55,971	0	(1,568,642)	0	(1,568,642)
Public Health	29,088	0	0	0	(29,088)	0	(29,088)
Leisure Time Services	228,992	64,320	25,154	0	(139,518)	0	(139,518)
Community Development	352,843	0	575,291	0	222,448	0	222,448
Transportation	615,292	0	192,595	0	(422,697)	0	(422,697)
Interest and Fiscal Charges	10,127	0	0	0	(10,127)	0	(10,127)
<i>Total Governmental Activities</i>	<u>3,450,414</u>	<u>164,120</u>	<u>849,011</u>	<u>0</u>	<u>(2,437,283)</u>	<u>0</u>	<u>(2,437,283)</u>
<b>Business-Type Activities</b>							
Water	1,855,269	2,568,825	0	226,347	0	939,903	939,903
Sewer	593,911	958,109	0	0	0	364,198	364,198
Refuse	488,210	374,900	0	0	0	(113,310)	(113,310)
<i>Total Business-Type Activities</i>	<u>2,937,390</u>	<u>3,901,834</u>	<u>0</u>	<u>226,347</u>	<u>0</u>	<u>1,190,791</u>	<u>1,190,791</u>
<i>Total Primary Government</i>	<u>\$ 6,387,804</u>	<u>\$ 4,065,954</u>	<u>\$ 849,011</u>	<u>\$ 226,347</u>	<u>(2,437,283)</u>	<u>1,190,791</u>	<u>(1,246,492)</u>
<b>General Revenues:</b>							
Property Taxes Levied for:							
General Purposes					106,121	0	106,121
Security of Persons and Property					27,686	0	27,686
Recreation					9,979	0	9,979
Income Taxes Levied for General Purposes					3,492,597	0	3,492,597
Other Local Taxes					29,181	0	29,181
Grants and Entitlements not Restricted to Specific Programs					126,978	0	126,978
Oil and Gas Lease					749,048	0	749,048
Investment Earnings					1,572	0	1,572
Miscellaneous					20,062	1,284	21,346
<i>Total General Revenues</i>					<u>4,563,224</u>	<u>1,284</u>	<u>4,564,508</u>
Transfers					(125,000)	125,000	0
<i>Change in Net Position</i>					2,000,941	1,317,075	3,318,016
<i>Net Position Beginning of Year</i>					<u>6,955,459</u>	<u>7,494,501</u>	<u>14,449,960</u>
<i>Net Position End of Year</i>					<u>\$ 8,956,400</u>	<u>\$ 8,811,576</u>	<u>\$ 17,767,976</u>

See accompanying notes to the basic financial statements.

**City of Toronto**  
**Jefferson County, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*December 31, 2014*

	General	Titanium Way Bridge Replacement	Capital Improvements	All Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 1,742,587	\$ 44,119	\$ 692,417	\$ 555,499	\$ 3,034,622
Intergovernmental Receivable	59,986	706,465	0	668,913	1,435,364
Taxes Receivable	1,154,833	0	0	68,902	1,223,735
Prepaid Items	19,467	0	0	5,777	25,244
Materials and Supplies Inventory	0	0	0	12,271	12,271
<i>Total Assets</i>	<u>\$ 2,976,873</u>	<u>\$ 750,584</u>	<u>\$ 692,417</u>	<u>\$ 1,311,362</u>	<u>\$ 5,731,236</u>
<b>Liabilities</b>					
Accounts Payable	\$ 10,781	\$ 5,605	\$ 0	\$ 1,698	\$ 18,084
Contracts Payable	0	1,223	0	0	1,223
Intergovernmental Payable	28,088	0	0	24,001	52,089
<i>Total Liabilities</i>	<u>38,869</u>	<u>6,828</u>	<u>0</u>	<u>25,699</u>	<u>71,396</u>
<b>Deferred Inflows of Resources</b>					
Property Taxes Levied for the Next Year	104,994	0	0	34,035	139,029
Unavailable Revenue	951,619	705,487	0	686,966	2,344,072
<i>Total Deferred Inflows of Resources</i>	<u>1,056,613</u>	<u>705,487</u>	<u>0</u>	<u>721,001</u>	<u>2,483,101</u>
<b>Fund Balances</b>					
Nonspendable	19,868	0	0	18,048	37,916
Restricted	0	38,269	0	546,614	584,883
Committed	72,425	0	0	0	72,425
Assigned	424,784	0	692,417	0	1,117,201
Unassigned	1,364,314	0	0	0	1,364,314
<i>Total Fund Balances</i>	<u>1,881,391</u>	<u>38,269</u>	<u>692,417</u>	<u>564,662</u>	<u>3,176,739</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 2,976,873</u>	<u>\$ 750,584</u>	<u>\$ 692,417</u>	<u>\$ 1,311,362</u>	<u>\$ 5,731,236</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, 2014*

<b>Total Governmental Fund Balances</b>		\$ 3,176,739
 <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.		4,323,479
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds:		
Property Taxes	\$ 32,069	
Other Local Taxes	19,588	
Income Taxes	878,335	
Intergovernmental	1,414,080	
Total		2,344,072
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.		8,601
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Installment Loans Payable	(512,871)	
Compensated Absences	(383,620)	
Total		(896,491)
<i>Net Position of Governmental Activities</i>		\$ 8,956,400

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, 2014*

	General	Titanium Way Bridge Replacement	Capital Improvements	All Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$ 104,787	\$ 0	\$ 0	\$ 37,023	\$ 141,810
Income Taxes	3,201,842	0	0	0	3,201,842
Other Local Taxes	0	0	0	48,141	48,141
Charges for Services	0	0	0	64,320	64,320
Licenses and Permits	57,143	0	0	0	57,143
Fines and Forfeitures	41,583	0	0	1,075	42,658
Intergovernmental	175,861	57,017	0	479,399	712,277
Interest	1,572	0	0	15	1,587
Oil and Gas Lease	0	0	749,048	0	749,048
Other	17,116	0	0	2,946	20,062
<i>Total Revenues</i>	<u>3,599,904</u>	<u>57,017</u>	<u>749,048</u>	<u>632,919</u>	<u>5,038,888</u>
<b>Expenditures</b>					
Current:					
General Government	514,689	0	0	0	514,689
Security of Persons and Property	1,438,812	0	0	198,862	1,637,674
Public Health	25,762	0	0	0	25,762
Leisure Time Services	8,500	0	0	166,989	175,489
Community Development	0	0	0	352,843	352,843
Transportation	68,331	80,878	0	324,953	474,162
Capital Outlay	39,154	0	388,615	30,628	458,397
Debt Service:					
Principal Retirement	47,950	0	66,593	0	114,543
Interest and Fiscal Charges	6,736	0	3,391	0	10,127
<i>Total Expenditures</i>	<u>2,149,934</u>	<u>80,878</u>	<u>458,599</u>	<u>1,074,275</u>	<u>3,763,686</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,449,970</u>	<u>(23,861)</u>	<u>290,449</u>	<u>(441,356)</u>	<u>1,275,202</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	0	50,000	200,000	405,000	655,000
Transfers Out	(780,000)	0	0	0	(780,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(780,000)</u>	<u>50,000</u>	<u>200,000</u>	<u>405,000</u>	<u>(125,000)</u>
<i>Net Change in Fund Balance</i>	669,970	26,139	490,449	(36,356)	1,150,202
<i>Fund Balance Beginning of Year</i>	<u>1,211,421</u>	<u>12,130</u>	<u>201,968</u>	<u>601,018</u>	<u>2,026,537</u>
<i>Fund Balance End of Year</i>	<u>\$ 1,881,391</u>	<u>\$ 38,269</u>	<u>\$ 692,417</u>	<u>\$ 564,662</u>	<u>\$ 3,176,739</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, 2014*

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**Net Change in Fund Balances - Total Governmental Funds** \$ 1,150,202

*Amounts reported for governmental activities in the  
statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions exceeded depreciation in the current period.

Capital Asset Additions	\$ 463,806	
Current Year Depreciation	<u>(243,415)</u>	220,391

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

Property Taxes	1,974	
Other Local Taxes	618	
Income Taxes	271,167	
Intergovernmental	<u>263,708</u>	537,467

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. 114,543

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. 2,968

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. (24,630)

*Change in Net Position of Governmental Activities* \$ 2,000,941

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, 2014*

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$ 79,231	\$ 104,673	\$ 104,787	\$ 114
Income Taxes	2,464,782	2,720,920	3,259,795	538,875
Licenses and Permits	43,207	48,792	57,143	8,351
Fines and Forfeitures	31,442	40,876	41,583	707
Intergovernmental	132,658	182,454	175,447	(7,007)
Interest	1,189	992	1,572	580
Other	12,941	17,418	17,116	(302)
<i>Total Revenues</i>	<u>2,765,450</u>	<u>3,116,125</u>	<u>3,657,443</u>	<u>541,318</u>
<b>Expenditures</b>				
Current:				
General Government	565,080	668,239	520,902	147,337
Security of Persons and Property	1,554,995	1,604,530	1,433,426	171,104
Public Health	27,947	31,502	25,762	5,740
Leisure Time Services	9,221	8,666	8,500	166
Transportation	74,047	91,331	68,258	23,073
Capital Outlay	42,475	69,239	39,154	30,085
Debt Service:				
Principal Retirement	50,144	49,901	47,951	1,950
Interest and Fiscal Charges	9,180	7,165	6,735	430
<i>Total Expenditures</i>	<u>2,333,089</u>	<u>2,530,573</u>	<u>2,150,688</u>	<u>379,885</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>432,361</u>	<u>585,552</u>	<u>1,506,755</u>	<u>921,203</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(857,001)	(805,407)	(790,000)	15,407
<i>Net Change in Fund Balance</i>	(424,640)	(219,855)	716,755	936,610
<i>Fund Balance Beginning of Year</i>	<u>955,075</u>	<u>955,075</u>	<u>955,075</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 530,435</u>	<u>\$ 735,220</u>	<u>\$ 1,671,830</u>	<u>\$ 936,610</u>

See accompanying notes to the basic financial statements.

**City of Toronto**  
**Jefferson County, Ohio**  
*Statement of Fund Net Position*  
*Proprietary Funds*  
*December 31, 2014*

	Enterprise Funds				Total	Governmental Activities - Internal Service Fund
	Water	Sewer	Refuse	All Other Enterprise Funds		
<b>Assets</b>						
<i>Current Assets:</i>						
Equity in Pooled Cash and Cash Equivalents	\$ 1,351,319	\$ 1,255,780	\$ 187,642	\$ 0	\$ 2,794,741	\$ 14,571
Accounts Receivable	329,153	178,831	69,225	0	577,209	0
Intergovernmental Receivable	296,000	0	0	0	296,000	0
Prepaid Items	15,614	9,239	10,967	0	35,820	0
Materials and Supplies Inventory	57,950	3,934	0	0	61,884	0
<i>Total Current Assets</i>	<u>2,050,036</u>	<u>1,447,784</u>	<u>267,834</u>	<u>0</u>	<u>3,765,654</u>	<u>14,571</u>
<i>Non-Current Assets:</i>						
<i>Restricted Assets:</i>						
Equity in Pooled Cash and Cash Equivalents	0	0	0	72,830	72,830	0
Non-Depreciable Capital Assets	23,904	87,629	0	0	111,533	0
Depreciable Capital Assets, Net	14,107,203	1,816,583	206,043	0	16,129,829	0
<i>Total Non-Current Assets</i>	<u>14,131,107</u>	<u>1,904,212</u>	<u>206,043</u>	<u>72,830</u>	<u>16,314,192</u>	<u>0</u>
<i>Total Assets</i>	<u>16,181,143</u>	<u>3,351,996</u>	<u>473,877</u>	<u>72,830</u>	<u>20,079,846</u>	<u>14,571</u>
<b>Liabilities</b>						
<i>Current Liabilities:</i>						
Accounts Payable	26,922	3,665	2,755	0	33,342	0
Contracts Payable	824,683	15,000	0	0	839,683	0
Intergovernmental Payable	9,787	1,557	5,786	0	17,130	0
Compensated Absences Payable	5,125	0	3,138	0	8,263	0
Loans Payable	0	0	19,438	0	19,438	0
OPWC Loans Payable	6,500	0	0	0	6,500	0
OWDA Loans Payable	735,050	12,579	0	0	747,629	0
<i>Total Current Liabilities</i>	<u>1,608,067</u>	<u>32,801</u>	<u>31,117</u>	<u>0</u>	<u>1,671,985</u>	<u>0</u>
<i>Long-Term Liabilities:</i>						
Compensated Absences Payable - Net of Current Portion	66,767	2,438	20,313	0	89,518	0
Loans Payable - Net of Current Portion	0	0	40,531	0	40,531	0
OPWC Loans Payable - Net of Current Portion	188,500	0	0	0	188,500	0
OWDA Loans Payable - Net of Current Portion	8,983,519	227,357	0	0	9,210,876	0
Customer Deposits	0	0	0	72,830	72,830	0
<i>Total Long-Term Liabilities</i>	<u>9,238,786</u>	<u>229,795</u>	<u>60,844</u>	<u>72,830</u>	<u>9,602,255</u>	<u>0</u>
<i>Total Liabilities</i>	<u>10,846,853</u>	<u>262,596</u>	<u>91,961</u>	<u>72,830</u>	<u>11,274,240</u>	<u>0</u>
<b>Net Position</b>						
Net Investment in Capital Assets	3,392,855	1,649,276	146,074	0	5,188,205	0
Unrestricted	1,941,435	1,440,124	235,842	0	3,617,401	14,571
<i>Total Net Position</i>	<u>\$ 5,334,290</u>	<u>\$ 3,089,400</u>	<u>\$ 381,916</u>	<u>\$ 0</u>	<u>8,805,606</u>	<u>\$ 14,571</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

Net Position of business-type activities

5,970

\$ 8,811,576

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, 2014

	Enterprise Funds				Governmental Activities - Internal Service Fund	
	Water	Sewer	Refuse	All Other Enterprise Funds		Totals
<b>Operating Revenues</b>						
Charges for Services	\$ 2,568,825	\$ 958,109	\$ 374,900	\$ 0	\$ 3,901,834	\$ 27,000
Other	1,284	0	0	0	1,284	0
<i>Total Operating Revenues</i>	<u>2,570,109</u>	<u>958,109</u>	<u>374,900</u>	<u>0</u>	<u>3,903,118</u>	<u>27,000</u>
<b>Operating Expenses</b>						
Personal Services	515,641	97,945	273,062	0	886,648	0
Contractual Services	329,623	426,456	181,348	0	937,427	0
Materials and Supplies	266,673	8,814	3,727	0	279,214	0
Claims	0	0	0	0	0	22,623
Depreciation	424,429	58,455	28,567	0	511,451	0
<i>Total Operating Expenses</i>	<u>1,536,366</u>	<u>591,670</u>	<u>486,704</u>	<u>0</u>	<u>2,614,740</u>	<u>22,623</u>
<i>Operating Income (Loss)</i>	<u>1,033,743</u>	<u>366,439</u>	<u>(111,804)</u>	<u>0</u>	<u>1,288,378</u>	<u>4,377</u>
<b>Non-Operating Revenues (Expense)</b>						
Other Non-Operating Revenues	0	0	0	0	0	783
Interest and Fiscal Charges	(320,305)	(2,321)	(2,216)	0	(324,842)	0
<i>Total Non-Operating Revenues (Expense)</i>	<u>(320,305)</u>	<u>(2,321)</u>	<u>(2,216)</u>	<u>0</u>	<u>(324,842)</u>	<u>783</u>
<i>Income (Loss) Before Contributions and Transfers</i>	713,438	364,118	(114,020)	0	963,536	5,160
Capital Contributions	226,347	0	0	0	226,347	0
Transfers In	0	0	125,000	0	125,000	0
<i>Change in Net Position</i>	939,785	364,118	10,980	0	1,314,883	5,160
<i>Net Position Beginning of Year</i>	<u>4,394,505</u>	<u>2,725,282</u>	<u>370,936</u>	<u>0</u>		<u>9,411</u>
<i>Net Position End of Year</i>	<u>\$ 5,334,290</u>	<u>\$ 3,089,400</u>	<u>\$ 381,916</u>	<u>\$ 0</u>		<u>\$ 14,571</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:					<u>2,192</u>	
Changes in Net Position of Business-Type Activities					<u>\$ 1,317,075</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, 2014

	Enterprise Funds				Totals	Governmental Activities - Internal Service Fund
	Water	Sewer	Refuse	All Other Enterprise Funds		
<b>Cash Flows from Operating Activities</b>						
Cash Received from Customers	\$ 2,561,710	\$ 943,112	\$ 371,106	\$ 0	\$ 3,875,928	\$ 27,000
Cash Received from Other Operating Receipts	1,284	0	0	22,500	23,784	0
Cash Payments to Suppliers for Goods and Services	(275,027)	(10,915)	(3,879)	0	(289,821)	0
Cash Payments to Employees for Services and Benefits	(523,270)	(97,572)	(271,688)	0	(892,530)	0
Cash Payments for Contractual Services	(328,146)	(423,154)	(182,081)	(20,479)	(953,860)	0
Claims Paid	0	0	0	0	0	(22,623)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>1,436,551</u>	<u>411,471</u>	<u>(86,542)</u>	<u>2,021</u>	<u>1,763,501</u>	<u>4,377</u>
<b>Cash Flows from Noncapital Financing Activities</b>						
Other Non-Operating Receipts	0	0	0	0	0	783
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>783</u>
<b>Cash Flows from Capital and Related Financing Activities</b>						
Capital Grants	630,347	0	0	0	630,347	0
Proceeds of OWDA Loans	375,784	30,129	0	0	405,913	0
Acquisition of Capital Assets	(1,176,559)	(72,306)	0	0	(1,248,865)	0
Principal Payments on Debt	(740,262)	(12,454)	(18,907)	0	(771,623)	0
Interest Payments on Debt	(320,305)	(2,321)	(2,216)	0	(324,842)	0
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(1,230,995)</u>	<u>(56,952)</u>	<u>(21,123)</u>	<u>0</u>	<u>(1,309,070)</u>	<u>0</u>
<i>Net Increase in Cash and Cash Equivalents</i>	205,556	354,519	17,335	2,021	579,431	5,160
<i>Cash and Cash Equivalents Beginning of Year</i>	1,145,763	901,261	170,307	70,809	2,288,140	9,411
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 1,351,319</u>	<u>\$ 1,255,780</u>	<u>\$ 187,642</u>	<u>\$ 72,830</u>	<u>\$ 2,867,571</u>	<u>\$ 14,571</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>						
Operating Income (Loss)	\$ 1,033,743	\$ 366,439	\$ (111,804)	\$ 0	\$ 1,288,378	\$ 4,377
Adjustments:						
Depreciation	424,429	58,455	28,567	0	511,451	0
(Increase) Decrease in Assets:						
Accounts Receivable	(7,115)	(14,997)	(3,794)	0	(25,906)	0
Prepaid Items	(140)	(83)	(98)	0	(321)	0
Materials and Supplies Inventory	(8,125)	0	0	0	(8,125)	0
Increase (Decrease) in Liabilities:						
Accounts Payable	1,388	1,284	(787)	0	1,885	0
Customer Deposits	0	0	0	2,021	2,021	0
Compensated Absences Payable	(6,800)	320	1,245	0	(5,235)	0
Intergovernmental Payable	(829)	53	129	0	(647)	0
<i>Net Cash Provided by (Used For) Operating Activities</i>	<u>\$ 1,436,551</u>	<u>\$ 411,471</u>	<u>\$ (86,542)</u>	<u>\$ 2,021</u>	<u>\$ 1,763,501</u>	<u>\$ 4,377</u>

**Noncash Capital Financing Activities:**

The City purchased \$839,683 and \$532,629 of capital assets on account in 2014 and 2013, respectively.

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, 2014*

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**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 16.

**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, 2014*

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**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.

**City of Toronto**  
**Jefferson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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***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.

***Capital Improvement Fund*** – The capital improvement fund accounts for transactions relating to acquiring, constructing, or improving of capital projects.

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 reimbursement to cover the increase in the employees' health insurance deductible.

***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.

**City of Toronto**  
**Jefferson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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***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.

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 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.

**City of Toronto**  
**Jefferson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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***Deferred Outflows/Inflows 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, represents 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. The City does not have any deferred outflows of resources.

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 as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2014, but which were levied to finance 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the 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, homestead and rollback, income taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

***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 2014 amounted to \$1,572, which includes \$681 assigned from other City funds.

***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2014 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.

**City of Toronto**  
**Jefferson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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***G. Materials and Supplies Inventory***

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

***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 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.

**City of Toronto**  
**Jefferson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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

***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 and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and long-term loans are recognized as a liability on the government fund financial statements when due.

***M. Fund Balance***

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:

*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.

**City of Toronto**  
**Jefferson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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*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.

***N. 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.

***O. Operating Revenues and Expenses***

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

**City of Toronto**  
**Jefferson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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***P. Interfund Activity***

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

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

***Q. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2014.

***R. Estimates***

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

***S. Budgetary Data***

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

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

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

**City of Toronto**  
**Jefferson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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***T. 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.

***U. Implementation of New Accounting Policies***

For the year ended December 31, 2014, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 69, *Government Combinations and Disposals of Government Operations* and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

GASB Statement No. 69 addresses accounting and financial reporting for government combinations (including mergers, acquisitions and transfers of operations) and disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the City.

GASB Statement No. 70 improves comparability of financial statements by requiring consistent reporting and specifying information required to be disclosed for extending and receiving nonexchange financial guarantees. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the City.

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

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

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**Net Change in Fund Balance**

	General
GAAP Basis	\$ 669,970
Revenue Accruals	67,539
Expenditure Accruals	(10,754)
Funds Budgeted Elsewhere**	(10,000)
Budget Basis	\$ 716,755

\*\* 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.

**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;

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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 twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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 2014, 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.

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At year-end, the carrying amount of the City's deposits was \$5,916,764. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of December 31, 2014, \$5,691,626 of the City's bank balance of \$5,988,313 was exposed to custodial risk as discussed above, while \$296,687 was covered by the Federal Deposit Insurance Corporation.

**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 2014 for real and public utility property taxes represents collections of the 2013 taxes.

2014 real property taxes were levied after October 1, 2014 on the assessed value as of January 1, 2014, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2014 real property taxes are collected in and intended to finance 2015.

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. 2014 public utility property taxes which became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2014, was \$3.40 per \$1,000 of assessed valuation. The assessed values of real property and public utility tangible property upon which 2014 property tax receipts were based are as follows:

Category	Assessed Value
Real Property	\$ 50,089,100
Public Utilities - Real	36,660
Public Utilities - Personal	3,999,840
Total Assessed Value	\$ 54,125,600

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, 2014, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2014 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, 2014 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.

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**NOTE 7 – INCOME TAX**

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

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

**NOTE 8 – CAPITAL ASSETS**

A summary of changes in capital assets during 2014 follows:

	Balance 12/31/2013	Additions	Deletions	Balance 12/31/2014
<b>Governmental Activities:</b>				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 140,000	\$ 0	\$ 0	\$ 140,000
Work of Art	17,500	0	0	17,500
<i>Total Capital Assets Not Being Depreciated</i>	<u>157,500</u>	<u>0</u>	<u>0</u>	<u>157,500</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings	1,488,940	0	0	1,488,940
Land Improvements	1,176,903	0	0	1,176,903
Equipment	386,865	104,482	0	491,347
Vehicles	1,692,215	25,108	0	1,717,323
Infrastructure	1,958,692	334,216	0	2,292,908
<i>Total Capital Assets, Being Depreciated</i>	<u>6,703,615</u>	<u>463,806</u>	<u>0</u>	<u>7,167,421</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	(538,660)	(32,172)	0	(570,832)
Land Improvements	(957,202)	(31,228)	0	(988,430)
Equipment	(189,093)	(29,661)	0	(218,754)
Vehicles	(728,193)	(66,962)	0	(795,155)
Infrastructure	(344,879)	(83,392)	0	(428,271)
<i>Total Accumulated Depreciation</i>	<u>(2,758,027)</u>	<u>(243,415) *</u>	<u>0</u>	<u>(3,001,442)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>3,945,588</u>	<u>220,391</u>	<u>0</u>	<u>4,165,979</u>
<i>Total Governmental Activities Capital Assets, Net</i>	<u>\$ 4,103,088</u>	<u>\$ 220,391</u>	<u>\$ 0</u>	<u>\$ 4,323,479</u>

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\*Depreciation expense was charged to governmental functions as follows:

General Government	\$ 23,672
Leisure Time Services	45,219
Security of Persons and Property	53,566
Transportation	118,147
Public Health	2,811
<b>Total</b>	<b><u>\$ 243,415</u></b>

	<u>Balance</u> 1/1/2014	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 12/31/2014
<b>Business-Type Activities:</b>				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 43,904	\$ 0	\$ 0	\$ 43,904
Construction in Progress	866,559	1,517,590	(2,316,520)	67,629
<i>Total Capital Assets Not Being Depreciated</i>	<u>910,463</u>	<u>1,517,590</u>	<u>(2,316,520)</u>	<u>111,533</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings	11,332,380	0	0	11,332,380
Improvements	1,750,000	0	0	1,750,000
Equipment	2,557,765	38,329	0	2,596,094
Vehicles	600,756	0	0	600,756
Infrastructure				
Water Lines	1,690,000	2,316,520	0	4,006,520
Sewer Lines	1,370,546	0	0	1,370,546
<i>Total Capital Assets, Being Depreciated</i>	<u>19,301,447</u>	<u>2,354,849</u>	<u>0</u>	<u>21,656,296</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	(2,324,871)	(226,648)	0	(2,551,519)
Improvements	(206,250)	(27,500)	0	(233,750)
Equipment	(1,110,149)	(155,098)	0	(1,265,247)
Vehicles	(392,166)	(27,654)	0	(419,820)
Infrastructure				
Water Lines	(805,300)	(49,244)	0	(854,544)
Sewer Lines	(176,280)	(25,307)	0	(201,587)
<i>Total Accumulated Depreciation</i>	<u>(5,015,016)</u>	<u>(511,451)</u>	<u>0</u>	<u>(5,526,467)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>14,286,431</u>	<u>1,843,398</u>	<u>0</u>	<u>16,129,829</u>
<i>Total Business-Type Activities Capital Assets, Net</i>	<u>\$ 15,196,894</u>	<u>\$ 3,360,988</u>	<u>\$(2,316,520)</u>	<u>\$ 16,241,362</u>

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**NOTE 9 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; employee injuries, and natural disasters.

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of 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 ARPCO. 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, 2014, 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.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years. There has not been a significant reduction in coverage from the prior year.

**Financial Position**

PEP’s financial statements (audited by other accountants) conform with accounting principles generally accepted in the United States of America, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2014 (the latest information available):

	<b>2013</b>	<b>2014</b>
<b><u>Casualty and Property Coverage</u></b>		
Assets	\$ 34,411,883	\$ 35,402,177
Liabilities	(12,760,194)	(12,363,257)
Net Position	\$ 21,651,689	\$ 23,038,920

At December 31, 2013 and 2014, respectively, the liabilities above include approximately 11.6 million and \$11.1 million of estimated incurred claims payable. The assets above also include approximately \$11.1 million and \$10.8 million of unpaid claims to be billed. The Pool’s membership increased from 475 members in 2013 to 488 members in 2014. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Government’s share of these unpaid claims collectible in future years is approximately \$85,000.

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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 contrast, 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.

<u>Contributions to PEP</u>	
2012	\$ 124,198
2013	121,029
2014	122,127

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they give written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's 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**

***A. Ohio Public Employees Retirement System***

Plan Description – The City participates 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 in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 1-800-222-7377.

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Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

For the year ended December 31, 2014, members in state and local classifications contributed 10.0 percent of covered payroll while public safety and law enforcement members contributed 12.0 percent and 13.0 percent, respectively.

The City's 2014 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 18.1 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of postemployment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 2.0 percent during calendar year 2014. The portion of employer contributions allocated to health care for members in the Combined Plan was 2.0 percent during calendar year 2014.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2014, 2013, and 2012, were \$96,674, \$93,667, and \$130,117, respectively. For 2014, 92 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012. Contributions made to the Member-Directed Plan for 2014 were \$2,682 made by the City and \$1,928 made by the plan members.

***B. Ohio Police and Fire Pension Fund***

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

Funding Policy - From January 1, 2014 through July 1, 2014, plan members were required to contribute 10.75 percent of their annual covered salary. From July 2, 2014 through December 31, 2014, plan members were required to contribute 11.5 percent of their annual covered salary. Throughout 2014, employers were required to contribute 19.5 percent for police officers and 24.0 percent for firefighters. The City's contributions to OP&F for police and firefighters were \$77,181 and \$56,443 for the year ended December 31, 2014, \$75,451 and \$55,048 for the year ended December 31, 2013, and \$76,178 and \$51,434 for the year ended December 31, 2012, respectively. 91 percent for police and 89 percent for firefighters has been contributed for 2014. The full amount has been contributed for 2013 and 2012.

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**NOTE 11 – POSTEMPLOYMENT BENEFITS**

***A. 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 a cost-sharing multiple-employer defined benefit post-employment health care plan, which includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed plan do not qualify for ancillary benefits, including post-employment 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 10 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. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the 2013 stand-alone financial report referred to below.

The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. 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/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 1-800-222-7377.

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 OPERS is set aside for the funding of post-retirement health care coverage.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, state and local employers contributed at a rate of 14.0 percent of covered payroll, 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 members do not make contributions to the OPEB Plan.

OPERS' Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan and Combined Plan was 2.0 percent during calendar year 2014. Effective January 1, 2015, the portion of employer contributions allocated to health care remains at 2.0 percent for both plans, as recommended by OPERS' actuary. The OPERS Board of Trustees 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.

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The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and coverage selected.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2014, 2013, and 2012 were \$38,670, \$37,467 and \$51,117, respectively. For 2014, 92 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

***B. Ohio Police and Fire Pension Fund***

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

OP&F 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 OP&F meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F 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.

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

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F 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.

OP&F 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 OP&F Board of Trustees.

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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, 2014 through December 31, 2014. 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 OP&F Board of Trustees also is 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 OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$40,861 and \$22,087 for the year ended December 31, 2014, \$39,944 and \$21,541 for the year ended December 31, 2013, and \$40,329 and \$20,126 for the year ended December 31, 2012. 91 percent has been contributed for police and 89 percent has been contributed for firefighters for 2014. The full amount has been contributed for 2013 and 2012.

**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.

The City contracts with Health Assurance for hospitalization insurance for all employees, excluding part-time elected and part-time appointed officials. The City pays 90 percent of the total monthly premiums of \$1,835.30 for family health care, \$524.37 for single health care, \$996.30 for employee plus children health care and \$1,018.92 for employee plus spouse health care through Health Assurance. The City also contracts with Ohio AFSCME Eye Care in which the City pays 100 percent of the total monthly premium of \$175.00 for family or single eye and hearing care for AFSCME members. Premiums are paid from the same funds that pay the employees' salaries.

***B. Compensated Absences***

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn vacation time based on the length of service. Typically, vacation can not be carried over, however, unforeseen circumstances may come into play and the superintendent may elect to permit an employee to carryover minimal vacation time. Sick leave is accumulated at a rate of 4.6 hours per each 80 hours worked. For employees that work less than a 40 hour work week, the sick leave accumulation is prorated based on 4.6 hours per 80 hours worked. All accumulated, unused vacation time and personal days are paid upon separation if the employee has acquired at least one year of service with the City. Upon separation, AFSCME members are paid for a maximum of 150 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, 2014, the liability for unpaid compensated absences was \$481,401.

**City of Toronto**  
**Jefferson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

**NOTE 13 – INTERFUND**

The City made the following transfers during 2014:

	Transfers In	Transfers Out
<b>Major Governmental Funds:</b>		
General	\$ 0	\$ 780,000
Titanium Way Bridge Replacement	50,000	0
Capital Improvements	200,000	0
<b>Nonmajor Governmental Funds:</b>		
Recreation	85,000	0
Police Pension	125,000	0
Fire Pension	70,000	0
Street Maintenance and Repair	125,000	0
Total Governmental Funds	655,000	780,000
<b>Enterprise Funds:</b>		
Refuse	125,000	0
Total	\$ 780,000	\$ 780,000

The General Fund transferred \$780,000 to various other governmental funds and the refuse fund to distribute income tax revenue.

**NOTE 14 - LONG-TERM OBLIGATIONS**

Changes in long-term obligations during the year ended December 31, 2014, consisted of the following:

	Outstanding 12/31/2013	Additions	Reductions	Outstanding 12/31/2014	Amounts Due In One Year
<b>Governmental Activities</b>					
Installment Loan-City Building	\$ 560,821	\$ 0	\$ (47,950)	\$ 512,871	\$ 48,554
Fire Truck Loan	66,593	0	(66,593)	0	0
Compensated Absences	358,990	59,719	(35,089)	383,620	41,609
Total Governmental Activities	\$ 986,404	\$ 59,719	\$ (149,632)	\$ 896,491	\$ 90,163
<b>Business-Type Activities</b>					
Water Treatment Plant OWDA Loan	\$ 9,463,960	\$ 0	\$ (656,067)	\$ 8,807,893	\$ 677,628
Water Treatment OWDA Plant Lagoons	490,180	0	(38,645)	451,535	39,032
Waterline Replacement OWDA Loan	128,907	375,784	(45,550)	459,141	18,390
Combined Sewer Separation OWDA Loan	222,261	0	(12,454)	209,807	12,579
Waste Water Treatment Plant OWDA Loan	0	30,129	0	30,129	0
Total OWDA loans	10,305,308	405,913	(752,716)	9,958,505	747,629
Waterline Replacement OPWC Loan	195,000	0	0	195,000	6,500
Garbage Packer Loan	78,876	0	(18,907)	59,969	19,438
Compensated Absences	103,016	19,564	(24,799)	97,781	8,263
Total Business-Type Activities	\$10,682,200	\$ 425,477	\$ (796,422)	\$10,311,255	\$ 781,830

**City of Toronto**  
**Jefferson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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The installment loan for the City building will be paid from the general fund. The fire truck loan was paid from the capital improvement 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. Compensated absences will be paid from the fund from which the employees' salaries are paid.

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. As of December 31, 2014, the City had received \$13,534,834 from OWDA. In addition to the draw down, the City has incurred capitalized interest of \$479,344 as of December 31, 2014. The City began to repay the loan in 2007.

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, 2014, 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 loan agreement with U.S. Bank for \$111,971 for the purpose of purchasing a new fire truck. The loan agreement is for a period of five years and the interest rate is 2.76 percent. The loan was paid off during 2014.

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. 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. No payments were made during 2014. 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.

**City of Toronto**  
**Jefferson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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, the City had drawn down \$30,000. In addition to the draw down, the City had capitalized interest in the amount of \$129. The City will make 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.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2014 are as follows:

Governmental Activities		
Year	Installment Loan-City Building	
	Principal	Interest
2015	\$ 48,554	\$ 6,132
2016	49,165	5,521
2017	49,783	4,902
2018	50,409	4,278
2019	51,043	3,644
2020-2024	263,917	8,426
	\$ 512,871	\$ 32,903

Business-Type Activities					
Year	OWDA Loans		OPWC Loan	Installment Loan - Packer	
	Principal	Interest	Principal	Principal	Interest
2015	\$ 747,629	\$ 297,236	\$ 6,500	\$ 19,438	\$ 1,685
2016	770,788	274,077	6,500	19,985	1,139
2017	794,690	250,176	6,500	20,546	577
2018	819,362	225,504	6,500	0	0
2019	844,826	200,039	6,500	0	0
2020-2024	4,635,753	588,575	32,500	0	0
2025-2029	1,167,161	46,215	32,500	0	0
2030-2034	136,308	8,424	32,500	0	0
2035-2039	11,859	119	32,500	0	0
2040-2044	0	0	32,500	0	0
	\$ 9,928,376	\$ 1,890,365	\$ 195,000	\$ 59,969	\$ 3,401

**City of Toronto**  
**Jefferson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

**NOTE 15 – 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 funds are presented as follows:

	General	Titanium Way Bridge Replacement	Capital Improvements	Other Governmental Funds	Total
Nonspendable for:					
Prepaid Items	\$ 19,467	\$ 0	\$ 0	\$ 5,777	\$ 25,244
Materials and Supplies Inventory	0	0	0	12,271	12,271
Unclaimed Monies	401	0	0	0	401
<b>Total Nonspendable</b>	<b>19,868</b>	<b>0</b>	<b>0</b>	<b>18,048</b>	<b>37,916</b>
Restricted for:					
Recreation	0	0	0	9,740	9,740
Street Maintenance and City Improvements	0	0	0	464,518	464,518
Law Enforcement and Public Safety	0	0	0	30,280	30,280
Titanium Way Bridge Replacement	0	38,269	0	0	38,269
Community Development	0	0	0	42,076	42,076
<b>Total Restricted</b>	<b>0</b>	<b>38,269</b>	<b>0</b>	<b>546,614</b>	<b>584,883</b>
Committed for:					
Police and Fire Severance	72,425	0	0	0	72,425
Assigned for:					
Subsequent Year Appropriations	424,784	0	0	0	424,784
Capital Projects	0	0	692,417	0	692,417
<b>Total Assigned</b>	<b>424,784</b>	<b>0</b>	<b>692,417</b>	<b>0</b>	<b>1,117,201</b>
Unassigned	1,364,314	0	0	0	1,364,314
<b>Total Fund Balance</b>	<b>\$ 1,881,391</b>	<b>\$ 38,269</b>	<b>\$ 692,417</b>	<b>\$ 564,662</b>	<b>\$ 3,176,739</b>

**City of Toronto**  
**Jefferson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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**NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS**

***A. Ohio Mid-Eastern Governments Association***

Ohio Mid-Eastern Governments Association (OMEGA) is a ten-county regional council of governments comprised of Belmont, Carroll, Coshocton, Columbiana, Guernsey, Harrison, Holmes, Jefferson, Muskingum, and Tuscarawas counties. OMEGA was formed to aid and assist the participating counties and political subdivisions within the counties in the application for Appalachian Regional Commission and Economic Development grant monies. OMEGA is governed by a sixteen member executive board comprised of members appointed from each participating county and cities within each county. City membership is voluntary. The Mayor of the City of Toronto serves as the City's representative on the board; however, the City is not active. Each member currently pays a per capita membership fee based upon the most recent United States census. During 2014, 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 17 - CONTINGENCIES**

***A. Grants***

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, 2014.

***B. Litigation***

The City of Toronto is not party to any litigation.

**CITY OF TORONTO  
JEFFERSON COUNTY  
SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>			
<i>Passed Through Ohio Development Services Agency</i>			
CHIP Home Improvement Partnership Grant		14.239	\$238,566
Community Development Block Grant		14.228	
CHIP 2012 CDBG (Fund 242)			13,260
Water Line Replacement (Fund 291)	A W-12-2DZ-1		<u>599,000</u>
Total CDBG Block Grant			612,260
Total U.S. Department of Housing and Urban Development			<u>\$ 850,826</u>
<b><u>U.S. DEPARTMENT OF HOMELAND SECURITY</u></b>			
Assistance to Firefighters Grant		97.044	\$ 47,500
<b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>			
<i>Passed Through Ohio Department of Transportation</i>			
Highway Planning and Construction		20.205	<u>76,347</u>
Total U.S. Department of Transportation			76,347
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 974,673</u></u>

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

**CITY OF TORONTO  
JEFFERSON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FISCAL YEAR ENDED DECEMBER 31, 2014**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) reports the City of Toronto's (the City's) federal award programs' disbursements. The schedule has been prepared on the cash basis of accounting.



# 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 City of Toronto, Jefferson County, (the City) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 9, 2015, wherein we qualified our report on the capital assets reported within the governmental activities and business type activities, the Water, Sewer and Refuse funds. We also noted the City adopted Governmental Accounting Standards Board Statements 69 and 70.

### ***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 opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a 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. We consider finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

### ***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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-001.

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

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

### ***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the 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.



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

October 9, 2015



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the City Council:

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

We have audited the City of Toronto's (the City) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the City of Toronto's major federal program for the year ended December 31, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the City's major federal program.

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

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

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

Our responsibility is to opine on the City's compliance for the City's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on the Major Federal Program***

In our opinion, the City of Toronto complied, in all material respects with the compliance requirements referred to above that could directly and materially affects its major federal program for the year ended December 31, 2014.

**Report on Internal Control Over Compliance**

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



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

October 9, 2015

**CITY OF TORONTO  
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS**

**OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2014**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Qualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA #14.228 – CDBG
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

**Finding Number 2014-001**

**Noncompliance/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 \$20,564,841 for 2014.

The City has not maintained a complete capital asset listing to support the valuation of capital assets that should have been capitalized and depreciated in the governmental and business-type activities. 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. 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 City should conduct a complete physical inventory of its assets and prepared 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. 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 would then provide a consistent approach needed by management to exercise proper control over the acquisition, disposal, and maintenance of the City's property, plant, and equipment.

**Official's Response:** At this time, the City of Toronto does not have a comprehensive written policy. However, we believe the amounts of the capital assets are fairly stated.

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

**None**

CITY OF TORONTO  
JEFFERSON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2014

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2013-001	Capital asset noncompliance citation/material weakness	No	Re-issued as 2014-001

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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  
NOVEMBER 12, 2015**