



Dave Yost • Auditor of State

**CITY OF TORONTO
JEFFERSON COUNTY**

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**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 years ended December 31, 2013 and December 31, 2012, 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:

	Governmental Activities	Business Type Activities	Water Fund	Sewer Fund	Refuse Fund
2013					
Reported Capital Assets	\$3,945,588	\$14,286,431	\$12,196,460	\$1,855,361	\$234,610
Percent of Total Assets	48%	76%	80%	63%	49%
2012					
Reported Capital Assets	\$3,962,456	\$14,629,316	\$12,598,602	\$1,906,841	\$123,873
Percent of Total Assets	48%	87%	91%	74%	36%

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 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, 2013 and December 31, 2012, and the respective changes in financial position and where applicable its cash flows thereof for the years 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 Bridge Replacement fund, and the aggregate remaining fund information of City of Toronto, Jefferson County, Ohio, as of December 31, 2013 and December 31, 2012, and the respective changes in financial position and, where applicable, cash flows there of 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, 2013, the Government adopted the provisions of Governmental Accounting Standard No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2014, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

December 12, 2014

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City of Toronto
Jefferson County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2013
(Unaudited)

The discussion and analysis of the City of Toronto's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2013. 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 2013 are as follows:

- In total, net position increased \$1,869,596, which represents a 14.9 percent increase from 2012. Net position of governmental activities increased \$62,495. Net position of business-type activities increased \$1,807,101.
- Total capital assets increased \$506,806 in 2013. Capital assets of governmental activities decreased \$16,868 and capital assets of business-type activities increased \$523,674.
- Outstanding debt decreased from \$11,589,055 to \$11,206,598 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 2013 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 and the Titanium Way Bridge Replacement fund are the City's most significant funds. Business-type funds consist of the water, sewer and refuse funds.

City of Toronto
Jefferson County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2013
(Unaudited)

A question typically asked about the City's finances "How did we do financially during 2013?" 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 and the Titanium Way Bridge Replacement capital projects fund.

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

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

City of Toronto
Jefferson County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2013
(Unaudited)

The City of Toronto as a Whole

Recall that the Statement of Net Position provides the perspective of the City as a whole. Table 1 provides a summary of the City's net position for 2013 compared to 2012:

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	Restated 2012	2013	2012	2013	Restated 2012
Assets						
Current and Other Assets	\$ 4,071,862	4,055,744	\$ 3,632,479	\$ 2,087,507	\$ 7,704,341	\$ 6,143,251
Capital Assets	4,103,088	4,119,956	15,196,894	14,673,220	19,299,982	18,793,176
<i>Total Assets</i>	<u>8,174,950</u>	<u>8,175,700</u>	<u>18,829,373</u>	<u>16,760,727</u>	<u>27,004,323</u>	<u>24,936,427</u>
Liabilities						
Current and Other Liabilities	94,466	96,008	652,672	119,869	747,138	215,877
Long-Term Liabilities	986,404	1,046,890	10,682,200	10,953,458	11,668,604	12,000,348
<i>Total Liabilities</i>	<u>1,080,870</u>	<u>1,142,898</u>	<u>11,334,872</u>	<u>11,073,327</u>	<u>12,415,742</u>	<u>12,216,225</u>
Deferred Inflows of Resources						
Property Taxes Levied for the Next Year	138,621	139,838	0	0	138,621	139,838
Net Position						
Net Investment in						
Capital Assets	3,475,674	3,393,085	4,085,081	3,811,036	7,560,755	7,204,121
Restricted	1,915,897	2,084,624	0	0	1,915,897	2,084,624
Unrestricted	1,563,888	1,415,255	3,409,420	1,876,364	4,973,308	3,291,619
<i>Total Net Position</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>

At year end, capital assets represented 71 percent of total assets. Capital assets include, land, work of art, buildings, land improvements, equipment, vehicles, infrastructure and water and sewer lines. The net investment in capital assets was \$7,560,755 at December 31, 2013, with \$3,475,674 in governmental activities and \$4,085,081 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, \$1,915,897, or 13 percent, represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position of \$4,973,308, or 34 percent, may be used to meet the government's ongoing obligations to citizens and creditors.

Current assets of business-type activities increased \$1,544,972 and capital assets increased \$523,674. 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 \$532,803 increase in current liabilities is due to increased contracts and retainage payable for the waterline replacement.

City of Toronto
Jefferson County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2013
(Unaudited)

Table 2 shows the changes in net position for 2013 and 2012.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 176,696	\$ 162,526	\$ 3,900,872	\$ 3,188,620	\$ 4,077,568	\$ 3,351,146
Operating Grants	258,839	779,200	0	0	258,839	779,200
Capital Grants	0	942,230	903,006	0	903,006	942,230
<i>General Revenues:</i>						
Property Taxes	143,562	149,982	0	0	143,562	149,982
Income Taxes	2,810,294	2,561,574	0	0	2,810,294	2,561,574
Other Local Taxes	47,195	50,321	0	0	47,195	50,321
Grants and Entitlements	132,632	161,667	0	0	132,632	161,667
Investment Earnings	1,012	0	0	0	1,012	0
Miscellaneous	18,261	22,837	5,620	4,355	23,881	27,192
<i>Total Revenues</i>	<u>3,588,491</u>	<u>4,830,337</u>	<u>4,809,498</u>	<u>3,192,975</u>	<u>8,397,989</u>	<u>8,023,312</u>
Program Expenses						
General Government	497,763	515,810	0	0	497,763	515,810
Security of Persons and Property	1,673,053	1,589,002	0	0	1,673,053	1,589,002
Public Health	28,255	4,521	0	0	28,255	4,521
Leisure Time Services	210,299	219,913	0	0	210,299	219,913
Community Development	237,716	296,733	0	0	237,716	296,733
Transportation	616,931	643,312	0	0	616,931	643,312
Interest and Fiscal Charges	10,337	12,027	0	0	10,337	12,027
<i>Enterprise Operations:</i>						
Water	0	0	2,179,727	1,948,533	2,179,727	1,948,533
Sewer	0	0	608,317	526,270	608,317	526,270
Refuse	0	0	465,995	469,726	465,995	469,726
<i>Total Program Expenses</i>	<u>3,274,354</u>	<u>3,281,318</u>	<u>3,254,039</u>	<u>2,944,529</u>	<u>6,528,393</u>	<u>6,225,847</u>
<i>Increase in Net Position</i>	314,137	1,549,019	1,555,459	248,446	1,869,596	1,797,465
Transfers	(251,642)	(175,000)	251,642	175,000	0	0
<i>Change in Net Position</i>	62,495	1,374,019	1,807,101	423,446	1,869,596	1,797,465
<i>Net Position Beginning of Year</i>	<u>6,892,964</u>	<u>5,518,945</u>	<u>5,687,400</u>	<u>5,263,954</u>	<u>12,580,364</u>	<u>10,782,899</u>
<i>Net Position End 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>

City of Toronto
Jefferson County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2013
(Unaudited)

Governmental Activities

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

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

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.

Both operating grants and capital grants decreased significantly in 2013 due to the timing of grant awards. In 2012, the City was awarded a large grant from the Ohio Department of Transportation for the Titanium Way bridge replacement. In 2012, the City was also awarded several large grants from the Department of Development. These grants are nonreimbursable and the entire amount was recognized as revenue in 2012 when they were awarded.

Police and fire represent the largest expense of the Governmental Activities. This expense of \$1,673,053 represents 51.1 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 \$616,931, a slight decrease from 2012. The expenditures 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 \$238,554 in 2013 equaling 7.3 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 2013, charges for services of \$3,900,872 accounted for 77.1 percent of the business type revenues. The total expenses for the utilities were \$3,254,039, thus leaving an increase in net position of \$1,555,459 (before transfers) for the business-type activities.

The large increase in capital grants is due to new grants awarded in 2013 to begin the waterline replacement project.

City of Toronto
Jefferson County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2013
(Unaudited)

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 \$3,956,789 and expenditures of \$3,349,258. 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 2013 was an increase of \$181,608. Income tax and property tax revenue increased over 2012 levels.

The Titanium Way Bridge replacement capital projects fund, which was new in 2012, had a net change in fund balance of \$4,466. This fund accounts for financial resources and expenditures for the engineering and construction of the bridge replacement.

Proprietary Funds

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

Total unrestricted net position of the water, sewer, refuse and other business-type funds at the end of the year amounted to \$3,409,420. The total growth in net position of business-type funds was \$1,807,101. This is mainly due to the start of the waterline replacement project in 2013 with several grants and loans being awarded to the City.

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 2013, 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, the actual budget basis revenue was \$3,232,129, representing an increase of \$501,329 over the final budget estimate of \$2,730,800. Most of this difference was attributable to an increase in actual amounts for income tax revenue versus the amount in the final budget.

Final expenditure appropriations of \$2,324,808 were \$273,664 higher than the actual expenditures of \$2,051,144, as cost savings were recognized for general government, security of persons and property and transportation throughout the year.

City of Toronto
Jefferson County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2013
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

At the end of year 2013, the City had \$19,299,982 invested in capital assets. A total of \$4,103,088 of this was for governmental activities and \$15,196,894 was attributable to business-type activities. Table 3 shows fiscal year 2013 balances compared with 2012.

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
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	950,280	982,451	9,007,509	9,234,157	9,957,789	10,216,608
Land Improvements	219,701	250,928	1,543,750	1,571,250	1,763,451	1,822,178
Equipment	197,772	212,881	1,447,616	1,588,896	1,645,388	1,801,777
Vehicles	964,022	967,216	208,590	96,940	1,172,612	1,064,156
Infrastructure	1,613,813	1,548,980	0	0	1,613,813	1,548,980
Water and Sewer Lines	0	0	2,078,966	2,138,073	2,078,966	2,138,073
Construction in Progress	0	0	866,559	0	866,559	0
<i>Total</i>	<u>\$ 4,103,088</u>	<u>\$ 4,119,956</u>	<u>\$ 15,196,894</u>	<u>\$ 14,673,220</u>	<u>\$ 19,299,982</u>	<u>\$ 18,793,176</u>

The \$523,674 increase in capital assets of business-type activities is due to waterline replacement project that began during 2013. See Note 8 for additional information about the capital assets of the City.

Debt

The outstanding debt for the City as of December 31, 2013 was \$11,206,598. See Note 14 for additional details. Table 4 summarizes outstanding debt.

Table 4
Outstanding Debt, at December 31

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Installment Loans	\$ 560,821	\$ 608,178	\$ 0	\$ 0	\$ 560,821	\$ 608,178
Fire Truck Loan	66,593	82,131	0	0	66,593	82,131
Dump Truck Loan	0	36,562	0	0	0	36,562
OWDA Loans	0	0	10,305,308	10,862,184	10,305,308	10,862,184
OPWC Loans	0	0	195,000	0	195,000	0
Garbage Packer Loan	0	0	78,876	0	78,876	0
<i>Total</i>	<u>\$ 627,414</u>	<u>\$ 726,871</u>	<u>\$ 10,579,184</u>	<u>\$ 10,862,184</u>	<u>\$ 11,206,598</u>	<u>\$ 11,589,055</u>

City of Toronto
Jefferson County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2013
(Unaudited)

Current Financial Issues

The City had a cash balance of \$1,015,832 at December 31, 2013 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 \$285,192 during 2013.

In 2013 the City purchased two new police cruisers at a cost of \$61,810, which included additional equipment for the cruisers.

The City sells water to Jefferson County and the revenue from these water sales totaled \$1,479,070 in 2013.

During the third quarter of 2013, the City initiated a capital project to replace existing water lines and re-establish a reliable water distribution system. The cost of the approximately \$2 million project is being funded by various federal and state loans and grants with completion expected in 2014.

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.

City of Toronto
Jefferson County, Ohio
Statement of Net Position
December 31, 2013

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 1,841,970	\$ 2,217,331	\$ 4,059,301
Restricted Assets:			
Cash and Cash Equivalents	0	70,809	70,809
Accounts Receivable	0	551,303	551,303
Intergovernmental Receivable	1,195,922	700,000	1,895,922
Taxes Receivable	1,005,833	0	1,005,833
Internal Balances	(3,778)	3,778	0
Prepaid Items	25,018	35,499	60,517
Materials and Supplies Inventory	6,897	53,759	60,656
Non-Depreciable Capital Assets	157,500	910,463	1,067,963
Depreciable Capital Assets, Net	3,945,588	14,286,431	18,232,019
<i>Total Assets</i>	<u>8,174,950</u>	<u>18,829,373</u>	<u>27,004,323</u>
Liabilities			
Accounts Payable	18,237	31,457	49,694
Contracts Payable	25,384	481,307	506,691
Retainage Payable	0	51,322	51,322
Intergovernmental Payable	50,845	17,777	68,622
Customer Deposits	0	70,809	70,809
Long-Term Liabilities:			
Due Within One Year	99,015	753,344	852,359
Due in More Than One Year	887,389	9,928,856	10,816,245
<i>Total Liabilities</i>	<u>1,080,870</u>	<u>11,334,872</u>	<u>12,415,742</u>
Deferred Inflows of Resources			
Property Taxes Levied for the Next Year	138,621	0	138,621
Net Position			
Net Investment in Capital Assets	3,475,674	4,085,081	7,560,755
Restricted for Capital Outlay	976,602	0	976,602
Restricted for Other Purposes	939,295	0	939,295
Unrestricted	1,563,888	3,409,420	4,973,308
<i>Total Net Position</i>	<u>\$ 6,955,459</u>	<u>\$ 7,494,501</u>	<u>\$ 14,449,960</u>

See accompanying notes to the basic financial statements.

City of Toronto
Jefferson County, Ohio
Statement of Activities
For the Year Ended December 31, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services and Sales	Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$ 497,763	\$ 50,710	\$ 0	\$ 0	\$ (447,053)	\$ 0	\$ (447,053)
Security of Persons and Property	1,673,053	58,962	20,162	0	(1,593,929)	0	(1,593,929)
Public Health	28,255	0	0	0	(28,255)	0	(28,255)
Leisure Time Services	210,299	67,024	9,326	0	(133,949)	0	(133,949)
Community Development	237,716	0	13,057	0	(224,659)	0	(224,659)
Transportation	616,931	0	216,294	0	(400,637)	0	(400,637)
Interest and Fiscal Charges	10,337	0	0	0	(10,337)	0	(10,337)
<i>Total Governmental Activities</i>	<u>3,274,354</u>	<u>176,696</u>	<u>258,839</u>	<u>0</u>	<u>(2,838,819)</u>	<u>0</u>	<u>(2,838,819)</u>
Business-Type Activities							
Water	2,179,727	2,606,513	0	903,006	0	1,329,792	1,329,792
Sewer	608,317	914,346	0	0	0	306,029	306,029
Refuse	465,995	380,013	0	0	0	(85,982)	(85,982)
<i>Total Business-Type Activities</i>	<u>3,254,039</u>	<u>3,900,872</u>	<u>0</u>	<u>903,006</u>	<u>0</u>	<u>1,549,839</u>	<u>1,549,839</u>
<i>Total Primary Government</i>	<u>\$ 6,528,393</u>	<u>\$ 4,077,568</u>	<u>\$ 258,839</u>	<u>\$ 903,006</u>	<u>(2,838,819)</u>	<u>1,549,839</u>	<u>(1,288,980)</u>
General Revenues:							
Property Taxes Levied for:							
General Purposes					106,151	0	106,151
Other Purposes					37,411	0	37,411
Income Taxes Levied for General Purposes					2,810,294	0	2,810,294
Other Local Taxes					47,195	0	47,195
Grants and Entitlements not Restricted to Specific Programs					132,632	0	132,632
Investment Earnings					1,012	0	1,012
Miscellaneous					18,261	5,620	23,881
<i>Total General Revenues</i>					<u>3,152,956</u>	<u>5,620</u>	<u>3,158,576</u>
Transfers					(251,642)	251,642	0
<i>Total General Revenues and Transfers</i>					<u>(251,642)</u>	<u>251,642</u>	<u>0</u>
<i>Change in Net Position</i>					62,495	1,807,101	1,869,596
<i>Net Position Beginning of Year</i>					<u>6,892,964</u>	<u>5,687,400</u>	<u>12,580,364</u>
<i>Net Position End of Year</i>					<u>\$ 6,955,459</u>	<u>\$ 7,494,501</u>	<u>\$ 14,449,960</u>

See accompanying notes to the basic financial statements.

City of Toronto
Jefferson County, Ohio
Balance Sheet
Governmental Funds
December 31, 2013

	General	Titanium Way Bridge Replacement	All Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 1,015,832	\$ 17,206	\$ 799,521	\$ 1,832,559
Intergovernmental Receivable	60,908	782,812	352,202	1,195,922
Taxes Receivable	939,995	0	65,838	1,005,833
Prepaid Items	19,293	0	5,725	25,018
Materials and Supplies Inventory	0	0	6,897	6,897
<i>Total Assets</i>	<u>\$ 2,036,028</u>	<u>\$ 800,018</u>	<u>\$ 1,230,183</u>	<u>\$ 4,066,229</u>
Liabilities				
Accounts Payable	\$ 11,702	\$ 0	\$ 6,535	\$ 18,237
Contracts Payable	0	25,384	0	25,384
Intergovernmental Payable	27,747	0	23,098	50,845
<i>Total Liabilities</i>	<u>39,449</u>	<u>25,384</u>	<u>29,633</u>	<u>94,466</u>
Deferred Inflows of Resources				
Property Taxes Levied for the Next Year	104,704	0	33,917	138,621
Unavailable Revenue	680,454	762,504	363,647	1,806,605
<i>Total Deferred Inflows of Resources</i>	<u>785,158</u>	<u>762,504</u>	<u>397,564</u>	<u>1,945,226</u>
Fund Balances				
Nonspendable	19,694	0	12,622	32,316
Restricted	0	12,130	596,549	608,679
Committed	62,425	0	0	62,425
Assigned	424,640	0	201,968	626,608
Unassigned	704,662	0	(8,153)	696,509
<i>Total Fund Balances</i>	<u>1,211,421</u>	<u>12,130</u>	<u>802,986</u>	<u>2,026,537</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 2,036,028</u>	<u>\$ 800,018</u>	<u>\$ 1,230,183</u>	<u>\$ 4,066,229</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, 2013

Total Governmental Fund Balances		\$ 2,026,537
<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.		4,103,088
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds:		
Property Taxes	\$ 30,095	
Other Local Taxes	18,970	
Income Tax	607,168	
Intergovernmental	1,150,372	
Total		1,806,605
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.		5,633
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Installment Loans Payable	(560,821)	
Fire Truck Loan	(66,593)	
Compensated Absences	(358,990)	
Total		(986,404)
<i>Net Position of Governmental Activities</i>		\$ 6,955,459

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, 2013

	General	Titanium Way Bridge Replacement	All Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$ 106,644	\$ 0	\$ 37,648	\$ 144,292
Income Taxes	2,798,329	0	0	2,798,329
Other Local Taxes	0	0	46,821	46,821
Charges for Services	0	0	67,024	67,024
Licenses and Permits	50,710	0	0	50,710
Fines and Forfeitures	53,860	0	5,102	58,962
Intergovernmental	169,777	102,139	499,411	771,327
Interest	1,012	0	51	1,063
Other	8,906	0	9,355	18,261
<i>Total Revenues</i>	<u>3,189,238</u>	<u>102,139</u>	<u>665,412</u>	<u>3,956,789</u>
Expenditures				
Current:				
General Government	473,490	0	0	473,490
Security of Persons and Property	1,389,112	0	195,778	1,584,890
Public Health	25,257	0	0	25,257
Leisure Time Services	7,700	0	155,863	163,563
Community Development	0	0	237,716	237,716
Transportation	65,101	127,673	306,637	499,411
Capital Outlay	77,486	0	177,199	254,685
Debt Service:				
Principal Retirement	47,356	0	52,101	99,457
Interest and Fiscal Charges	7,330	0	3,459	10,789
<i>Total Expenditures</i>	<u>2,092,832</u>	<u>127,673</u>	<u>1,128,753</u>	<u>3,349,258</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,096,406</u>	<u>(25,534)</u>	<u>(463,341)</u>	<u>607,531</u>
Other Financing Sources (Uses)				
Transfers In	0	30,000	659,798	689,798
Transfers Out	(914,798)	0	0	(914,798)
<i>Total Other Financing Sources (Uses)</i>	<u>(914,798)</u>	<u>30,000</u>	<u>659,798</u>	<u>(225,000)</u>
<i>Net Change in Fund Balance</i>	181,608	4,466	196,457	382,531
<i>Fund Balance Beginning of Year</i>	<u>1,029,813</u>	<u>7,664</u>	<u>606,529</u>	<u>1,644,006</u>
<i>Fund Balance End of Year</i>	<u>\$ 1,211,421</u>	<u>\$ 12,130</u>	<u>\$ 802,986</u>	<u>\$ 2,026,537</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, 2013*

Net Change in Fund Balances - Total Governmental Funds	\$	382,531
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded additions in the current period.		
Capital Asset Additions	\$ 212,769	
Current Year Depreciation	<u>(229,637)</u>	(16,868)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(730)	
Other Local Taxes	374	
Income Tax	11,965	
Intergovernmental	<u>(379,907)</u>	(368,298)
 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.		
		99,457
 In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.		
		452
 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.		
		4,192
 Compensated absences reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(38,971)</u>
 <i>Change in Net Position of Governmental Activities</i>	 \$	 <u>62,495</u>

See accompanying notes to the basic financial statements.

City of Toronto
Jefferson County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2013

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property Taxes	\$ 94,491	\$ 90,103	\$ 106,644	\$ 16,541
Income Taxes	2,512,796	2,396,097	2,835,980	439,883
Licenses and Permits	44,931	42,844	50,710	7,866
Fines and Forfeitures	47,722	45,506	53,860	8,354
Intergovernmental	155,072	147,870	175,017	27,147
Interest	897	855	1,012	157
Other	7,891	7,525	8,906	1,381
<i>Total Revenues</i>	<u>2,863,800</u>	<u>2,730,800</u>	<u>3,232,129</u>	<u>501,329</u>
Expenditures				
Current:				
General Government	447,143	521,232	459,875	61,357
Security of Persons and Property	1,322,716	1,541,881	1,360,379	181,502
Public Health	24,558	28,627	25,257	3,370
Leisure Time Services	7,487	8,727	7,700	1,027
Transportation	63,940	74,535	65,761	8,774
Capital Outlay	75,341	87,824	77,486	10,338
Debt Service:				
Principal Retirement	46,045	53,674	47,356	6,318
Interest and Fiscal Charges	7,127	8,308	7,330	978
<i>Total Expenditures</i>	<u>1,994,357</u>	<u>2,324,808</u>	<u>2,051,144</u>	<u>273,664</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>869,443</u>	<u>405,992</u>	<u>1,180,985</u>	<u>774,993</u>
Other Financing Sources (Uses)				
Transfers Out	(889,471)	(1,036,850)	(914,798)	122,052
<i>Total Other Financing Sources (Uses)</i>	<u>(889,471)</u>	<u>(1,036,850)</u>	<u>(914,798)</u>	<u>122,052</u>
<i>Net Change in Fund Balance</i>	(20,028)	(630,858)	266,187	897,045
<i>Fund Balance Beginning of Year</i>	<u>688,888</u>	<u>688,888</u>	<u>688,888</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 668,860</u>	<u>\$ 58,030</u>	<u>\$ 955,075</u>	<u>\$ 897,045</u>

See accompanying notes to the basic financial statements.

City of Toronto
Jefferson County, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2013

	Enterprise Funds				Total	Governmental Activities - Internal Service Fund
	Water	Sewer	Refuse	All Other Enterprise Funds		
Assets						
<i>Current Assets:</i>						
Equity in Pooled Cash and Cash Equivalents	\$ 1,145,763	\$ 901,261	\$ 170,307	\$ 0	\$ 2,217,331	\$ 9,411
Accounts Receivable	322,038	163,834	65,431	0	551,303	0
Intergovernmental Receivable	700,000	0	0	0	700,000	0
Prepaid Items	15,474	9,156	10,869	0	35,499	0
Materials and Supplies Inventory	49,825	3,934	0	0	53,759	0
<i>Total Current Assets</i>	<u>2,233,100</u>	<u>1,078,185</u>	<u>246,607</u>	<u>0</u>	<u>3,557,892</u>	<u>9,411</u>
<i>Non-Current Assets:</i>						
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	0	0	0	70,809	70,809	0
Non-Depreciable Capital Assets	890,463	20,000	0	0	910,463	0
Depreciable Capital Assets, Net	12,196,460	1,855,361	234,610	0	14,286,431	0
<i>Total Non-Current Assets</i>	<u>13,086,923</u>	<u>1,875,361</u>	<u>234,610</u>	<u>70,809</u>	<u>15,267,703</u>	<u>0</u>
<i>Total Assets</i>	<u>15,320,023</u>	<u>2,953,546</u>	<u>481,217</u>	<u>70,809</u>	<u>18,825,595</u>	<u>9,411</u>
Liabilities						
<i>Current Liabilities:</i>						
Accounts Payable	25,534	2,381	3,542	0	31,457	0
Contracts Payable	481,307	0	0	0	481,307	0
Retainage Payable	51,322	0	0	0	51,322	0
Intergovernmental Payable	10,616	1,504	5,657	0	17,777	0
Compensated Absences Payable	8,124	0	2,733	0	10,857	0
Loans Payable	0	0	18,907	0	18,907	0
OPWC Loans Payable	6,500	0	0	0	6,500	0
OWDA Loans Payable	704,625	12,455	0	0	717,080	0
<i>Total Current Liabilities</i>	<u>1,288,028</u>	<u>16,340</u>	<u>30,839</u>	<u>0</u>	<u>1,335,207</u>	<u>0</u>
<i>Long-Term Liabilities:</i>						
Compensated Absences Payable - Net of Current Portion	70,568	2,118	19,473	0	92,159	0
Loans Payable - Net of Current Portion	0	0	59,969	0	59,969	0
OPWC Loans Payable - Net of Current Portion	188,500	0	0	0	188,500	0
OWDA Loans Payable - Net of Current Portion	9,378,422	209,806	0	0	9,588,228	0
Customer Deposits	0	0	0	70,809	70,809	0
<i>Total Long-Term Liabilities</i>	<u>9,637,490</u>	<u>211,924</u>	<u>79,442</u>	<u>70,809</u>	<u>9,999,665</u>	<u>0</u>
<i>Total Liabilities</i>	<u>10,925,518</u>	<u>228,264</u>	<u>110,281</u>	<u>70,809</u>	<u>11,334,872</u>	<u>0</u>
Net Position						
Net Investment in Capital Assets	2,276,245	1,653,101	155,735	0	4,085,081	0
Unrestricted	2,118,260	1,072,181	215,201	0	3,405,642	9,411
<i>Total Net Position</i>	<u>\$ 4,394,505</u>	<u>\$ 2,725,282</u>	<u>\$ 370,936</u>	<u>\$ 0</u>	<u>7,490,723</u>	<u>\$ 9,411</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

3,778

\$ 7,494,501

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, 2013

	Enterprise Funds				Totals	Governmental Activities - Internal Service Fund
	Water	Sewer	Refuse	All Other Enterprise Funds		
Operating Revenues						
Charges for Services	\$ 2,606,513	\$ 914,346	\$ 380,013	\$ 0	\$ 3,900,872	\$ 25,000
Other	5,620	0	0	0	5,620	0
<i>Total Operating Revenues</i>	<u>2,612,133</u>	<u>914,346</u>	<u>380,013</u>	<u>0</u>	<u>3,906,492</u>	<u>25,000</u>
Operating Expenses						
Personal Services	495,272	48,645	254,981	0	798,898	0
Contractual Services	691,730	473,317	189,677	0	1,354,724	0
Materials and Supplies	256,581	26,424	6,435	0	289,440	0
Claims	0	0	0	0	0	17,801
Depreciation	408,392	57,730	15,905	0	482,027	0
<i>Total Operating Expenses</i>	<u>1,851,975</u>	<u>606,116</u>	<u>466,998</u>	<u>0</u>	<u>2,925,089</u>	<u>17,801</u>
<i>Operating Income (Loss)</i>	<u>760,158</u>	<u>308,230</u>	<u>(86,985)</u>	<u>0</u>	<u>981,403</u>	<u>7,199</u>
Non-Operating Revenues (Expense)						
Capital Grants	903,006	0	0	0	903,006	0
Other Non-Operating Revenues	0	0	0	0	0	92
Interest and Fiscal Charges	(329,734)	(2,315)	0	0	(332,049)	0
<i>Total Non-Operating Revenues (Expense)</i>	<u>573,272</u>	<u>(2,315)</u>	<u>0</u>	<u>0</u>	<u>570,957</u>	<u>92</u>
<i>Income (Loss) Before Contributions and Transfers</i>	<u>1,333,430</u>	<u>305,915</u>	<u>(86,985)</u>	<u>0</u>	<u>1,552,360</u>	<u>7,291</u>
Capital Contributions	0	0	26,642	0	26,642	0
Transfers In	0	100,000	125,000	0	225,000	0
<i>Change in Net Position</i>	<u>1,333,430</u>	<u>405,915</u>	<u>64,657</u>	<u>0</u>	<u>1,804,002</u>	<u>7,291</u>
<i>Net Position Beginning of Year</i>	<u>3,061,075</u>	<u>2,319,367</u>	<u>306,279</u>	<u>0</u>		<u>2,120</u>
<i>Net Position End of Year</i>	<u>\$ 4,394,505</u>	<u>\$ 2,725,282</u>	<u>\$ 370,936</u>	<u>\$ 0</u>		<u>\$ 9,411</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:					<u>3,099</u>	
Changes in Net Position of Business-Type Activities					<u>\$ 1,807,101</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, 2013

	Enterprise Funds				Totals	Governmental Activities - Internal Service Fund
	Water	Sewer	Refuse	All Other Enterprise Funds		
Cash Flows from Operating Activities						
Cash Received from Customers	\$ 2,524,339	\$ 832,820	\$ 369,606	\$ 0	\$ 3,726,765	\$ 25,000
Cash Received from Other Operating Receipts	5,620	0	0	22,500	28,120	0
Cash Payments to Suppliers for Goods and Services	(258,761)	(25,821)	(6,219)	0	(290,801)	0
Cash Payments to Employees for Services and Benefits	(474,372)	(52,318)	(258,704)	0	(785,394)	0
Cash Payments for Contractual Services	(689,699)	(473,046)	(192,164)	(19,850)	(1,374,759)	0
Claims Paid	0	0	0	0	0	(17,801)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>1,107,127</u>	<u>281,635</u>	<u>(87,481)</u>	<u>2,650</u>	<u>1,303,931</u>	<u>7,199</u>
Cash Flows from Noncapital Financing Activities						
Other Non-Operating Receipts	0	0	0	0	0	92
Transfers In	0	100,000	125,000	0	225,000	0
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>0</u>	<u>100,000</u>	<u>125,000</u>	<u>0</u>	<u>225,000</u>	<u>92</u>
Cash Flows from Capital and Related Financing Activities						
Capital Grants	203,006	0	0	0	203,006	0
Proceeds of Loans	0	0	100,000	0	100,000	0
Proceeds of OPWC Loans	195,000	0	0	0	195,000	0
Proceeds of OWDA Loans	329,405	0	0	0	329,405	0
Acquisition of Capital Assets	(340,180)	(6,250)	(100,000)	0	(446,430)	0
Principal Payments on Debt	(873,950)	(12,331)	(21,124)	0	(907,405)	0
Interest Payments on Debt	(329,734)	(2,315)	0	0	(332,049)	0
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(816,453)</u>	<u>(20,896)</u>	<u>(21,124)</u>	<u>0</u>	<u>(858,473)</u>	<u>0</u>
<i>Net Increase in Cash and Cash Equivalents</i>	290,674	360,739	16,395	2,650	670,458	7,291
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>855,089</u>	<u>540,522</u>	<u>153,912</u>	<u>68,159</u>	<u>1,617,682</u>	<u>2,120</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 1,145,763</u>	<u>\$ 901,261</u>	<u>\$ 170,307</u>	<u>\$ 70,809</u>	<u>\$ 2,288,140</u>	<u>\$ 9,411</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities						
Operating Income (Loss)	\$ 760,158	\$ 308,230	\$ (86,985)	\$ 0	\$ 981,403	\$ 7,199
Adjustments:						
Depreciation	408,392	57,730	15,905	0	482,027	0
(Increase) Decrease in Assets:						
Accounts Receivable	(82,174)	(81,526)	(10,407)	0	(174,107)	0
Prepaid Items	405	240	284	0	929	0
Materials and Supplies Inventory	3,325	(1,562)	0	0	1,763	0
Increase (Decrease) in Liabilities:						
Accounts Payable	(3,879)	2,196	(2,555)	0	(4,238)	0
Customer Deposits	0	0	0	2,650	2,650	0
Compensated Absences Payable	19,171	(3,820)	(3,609)	0	11,742	0
Intergovernmental Payable	1,729	147	(114)	0	1,762	0
<i>Net Cash Provided by (Used For) Operating Activities</i>	<u>\$ 1,107,127</u>	<u>\$ 281,635</u>	<u>\$ (87,481)</u>	<u>\$ 2,650</u>	<u>\$ 1,303,931</u>	<u>\$ 7,199</u>

Noncash Capital Financing Activities:

Governmental activities transferred capital assets in the amount of \$26,642 to the refuse fund in 2013.
The City purchased \$532,629 of capital assets on account in 2013.

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, 2013

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, 2013

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, 2013

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

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

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

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

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

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

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

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

Internal Service Fund – Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service fund accounts for the City's 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.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (e.g. revenues and other financing sources) and uses (e.g. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

City Of Toronto
Jefferson County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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.

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.

City Of Toronto
Jefferson County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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, 2013, but which were levied to finance 2014 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".

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2013 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the payment and an expenditure/expense is reported in the year in which services are consumed.

G. Materials and Supplies Inventory

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

City Of Toronto
Jefferson County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
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.

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

City Of Toronto
Jefferson County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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.

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.

City Of Toronto
Jefferson County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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, 2013

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 2013.

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, 2013

T. Implementation of New Accounting Policies

For the year ended December 31, 2013, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 61, “*The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34,*” GASB Statement No. 65, “*Items Previously Reported as Assets and Liabilities,*” and GASB Statement No. 66, “*Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62.*”

GASB Statement No. 61 improves guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the City.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the City’s 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of GASB Statement No. 66 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 Statements 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).

City Of Toronto
Jefferson County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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

Net Change in Fund Balance

	General
GAAP Basis	\$ 181,608
Revenue Accruals	42,891
Expenditure Accruals	5,735
Funds Budgeted Elsewhere**	35,953
Budget Basis	\$ 266,187

** 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;

City Of Toronto
Jefferson County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio and STAR Plus);
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in any amount not to exceed 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 2013, the City and public depositories complied with the provisions of these statutes.

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Deposits with Financial Institutions

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

At year-end, the carrying amount of the City's deposits was \$4,130,110. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of December 31, 2013, \$3,803,475 of the City's bank balance of \$4,241,719 was exposed to custodial risk as discussed above, while \$438,244 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 2013 for real and public utility property taxes represents collections of the 2012 taxes.

2013 real property taxes were levied after October 1, 2013 on the assessed value as of January 1, 2013, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2013 real property taxes are collected in and intended to finance 2014.

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. 2013 public utility property taxes which became a lien December 31, 2012, are levied after October 1, 2013, and are collected in 2014 with real property taxes.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010. The tax was phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the City due to the phasing out of the tax. In calendar years 2006-2010, the City was fully reimbursed for the lost revenue. In calendar years 2012-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

The full tax rate for all City operations for the year ended December 31, 2013, was \$3.40 per \$1,000 of assessed valuation. The assessed values of real property upon which 2013 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Property	\$ 50,174,890
Public Utilities - Real	34,210
Public Utilities - Personal	<u>3,796,700</u>
Total Assessed Value	<u>\$ 54,005,800</u>

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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.

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City of Toronto. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility real and personal property taxes, and outstanding delinquencies which became measurable as of December 31, 2013, and for which there is an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2013 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, 2013 consisted of taxes, accounts (billings for user charged services including unbilled utility services), and intergovernmental receivables arising from grants and shared revenues. All receivables are deemed collectible in full.

NOTE 7 – INCOME TAX

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

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

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Jefferson County, Ohio
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NOTE 8 – CAPITAL ASSETS

A summary of changes in capital assets during 2013 follows:

	Balance 1/1/2013	Additions	Deletions	Balance 12/31/2013
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 140,000	\$ 0	\$ 0	\$ 140,000
Work of Art	17,500	0	0	17,500
<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	376,279	10,586	0	386,865
Vehicles	1,630,405	61,810	0	1,692,215
Infrastructure	1,818,319	140,373	0	1,958,692
<i>Total Capital Assets, Being Depreciated</i>	<u>6,490,846</u>	<u>212,769</u>	<u>0</u>	<u>6,703,615</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	(506,489)	(32,171)	0	(538,660)
Land Improvements	(925,975)	(31,227)	0	(957,202)
Equipment	(163,398)	(25,695)	0	(189,093)
Vehicles	(663,189)	(65,004)	0	(728,193)
Infrastructure	(269,339)	(75,540)	0	(344,879)
<i>Total Accumulated Depreciation</i>	<u>(2,528,390)</u>	<u>(229,637) *</u>	<u>0</u>	<u>(2,758,027)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>3,962,456</u>	<u>(16,868)</u>	<u>0</u>	<u>3,945,588</u>
<i>Total Governmental Activities Capital Assets, Net</i>	<u>\$ 4,119,956</u>	<u>\$ (16,868)</u>	<u>\$ 0</u>	<u>\$ 4,103,088</u>

*Depreciation expense was charged to governmental functions as follows:

General Government	\$ 22,759
Leisure Time Services	43,821
Security of Persons and Property	49,728
Transportation	110,518
Public Health	2,811
Total	<u>\$ 229,637</u>

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	Balance 1/1/2013	Additions	Deletions	Balance 12/31/2013
Business-Type Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 43,904	\$ 0	\$ 0	\$ 43,904
Construction in Progress	0	866,559	0	866,559
<i>Total Capital Assets Not Being Depreciated</i>	<u>43,904</u>	<u>866,559</u>	<u>0</u>	<u>910,463</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	2,545,265	12,500	0	2,557,765
Vehicles	474,114	126,642	0	600,756
Infrastructure				
Water Lines	1,690,000	0	0	1,690,000
Sewer Lines	1,370,546	0	0	1,370,546
<i>Total Capital Assets, Being Depreciated</i>	<u>19,162,305</u>	<u>139,142</u>	<u>0</u>	<u>19,301,447</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	(2,098,223)	(226,648)	0	(2,324,871)
Improvements	(178,750)	(27,500)	0	(206,250)
Equipment	(956,369)	(153,780)	0	(1,110,149)
Vehicles	(377,174)	(14,992)	0	(392,166)
Infrastructure				
Water Lines	(771,500)	(33,800)	0	(805,300)
Sewer Lines	(150,973)	(25,307)	0	(176,280)
<i>Total Accumulated Depreciation</i>	<u>(4,532,989)</u>	<u>(482,027)</u>	<u>0</u>	<u>(5,015,016)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>14,629,316</u>	<u>(342,885)</u>	<u>0</u>	<u>14,286,431</u>
<i>Total Business-Type Activities Capital Assets, Net</i>	<u>\$ 14,673,220</u>	<u>\$ 523,674</u>	<u>\$ 0</u>	<u>\$ 15,196,894</u>

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.

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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, 2013, 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, 2012 and 2013 (the latest information available):

	<u>2012</u>	<u>2013</u>
<u>Casualty and Property Coverage</u>		
Assets	\$ 34,389,569	\$ 34,411,883
Liabilities	<u>(14,208,353)</u>	<u>(12,760,194)</u>
Net Position	<u>\$ 20,181,216</u>	<u>\$ 21,651,689</u>

At December 31, 2012 and 2013, respectively, the liabilities noted above include approximately \$13.1 million and \$11.6 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$12.6 million and \$11.1 million of unpaid claims to be billed to approximately 475 member governments in the future, as of December 31, 2012 and 2013, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The City's share of these unpaid claims collectible in future years is approximately \$85,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due are not expected to change significantly from those used to determine the historical contributions detailed below. By 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>	
2011	\$ 122,797
2012	124,198
2013	121,029

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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 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>, 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 statutory authority for member and employer contributions. For 2013, 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, 2013, members in state and local classifications contributed 10.0 percent of covered payroll while public safety and law enforcement members contributed 11.5 percent and 12.1 percent, respectively.

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The City's 2013 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 4.0 percent during calendar year 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2013.

The City's required contributions for pension obligations to the Traditional and Combined Plans for the years ended December 31, 2013, 2012 and 2011 were \$93,667, \$130,117 and \$93,907, respectively; 91.1 percent has been contributed for 2013 and 100 percent for 2012 and 2011. There were no contributions made to the member-directed plan for 2013.

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.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The City's contribution was 19.5 percent for police officers and 24.0 percent for firefighters. Contributions are authorized by State statute. The City's contributions to OP&F for police and firefighters were \$75,451 and \$55,048 for the year ended December 31, 2013, \$76,178 and \$51,434 for the year ended December 31, 2012 and \$80,628 and \$49,991 for the year ended December 31, 2011, respectively. The full amount has been contributed for 2012 and 2011. 92 percent has been contributed for police for 2013. 88 percent has been contributed for firefighters for 2013.

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.

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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.

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>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or 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 2013, 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 was 4.0 percent during calendar year 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2013.

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, 2013, 2012, and 2011 were \$37,467, \$51,117 and \$51,649, respectively. For 2013 91.1 percent has been contributed and 100 percent has been contributed for 2012 and 2011.

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.

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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 survivor benefit check 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.

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 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 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.

The OP&F 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. For the year ended December 31, 2013, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. 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.

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The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$39,944 and \$21,541 for the year ended December 31, 2013, \$40,329 and \$20,126 for the year ended December 31, 2012 and \$42,685 and \$19,562 for the year ended December 31, 2011, respectively. The full amount has been contributed for 2012 and 2011. For 2013, 92 percent has been contributed for police and 88 contributed for firefighters.

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 \$1,783.12 for family health care, \$509.46 for single health care, \$967.97 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 \$162.50 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, 2013, the liability for unpaid compensated absences was \$462,006.

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NOTE 13 – INTERFUND

The City made the following transfers during 2013:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Activities		
General	\$ 0	\$ 914,798
Titanium Way Bridge Replacement	30,000	0
Recreation	70,000	0
Police Pension	108,798	0
Fire Pension	64,000	0
Street Maintenance and Repair	125,000	0
Capital Improvements	<u>292,000</u>	<u>0</u>
	689,798	914,798
Business-Type Activities		
Sewer	100,000	0
Refuse	<u>125,000</u>	<u>0</u>
	<u>225,000</u>	<u>\$ 0</u>
 Total	 <u>\$ 914,798</u>	 <u>\$ 914,798</u>

The General Fund transferred \$914,798 to various other governmental funds and the sewer and refuse fund to distribute income tax revenue.

The governmental activities transferred capital assets in the amount of \$26,642 to the refuse fund.

NOTE 14 - LONG-TERM OBLIGATIONS

The original issue date, maturity date, interest rate and original issuance amount for the City's debt follows:

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Date of Maturity</u>
Governmental Activities			
City Building Installment Loan - 2007	1.25%	\$ 894,981	December 22, 2024
Fire Truck Loan - 2010	2.76%	111,971	December 14, 2017
Dump Truck Bonds - 2011	3.75%	40,000	November 1, 2021
Business-Type Activities			
Water Treatment Plant OWDA Loan - 2001	3.26%	14,014,178	January 1, 2026
Water Treatment Lagoons OWDA Loan - 2005	1.00%	785,842	January 1, 2026
Waterline Replacement OWDA Loan - 2013	2.00%	617,271	January 1, 2044
Combined Sewer Separation OWDA Loan - 2010	1.00%	733,768	July 1, 2030
Waterline Replacement OPWC Loan - 2013	0.00%	195,000	January 1, 2044
Garbage Packer Loan	2.81%	100,000	October 28, 2017

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Changes in long-term obligations during the year ended December 31, 2013, consisted of the following:

	Outstanding 1/1/2013	Additions	Reductions	Outstanding 12/31/2013	Amounts Due In One Year
Governmental Activities					
Installment Loan-City Building	\$ 608,178	\$ 0	\$ (47,357)	\$ 560,821	\$ 47,952
Fire Truck Loan	82,131	0	(15,538)	66,593	15,974
Dump Truck Bonds	36,562	0	(36,562)	0	0
Compensated Absences	320,019	74,924	(35,953)	358,990	35,089
Total Governmental Activities	\$ 1,046,890	\$ 74,924	\$ (135,410)	\$ 986,404	\$ 99,015
Business-Type Activities					
Water Treatment Plant OWDA Loan	\$10,099,151	\$ 0	\$ (635,191)	\$ 9,463,960	\$ 656,067
Water Treatment OWDA Plant Lagoons	528,441	0	(38,261)	490,180	38,645
Waterline Replacement OWDA Loan	0	329,405	(200,498)	128,907	9,913
Waterline Replacement OPWC Loan	0	195,000	0	195,000	6,500
Combined Sewer Separation OWDA Loan	234,592	0	(12,331)	222,261	12,455
Garbage Packer Loan	0	100,000	(21,124)	78,876	18,907
Compensated Absences	91,274	11,742	0	103,016	10,857
Total Business-Type Activities	\$10,953,458	\$ 636,147	\$ (907,405)	\$10,682,200	\$ 753,344

The installment loan for the City building will be paid from the general fund. The fire truck loan will be paid from the fire levy fund. The dump truck bond debt was paid from the permissive license 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.

The City entered into contractual agreements with the Ohio Water Development Authority (OWDA) to construct a new water treatment plant. As of December 31, 2012, 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, 2013. 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, 2013, 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.

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.

City Of Toronto
Jefferson County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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 matures on December 14, 2017.

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, 2013, the City had drawn down \$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 2011, the City issued \$40,000 in general obligation bonds for the purpose of purchasing a new dump truck. Grant proceeds of \$27,200 were also received from the United States Department of Agriculture Rural Development and were used to purchase the truck. The bonds were issued on March 28, 2011 and were set to mature on November 1, 2021. The interest rate is 3.75 percent. The City paid off this debt during 2013.

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. As of December 31, 2013, the City had drawn down \$128,459. In addition to this loan, the City was awarded proceeds of \$260,635 as part of the American Recovery and Reinvestment Act (ARRA) and in 2013, \$200,498 of this debt was forgiven. The OWDA loan has an interest rate of 2 percent and the City is scheduled to make the first payment in July of 2014. The loan matures on January 1, 2044. This loan is not fully disbursed and there is no amortization schedule available. Therefore, it is not included in the amortization table below.

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 2013. 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, 2013

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2013 are as follows:

Governmental Activities						
Year	Installment Loan-City Building		Fire Truck Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 47,952	\$ 6,735	\$ 15,974	\$ 1,864	\$ 63,926	\$ 8,599
2015	48,554	6,132	16,421	1,416	64,975	7,548
2016	49,165	5,521	16,877	960	66,042	6,481
2017	49,783	4,903	17,321	485	67,104	5,388
2018	50,409	4,278	0	0	50,409	4,278
2019-2023	261,711	11,720	0	0	261,711	11,720
2024	53,247	350	0	0	53,247	350
	<u>\$ 560,821</u>	<u>\$ 39,639</u>	<u>\$ 66,593</u>	<u>\$ 4,725</u>	<u>\$ 627,414</u>	<u>\$ 44,364</u>

Business-Type Activities						
Year	OWDA Loans		OPWC Loan		Installment Loan - Packer	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 707,167	\$ 310,219	\$ 6,500	\$ 0	\$ 18,907	\$ 2,216
2015	729,239	288,145	6,500	0	19,438	1,685
2016	752,028	265,355	6,500	0	19,985	1,139
2017	775,553	241,831	6,500	0	20,546	577
2018	799,840	217,544	6,500	0	0	0
2019-2023	4,391,931	694,991	32,500	0	0	0
2024-2028	1,998,893	79,810	32,500	0	0	0
2029-2033	21,750	219	32,500	0	0	0
2034-2038	0	0	32,500	0	0	0
2039-2043	0	0	32,500	0	0	0
	<u>\$10,176,401</u>	<u>\$2,098,114</u>	<u>\$ 195,000</u>	<u>\$ 0</u>	<u>\$ 78,876</u>	<u>\$ 5,617</u>

Business-Type Activities		
Total		
Year	Principal	Interest
2014	\$ 732,574	\$ 312,435
2015	755,177	289,830
2016	778,513	266,494
2017	802,599	242,408
2018	806,340	217,544
2019-2023	4,424,431	694,991
2024-2028	2,031,393	79,810
2029-2033	54,250	219
2034-2038	32,500	0
2039-2043	32,500	0
	<u>\$ 10,450,277</u>	<u>\$ 2,103,731</u>

City Of Toronto
Jefferson County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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:

	<u>General</u>	<u>Titanium Way Bridge Replacement</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable for:				
Prepaid Items	\$ 19,293	\$ 0	\$ 5,725	\$ 25,018
Materials and Supplies Inventory	0	0	6,897	6,897
Unclaimed Monies	401	0	0	401
Total Nonspendable	19,694	0	12,622	32,316
Restricted for:				
Recreation	0	0	21,171	21,171
Street Maintenance and City Improvements	0	0	478,867	478,867
Law Enforcement and Public Safety	0	0	5,632	5,632
Titanium Way bridge replacement	0	12,130	0	12,130
CHIP and CDBG	0	0	90,879	90,879
Total Restricted	0	12,130	596,549	608,679
Committed for:				
Police and Fire Severence	62,425	0	0	62,425
Assigned for:				
Subsequent Year Appropriations	424,640	0	0	424,640
Capital Projects	0	0	201,968	201,968
Total Assigned	424,640	0	201,968	626,608
Unassigned	704,662	0	(8,153)	696,509
Total Fund Balance	<u>\$ 1,211,421</u>	<u>\$ 12,130</u>	<u>\$ 802,986</u>	<u>\$ 2,026,537</u>

City Of Toronto
Jefferson County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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 2013, 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 - FUND DEFICITS

Fund balances at December 31, 2013 included the following individual fund deficits:

	<u>Deficit Fund Balance</u>
Fire Pension	\$ 4,252
Police Pension	3,901

The deficits in the non-major funds resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required, not when accruals occur.

City Of Toronto
Jefferson County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 18 - SIGNIFICANT COMMITMENTS

Contractual Commitments

As of December 31, 2013, the City had contractual commitments for the waterline replacement project and the Titanium Way bridge replacement project:

	<u>Contractual Commitment</u>	<u>Expended</u>	<u>Balance 12/31/2013</u>
Utility Contracting Inc.	\$ 1,449,650	\$ 641,522	\$ 808,128
Triad Engineering Inc.	295,938	210,932	85,006
W. E. Quicksall & Associates, Inc.	<u>311,199</u>	<u>224,656</u>	<u>86,543</u>
Totals	<u>\$ 2,056,787</u>	<u>\$ 1,077,110</u>	<u>\$ 979,677</u>

NOTE 19 - 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, 2013.

B. Litigation

The City of Toronto is not party to any litigation.

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City of Toronto
Jefferson County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
(Unaudited)

The discussion and analysis of the City of Toronto's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2012. 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 2012 are as follows:

- In total, net position increased \$1,797,465, which represents a 16.7 percent increase from 2011. Net position of governmental activities increased \$1,374,019. Net position of business-type activities increased \$423,446.
- Total capital assets decreased \$456,300 in 2012. Capital assets of governmental activities increased \$34,365 and capital assets of business-type activities decreased \$490,665.
- Outstanding debt decreased from \$12,305,865 to \$11,589,055 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 2012 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 and the Titanium Way Bridge Replacement 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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Management's Discussion and Analysis
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A question typically asked about the City's finances "How did we do financially during 2012?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets and liabilities* 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 and the Titanium Way Bridge Replacement capital projects fund.

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

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

City of Toronto
Jefferson County, Ohio
Management's Discussion and Analysis
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Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for the fiduciary funds is much like that used for proprietary funds.

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 2012 compared to 2011:

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets						
Current and Other Assets	\$ 4,055,744	\$ 2,886,174	\$ 2,087,507	\$ 1,815,751	\$ 6,143,251	\$ 4,701,925
Capital Assets	4,119,956	4,085,591	14,673,220	15,163,885	18,793,176	19,249,476
<i>Total Assets</i>	<u>8,175,700</u>	<u>6,971,765</u>	<u>16,760,727</u>	<u>16,979,636</u>	<u>24,936,427</u>	<u>23,951,401</u>
Liabilities						
Current and Other Liabilities	235,846	250,857	119,869	111,425	355,715	362,282
Long-Term Liabilities	1,046,890	1,201,963	10,953,458	11,604,257	12,000,348	12,806,220
<i>Total Liabilities</i>	<u>1,282,736</u>	<u>1,452,820</u>	<u>11,073,327</u>	<u>11,715,682</u>	<u>12,356,063</u>	<u>13,168,502</u>
Net Position						
Net Investment in						
Capital Assets	3,393,085	3,293,405	3,811,036	3,650,207	7,204,121	6,943,612
Restricted	2,084,624	985,440	0	0	2,084,624	985,440
Unrestricted	1,415,255	1,240,100	1,876,364	1,613,747	3,291,619	2,853,847
<i>Total Net Position</i>	<u>\$ 6,892,964</u>	<u>\$ 5,518,945</u>	<u>\$ 5,687,400</u>	<u>\$ 5,263,954</u>	<u>\$ 12,580,364</u>	<u>\$ 10,782,899</u>

At year end, capital assets represented 75 percent of total assets. Capital assets include, land, work of art, buildings, land improvements, equipment, vehicles, infrastructure and water and sewer lines. The net investment in capital assets was \$7,204,121 at December 31, 2012, with \$3,393,085 in governmental activities and \$3,811,036 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.

During 2012, the City was awarded a grant in the amount of \$942,230 from the Ohio Department of Transportation for the purpose of replacing the Titanium Way Bridge over Jeddo Run. Approximately \$78,000 was drawn down in 2012 to begin the engineering phase of the project which will be funded 80 percent by the Ohio Department of Transportation and 20 percent by the City. This grant receivable accounts for the large increase in Current and Other Assets between 2011 and 2012.

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A portion of the City's net position, \$2,084,624 or 16.6 percent, represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position of \$3,291,619 may be used to meet the government's ongoing obligations to citizens and creditors.

Table 2 shows the changes in net position for fiscal year 2012 and 2011.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 162,526	\$ 206,884	\$ 3,188,620	\$ 3,215,331	\$ 3,351,146	\$ 3,422,215
Operating Grants	779,200	441,981	0	1,575	779,200	443,556
Capital Grants	942,230	16,388	0	0	942,230	16,388
<i>General Revenues:</i>						
Property Taxes	149,982	158,448	0	0	149,982	158,448
Income Taxes	2,561,574	2,494,735	0	0	2,561,574	2,494,735
Other Local Taxes	50,321	69,500	0	0	50,321	69,500
Grants and Entitlements	161,667	256,538	0	0	161,667	256,538
Investment Earnings	0	0	0	0	0	0
Miscellaneous	22,837	44,181	4,355	13,557	27,192	57,738
<i>Total Revenues</i>	<u>4,830,337</u>	<u>3,688,655</u>	<u>3,192,975</u>	<u>3,230,463</u>	<u>8,023,312</u>	<u>6,919,118</u>
Program Expenses						
General Government	515,810	553,349	0	0	515,810	553,349
Security of Persons and Property	1,589,002	1,770,148	0	0	1,589,002	1,770,148
Public Health	4,521	21,963	0	0	4,521	21,963
Leisure Time Services	219,913	226,658	0	0	219,913	226,658
Community Development	296,733	357,500	0	0	296,733	357,500
Transportation	643,312	499,061	0	0	643,312	499,061
Interest and Fiscal Charges	12,027	12,139	0	0	12,027	12,139
<i>Enterprise Operations:</i>						
Water	0	0	1,948,533	1,965,721	1,948,533	1,965,721
Sewer	0	0	526,270	491,085	526,270	491,085
Refuse	0	0	469,726	483,577	469,726	483,577
<i>Total Program Expenses</i>	<u>3,281,318</u>	<u>3,440,818</u>	<u>2,944,529</u>	<u>2,940,383</u>	<u>6,225,847</u>	<u>6,381,201</u>
<i>Increase (Decrease) in Net Position</i>	1,549,019	247,837	248,446	290,080	1,797,465	537,917
Transfers	(175,000)	(94,000)	175,000	94,000	0	0
<i>Change in Net Position</i>	1,374,019	153,837	423,446	384,080	1,797,465	537,917
<i>Net Position Beginning of Year</i>	<u>5,518,945</u>	<u>5,365,108</u>	<u>5,263,954</u>	<u>4,879,874</u>	<u>10,782,899</u>	<u>10,244,982</u>
<i>Net Position End of Year</i>	<u>\$ 6,892,964</u>	<u>\$ 5,518,945</u>	<u>\$ 5,687,400</u>	<u>\$ 5,263,954</u>	<u>\$ 12,580,364</u>	<u>\$ 10,782,899</u>

City of Toronto
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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.

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.

The large increase in capital grants is due to an ODOT grant for the Titanium Way Bridge Replacement project on which engineering began at the end of 2012.

Police and fire represent the largest expense of the Governmental Activities. This expense of \$1,589,002 represents 48.4 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 \$643,312, an increase over the 2011 expenditures of \$499,061. The expenditures for the bridge project will be expensed to 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 \$224,434 in 2012 equaling 6.8 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 2012, charges for services of \$3,188,620 accounted for 99.9 percent of the business type revenues. The total expenses for the utilities were \$2,944,529, thus leaving an increase in net position of \$423,446 for the business-type activities.

City of Toronto
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The City's Funds

Governmental Funds

Information about the City's governmental funds begins on page 63. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues of \$3,650,315 and expenditures of \$3,461,068. 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 2012 was an increase of \$85,570. Intergovernmental revenue was down from 2011 levels. This decrease was countered by an increase in income tax revenues.

The Titanium Way Bridge replacement capital projects fund, which was new in 2012, had a net change in fund balance of \$7,664. This fund accounts for financial resources and expenditures for the engineering and construction of the bridge replacement.

Intergovernmental revenue from grants was down in other governmental funds as well as the City reached the end of the draw down period for the 2010 CHIP and CDBG grants and had just begun to draw on 2012 grants.

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 \$1,875,685. The total growth in net position of business-type funds was \$430,634. Other factors concerning the finances of these two funds have already been addressed in the discussion of the business-type activities.

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 2012, 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, the actual budget basis revenue was \$2,858,133, representing a decrease of \$5,667 under the final budget estimate of \$2,863,800. Most of this difference was attributable to a decrease in actual amounts for income tax revenue versus the amount in the final budget.

Final expenditure appropriations of \$2,260,516 were \$223,115 higher than the actual expenditures of \$2,037,401, as cost savings were recognized for general government, security of persons and property and transportation throughout the year.

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(Unaudited)

Capital Assets and Debt Administration

Capital Assets

At the end of year 2012, the City had \$18,793,176 invested in capital assets. A total of \$4,119,956 of this was for governmental activities and \$14,673,220 being attributable to business-type activities. Table 3 shows fiscal year 2012 balances compared with 2011.

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

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
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	982,451	1,014,622	9,234,157	9,460,804	10,216,608	10,475,426
Land Improvements	250,928	269,457	1,571,250	1,598,750	1,822,178	1,868,207
Equipment	212,881	216,258	1,588,896	1,742,467	1,801,777	1,958,725
Vehicles	967,216	974,003	96,940	120,780	1,064,156	1,094,783
Infrastructure	1,548,980	1,453,751	0	0	1,548,980	1,453,751
Water and Sewer Lines	0	0	2,138,073	2,197,180	2,138,073	2,197,180
<i>Total</i>	<u>\$ 4,119,956</u>	<u>\$ 4,085,591</u>	<u>\$ 14,673,220</u>	<u>\$ 15,163,885</u>	<u>\$ 18,793,176</u>	<u>\$ 19,249,476</u>

The \$34,365 increase in capital assets of governmental activities was attributable to additional purchases exceeding current year depreciation. The \$490,665 decrease in capital assets of business-type activities is due to current year depreciation exceeding additional purchases. See Note 8 for additional information about the capital assets of the City.

City of Toronto
Jefferson County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
(Unaudited)

Debt

The outstanding debt for the City as of December 31, 2012 was \$11,589,055. See Note 14 for additional details. Table 4 summarizes outstanding debt.

Table 4
Outstanding Debt, at December 31

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Installment Loans	\$ 608,177	\$ 654,945	\$ 0	\$ 0	\$ 608,177	\$ 654,945
Fire Truck Loan	82,132	97,241	0	0	82,132	97,241
Dump Truck Loan	36,562	40,000	0	0	36,562	40,000
OWDA Loans	0	0	10,862,184	11,513,679	10,862,184	11,513,679
<i>Total</i>	\$ 726,871	\$ 792,186	\$ 10,862,184	\$ 11,513,679	\$ 11,589,055	\$ 12,305,865

Current Financial Issues

The City had a cash balance of \$785,598 at December 31, 2012 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 \$306,646 during 2012.

In 2012 the City purchased a new police cruiser at a cost of \$27,528, which included additional equipment for the cruiser.

The City sells water to Jefferson County and the revenue from these water sales totaled \$1,420,581 in 2012.

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.

City of Toronto
Jefferson County, Ohio
Statement of Net Position
December 31, 2012

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 1,375,530	\$ 1,549,523	\$ 2,925,053
Restricted Assets:			
Cash and Cash Equivalents	0	68,159	68,159
Accounts Receivable	0	377,196	377,196
Accrued Interest Receivable	15,917	0	15,917
Intergovernmental Receivable	1,577,776	0	1,577,776
Taxes Receivable	1,017,057	0	1,017,057
Internal Balances	(679)	679	0
Prepaid Items	25,672	36,428	62,100
Materials and Supplies Inventory	44,471	55,522	99,993
Non-Depreciable Capital Assets	157,500	43,904	201,404
Depreciable Capital Assets, Net	3,962,456	14,629,316	18,591,772
<i>Total Assets</i>	<u>8,175,700</u>	<u>16,760,727</u>	<u>24,936,427</u>
Liabilities			
Accounts Payable	4,136	35,695	39,831
Contracts Payable	2,939	0	2,939
Intergovernmental Payable	88,481	16,015	104,496
Accrued Interest Payable	452	0	452
Deferred Revenue	139,838	0	139,838
Customer Deposits	0	68,159	68,159
Long-Term Liabilities:			
Due Within One Year	93,710	695,020	788,730
Due in More Than One Year	953,180	10,258,438	11,211,618
<i>Total Liabilities</i>	<u>1,282,736</u>	<u>11,073,327</u>	<u>12,356,063</u>
Net Position			
Net Investment in Capital Assets	3,393,085	3,811,036	7,204,121
Restricted for Capital Outlay	967,248	0	967,248
Restricted for Other Purposes	1,117,376	0	1,117,376
Unrestricted	1,415,255	1,876,364	3,291,619
<i>Total Net Position</i>	<u>\$ 6,892,964</u>	<u>\$ 5,687,400</u>	<u>\$ 12,580,364</u>

See accompanying notes to the basic financial statements.

City of Toronto
Jefferson County, Ohio
Statement of Activities
For the Year Ended December 31, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$ 515,810	\$ 36,492	\$ 0	\$ 0	\$ (479,318)	\$ 0	\$ (479,318)
Security of Persons and Property	1,589,002	59,170	12,860	0	(1,516,972)	0	(1,516,972)
Public Health	4,521	0	0	0	(4,521)	0	(4,521)
Leisure Time Services	219,913	66,864	8,246	0	(144,803)	0	(144,803)
Community Development	296,733	0	538,574	0	241,841	0	241,841
Transportation	643,312	0	219,520	942,230	518,438	0	518,438
Interest and Fiscal Charges	12,027	0	0	0	(12,027)	0	(12,027)
<i>Total Governmental Activities</i>	<u>3,281,318</u>	<u>162,526</u>	<u>779,200</u>	<u>942,230</u>	<u>(1,397,362)</u>	<u>0</u>	<u>(1,397,362)</u>
Business-Type Activities							
Water	1,948,533	2,246,609	0	0	0	298,076	298,076
Sewer	526,270	575,982	0	0	0	49,712	49,712
Refuse	469,726	366,029	0	0	0	(103,697)	(103,697)
<i>Total Business-Type Activities</i>	<u>2,944,529</u>	<u>3,188,620</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>244,091</u>	<u>244,091</u>
<i>Total Primary Government</i>	<u>\$ 6,225,847</u>	<u>\$ 3,351,146</u>	<u>\$ 779,200</u>	<u>\$ 942,230</u>	<u>(1,397,362)</u>	<u>244,091</u>	<u>(1,153,271)</u>
General Revenues:							
Property Taxes Levied for:							
General Purposes					111,339	0	111,339
Other Purposes					38,643	0	38,643
Income Taxes Levied for General Purposes					2,561,574	0	2,561,574
Other Local Taxes					50,321	0	50,321
Grants and Entitlements not Restricted to Specific Program					161,667	0	161,667
Investment Earnings					0	0	0
Miscellaneous					22,837	4,355	27,192
<i>Total General Revenues</i>					<u>2,946,381</u>	<u>4,355</u>	<u>2,950,736</u>
Transfers					(175,000)	175,000	0
<i>Total General Revenues and Transfers</i>					<u>(175,000)</u>	<u>175,000</u>	<u>0</u>
<i>Change in Net Position</i>					1,374,019	423,446	1,797,465
<i>Net Position Beginning of Year</i>					<u>5,518,945</u>	<u>5,263,954</u>	<u>10,782,899</u>
<i>Net Position End of Year</i>					<u>\$ 6,892,964</u>	<u>\$ 5,687,400</u>	<u>\$ 12,580,364</u>

See accompanying notes to the basic financial statements.

City of Toronto
Jefferson County, Ohio
Balance Sheet
Governmental Funds
December 31, 2012

	General	Titanium Way Bridge Replacement	All Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 785,598	\$ 10,603	\$ 577,209	\$ 1,373,410
Accrued Interest Receivable	15,917	0	0	15,917
Intergovernmental Receivable	93,071	864,643	620,062	1,577,776
Taxes Receivable	949,476	0	67,581	1,017,057
Prepaid Items	19,797	0	5,875	25,672
Materials and Supplies Inventory	0	0	44,471	44,471
<i>Total Assets</i>	<u>\$ 1,863,859</u>	<u>\$ 875,246</u>	<u>\$ 1,315,198</u>	<u>\$ 4,054,303</u>
Liabilities				
Accounts Payable	\$ 2,202	\$ 0	\$ 1,934	\$ 4,136
Contracts Payable	0	2,939	0	2,939
Intergovernmental Payable	32,016	0	56,465	88,481
Deferred Revenue	799,828	864,643	650,270	2,314,741
<i>Total Liabilities</i>	<u>834,046</u>	<u>867,582</u>	<u>708,669</u>	<u>2,410,297</u>
Fund Balances				
Nonspendable	20,198	0	50,346	70,544
Restricted	0	0	485,684	485,684
Committed	98,378	0	0	98,378
Assigned	20,028	7,664	94,941	122,633
Unassigned	891,209	0	(24,442)	866,767
<i>Total Fund Balances</i>	<u>1,029,813</u>	<u>7,664</u>	<u>606,529</u>	<u>1,644,006</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 1,863,859</u>	<u>\$ 875,246</u>	<u>\$ 1,315,198</u>	<u>\$ 4,054,303</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, 2012

Total Governmental Fund Balances \$ 1,644,006

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 4,119,956

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Property Taxes	\$	30,825
Other Local Taxes		18,596
Income Tax		595,203
Intergovernmental		1,530,279
		1,530,279

Total 2,174,903

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. 1,441

Accrued interest payable is not due and payable in the current period and therefore not reported in the funds. (452)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Installment Loans Payable		(608,178)
Fire Truck Loan		(82,131)
Bonds Payable		(36,562)
Compensated Absences		(320,019)
		(320,019)

Total (1,046,890)

Net Position of Governmental Activities \$ 6,892,964

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, 2012

	General	Titanium Way Bridge Replacement	All Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$ 112,301	\$ 0	\$ 39,104	\$ 151,405
Income Taxes	2,526,998	0	0	2,526,998
Other Local Taxes	0	0	51,149	51,149
Charges for Services	0	0	66,864	66,864
Licenses and Permits	36,492	0	0	36,492
Fines and Forfeitures	59,170	0	0	59,170
Intergovernmental	169,959	77,587	487,787	735,333
Interest	0	0	67	67
Other	18,381	0	4,456	22,837
<i>Total Revenues</i>	<u>2,923,301</u>	<u>77,587</u>	<u>649,427</u>	<u>3,650,315</u>
Expenditures				
Current:				
General Government	479,568	0	0	479,568
Security of Persons and Property	1,401,626	0	198,414	1,600,040
Leisure Time Services	6,000	0	146,722	152,722
Community Development	0	0	296,733	296,733
Transportation	90,641	80,526	286,380	457,547
Capital Outlay	52,610	19,397	325,071	397,078
Debt Service:				
Principal Retirement	46,767	0	18,548	65,315
Interest and Fiscal Charges	7,919	0	4,146	12,065
<i>Total Expenditures</i>	<u>2,085,131</u>	<u>99,923</u>	<u>1,276,014</u>	<u>3,461,068</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>838,170</u>	<u>(22,336)</u>	<u>(626,587)</u>	<u>189,247</u>
Other Financing Sources (Uses)				
Transfers In	0	30,000	547,600	577,600
Transfers Out	(752,600)	0	0	(752,600)
<i>Total Other Financing Sources (Uses)</i>	<u>(752,600)</u>	<u>30,000</u>	<u>547,600</u>	<u>(175,000)</u>
<i>Net Change in Fund Balance</i>	85,570	7,664	(78,987)	14,247
<i>Fund Balance Beginning of Year</i>	<u>944,243</u>	<u>0</u>	<u>685,516</u>	<u>1,629,759</u>
<i>Fund Balance End of Year</i>	<u>\$ 1,029,813</u>	<u>\$ 7,664</u>	<u>\$ 606,529</u>	<u>\$ 1,644,006</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, 2012*

Net Change in Fund Balances - Total Governmental Funds	\$	14,247
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*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	\$ 247,843	
Current Year Depreciation	<u>(213,478)</u>	34,365

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

Property Taxes	(1,423)	
Other Local Taxes	(828)	
Income Tax	34,576	
Intergovernmental	<u>1,147,697</u>	1,180,022

Repayment of loan and bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	65,315
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In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.	38
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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.	(9,726)
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Compensated absences reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<u>89,758</u>
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<i>Change in Net Position of Governmental Activities</i>	<u><u>\$ 1,374,019</u></u>
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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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Property Taxes	\$ 104,532	\$ 112,524	\$ 112,301	\$ (223)
Income Taxes	2,290,599	2,465,725	2,460,846	(4,879)
Licenses and Permits	33,967	36,564	36,492	(72)
Fines and Forfeitures	55,076	59,287	59,170	(117)
Intergovernmental	158,201	170,296	169,959	(337)
Interest	1,290	1,389	1,386	(3)
Other	16,735	18,015	17,979	(36)
<i>Total Revenues</i>	<u>2,660,400</u>	<u>2,863,800</u>	<u>2,858,133</u>	<u>(5,667)</u>
Expenditures				
Current:				
General Government	497,442	546,888	492,909	53,979
Security of Persons and Property	1,352,925	1,487,407	1,340,598	146,809
Leisure Time Services	6,055	6,657	6,000	657
Transportation	91,431	100,519	90,598	9,921
Capital Outlay	53,094	58,371	52,610	5,761
Debt Service:				
Principal Retirement	47,197	51,888	46,767	5,121
Interest and Fiscal Charges	7,992	8,786	7,919	867
<i>Total Expenditures</i>	<u>2,056,136</u>	<u>2,260,516</u>	<u>2,037,401</u>	<u>223,115</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>604,264</u>	<u>603,284</u>	<u>820,732</u>	<u>217,448</u>
Other Financing Sources (Uses)				
Transfers Out	(830,164)	(912,683)	(822,600)	90,083
<i>Total Other Financing Sources (Uses)</i>	<u>(830,164)</u>	<u>(912,683)</u>	<u>(822,600)</u>	<u>90,083</u>
<i>Net Change in Fund Balance</i>	(225,900)	(309,399)	(1,868)	307,531
<i>Fund Balance Beginning of Year</i>	<u>690,756</u>	<u>690,756</u>	<u>690,756</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 464,856</u>	<u>\$ 381,357</u>	<u>\$ 688,888</u>	<u>\$ 307,531</u>

See accompanying notes to the basic financial statements.

City of Toronto
Jefferson County, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2012

	Enterprise Funds				Total	Governmental Activities - Internal Service Fund
	Water	Sewer	Refuse	All Other Enterprise Funds		
Assets						
<i>Current Assets:</i>						
Equity in Pooled Cash and Cash Equivalents	\$ 855,089	\$ 540,522	\$ 153,912	\$ 0	\$ 1,549,523	\$ 2,120
Accounts Receivable	239,864	82,308	55,024	0	377,196	0
Prepaid Items	15,879	9,396	11,153	0	36,428	0
Materials and Supplies Inventory	53,150	2,372	0	0	55,522	0
<i>Total Current Assets</i>	<u>1,163,982</u>	<u>634,598</u>	<u>220,089</u>	<u>0</u>	<u>2,018,669</u>	<u>2,120</u>
<i>Non-Current Assets:</i>						
<i>Restricted Assets:</i>						
Equity in Pooled Cash and Cash Equivalents	0	0	0	68,159	68,159	0
Non-Depreciable Capital Assets	23,904	20,000	0	0	43,904	0
Depreciable Capital Assets, Net	12,598,602	1,906,841	123,873	0	14,629,316	0
<i>Total Non-Current Assets</i>	<u>12,622,506</u>	<u>1,926,841</u>	<u>123,873</u>	<u>68,159</u>	<u>14,741,379</u>	<u>0</u>
<i>Total Assets</i>	<u>13,786,488</u>	<u>2,561,439</u>	<u>343,962</u>	<u>68,159</u>	<u>16,760,048</u>	<u>2,120</u>
Liabilities						
<i>Current Liabilities:</i>						
Accounts Payable	29,413	185	6,097	0	35,695	0
Intergovernmental Payable	8,887	1,357	5,771	0	16,015	0
Compensated Absences Payable	6,566	0	2,733	0	9,299	0
OWDA Loans Payable	673,452	12,269	0	0	685,721	0
<i>Total Current Liabilities</i>	<u>718,318</u>	<u>13,811</u>	<u>14,601</u>	<u>0</u>	<u>746,730</u>	<u>0</u>
<i>Long-Term Liabilities:</i>						
Compensated Absences Payable - Net of Current Portion	52,955	5,938	23,082	0	81,975	0
OWDA Loans Payable - Net of Current Portion	9,954,140	222,323	0	0	10,176,463	0
Customer Deposits	0	0	0	68,159	68,159	0
<i>Total Long-Term Liabilities</i>	<u>10,007,095</u>	<u>228,261</u>	<u>23,082</u>	<u>68,159</u>	<u>10,326,597</u>	<u>0</u>
<i>Total Liabilities</i>	<u>10,725,413</u>	<u>242,072</u>	<u>37,683</u>	<u>68,159</u>	<u>11,073,327</u>	<u>0</u>
Net Position						
Net Investment in Capital Assets	1,994,912	1,692,250	123,874	0	3,811,036	0
Unrestricted	1,066,163	627,117	182,405	0	1,875,685	2,120
<i>Total Net Position</i>	<u>\$ 3,061,075</u>	<u>\$ 2,319,367</u>	<u>\$ 306,279</u>	<u>\$ 0</u>	<u>5,686,721</u>	<u>\$ 2,120</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

679

\$ 5,687,400

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, 2012

	Enterprise Funds				Totals	Governmental Activities - Internal Service Fund
	Water	Sewer	Refuse	All Other Enterprise Funds		
Operating Revenues						
Charges for Services	\$ 2,246,609	\$ 575,982	\$ 366,029	\$ 0	\$ 3,188,620	\$ 10,000
Other	820	0	3,535	0	4,355	0
<i>Total Operating Revenues</i>	<u>2,247,429</u>	<u>575,982</u>	<u>369,564</u>	<u>0</u>	<u>3,192,975</u>	<u>10,000</u>
Operating Expenses						
Personal Services						
Salaries and Wages	473,802	42,579	247,936	0	764,317	0
Contractual Services	423,953	398,627	190,756	0	1,013,336	0
Materials and Supplies	288,016	20,639	8,052	0	316,707	0
Claims	0	0	0	0	0	26,914
Depreciation	408,287	61,723	20,655	0	490,665	0
<i>Total Operating Expenses</i>	<u>1,594,058</u>	<u>523,568</u>	<u>467,399</u>	<u>0</u>	<u>2,585,025</u>	<u>26,914</u>
<i>Operating Income (Loss)</i>	<u>653,371</u>	<u>52,414</u>	<u>(97,835)</u>	<u>0</u>	<u>607,950</u>	<u>(16,914)</u>
Non-Operating Revenues (Expense)						
Interest and Fiscal Charges	(349,878)	(2,438)	0	0	(352,316)	0
<i>Total Non-Operating Revenues (Expense)</i>	<u>(349,878)</u>	<u>(2,438)</u>	<u>0</u>	<u>0</u>	<u>(352,316)</u>	<u>0</u>
<i>Income (Loss) Before Transfers</i>	303,493	49,976	(97,835)	0	255,634	(16,914)
Transfers In	20,000	30,000	125,000	0	175,000	0
<i>Change in Net Position</i>	323,493	79,976	27,165	0	430,634	(16,914)
<i>Net Position Beginning of Year</i>	<u>2,737,582</u>	<u>2,239,391</u>	<u>279,114</u>	<u>0</u>		<u>19,034</u>
<i>Net Position End of Year</i>	<u>\$ 3,061,075</u>	<u>\$ 2,319,367</u>	<u>\$ 306,279</u>	<u>\$ 0</u>		<u>\$ 2,120</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:					(7,188)	
Changes in Net Position of Business-Type Activities					<u>\$ 423,446</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, 2012

	Enterprise Funds				Totals	Governmental Activities - Internal Service Fund
	Water	Sewer	Refuse	All Other Enterprise Funds		
Cash Flows from Operating Activities						
Cash Received from Customers	\$ 2,257,492	\$ 583,231	\$ 366,676	\$ 0	\$ 3,207,399	\$ 10,000
Cash Received from Other Operating Receipts	820	0	3,535	17,200	21,555	0
Cash Payments to Suppliers for Goods and Services	(269,972)	(19,631)	(8,179)	0	(297,782)	0
Cash Payments to Employees for Services and Benefits	(471,878)	(38,396)	(254,430)	0	(764,704)	0
Cash Payments for Contractual Services	(422,127)	(401,171)	(187,016)	(16,035)	(1,026,349)	0
Claims Paid	0	0	0	0	0	(26,914)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>1,094,335</u>	<u>124,033</u>	<u>(79,414)</u>	<u>1,165</u>	<u>1,140,119</u>	<u>(16,914)</u>
Cash Flows from Noncapital Financing Activities						
Transfers In	20,000	30,000	125,000	0	175,000	0
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>20,000</u>	<u>30,000</u>	<u>125,000</u>	<u>0</u>	<u>175,000</u>	<u>0</u>
Cash Flows from Capital and Related Financing Activities						
Capital Grants	1,575	9,528	0	0	11,103	0
Proceeds of OWDA Loans	0	13,573	0	0	13,573	0
Principal Payments on Debt	(652,860)	(12,208)	0	0	(665,068)	0
Interest Payments on Debt	(349,878)	(2,438)	0	0	(352,316)	0
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(1,001,163)</u>	<u>8,455</u>	<u>0</u>	<u>0</u>	<u>(992,708)</u>	<u>0</u>
<i>Net Increase in Cash and Cash Equivalents</i>	113,172	162,488	45,586	1,165	322,411	(16,914)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>741,917</u>	<u>378,034</u>	<u>108,326</u>	<u>66,994</u>	<u>1,295,271</u>	<u>19,034</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 855,089</u>	<u>\$ 540,522</u>	<u>\$ 153,912</u>	<u>\$ 68,159</u>	<u>\$ 1,617,682</u>	<u>\$ 2,120</u>

(Continued)

City of Toronto
Jefferson County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2012

	Enterprise Funds				Totals	Governmental Activities - Internal Service Fund
	Water	Sewer	Refuse	All Other Enterprise Funds		
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities						
Operating Income (Loss)	\$ 653,371	\$ 52,414	\$ (97,835)	\$ 0	\$ 607,950	\$ (16,914)
Adjustments:						
Depreciation	408,287	61,723	20,655	0	490,665	0
(Increase) Decrease in Assets:						
Accounts Receivable	10,883	7,249	647	0	18,779	0
Prepaid Items	(179)	(107)	(126)	0	(412)	0
Materials and Supplies Inventory	12,862	1,135	0	0	13,997	0
Increase (Decrease) in Liabilities:						
Accounts Payable	7,187	(2,564)	3,739	0	8,362	0
Customer Deposits	0	0	0	1,165	1,165	0
Compensated Absences Payable	2,652	4,366	(6,322)	0	696	0
Intergovernmental Payable	(728)	(183)	(172)	0	(1,083)	0
<i>Net Cash Provided by (Used For) Operating Activities</i>	<u>\$ 1,094,335</u>	<u>\$ 124,033</u>	<u>\$ (79,414)</u>	<u>\$ 1,165</u>	<u>\$ 1,140,119</u>	<u>\$ (16,914)</u>

See accompanying notes to the basic financial statements.

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City Of Toronto
Jefferson County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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" and No. 39, "Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No. 14."

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.

City Of Toronto
Jefferson County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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.

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 statements distinguish between those activities of the City that are governmental and those that are considered business-type. The activity of the internal service fund is also eliminated to avoid “doubling up” revenues and expense.

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.

City Of Toronto
Jefferson County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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 liabilities 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.

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

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

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

Enterprise Funds Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The sewer, water 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 a flow of economic resources measurement focus. All assets and all liabilities 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, 2012

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (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 all liabilities 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. Proprietary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, 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 fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within thirty days of the fiscal 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 fiscal year for which the taxes are levied (See Note 5). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the 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 fiscal 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, 2012

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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".

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2012 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the payment and an expenditure/expense is reported in the year in which services are consumed.

G. Materials and Supplies Inventory

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

City Of Toronto
Jefferson County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
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.

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

City Of Toronto
Jefferson County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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.

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.

City Of Toronto
Jefferson County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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 liabilities. 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, 2012

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 2012.

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, 2012

T. Implementation of New Accounting Policies

For the year ended December 31, 2012, the City has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions – an Amendment of GASB Statement No. 53."

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the City.

GASB Statement No. 62 incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the City.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. It also amends the net asset reporting requirements of GASB Statement No. 34 by incorporating deferred outflows and inflows into the definitions and renaming the residual measure as net position, rather than net assets.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 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 Statements 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).

City Of Toronto
Jefferson County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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

Net Change in Fund Balance	
	General
GAAP Basis	\$ 85,570
Revenue Accruals	(64,766)
Expenditure Accruals	(5,848)
Funds Budgeted Elsewhere**	(16,824)
Budget Basis	\$ (1,868)

** 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.

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
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 2012, the City and public depositories complied with the provisions of these statutes.

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Deposits with Financial Institutions

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

At fiscal year-end, the carrying amount of the City’s deposits was \$1,578,660. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures,” as of December 31, 2012, none of the City’s bank balance was exposed to custodial risk as discussed above. The entire bank balance of \$1,618,112 was covered by the Federal Deposit Insurance Corporation.

Deposits in interest-bearing accounts are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to a coverage limit of \$250,000 per financial institution through December 31, 2012. Insurance on deposits in noninterest-bearing accounts is unlimited through December 31, 2012. The City has both interest-bearing and noninterest-bearing accounts.

Beginning January 1, 2013, noninterest-bearing accounts will no longer be insured separately from the City’s other accounts at the same financial institution. Instead, noninterest-bearing and interest-bearing accounts will collectively be insured up to a coverage limit of \$250,000, at each separate financial institution.

Investments

As of December 31, 2012, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity 6 Months or Less</u>
Repurchase Agreements	\$ 1,414,552	\$ 1,414,552

Interest Rate Risk City has no investment policy to address interest rate risk in place at this time.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City has no investment policy dealing with investment custodial risk beyond the requirement in Ohio law that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee. The City’s investment in repurchase agreements is collateralized by underlying securities pledged by the investment’s counterparty, not in the name of the City. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of the securities subject to a repurchase agreement by 2 percent.

Credit Risk The City’s investments in the federal agency securities that underlie the City’s repurchase agreement were rated Aaa by Moody’s Investor Services.

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Concentration of Credit Risk. The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the City at December 31, 2012:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Repurchase Agreements	\$ 1,414,552	100.00%

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 2012 for real and public utility property taxes represents collections of the 2011 taxes.

2012 real property taxes were levied after October 1, 2012 on the assessed value as of January 1, 2012, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2012 real property taxes are collected in and intended to finance 2013.

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. 2012 public utility property taxes which became a lien December 31, 2011, are levied after October 1, 2012, and are collected in 2013 with real property taxes.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010. The tax was phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the City due to the phasing out of the tax. In calendar years 2006-2010, the City was fully reimbursed for the lost revenue. In calendar years 2012-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

The full tax rate for all City operations for the year ended December 31, 2012, was \$3.40 per \$1,000 of assessed valuation. The assessed values of real property upon which 2012 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Property	\$ 53,128,510
Public Utilities - Real	30,000
Public Utilities - Personal	3,524,890
Total Assessed Value	\$ 56,683,400

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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.

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City of Toronto. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility real and personal property taxes, and outstanding delinquencies which became measurable as of December 31, 2012, and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2012 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

NOTE 6 - RECEIVABLES

Receivables at December 31, 2012 consisted of taxes, accrued interest, accounts (billings for user charged services including unbilled utility services), and intergovernmental receivables arising from grants and shared revenues. All receivables are deemed collectible in full.

NOTE 7 – INCOME TAX

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

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

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NOTE 8 – CAPITAL ASSETS

A summary of changes in capital assets during 2012 follows:

	Balance 1/1/2012	Additions	Deletions	Balance 12/31/2012
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 140,000	\$ 0	\$ 0	\$ 140,000
Work of Art	17,500	0	0	17,500
<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	1,164,413	12,490	0	1,176,903
Equipment	356,279	20,000		376,279
Vehicles	1,577,073	53,332		1,630,405
Infrastructure	1,656,298	162,021	0	1,818,319
<i>Total Capital Assets, Being Depreciated</i>	<u>6,243,003</u>	<u>247,843</u>	<u>0</u>	<u>6,490,846</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	(474,318)	(32,171)	0	(506,489)
Land Improvements	(894,956)	(31,019)		(925,975)
Equipment	(140,021)	(23,377)		(163,398)
Vehicles	(603,070)	(60,119)	0	(663,189)
Infrastructure	(202,547)	(66,792)	0	(269,339)
<i>Total Accumulated Depreciation</i>	<u>(2,314,912)</u>	<u>(213,478) *</u>	<u>0</u>	<u>(2,528,390)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>3,928,091</u>	<u>34,365</u>	<u>0</u>	<u>3,962,456</u>
<i>Total Governmental Activities Capital Assets, Net</i>	<u>\$ 4,085,591</u>	<u>\$ 34,365</u>	<u>\$ 0</u>	<u>\$ 4,119,956</u>

*Depreciation expense was charged to governmental functions as follows:

General Government	\$ 22,536
Leisure Time Services	41,780
Security of Persons and Property	44,015
Transportation	102,336
Public Health	2,811
Total	<u>\$ 213,478</u>

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	Balance 1/1/2012	Additions	Deletions	Balance 12/31/2012
Business-Type Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 43,904	\$ 0	\$ 0	\$ 43,904
Construction in progress	0	0	0	0
<i>Total Capital Assets Not Being Depreciated</i>	<u>43,904</u>	<u>0</u>	<u>0</u>	<u>43,904</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	2,545,265	0	0	2,545,265
Vehicles	474,114	0	0	474,114
Infrastructure				
Water Lines	1,690,000	0	0	1,690,000
Sewer Lines	1,370,546	0	0	1,370,546
<i>Total Capital Assets, Being Depreciated</i>	<u>19,162,305</u>	<u>0</u>	<u>0</u>	<u>19,162,305</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	(1,871,576)	(226,647)	0	(2,098,223)
Improvements	(151,250)	(27,500)	0	(178,750)
Equipment	(802,798)	(153,571)	0	(956,369)
Vehicles	(353,334)	(23,840)	0	(377,174)
Infrastructure				
Water Lines	(737,700)	(33,800)	0	(771,500)
Sewer Lines	(125,666)	(25,307)	0	(150,973)
<i>Total Accumulated Depreciation</i>	<u>(4,042,324)</u>	<u>(490,665)</u>	<u>0</u>	<u>(4,532,989)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>15,119,981</u>	<u>(490,665)</u>	<u>0</u>	<u>14,629,316</u>
<i>Total Business-Type Activities Capital Assets, Net</i>	<u>\$ 15,163,885</u>	<u>\$ (490,665)</u>	<u>\$ 0</u>	<u>\$ 14,673,220</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, 2012, PEP retained \$350,000 for casualty claims and \$150,000 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, 2012 and 2011:

	2011	2012
<u>Casualty and Property Coverage</u>		
Assets	\$ 33,362,404	\$ 34,389,569
Liabilities	(14,187,273)	(14,208,353)
Net Position	\$ 19,175,131	\$ 20,181,216

At December 31, 2012 and 2011, respectively, the liabilities noted above include approximately \$13.1 and \$13.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 and 455 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The City’s share of these unpaid claims collectible in future years is approximately \$107,000.

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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>	
2010	\$ 118,673
2011	122,797
2012	124,198

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 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>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or 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 2012, 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, 2012, members in state and local classifications contributed 10.0 percent of covered payroll while public safety and law enforcement members contributed 11.5 percent and 12.1 percent, respectively.

The City's 2012 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 4.0 percent during calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2012.

The City's required contributions for pension obligations to the Traditional and Combined Plans for the years ended December 31, 2012, 2011, and 2010 were \$130,117, \$93,907 and \$67,756, respectively; 91.4 percent has been contributed for 2012 and 100 percent for 2011 and 2010. There were no contributions made to the member-directed plan for 2012.

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.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The City's contribution was 19.5 percent for police officers and 24.0 percent for firefighters. Contributions are authorized by State statute. The City's contributions to OP&F for police and firefighters were \$76,178 and \$51,434 for the year ended December 31, 2012, \$80,628 and \$49,991 for the year ended December 31, 2011 and \$83,292 and \$50,728 for the year ended December 31, 2010, respectively. The full amount has been contributed for 2011 and 2010. 71.8 percent has been contributed for police for 2012. 73.5 percent has been contributed for firefighters for 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.

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>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or 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 benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, 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 was 4.0 percent during calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2012.

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.

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The City's contributions allocated to fund post-employment health care benefits for the traditional and combined plans for the years ended December 31, 2012, 2011, and 2010 were \$51,117, \$51,649 and \$57,951, respectively. For 2012 91.4 percent has been contributed and 100 percent has been contributed for 2011 and 2010.

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 survivor benefit check 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.

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 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 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. For the year ended December 31, 2012, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. 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 \$40,329 and \$20,126 for the year ended December 31, 2012, \$42,685 and \$19,562 for the year ended December 31, 2011 and \$44,096 and \$19,850 for the year ended December 31, 2010. The full amount has been contributed for 2011 and 2010. For 2012, 71.8 percent has been contributed for police and 73.5 contributed for firefighters.

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 \$1,783.12 for family health care, \$509.46 for single health care, \$967.97 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 \$162.50 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 half of all accumulated sick time provided they have ten years of service with the City. As of December 31, 2012, the liability for unpaid compensated absences was \$411,293.

City Of Toronto
Jefferson County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 13 – INTERFUND

The City made the following transfers during 2012:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Activities		
General	\$ 0	\$ 752,600
Titanium Way Bridge Replacement	30,000	0
Recreation	60,000	0
Police Pension	108,300	0
Fire Pension	54,300	0
Street Maintenance and Repair	125,000	0
Capital Improvements	200,000	0
	<u>577,600</u>	<u>752,600</u>
Business-Type Activities		
Water	20,000	0
Sewer	30,000	0
Refuse	125,000	0
	<u>175,000</u>	<u>\$ 0</u>
 Total	 <u>\$ 752,600</u>	 <u>\$ 752,600</u>

The General Fund transferred \$752,600 to various other governmental funds and the water and refuse fund to distribute income tax revenue.

NOTE 14 - LONG-TERM OBLIGATIONS

The original issue date, maturity date, interest rate and original issuance amount for the City's debt follows:

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Date of Maturity</u>
Governmental Activities			
City Building Installment Loan - 2007	1.25%	\$ 894,981	December 22, 2024
Fire Truck Loan - 2010	2.76%	111,971	December 14, 2017
Dump Truck Bonds - 2011	3.75%	40,000	November 1, 2021
Business-Type Activities			
Water Treatment Plant OWDA Loan - 2001	3.26%	14,014,178	January 1, 2026
Water Treatment Lagoons OWDA Loan - 2005	1.00%	785,842	January 1, 2026
Combined Sewer Separation OWDA Loan - 2010	1.00%	733,768	July 1, 2030

City Of Toronto
Jefferson County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Changes in long-term obligations during the year ended December 31, 2012, consisted of the following:

	Outstanding 1/1/2012	Additions	Reductions	Outstanding 12/31/2012	Amounts Due In One Year
Governmental Activities					
Installment Loan-City Building	\$ 654,945	\$ 0	\$ (46,767)	\$ 608,178	\$ 47,356
Fire Truck Loan	97,241	0	(15,110)	82,131	15,539
Dump Truck Bonds	40,000	0	(3,438)	36,562	3,484
Compensated Absences	409,777	1,728	(91,486)	320,019	27,331
Total Governmental Activities	\$ 1,201,963	\$ 1,728	\$ (156,801)	\$ 1,046,890	\$ 93,710
Business-Type Activities					
Water Treatment Plant OWDA Loan	\$10,714,130	\$ 0	\$ (614,979)	\$10,099,151	\$ 635,191
Water Treatment OWDA Plant Lagoons	566,322	0	(37,881)	528,441	38,261
Combined Sewer Separation OWDA Loan	233,227	13,573	(12,208)	234,592	12,269
Compensated Absences	90,578	5,381	(4,685)	91,274	9,299
Total Business-Type Activities	\$11,604,257	\$ 18,954	\$ (669,753)	\$10,953,458	\$ 695,020

The installment loan for the City building will be paid from the general fund. The fire truck loan will be paid from the fire levy fund. The dump truck bond debt will be paid from the permissive license fund. In the business-type activities, the OWDA loans will be paid from revenues derived from charges for services in the water and sewer funds. Compensated absences will be paid from the fund from which the employees' salaries are paid.

The City entered into contractual agreements with the Ohio Water Development Authority (OWDA) to construct a new water treatment plant. As of December 31, 2012, 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, 2012. 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, 2010, 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.

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.

City Of Toronto
Jefferson County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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 matures on December 14, 2017

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, 2012, the City had drawn down \$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 2011, the City issued \$40,000 in general obligation bonds for the purpose of purchasing a new dump truck. Grant proceeds of \$27,200 were also received from the United States Department of Agriculture Rural Development and were used to purchase the truck. The bonds were issued on March 28, 2011 and will mature on November 1, 2021. The interest rate is 3.75 percent.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2012 are as follows:

Year	Governmental Activities					
	Installment Loan-City Building		Dump Truck Bonds		Fire Truck Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 47,356	\$ 7,330	\$ 3,484	\$ 1,387	\$ 15,539	\$ 2,298
2014	47,952	6,735	3,617	1,254	15,973	1,864
2015	48,554	6,132	3,754	1,117	16,421	1,416
2016	49,165	5,521	3,896	975	16,877	960
2017	49,783	4,903	4,044	827	17,321	485
2018-2022	258,461	14,970	17,767	1,717	0	0
2023-2026	106,907	1,378	0	0	0	0
	<u>\$ 608,178</u>	<u>\$ 46,969</u>	<u>\$ 36,562</u>	<u>\$ 7,277</u>	<u>\$ 82,131</u>	<u>\$ 7,023</u>

Year	Governmental Activities Total		Business-Type Activities	
	Principal	Interest	OWDA Loans	
			Principal	Interest
2013	\$ 66,379	\$ 11,015	\$ 685,721	\$ 331,602
2014	67,542	9,853	707,227	310,218
2015	68,729	8,665	729,240	288,144
2016	69,938	7,456	752,028	265,356
2017	71,148	6,215	775,553	241,831
2018-2022	276,228	16,687	4,258,178	828,742
2023-2027	106,907	1,378	2,918,165	163,279
2028-2030	0	0	36,072	543
	<u>\$ 726,871</u>	<u>\$ 61,269</u>	<u>\$ 10,862,184</u>	<u>\$ 2,429,715</u>

City Of Toronto
Jefferson County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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:

	<u>General</u>	<u>Titanium Way Bridge Replacement</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable for:				
Prepaid Items	\$ 19,797	\$ 0	\$ 5,875	\$ 25,672
Inventory	0	0	44,471	44,471
Unclaimed Monies	<u>401</u>	<u>0</u>	<u>0</u>	<u>401</u>
Total Nonspendable	20,198	0	50,346	70,544
Restricted for:				
Recreation	0	0	25,386	25,386
Street Maintenance and City Improvements	0	0	395,935	395,935
Law Enforcement and Public Safety	0	0	6,458	6,458
CHIP and CDBG	<u>0</u>	<u>0</u>	<u>57,905</u>	<u>57,905</u>
Total Restricted	0	0	485,684	485,684
Committed for:				
Police and Fire Severence	98,378	0	0	98,378
Assigned for:				
Subsequent Year Appropriations	20,028	0	0	20,028
Capital Projects	<u>0</u>	<u>7,664</u>	<u>94,941</u>	<u>102,605</u>
Total Assigned	20,028	7,664	94,941	122,633
Unassigned	<u>891,209</u>	<u>0</u>	<u>(24,442)</u>	<u>866,767</u>
Total Fund Balance	<u>\$ 1,029,813</u>	<u>\$ 7,664</u>	<u>\$ 606,529</u>	<u>\$ 1,644,006</u>

City Of Toronto
Jefferson County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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 2012, 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 - FUND DEFICITS

Fund balances at December 31, 2012 included the following individual fund deficits:

	<u>Deficit Fund Balance</u>
Police Pension	\$ 15,015
Fire Pension	9,427

The deficits in the non-major funds resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required, not when accruals occur.

City Of Toronto
Jefferson County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 18 - CONTINGENCIES

A. Grants

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the City at December 31, 2012.

B. Litigation

The City of Toronto is not party to any litigation.

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Dave Yost • Auditor of State

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

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

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Toronto, Jefferson County, (the City) as of and for the years ended December 31, 2013 and December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 12, 2014. We qualified our opinion on the governmental activities, business type activities, Water, Sewer and Refuse funds because certain capital assets and required depreciation were excluded from the financial statements and we could not gain the necessary assurances regarding the completeness and accuracy of the reported capital assets amounts.

Internal Control Over Financial Reporting

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

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 2013-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the 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 test 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 items 2013-001.

Entity's Response to Findings

The Entity's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Entity'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

December 12, 2014

**CITY OF TORONTO
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 and 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

Finding Number 2013-001

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 \$19,299,982 for 2013 and \$18,793,176 for 2012.

The City has not maintained a complete capital asset listing to support the valuation, accuracy and completeness of capital assets that should have been capitalized and depreciated in the Governmental Activities, Business-Type Activities, Water Fund, Sewer Fund, and Refuse Fund. Initially, when the City first reported on a GAAP basis, the City prepared their own capital asset listing and valued assets at replacement value rather than at cost. The listing also omitted infrastructure. The City has continued to improperly record assets additions and deletions as well as depreciation. Accordingly, the City's financial statements omit certain capital assets and depreciation expenses in the governmental activities, business-type activities and the Water, Sewer and Refuse Funds. In addition, 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 prepare an accurate and complete capital asset listing. The City should then annually conduct a physical inventory of its assets and reconcile with the capital asset listing. 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 internal 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.

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**CITY OF TORONTO
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 and 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Ohio Rev. Code § 5705.41(D) – Certification of Expenditures	No	Re-issued as verbal comment.
2011-002	Capital asset noncompliance citation/material weakness	No	Re-issued as Finding 2013-001.

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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
FEBRUARY 10, 2015**