



Dave Yost • Auditor of State

**TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Toronto City School District, Jefferson County, Ohio (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Toronto City School District, Jefferson County, Ohio, as of June 30, 2015, and the respective changes in financial position and where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 21 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standard Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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* and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Dave Yost
Auditor of State
Columbus, Ohio

March 1, 2016

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Toronto City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

As management of the Toronto City School District (the School District), we offer readers of the School District's financial statements this narrative overview and analysis of the financial activities of the School District for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

- The School District's enrollment increased from fiscal year 2014 to fiscal year 2015. As a result of this increase, there was an increase in school foundation revenues from the State of Ohio.
- The School District implemented GASB 68 and GASB 71, which establish standards for measuring and recognizing pension liabilities, deferred outflows/inflows of resources and expense/expenditure. The implementation of these GASB statements resulted in a significant change to the financial statements for the School District.
- The School District actively pursues grants and controls expenses while still maintaining the high academic standards the residents expect of the School District.
- Outstanding long-term obligations decreased during fiscal year 2015 due to annual general obligation debt payments and reductions to the net pension liability.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the School District's basic financial statements. The School District basic financial statements are comprised of three components: (1) government-wide statements, (2) fund financial statements, and (3) notes to the basic financial statements.

Government-wide Financial Statements The government-wide financial statements are designed to provide the reader with a broad overview of the School District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the School District's non fiduciary assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statement distinguishes functions of the School District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from those that are primarily supported through user charges (*business-type activities*). The School District has no business-type activities. The governmental activities of the School District include instruction, support services, extracurricular activities, operation of non-instructional services and interest and fiscal charges.

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Fund Financial Statements A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like the State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. These fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and bond retirement fund. All of the funds of the School District can be divided into two categories: governmental and fiduciary.

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual*, 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 School District's general governmental 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 educational programs. The relationship (or difference) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary Fund A fiduciary fund is used to account for resources held for the benefit of parties outside the government. The fiduciary fund is not reflected in the government-wide financial statement because the resources of this fund are not available to support the School District's own programs. These funds use the accrual basis of accounting.

Notes to the Basic Financial Statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Table 1 provides a comparison of the School District's Net Position for 2015 compared to 2014.

(Table 1)
Net Position
Governmental Activities

	2015	2014	Change
Assets			
Current and Other Assets	\$8,022,663	\$7,951,000	\$71,663
Capital Assets, Net	19,836,479	20,200,254	(363,775)
<i>Total Assets</i>	<u>27,859,142</u>	<u>28,151,254</u>	<u>(292,112)</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding	256,879	265,188	(8,309)
Pension	622,242	503,452	118,790
<i>Total Deferred Outflows of Resources</i>	<u>879,121</u>	<u>768,640</u>	<u>110,481</u>

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(Table 1)
Net Position (continued)
Governmental Activities

	2015	2014	Change
Liabilities			
Current Liabilities	\$883,357	\$865,252	(\$18,105)
Long-Term Liabilities			
Due within One Year	132,782	185,473	52,691
Due in More than One Year			
Net Pension Liability	8,581,010	10,197,186	1,616,176
Other Amounts	8,557,555	8,597,435	39,880
<i>Total Liabilities</i>	<u>18,154,704</u>	<u>19,845,346</u>	<u>1,690,642</u>
Deferred Inflows of Resources			
Property Taxes	1,392,881	1,731,376	338,495
Pension	1,553,204	0	(1,553,204)
<i>Total Deferred Inflows of Resources</i>	<u>2,946,085</u>	<u>1,731,376</u>	<u>(1,214,709)</u>
Net Position			
Net Investment in Capital Assets	11,984,975	12,267,563	(282,588)
Restricted for:			
Capital Projects	128,472	515,043	(386,571)
Debt Service	406,996	419,895	(12,899)
Other Purposes	438,058	518,895	(80,837)
Unrestricted	(5,321,027)	(6,378,224)	1,057,197
<i>Total Net Position</i>	<u>\$7,637,474</u>	<u>\$7,343,172</u>	<u>\$294,302</u>

During 2015, the School District adopted GASB Statement 68, “Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27,” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68” which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District’s actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

Under the new standards required by GASB 68, the net pension liability equals the School District’s proportionate share of each plan’s collective:

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

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

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

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

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$17,059,073 to \$7,343,172.

Cash and cash equivalents increased due to the School District having more revenues than expenses during the fiscal year. The decrease in intergovernmental receivable is due to the School District having a smaller grant carryover when compared to the prior fiscal year. The decrease in capital assets was due to an additional year of depreciation exceeding current year additions.

Total liabilities decreased during fiscal year 2015 which can be attributed to the change in net pension liability along with the annual payments on the School District’s general obligation bonds and decreases in accounts and intergovernmental payables.

Unrestricted net position may be used to meet the government’s ongoing obligations to citizens and creditors. An additional portion of the School District’s net position represents resources that are subject to external restrictions on how they may be used.

The remaining balance of net position is investment in capital assets (e.g., land, buildings, equipments, furniture and vehicles); less any related debt used to acquire those assets that is still outstanding. The School District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

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Table 2 shows the changes in net position for fiscal year 2015 compared to 2014.

(Table 2)			
Change in Net Position			
Governmental Activities			
	2015	2014	Change
Revenues			
<i>Program Revenues</i>			
Charges for Services and Sales	\$1,282,094	\$1,343,211	(\$61,117)
Operating Grants, Interest and Contributions	1,323,329	1,733,165	(409,836)
Capital Grants, Interest and Contributions	7,743	0	7,743
<i>Total Program Revenues</i>	<u>2,613,166</u>	<u>3,076,376</u>	<u>(463,210)</u>
<i>General Revenues</i>			
Property Taxes	1,938,051	1,819,305	118,746
Grants and Entitlements not Restricted	4,574,866	4,328,495	246,371
Unrestricted Contributions	0	3,080	(3,080)
Investment Earnings	21,649	8,025	13,624
Miscellaneous	73,344	78,432	(5,088)
<i>Total General Revenues</i>	<u>6,607,910</u>	<u>6,237,337</u>	<u>370,573</u>
<i>Total Revenues</i>	<u>9,221,076</u>	<u>9,313,713</u>	<u>(92,637)</u>
Program Expenses			
Current:			
Instruction:			
Regular	4,071,617	3,431,333	(640,284)
Special	1,067,085	1,089,282	22,197
Vocational	104,352	110,480	6,128
Student Intervention Services	0	6,205	6,205
Support Services:			
Pupils	217,738	233,504	15,766
Instructional Staff	82,222	119,239	37,017
Board of Education	9,490	16,010	6,520
Administration	818,913	885,694	66,781
Fiscal	276,150	292,816	16,666
Business	94,726	83,456	(11,270)
Operation and Maintenance of Plant	779,631	811,969	32,338
Pupil Transportation	169,519	133,969	(35,550)
Central	617	0	(617)
Extracurricular Activities	375,969	358,740	(17,229)
Operation of Non-Instructional Services:			
Food Service Operations	409,503	0	(409,503)
Other Non-Instructional Services	18,267	136,992	118,725
Interest and Fiscal Charges	430,975	761,112	330,137
<i>Total Program Expenses</i>	<u>8,926,774</u>	<u>8,470,801</u>	<u>(455,973)</u>
<i>Change in Net Position</i>	294,302	842,912	(548,610)
<i>Net Position Beginning of Year</i>	<u>7,343,172</u>	NA	
<i>Net Position End of Year</i>	<u>\$7,637,474</u>	<u>\$7,343,172</u>	<u>\$294,302</u>

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The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$503,452 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$359,557. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$8,926,774
Pension expense under GASB 68	(359,557)
2015 contractually required contribution	541,319
Adjusted 2015 program expenses	9,108,536
Total 2014 program expenses under GASB 27	8,470,801
Increase in program expenses not related to pension	\$637,735

The School District relies heavily upon property taxes and the State School Foundation Program to support its operations. The School District also actively solicits and receives additional grant and entitlement funds to help offset operating costs. The increase in grants and entitlements not restricted can be attributed to the School District receiving additional foundation revenue due to the increase in enrollment for fiscal year 2015.

Instruction expenses comprise the largest portion of all program expenses for the School District. These expenses pay for teacher salary and benefits which increase at set levels every year through negotiated agreements. The increase in regular instructional expenses was due to negotiated salary increases for the fiscal year. Certified staff received a two percent base increase. Vertical step progression was reinstated for the fiscal year where the employee stopped when the steps were frozen in the prior negotiated contract. Non-vertically stepping certified staff receive \$1,000 longevity after 18 years and \$2,000 longevity after 24 years. The increase in support expenses was due to negotiated salary increases for fiscal year 2015. The classified staff received a two percent base increase as well as step increases were reinstated.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services for 2015 compared to 2014.

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(Table 3)
Total and Net Cost of Program Services
Governmental Activities

	2015		2014	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$5,243,054	\$3,312,355	\$4,637,300	\$2,917,592
Support Services:				
Pupils and Instructional Staff	299,960	298,805	352,743	50,444
Board of Education, Administration				
Fiscal and Business	1,199,279	1,174,783	1,277,976	1,193,495
Operation and Maintenance of Plant	779,631	771,888	811,969	811,969
Pupil Transportation	169,519	165,590	133,969	133,969
Central	617	617	0	0
Extracurricular Activities	375,969	145,924	358,740	151,482
Operation of Non-Instructional Services:				
Food Service Operations	409,503	44,904	0	0
Other Non-Instructional Services	18,267	(32,233)	136,992	(194,692)
Interest and Fiscal Charges	430,975	430,975	761,112	761,112
<i>Total Expenses</i>	<u>\$8,926,774</u>	<u>\$6,313,608</u>	<u>\$8,470,801</u>	<u>\$5,825,371</u>

The dependence upon general revenues for governmental activities is apparent as they account for a majority of the total cost of services in fiscal year 2015. The community, as a whole, is by far the primary support for the Toronto City School District.

Financial Analysis of the Government's Funds

Governmental Fund Information about the School District's major funds begins with the balance sheet. These funds are accounted for using the modified accrual basis of accounting. The general fund had an increase in fund balance due to revenues exceeding expenditures in the current fiscal year. Intergovernmental revenue increased due to the increase in enrollment. Property tax collections were up compared to the prior fiscal year as well. Instructional and support service expenditures increased in the current fiscal year due to the School District negotiating raises for the certified and classified staff. The bond retirement fund balance decreased from the prior fiscal year due to the transfer out during the fiscal year to the capital projects fund. Other governmental funds had a decrease in fund balance due to a decrease in grant monies as well as using a portion of the capital project fund balance to pay for final expenditures related to the classroom facilities project in the prior fiscal year.

General Fund Budgeting Highlights

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

During the course of fiscal year 2015 the School District amended its general fund budget numerous times. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, the final budget basis revenue estimate was higher than the original budget estimate. The difference can be attributed to the increase in property taxes and intergovernmental revenues. These amounts increased due to an increase in collections and a higher than expected enrollment number. These

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revenue line items fluctuate year to year and are budgeted on a conservative basis to avoid revenue overestimations. Actual revenue was higher than final budget basis revenue due to tuition and fees revenue coming in higher than expected. The final budget appropriations were higher than the original budget appropriations of the general fund. The change was attributed to increases in instructional and support services corresponding to the increase in final budget revenues. Actual Expenditures were lower than final budget appropriations due to the School District keeping spending in control and not over spending.

Capital Assets and Long-term Liabilities

Capital Assets Table 4 shows fiscal year 2015 balances compared to fiscal year 2014.

(Table 4)
Capital Assets at June 30
Net of Depreciation
Governmental Activities

	2015	2014
Land	\$215,638	\$215,638
Land Improvements	2,670,257	2,874,717
Buildings and Improvements	16,385,438	16,500,466
Furniture and Fixtures	525,000	544,855
Vehicles	40,146	64,578
Total	\$19,836,479	\$20,200,254

The decrease in capital assets can be attributed to an additional year of depreciation during the fiscal year which was offset by current year additions. The School District built an addition to the indoor winter athletic facility, purchased maintenance equipment and a new oven for food service during fiscal year 2015. Additional information on the School District's capital assets can be found in note 10 of the basic financial statements.

Long-term Liabilities Table 5 summarizes the School District's long-term obligations.

(Table 5)
Outstanding Long-Term Obligations

	Governmental Activities	
	2015	2014
Classroom Facilities and School Improvement Bonds	\$2,040,428	\$2,083,150
Classroom Facilities and School Improvement Refunding Bonds	6,325,542	6,375,979
Net Pension Liability	8,581,010	10,197,186
Compensated Absences	324,367	323,779
Totals	\$17,271,347	\$18,980,094

As of June 30, 2015, the School District's overall legal debt margin was \$0 with an unvoted debt margin of \$64,415. The School District given the rating of A3 by Moody's as of June 30, 2014. Please refer to Note 16 within the Notes to the Basic Financial Statements for further information on debt.

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Current Financial Related Activities

Toronto is a small residential community of 5,404 people along the Ohio River in Eastern Ohio. Its major business is TIMET, a worldwide producer/distributor of titanium sheet metal products. Many of its residents are employed in the area gaming industry at Mountaineer Park and Wheeling Downs as well as Franciscan University of Steubenville, Trinity Health Systems and Walmart Distribution Center. It also has a number of small and medium businesses.

The School District is currently operating under HB64 funding formula. According to the fiscal year 2014 District Profile Report (fiscal year 2015 is not available) prepared by the Ohio Department of Education: Seventeen percent of the School District revenue sources are from local funds, fifty-seven percent is from state funds, ten percent is from federal funds and the remaining sixteen percent is from other. The total expenditures per pupil was calculated at \$8,202.

Over the past several years, the School District has remained in a good financial position. In May 1995, the School District passed a 5 mill five-year operating levy. Voters have continue to approve a replacement of the levy. The replacement levy will generate \$319,905 annually. The last collection on that levy will occur in calendar year 2020. This levy provides a source of funds for the financial operations and stability of the School District. However, future finances are not without challenges as our community changes. Some of these challenges are in the future long term effects of public utility deregulation, as well as the reduction of personal property for business inventory.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Coleen Wickham, Treasurer at Toronto City School District, 1307 Dennis Way, Toronto, Ohio 43964.

Basic Financial Statements

Toronto City School District

Statement of Net Position

June 30, 2015

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,714,364
Cash and Cash Equivalents With Fiscal Agents	3,116,769
Accounts Receivable	500
Intergovernmental Receivable	133,637
Inventory Held for Resale	14,479
Materials and Supplies Inventory	3,491
Property Taxes Receivable	2,039,423
Nondepreciable Capital Assets	215,638
Depreciable Capital Assets, Net	<u>19,620,841</u>
<i>Total Assets</i>	<u>27,859,142</u>
Deferred Outflows of Resources	
Deferred Charge on Refunding Pension	256,879
	<u>622,242</u>
<i>Total Deferred Outflows of Resources</i>	<u>879,121</u>
Liabilities	
Accounts Payable	3,929
Accrued Wages	567,476
Intergovernmental Payable	122,965
Matured Compensated Absences Payable	74,539
Accrued Interest Payable	30,375
Claims Payable	84,073
Long-Term Liabilities:	
Due Within One Year	132,782
Due in More Than One Year	
Net Pension Liability (Note 13)	8,581,010
Other Amounts	<u>8,557,555</u>
<i>Total Liabilities</i>	<u>18,154,704</u>
Deferred Inflows of Resources	
Property Taxes	1,392,881
Pension	<u>1,553,204</u>
<i>Total Deferred Inflows of Resources</i>	<u>2,946,085</u>
Net Investment in Capital Assets	11,984,975
Restricted for:	
Capital Projects	128,472
Debt Service	406,996
Other Purposes	438,058
Unrestricted (Deficit)	<u>(5,321,027)</u>
<i>Total Net Position</i>	<u><u>\$7,637,474</u></u>

See accompanying notes to the basic financial statements

Toronto City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2015

	Program Revenues			Net Revenue/(Expense) and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Interest and Contributions	Capital Grants, Interest and Contributions
Governmental Activities	Governmental Activities			
Instruction:				
Regular	\$4,071,617	\$1,020,242	\$215,661	\$0
Special	1,067,085	1,567	678,950	0
Vocational	104,352	0	14,279	0
Support Services:				
Pupils	217,738	0	1,155	0
Instructional Staff	82,222	0	0	0
Board of Education	9,490	0	0	0
Administration	818,913	0	24,496	0
Fiscal	276,150	0	0	0
Business	94,726	0	0	0
Operation and Maintenance of Plant	779,631	0	0	7,743
Pupil Transportation	169,519	0	3,929	0
Central	617	0	0	0
Extracurricular Activities	375,969	189,721	40,324	0
Operation of Non-Instructional Services:				
Food Service Operations	409,503	70,564	294,035	0
Other Non-Instructional Services	18,267	0	50,500	0
Interest and Fiscal Charges	430,975	0	0	0
Totals	\$8,926,774	\$1,282,094	\$1,323,329	7,743

General Revenues

Property Taxes Levied for:	
General Purposes	1,451,200
Debt Service	457,639
Classroom Facilities	29,212
Grants and Entitlements not Restricted to Specific Programs	4,574,866
Investment Earnings	21,649
Miscellaneous	73,344
Total General Revenues	6,607,910
Change in Net Position	294,302
<i>Net Position Beginning of Year (Restated - See Note 21)</i>	7,343,172
<i>Net Position End of Year</i>	\$7,637,474

See accompanying notes to the basic financial statements

Toronto City School District

*Balance Sheet
Governmental Funds
June 30, 2015*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,610,780	\$382,634	\$720,950	\$2,714,364
Property Taxes Receivables	1,550,332	459,072	30,019	2,039,423
Accounts Receivables	500	0	0	500
Intergovernmental Receivables	6,183	0	127,454	133,637
Interfund Receivable	270	0	0	270
Inventory Held for Resale	0	0	14,479	14,479
Materials and Supplies Inventory	0	0	3,491	3,491
<i>Total Assets</i>	<u>\$3,168,065</u>	<u>\$841,706</u>	<u>\$896,393</u>	<u>\$4,906,164</u>
Liabilities				
Accounts Payable	\$2,839	\$0	\$1,090	\$3,929
Accrued Wages	482,868	0	84,608	567,476
Intergovernmental Payable	110,635	0	12,330	122,965
Interfund Payable	0	0	270	270
Matured Compensated Absences Payable	70,002	0	4,537	74,539
<i>Total Liabilities</i>	<u>666,344</u>	<u>0</u>	<u>102,835</u>	<u>769,179</u>
Deferred Inflows of Resources				
Property Taxes	1,054,959	316,852	21,070	1,392,881
Unavailable Revenue	233,281	45,842	100,155	379,278
<i>Total Deferred Inflows of Resources</i>	<u>1,288,240</u>	<u>362,694</u>	<u>121,225</u>	<u>1,772,159</u>
Fund Balances:				
Nonspendable	0	0	3,354	3,354
Restricted	0	479,012	489,640	968,652
Committed	33,177	0	0	33,177
Assigned	1,180,304	0	193,509	1,373,813
Unassigned (Deficit)	0	0	(14,170)	(14,170)
<i>Total Fund Balances</i>	<u>1,213,481</u>	<u>479,012</u>	<u>672,333</u>	<u>2,364,826</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$3,168,065</u>	<u>\$841,706</u>	<u>\$896,393</u>	<u>\$4,906,164</u>

See accompanying notes to the basic financial statements

Toronto City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2015*

Total Governmental Funds Balances		\$2,364,826
<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.		19,836,479
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.		
Delinquent Property Taxes	275,956	
Intergovernmental	103,322	
Total		379,278
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental fund:		
Deferred Outflows - Pension	622,242	
Deferred Inflows - Pension	(1,553,204)	
Net Pension Liability	(8,581,010)	
Total		(9,511,972)
The 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.		
Net Position	3,032,696	
Claims Payable	84,073	
Total		3,116,769
In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.		(30,375)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Classroom Facilities Bonds	(8,108,022)	
Bond Premium	(257,948)	
Claims Payable	(84,073)	
Compensated Absences	(324,367)	
Deferred Charge on Refunding	256,879	
Total		(8,517,531)
<i>Net Position of Governmental Activities</i>		\$7,637,474

See accompanying notes to the basic financial statements

Toronto CitySchool District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$1,448,449	\$460,063	\$29,175	\$1,937,687
Intergovernmental	4,775,701	174,282	963,755	5,913,738
Interest	2,365	0	1	2,366
Charges for Services	0	0	70,564	70,564
Tuition and Fees	1,011,764	0	10,045	1,021,809
Extracurricular Activities	84,933	0	104,788	189,721
Contributions and Donations	28,801	0	91,144	119,945
Miscellaneous	6,369	0	66,975	73,344
<i>Total Revenues</i>	<u>7,358,382</u>	<u>634,345</u>	<u>1,336,447</u>	<u>9,329,174</u>
Expenditures				
Current:				
Instruction:				
Regular	3,527,209	0	214,917	3,742,126
Special	713,187	0	434,556	1,147,743
Vocational	108,727	0	0	108,727
Support Services:				
Pupils	214,852	0	1,119	215,971
Instructional Staff	101,474	0	0	101,474
Board of Education	9,490	0	0	9,490
Administration	766,416	0	27,970	794,386
Fiscal	275,725	12,734	830	289,289
Business	94,726	0	0	94,726
Operation and Maintenance of Plant	782,051	0	24,089	806,140
Pupil Transportation	144,815	0	0	144,815
Extracurricular Activities	160,382	0	126,390	286,772
Operation of Non-Instructional Services:				
Food Service Operations	0	0	431,205	431,205
Other Non-Instructional Services	0	0	1,250	1,250
Capital Outlay	31,134	0	394,314	425,448
Debt Service:				
Principal Retirement	0	83,982	0	83,982
Interest and Fiscal Charges	0	342,090	0	342,090
Capital Appreciation Bond Accretion	0	86,018	0	86,018
<i>Total Expenditures</i>	<u>6,930,188</u>	<u>524,824</u>	<u>1,656,640</u>	<u>9,111,652</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>428,194</u>	<u>109,521</u>	<u>(320,193)</u>	<u>217,522</u>
Other Financing Sources (Uses)				
Transfers In	0	0	188,610	188,610
Transfers Out	(66,100)	(122,510)	0	(188,610)
<i>Total Other Financing Sources (Uses)</i>	<u>(66,100)</u>	<u>(122,510)</u>	<u>188,610</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	362,094	(12,989)	(131,583)	217,522
<i>Fund Balances Beginning of Year</i>	851,387	492,001	803,916	2,147,304
<i>Fund Balances End of Year</i>	<u>\$1,213,481</u>	<u>\$479,012</u>	<u>\$672,333</u>	<u>\$2,364,826</u>

See accompanying notes to the basic financial statements

Toronto City School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2015*

Net Change in Fund Balances - Total Governmental Funds	\$217,522
 <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 capital outlay in the current period.	
Capital Asset Additions	442,474
Current Year Depreciation	<u>(763,749)</u>
Total	(321,275)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	
	(42,500)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Delinquent Property Taxes	364
Intergovernmental	<u>(127,745)</u>
Total	(127,381)
Repayment of bond principal as well as capital appreciation bond accretion are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
	170,000
Some expenses 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	
Accrued Interest	(3,735)
Amortization of Accretion	(88,604)
Amortization of Bond Premium	11,763
Amortization of Deferred Charge on Refunding	<u>(8,309)</u>
Total	(88,885)
Some expenses 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	
Compensated Absences	(588)
Claims Payable	<u>10,174</u>
Total	9,586
The internal service funds used by management to charge the costs of insurance to individual funds are not reported in the district wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the governmental activities	
Change in Net Position	305,647
Claims Payable	<u>(10,174)</u>
Total	295,473
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows	
	541,319
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities	
	<u>(359,557)</u>
<i>Change in Net Position of Governmental Activities</i>	<u><u>\$294,302</u></u>

See accompanying notes to the basic financial statements

Toronto City School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$1,236,903	\$1,362,166	\$1,361,441	(\$725)
Intergovernmental	4,349,890	4,795,760	4,794,426	(1,334)
Interest	2,249	2,480	2,365	(115)
Tuition and Fees	906,859	1,000,813	1,011,764	10,951
Contributions and Donations	27,211	30,000	28,801	(1,199)
Miscellaneous	13,122	14,467	12,391	(2,076)
<i>Total Revenues</i>	<u>6,536,234</u>	<u>7,205,686</u>	<u>7,211,188</u>	<u>5,502</u>
Expenditures				
Current:				
Instruction:				
Regular	3,302,166	3,799,963	3,474,194	325,769
Special	696,384	773,650	702,129	71,521
Vocational	137,799	158,714	115,283	43,431
Student Intervention Services	524	582	0	582
Support Services:				
Pupils	238,108	264,547	216,332	48,215
Instructional Staff	137,265	152,725	112,841	39,884
Board of Education	25,993	20,013	9,490	10,523
Administration	965,032	1,074,119	853,634	220,485
Fiscal	293,660	326,542	282,001	44,541
Operation and Maintenance of Plant	1,136,477	1,202,616	827,272	375,344
Pupil Transportation	183,187	234,013	187,469	46,544
Extracurricular Activities	174,633	193,669	165,051	28,618
Capital Outlay	45,006	50,000	46,234	3,766
<i>Total Expenditures</i>	<u>7,336,234</u>	<u>8,251,153</u>	<u>6,991,930</u>	<u>1,259,223</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(800,000)	(1,045,467)	219,258	1,264,725
Other Financing Sources (Uses)				
Transfers Out	0	(66,100)	(66,100)	0
<i>Net Change in Fund Balance</i>	(800,000)	(1,111,567)	153,158	1,264,725
<i>Fund Balance Beginning of Year</i>	1,115,089	1,115,089	1,115,089	0
Prior Year Encumbrances Appropriated	154,579	154,579	154,579	0
<i>Fund Balance End of Year</i>	<u>\$469,668</u>	<u>\$158,101</u>	<u>\$1,422,826</u>	<u>\$1,264,725</u>

See accompanying notes to the basic financial statements

Toronto City School District
Statement of Fund Net Position
Internal Service Fund
June 30, 2015

	<u>Self Insurance</u>
Assets	
Cash and Cash Equivalents With Fiscal Agents	\$3,116,769
Liabilities	
Claims Payable	<u>84,073</u>
Net Position	
Unrestricted	<u><u>\$3,032,696</u></u>

See accompanying notes to the basic financial statements

Toronto City School District
*Statement of Revenues,
Expenses and Changes in Fund Net Position
Internal Service Fund
For the Fiscal Year Ended June 30, 2015*

	Self Insurance
Operating Revenues	
Charges for Services	\$1,213,064
Operating Expenses	
Purchased Services	63,320
Claims	863,380
<i>Total Operating Expenses</i>	926,700
<i>Operating Income (Loss)</i>	286,364
Non-Operating Revenues (Expenses)	
Interest	19,283
<i>Net Change in Net Position</i>	305,647
<i>Net Position Beginning of Year</i>	2,727,049
<i>Net Position End of Year</i>	\$3,032,696

See accompanying notes to the basic financial statements

Toronto City School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2015

	Self Insurance
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Interfund Services Provided	\$1,213,064
Cash Payments for Services	(63,320)
Cash Payments for Claims	(873,554)
<i>Net Cash Provided by Operating Activities</i>	276,190
Cash Flows from Investing Activities	
Interest on Investments	20,625
<i>Net Increase in Cash and Cash Equivalents</i>	296,815
<i>Cash and Cash Equivalents Beginning of Year</i>	2,819,954
<i>Cash and Cash Equivalents End of Year</i>	\$3,116,769
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities	
Operating Income (Loss)	\$286,364
Adjustments:	
Decrease in Claims Payable	(10,174)
<i>Net Cash Provided by Operating Activities</i>	\$276,190

See accompanying notes to the basic financial statements

Toronto City School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$24,174	\$47,668
Liabilities		
Due to Students	0	\$47,668
Net Position		
Held in Trust for Scholarships	\$24,174	

See accompanying notes to the basic financial statements

Toronto City School District
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2015

	<u>Scholarship</u>
Additions	
Interest	\$3
Deductions	
College Scholarships Awarded	<u>300</u>
<i>Change in Net Position</i>	(297)
<i>Net Position Beginning of Year</i>	<u>24,471</u>
<i>Net Position End of Year</i>	<u><u>\$24,174</u></u>

See accompanying notes to the basic financial statements

Toronto City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 1 – Description of the School District and Reporting Entity

Toronto City School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a city school district as defined by 3311.22 of the Ohio Revised Code

The School District operates under a locally-elected five member Board form of government and provides educational services to residents of the School District. The Board oversees the operations of the school District's two instructional/support facilities staffed by the 36 non-certified and 65 certified full-time teaching personnel who provide services to 977 students and other community members.

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, agencies and offices that are not legally separate from the School District. For the Toronto City School District, this includes the agencies and departments that provide the following services: general operations, food service, preschool and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The School District has no component units.

The School District is associated with two jointly governed organizations, one insurance purchasing pool and one risk sharing pool. These organizations are the Ohio Mid-Eastern Regional Education Service Agency, Jefferson County Joint Vocational School, the Ohio School Boards Association Workers' Compensation Group Rating Program, and the Jefferson Health Plan. These organizations are presented in Notes 17 and 18 of the basic financial statements.

Note 2 – Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

Toronto City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District however, has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. 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 School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental 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. Fiduciary funds are reported by type.

Fund Accounting

The School District 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 fiduciary.

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 School District's major governmental funds:

General Fund The general fund is the operating fund of the School District and is used to account for and report all financial resources except those required to be accounted for and reported in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Toronto City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Bond Retirement Fund The bond retirement debt service fund accounts for and reports tax levies that are restricted for the repayment of general obligation bonds of the School District.

The other governmental funds of the School District account for grants and other resources whose use is restricted, committed or assigned to a particular purpose.

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The School District only has an internal service fund.

Internal Service Fund This fund is used to account for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost-reimbursement basis. The School District's only internal service fund is a self-insurance fund that accounts for the operation of the School District's self-insurance program for employee medical, vision, prescription drug and dental claims.

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust which accounts for a college scholarship program for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student activities managed by the student body.

Measurement Focus

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

The private purpose trust fund is accounted for on a flow of economic resources measurement focus.

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 and the statements presented for the fiduciary

Toronto City School District
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For the Fiscal Year Ended June 30, 2015

funds are prepared using the accrual basis of accounting. Governmental funds use the modified 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 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 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 School District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 8). 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 year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, fees and rentals.

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. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 13.

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 School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 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 School District unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 13)

Toronto City School District
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For the Fiscal Year Ended June 30, 2015

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.

Pensions

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

Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, 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 amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been given the authority to allocate appropriations to the function and object level within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original and final appropriations were passed by the Board of Education. Prior to year end, the School District requested and received an amended certificate of estimated resources that closely reflects actual revenue for the fiscal year.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues by fund. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year. Prior to fiscal year-end, the School District passed an amended appropriation measure which matched appropriations to expenditures plus encumbrances in the majority of categories.

Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

Toronto City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

During fiscal year 2015, investments were limited to certificates of deposits.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2015 amounted to \$2,365, of which \$961 was assigned from other School District funds.

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 School District are presented on the financial statements as cash equivalents.

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed/expensed when used. Inventories consist of donated and purchased food held for resale, and materials and supplies held for consumption.

Capital Assets

The School District's only capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of capital assets by backtrending (i.e., estimating the current replacement cost of the capital asset to be capitalized and using an appropriate price-level index to deflate the cost of the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets, except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives
Land Improvements	15 to 30 years
Buildings and Building Improvements	30 to 50 years
Furniture, Fixtures and Equipment	5 to 20 years
Vehicles	5 to 15 years

Bond Premiums

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On the fund financial statements, bond premiums are received in the year the bonds are issued.

Toronto City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the statement of net position.

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 School District records a liability for 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 School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees with at least five years of service with the School District.

The entire compensated absence liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the general fund.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

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

Net Position

Net position represents the difference between all other elements in a statement of financial position. 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 through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service operations, instruction, support services and extracurricular activities.

Toronto City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School is bound to observe constraints imposed upon the use of the resources in the governmental funds. 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.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of Education, delegated that authority by State statute. State statute authorizes the Treasurer to assign fund balance purchases on order provided such amounts have been lawfully appropriated. The Board of Education assigned fund balance to cover a gap between estimated revenue and appropriations in fiscal year 2015’s 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.

The School District 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.

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.

Toronto City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 3 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Bond Retirement	Other Governmental Funds	Total
<i>Nonspendable</i>				
Materials and Supplies Inventory	\$0	\$0	\$3,354	\$3,354
<i>Restricted for</i>				
Scholarships	0	0	70,892	70,892
Athletics	0	0	49,768	49,768
Classroom Facilities Maintenance	0	0	233,502	233,502
Technology Improvements	0	0	460	460
Preschool	0	0	4,408	4,408
Instructional Services	0	0	2,138	2,138
Debt Service Payments	0	479,012	0	479,012
Capital Improvements	0	0	128,472	128,472
<i>Total Restricted</i>	0	479,012	489,640	968,652
<i>Committed to</i>				
Instructional Services	22,744	0	0	22,744
Lawn Services	5,313	0	0	5,313
Technology	5,120	0	0	5,120
<i>Total Committed</i>	33,177	0	0	33,177
<i>Assigned to</i>				
Capital Improvements	0	0	193,509	193,509
Other Purposes	15,564	0	0	15,564
Fiscal Year 2015 Operations	1,028,281	0	0	1,028,281
Purchases on Order				
Purchased Services	30,894	0	0	30,894
Materials and Supplies	70,007	0	0	70,007
Capital Outlay	35,558	0	0	35,558
<i>Total Assigned</i>	1,180,304	0	193,509	1,373,813
<i>Unassigned (Deficit)</i>	0	0	(14,170)	(14,170)
<i>Total Fund Balances</i>	\$1,213,481	\$479,012	\$672,333	\$2,364,826

Toronto City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 4 – Accountability

Fund balances at June 30, 2015, included the following individual fund deficits:

Special Revenue Funds:

Race to the Top	\$136
Special Education Preschool	844
Title VI-B	11,007
Title II-A	2,183

The special revenue funds have deficits caused by the recognition of expenditures on a modified accrual basis of accounting which are substantially greater than the expenditures recognized on a cash basis. The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur.

Note 5 – Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Budgetary revenues and expenditures of the uniform school supplies and the public school support funds are classified to the general fund for GAAP reporting purposes.
3. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
4. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance (GAAP basis).

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

Net Change in Fund Balance	
GAAP Basis	\$362,094
Net Adjustment for Revenue Accruals	(232,127)
Perspective Difference:	
Public School Support	(9,633)
Net Adjustment for Expenditure Accruals	205,325
Adjustment for Encumbrances	(172,501)
Budget Basis	\$153,158

Toronto City School District
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Note 6 – Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School District 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 Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, 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 securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Toronto City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year end, \$2,470,594 of the School District's bank balance of \$2,970,594 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Credit Risk The School District has no investment policy that addresses credit risk.

Note 7 – Receivables

Receivables at June 30, 2015, consisted of taxes, accounts and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of federal funds. All receivables, except for property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amounts</u>
Title I Grant	\$87,375
Public School Preschool Grant	25,459
Early Childhood Education Grant	12,877
State Employees Retirement System	6,183
Title II-A	<u>1,743</u>
Total	<u><u>\$133,637</u></u>

Note 8 – Property Taxes

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real property and public utility property located in the School District. Real property tax revenues received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-

Toronto City School District
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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 alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 become a lien December 31, 2013, were levied after April 1, 2014, and are collected in calendar year 2015 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Jefferson County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2015, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations are reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes. 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.

The amount available as an advance at June 30, 2015, was \$268,275 in the general fund, \$5,933 in the classroom facilities special revenue fund and \$96,378 in the bond retirement debt service fund. The amount available as an advance at June 30, 2014, was \$181,267 in the general fund, \$4,009 in the classroom facilities special revenue fund and \$65,120 in the bond retirement debt service fund.

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second Half Collections		2015 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$59,490,160	92.76 %	\$59,726,790	92.72 %
Public Utility Personal	4,646,640	7.24	4,687,934	7.28
Total	<u>\$64,136,800</u>	<u>100.00 %</u>	<u>\$64,414,724</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$46.25		\$45.75	

Note 9 – Interfund Transfers and Balances

Interfund Transfers

The general fund transferred \$66,100 to the food service special revenue fund to assist with food service operations. The bond retirement fund transferred \$122,510 to the permanent improvement capital projects fund for capital improvements.

Toronto City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Interfund Balances

Interfund Payable	Interfund Receivable General
Other Governmental Funds:	
Race to the Top	\$136
Special Education Preschool	134
Total	\$270

Interfund receivables and payables at June 30, 2015, are due to the timing of the receipt of grant monies and monies collected for some programs received by various funds. The general fund provides money to operate the programs until grants and other monies are received and the advances can be repaid. These loans are expected to be repaid in one year.

Note 10 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance 06/30/14	Additions	Deductions	Balance 06/30/15
Governmental Activities				
Capital Assets not being Depreciated:				
Land	\$215,638	\$0	\$0	\$215,638
Capital Assets being Depreciated:				
Land Improvements	3,474,499	0	(50,000)	3,424,499
Buildings and Building Improvements	20,112,183	413,985	0	20,526,168
Furniture, Fixtures and Equipment	711,488	28,489	0	739,977
Vehicles	601,550	0	(92,717)	508,833
Total Capital Assets being Depreciated	24,899,720	442,474	(142,717)	25,199,477
Less Accumulated Depreciation:				
Land Improvements	(599,782)	(161,960)	7,500	(754,242)
Buildings and Improvements	(3,611,717)	(529,013)	0	(4,140,730)
Furniture and Equipment	(166,633)	(48,344)	0	(214,977)
Vehicles	(536,972)	(24,432)	92,717	(468,687)
Total Accumulated Depreciation	(4,915,104)	(763,749) *	100,217	(5,578,636)
Total Assets being Depreciated, Net	19,984,616	(321,275)	(42,500)	19,620,841
Governmental Activities Capital Assets, Net	\$20,200,254	(\$321,275)	(\$42,500)	\$19,836,479

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For the Fiscal Year Ended June 30, 2015

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$636,843
Special	1,795
Support Services:	
Instructional Staff	4,419
Administration	6,369
Operation and Maintenance of Plant	857
Pupil Transportation	28,027
Central	617
Operation of Non-Instructional Services	17,017
Operation of Food Service	541
Extracurricular Activities	67,264
Total Depreciation Expense	763,749

Note 11 – Risk Management

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015, the School District contracted with Schools of Ohio Risk Sharing Authority (SORSA) for various types of insurance. Coverage is as follows:

Coverage	Deductible	Liability Limit
Building and Business Personal Property Limit including extensions of coverage	\$1,000	\$32,713,285
Earthquake	50,000	2,000,000
Flood Limit	50,000	2,000,000
Equipment Breakdown	1,000	50,000,000
CFC Refrigerants	1,000	250,000
Hazardous Substance	1,000	250,000
Spoilage	1,000	250,000
Expediting expenses	1,000	250,000
Crime Coverage		
Employee Dishonesty	1,000	100,000
Forgery or Alteration	1,000	100,000
Computer Fraud	1,000	100,000
Theft, Disappearance and Destruction	1,000	100,000
General Liability		
Bodily Injury		15,000,000
Personal Injury		15,000,000
Products/Completed Operations		15,000,000

Toronto City School District
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For the Fiscal Year Ended June 30, 2015

Coverage	Deductible	Liability Limit
Employers Stop Gap Liability		
Bodily Injury by accident - each employee		\$15,000,000
Bodily Injury by disease - policy limit		15,000,000
Bodily Injury by disease - each employee		15,000,000
Aggregate Limit		15,000,000
General Annual Aggregate		17,000,000
Fire Legal Liability		500,000
Medical Payments Occurrence/Aggregate		10,000/25,000
Educator's Legal Liability		
Wrongful Acts Coverage	4,000	
Per occurrence		15,000,000
Aggregate		15,000,000
Employee Benefits Liability		15,000,000
Automobile Liability		
Bodily injury & property damages per occur		15,000,000
Medical payments		10,000/25,000
Uninsured/underinsured motorist		100,000/1,000,000
Automobile Physical Damage	500	Actual Cash Value

Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from last year.

Worker's Compensation

For fiscal year 2015, the School District participated in the Ohio School Boards Association Workers' Compensation Group Retrospective Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Employee Insurance Benefits

The School District offers medical, surgical, and dental insurance to employees through a self-insurance internal service fund. The School District's monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$84,073 reported in the internal service funds at June 30, 2015, is estimated by and based on the requirements of the Governmental Accounting Standards Board Statement No. 30 which required that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the funds' claims liability amounts for 2014 and 2015 were:

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	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2014	\$84,458	\$869,312	(\$859,523)	\$94,247
2015	94,247	863,380	(873,554)	84,073

Note 12 – Other Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 260 days for certified personnel and 265 days for classified personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 55 days for certified employees and 57 days for classified employees.

Note 13 – Defined Benefit Pension Plans

Net Pension Liability

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

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the

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State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

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The School District's contractually required contribution to SERS was \$131,813 for fiscal year 2015. Of this amount \$7,510 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become

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disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$409,506 for fiscal year 2015. Of this amount \$57,870 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$1,511,603	\$7,069,407	\$8,581,010
Proportion of the Net Pension Liability	0.029868%	0.02906415%	
Pension Expense	\$88,142	\$271,415	\$359,557

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$12,865	\$68,058	\$80,923
School District contributions subsequent to the measurement date	<u>131,813</u>	<u>409,506</u>	<u>541,319</u>
Total Deferred Outflows of Resources	<u>\$144,678</u>	<u>\$477,564</u>	<u>\$622,242</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$245,337</u>	<u>\$1,307,867</u>	<u>\$1,553,204</u>

\$541,319 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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	SERS	STRS	Total
Fiscal Year Ending June 30:			
2016	(\$58,086)	(\$309,952)	(\$368,038)
2017	(58,086)	(309,952)	(368,038)
2018	(58,086)	(309,952)	(368,038)
2019	(58,215)	(309,952)	(368,167)
Total	(\$232,473)	(\$1,239,808)	(\$1,472,281)

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal

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rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$2,156,608	\$1,511,603	\$969,097

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

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Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
School District's proportionate share of the net pension liability	\$10,120,627	\$7,069,407	\$4,489,102

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Note 14 – Postemployment Benefits

School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, prorated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the School District's surcharge obligation was \$16,845.

The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014 and 2013 were \$8,125, \$1,466 and \$1,427, respectively. For fiscal year 2015, 93.94 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

State Teachers Retirement System

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most

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recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014 and 2013 were \$0, \$32,485, and \$38,477 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

Note 15 – Contingencies

Grants

The School District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2015, if applicable, cannot be determined at this time.

School Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015-2016 school year, traditional school districts must comply with minimum hours of instruction, instead of minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of the enrollment adjustments to the June 30, 2015 Foundation funding for the School District, therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or a liability of the School District.

Litigation

The School District is not a party to any material legal proceedings.

Note 16 – Long-Term Obligations

Original issue amounts and interest rates of the School District's debt issues were as follows:

Debt Issue	Interest Rate	Original Issue	Fiscal Year of Maturity
2010 Classroom Facilities and School Improvement Bonds:			
Capital Appreciation Bonds	1.75% to 3.64%	\$249,996	2018
Qualified School Construction Bonds			
Current Interest Term Bonds	7.00%	1,750,000	2029
2010C Classroom Facilities and School Improvement Refunding Bonds:			
Current Interest Serial Bonds	2.00%	55,000	2015
Current Interest Term Bonds	4.00%	6,050,000	2031
Capital Appreciation Bonds	1.25% to 2.15%	95,000	2046

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The changes in the School District's long-term obligations during the year consist of the following:

	Principal Outstanding 6/30/14	Additions	Deductions	Principal Outstanding 6/30/15	Amounts Due in One Year
Governmental Activities					
General Obligation Bonds:					
Classroom Facilities and School Improvement Bonds					
Capital Appreciation Bonds	\$71,900	\$0	\$28,982	\$42,918	\$19,514
Accretion	167,518	78,527	86,018	160,027	90,486
Term Bonds	1,750,000	0	0	1,750,000	0
Premium on Bonds	93,732	0	6,249	87,483	0
<i>Total Classroom Facilities and School Improvement Bonds</i>	<u>2,083,150</u>	<u>78,527</u>	<u>121,249</u>	<u>2,040,428</u>	<u>110,000</u>
Classroom Facilities and School Improvement Refunding Bonds					
Serial Bonds	55,000	0	55,000	0	0
Term Bonds	6,050,000	0	0	6,050,000	0
Capital Appreciation Bonds	95,000	0	0	95,000	0
Accretion	0	10,077	0	10,077	0
Premium on Bonds	175,979	0	5,514	170,465	0
<i>Total Classroom Facilities and School Improvement Refunding Bonds</i>	<u>6,375,979</u>	<u>10,077</u>	<u>60,514</u>	<u>6,325,542</u>	<u>0</u>
<i>Total General Obligation Bonds</i>	<u>8,459,129</u>	<u>88,604</u>	<u>181,763</u>	<u>8,365,970</u>	<u>110,000</u>
Other Long Term Obligations					
Net Pension Liability:					
STRS	8,421,032	0	1,351,625	7,069,407	0
SERS	1,776,154	0	264,551	1,511,603	0
<i>Total Net Pension Liability</i>	<u>10,197,186</u>	<u>0</u>	<u>1,616,176</u>	<u>8,581,010</u>	<u>0</u>
Compensated Absences	323,779	16,061	15,473	324,367	22,782
<i>Total Other Long Term Obligations</i>	<u>10,520,965</u>	<u>16,061</u>	<u>1,631,649</u>	<u>8,905,377</u>	<u>22,782</u>
<i>Total General Long-Term Obligations</i>	<u>\$18,980,094</u>	<u>\$104,665</u>	<u>\$1,813,412</u>	<u>\$17,271,347</u>	<u>\$132,782</u>

Compensated absences will be paid from the general fund and the food service, public school preschool, title VI-B, title I special revenue funds. The School District pays obligations related to employee compensation from the fund benefiting from their service.

On December 20, 2010, the School District issued \$8,199,996 in school facilities and school improvement bonds for the purpose of constructing, furnishing and equipping a new middle/high school building as well as various other improvement to existing school buildings. The bonds include capital appreciation (deep discount) bonds, Build America Term bonds and qualified school construction term bonds in the amounts of \$249,996, \$6,200,000 and \$1,750,000, respectively. The bonds were issued at a premium of \$452,810. The School District may elect to receive payments directly from the Secretary of the United States Treasury equal to 100percent of the corresponding interest payable on the qualified school construction term bonds. During fiscal year 2014, the Build America Term bonds through a refunding. The bonds were issued for a thirty-five year period with final maturity at December 1, 2045. During The bonds will be retired from the bond retirement debt service fund.

Toronto City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

The capital appreciation bonds were originally sold at a discount of \$330,000, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2016, 2017 and 2018.

The maturity amount of outstanding capital appreciation bonds at June 30, 2015, is \$372,918. The accretion recorded for fiscal year 2015 was \$78,527, for a total outstanding bond liability of \$202,945 at June 30, 2015.

The qualified school construction term bonds maturing on December 1, 2028 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Issue
	\$1,750,000
2018	\$90,000
2019	115,000
2020	130,000
2021	150,000
2022	155,000
2023	160,000
2024	160,000
2025	185,000
2026	190,000
2027	205,000
Total Mandatory Sinking Fund Payments	1,540,000
Amount Due at Stated Maturity	210,000
Total	\$1,750,000
Stated Maturity	12/1/2028

On June 2, 2014, the School District issued \$6,200,000 in general obligation bonds to refund a portion of the 2010 general obligation classroom facilities and school improvement bonds. The general obligation bonds included serial, term and capital appreciation (deep discount) bonds in the amount of \$55,000, \$6,050,000 and \$95,000, respectively. The bonds were issued at a premium of \$176,438. The bonds were issued for a thirty-two year period with a final maturity at December 1, 2045.

The capital appreciation bonds were originally sold at a discount of \$380,000, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is fiscal year 2031.

The maturity amount of outstanding capital appreciation bonds is \$475,000. The accretion recorded for fiscal year 2015 was \$10,077, for a total outstanding bond liability of \$105,077.

The term bonds matures on December 1, 2032, 2034, 2037, 2040, 2043, 2045 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Toronto City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Year	Issue					
	\$515,000	\$565,000	\$1,065,000	\$1,295,000	\$1,525,000	\$1,085,000
2031	255,000	0	0	0	0	0
2033	0	275,000	0	0	0	0
2035	0	0	325,000	0	0	0
2036	0	0	345,000	0	0	0
2038	0	0	0	410,000	0	0
2039	0	0	0	430,000	0	0
2041	0	0	0	0	475,000	0
2042	0	0	0	0	495,000	0
2044	0	0	0	0	0	575,000
Total mandatory sinking sinking fund payment	\$255,000	\$275,000	\$670,000	\$840,000	\$970,000	\$575,000
Amount due at stated maturity	260,000	290,000	395,000	455,000	555,000	510,000
Total	<u>\$515,000</u>	<u>\$565,000</u>	<u>\$1,065,000</u>	<u>\$1,295,000</u>	<u>\$1,525,000</u>	<u>\$1,085,000</u>
<i>Stated Maturity</i>	12/1/2032	12/1/2034	12/1/2037	12/1/2040	12/1/2043	12/1/2045

The School District's overall legal debt margin was \$0 with an unvoted debt margin of \$64,415 at June 30, 2015. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2015, are as follows:

Fiscal Year	General Obligation Bonds				
	Capital Appreciation		Term		
	Principal	Interest	Principal	Interest	Subsidy
2016	\$19,514	\$90,486	\$0	\$364,500	(\$91,431)
2017	13,736	96,264	0	364,500	(91,431)
2018	9,668	100,332	0	364,500	(91,431)
2019	0	0	90,000	361,350	(89,080)
2020	0	0	115,000	354,175	(83,725)
2021-2025	0	0	755,000	1,623,525	(308,645)
2026-2030	50,000	210,000	790,000	1,323,750	(84,901)
2031-2035	45,000	170,000	1,080,000	1,126,000	0
2036-2040	0	0	1,905,000	814,500	0
2041-2045	0	0	2,555,000	370,300	0
2046	0	0	510,000	10,200	0
Total	<u>\$137,918</u>	<u>\$667,082</u>	<u>\$7,800,000</u>	<u>\$7,077,300</u>	<u>(\$840,644)</u>

Note 17 – Jointly Governed Organizations

Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) The Ohio Mid-Eastern Regional Educational Service Agency was created as a regional council of governments pursuant to State Statutes. OME-RESA has twelve participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Monroe, Muskingum, Noble and Tuscarawas Counties. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school district's elected boards, plus a joint vocational service representative, the fiscal agent superintendent and a treasurer, which possesses its own budgeting and taxing authority. The degree of control exercised by

Toronto City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

any participating school district is limited to its representation on the Board. OME-RESA provides financial accounting services, educational management information, internet access and cooperative purchasing services to member districts. The School District participates in the natural gas sales service program. This program allows schools to purchase natural gas at reduced rates. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage and any necessary adjustments are made. During fiscal year 2015, the School District no longer paid OME-RESA directly for the gas purchases, but instead paid the gas vendor. The School District paid OME-RESA \$31,617 for financial accounting services, educational management information, internet access, student services systems, and automated notification systems for fiscal year 2015. The Jefferson County Educational Service Center serves as the fiscal agent and receives funding from the State Department of Education. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2230 Sunset Blvd., Suite 2, Steubenville, Ohio 43952.

Jefferson County Joint Vocational School The Jefferson County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school district's elected boards, which possesses its own budgeting and taxing authority. The degree of control exercised by any participating school district is limited to its representation on the Board. During fiscal year 2015, the School District made no contributions to the Vocational School District. To obtain financial information write to the Jefferson County Joint Vocational School, Treasurer, at 1509 County Highway 22A, Bloomingdale, Ohio 43910.

Note 18 – Public Entity Pools

Insurance Purchasing Pool

Ohio School Boards Association Workers' Compensation Group Rating Program The School District participates in the Ohio School Boards Association Workers' Compensation Group Retrospective Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Post President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Jefferson Health Plan The School District participates in the Jefferson Health Plan (formally known as OME-RESA Health Benefits Consortium), an insurance purchasing pool. The plan's business and affairs are conducted by a Board of Trustees consisting of the current Superintendent of each of the school districts and county boards of education in the Plan. The Executive Director, or his designee, serves as coordinator of the program. Each month, the participating school districts pay a premium to the Plan to cover the costs of administering the program.

Shared Risk Pool

Schools of Ohio Risk Sharing Authority The School District participates in the Schools of Ohio Risk Sharing Authority (SORSA), a risk sharing pool with over 113 members. SORSA is a 100 percent member-owned, non-profit insurance risk pool owned and governed by the school district members. SORSA is governed by a Board of Directors composed of representatives of school districts that participate in the program.

Toronto City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

SORSA has agreements with several separate organizations whereby each provides certain administrative, executive, accounting, marketing, underwriting, claim settlement, legal counsel and other services to SORSA and its members. Pursuant to participation agreements with SORSA, each member school district agrees to pay all funding rates associated with the coverage elected. This coverage includes comprehensive general liability, property insurance and automobile liability insurance. To obtain financial information write to the Schools of Ohio Risk Sharing Authority, Executive Director, at 8050 North High Street, Suite 160, Columbus, Ohio 43235-6483.

Note 19 – Set-Asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future years.

The following cash basis information describes the change in the fiscal year-end set-aside amounts for capital acquisitions. Disclosure of this information is required by State statute.

	Capital Improvement
Set-aside Balance as of June 30, 2014	\$0
Current Year Set-aside Requirement	153,528
Offsets During the Fiscal Year:	
Permanent Improvement Levy Proceeds	(511,754)
Totals	(\$358,226)
Set-aside Balance Carried Forward to Future Fiscal Years	\$0
Set-aside Balance as of June 30, 2015	\$0

Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years.

Note 20 – Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General	\$172,501
Other Governmental Funds	383,143
Total Governmental	\$555,644

Toronto City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 21 – Change in Accounting Principle and Restatement of Net Position

For fiscal year 2015, the School District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68”. GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. During fiscal year 2015, it was determined that capital assets were overstated. Amounts were capitalized with the new school building that was actually various equipment costs that actually fell under the capitalization threshold. It was also determined deferred charge on the refunding bonds was not recorded in the prior year when the new bonds were recorded. Long-term Liabilities were overstated due to accretion being overstated on the capital appreciation bonds. The implementation of this pronouncement had the following effect on net position as reported at June 30, 2014:

Net Position June 30, 2014	\$17,059,073
Adjustments:	
Capital Assets	(576,570)
Deferred Outflow - Deferred Charge on Refunding	265,188
Accrued Interest Payable	(26,640)
Long-term Liabilities	315,855
Net Pension Liability	(10,197,186)
Deferred Outflow - Payments Subsequent to Measurement Date	503,452
Restated Net Position June 30, 2014	\$7,343,172

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

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Required Supplementary Information

Toronto City School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the
Net Pension Liability
School Employees Retirement System of Ohio
Last Two Fiscal Years (1)

	2014	2013
School District's Proportion of the Net Pension Liability	0.029868%	0.029868%
School District's Proportionate Share of the Net Pension Liability	\$1,511,603	\$1,776,154
School District's Covered-Employee Payroll	\$1,046,878	\$892,031
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	144.39%	199.11%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

Toronto City School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the
Net Pension Liability
State Teachers Retirement System of Ohio
Last Two Fiscal Years (1)

	2014	2013
School District's Proportion of the Net Pension Liability	0.02906415%	0.02906415%
School District's Proportionate Share of the Net Pension Liability	\$7,069,407	\$8,421,032
School District's Covered-Employee Payroll	\$2,947,929	\$3,847,669
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	239.81%	218.86%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

Toronto City School District, Ohio
Required Supplementary Information
Schedule of School District's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$131,813	\$145,097	\$123,457	\$136,636
Contributions in Relation to the Contractually Required Contribution	<u>(131,813)</u>	<u>(145,097)</u>	<u>(123,457)</u>	<u>(136,636)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$1,000,100	\$1,046,848	\$892,031	\$1,015,882
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%	13.45%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$140,808	\$149,980	\$132,437	\$204,944	\$197,655	\$194,182
<u>(140,808)</u>	<u>(149,980)</u>	<u>(132,437)</u>	<u>(204,944)</u>	<u>(197,655)</u>	<u>(194,182)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,120,195	\$1,107,684	\$1,345,908	\$2,087,009	\$1,850,702	\$1,835,369
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

Toronto City School District, Ohio
Required Supplementary Information
Schedule of School District's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$409,506	\$383,231	\$500,197	\$501,290
Contributions in Relation to the Contractually Required Contribution	<u>(409,506)</u>	<u>(383,231)</u>	<u>(500,197)</u>	<u>(501,290)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$2,925,043	\$2,947,929	\$3,847,669	\$3,856,077
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%	13.00%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$524,102	\$480,469	\$461,074	\$480,850	\$456,768	\$456,765
<u>(524,102)</u>	<u>(480,469)</u>	<u>(461,074)</u>	<u>(480,850)</u>	<u>(456,768)</u>	<u>(456,765)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$4,031,554	\$3,695,915	\$3,546,723	\$3,698,846	\$3,513,600	\$3,513,577
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
U.S. DEPARTMENT OF Agriculture				
<i>Passed Through Ohio Department of Education:</i>				
Commodity Supplemental Food Program (Non-Cash)	03-PU-15	10.555	\$23,371	\$23,371
Child Nutrition Cluster:				
School Breakfast Program	05-PU-15	10.553	\$61,264	\$61,264
National School Lunch Program	04-PU-15	10.555	187,554	187,554
Total Child Nutrition Cluster			<u>272,189</u>	<u>272,189</u>
School Meals Equipment Grant		10.579	16,213	16,213
Total U.S. Department of Agriculture			<u>288,402</u>	<u>288,402</u>
U.S. DEPARTMENT OF Education				
<i>Passed Through Ohio Department of Education</i>				
Title I, Part A Cluster:				
Title I Grants to Local Educational Agencies (Title 1, Part A of the ESEA)	C1-S1-14 C1-S1-15	84.010	83,342 195,549	87,872 183,191
Total Title I, Part A Cluster			<u>278,891</u>	<u>271,063</u>
Special Education Cluster:				
Special Education - Grants to States (IDEA Part B)	6B-SF-14 6B-SF-15	84.027	21,357 164,982	26,123 155,499
Special Education - Preschool Grants	PG-S1-14 PG-S1-15	84.173	445 4,658	601 4,792
Total Special Education Cluster			<u>191,442</u>	<u>187,015</u>
Title II-A Improving Teacher Quality State Grant	TR-S1-14 TR-S1-15	84.367	4,735 43,002	4,939 41,682
Total Title II-A Improving Teacher Quality State Grant			<u>47,737</u>	<u>46,621</u>
Race to the Top Grant	2015	84.395	11,229	12,204
Total Race to the Top Grant			<u>11,229</u>	<u>12,204</u>
Total U.S. Department of Education			<u>529,299</u>	<u>516,903</u>
Total Federal Financial Assistance			<u>\$817,701</u>	<u>\$805,305</u>

The accompanying notes are an integral part of this schedule.

**TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2015**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the Government assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Toronto City School District, Jefferson County, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 1, 2016. We also noted the District adopted new accounting guidance in Governmental Accounting Standards Board Statement (GASB) 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB 27* and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

Dave Yost
Auditor of State
Columbus, Ohio

March 1, 2016



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Toronto City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Toronto City School District's major federal programs for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings and questioned costs identifies the District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on Title I and the Special Education Cluster Programs

As described in findings 2015-001 through 2015-002 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding period of availability applicable to its Title I and Special Education Cluster major federal programs. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to these programs.

Qualified Opinion on Title I and Special Education Cluster Programs

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the Title I Program and Special Education Cluster* paragraph, the Toronto City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Title I and Special Education Cluster Programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-001 through 2015-002 to be material weaknesses.

The District's responses to our internal control over compliance findings are described in the accompanying schedule of findings and questioned costs and corrective action plan. We did not audit the District's responses and, accordingly, we express no opinion on them.

Toronto City School District
Jefferson County
Independent Auditor's Report on Compliance With Requirements
Applicable to Each Major Federal Program and On Internal Control
Over Compliance Required by OMB Circular A-133
Page 3

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

Dave Yost
Auditor of State
Columbus, Ohio

March 1, 2016

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**TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Qualified – 84.010 Title I, 84.027 & 84.173 Special Education Cluster
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA # 84.010 – Title I CFDA #84.027 & 84.173 - Special Education Cluster
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

3.FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

FINDING NUMBER 2015-001

Non-Compliance/Material Weakness/Questioned Costs

Finding Number	2015-001
CFDA Title and Number	Title I Grants to Local Educational Agencies (Title 1, Part A of the ESEA) CFDA #84.010
Federal Award Number/Year	C1-S1-14 C1-S1-15
Federal Agency	U.S. Department of Education
Pass -Through Agency	Ohio Department of Education

2 CFR § 215.28 states that where a funding period is specified, a recipient may charge to the grant only allowable costs resulting from obligations incurred during the funding period.

The District spent \$35,305 from the Title I grant of costs that were not incurred during the funding period and were spend outside the period of availability and are considered Federal Questioned Costs as follows:

Voucher #	Payee	Amount	Obligation Date	Grant Year
61911	School Datebooks	\$833.09	7/24/15	FY 15
61905	CDW Government, Inc.	\$3,020.00	7/7/15	FY 15
60471	CDW Government, Inc.	\$13,225.04	7/7/14	FY 14
60538	CDW Government, Inc.	\$4,960.00	7/7/14	FY 14
60604	CDW Government, Inc.	\$13,262.52	7/7/14	FY 14
Total:		\$35,300.65		

District procedures for ensuring that funds were obligated within the period of availability were not in place and operating in a manner that would help ensure that funds were spent or obligated by the end of the grant period.

The District should review grant documents and guidance which stipulate the period of availability for federal funding. The District should establish control procedures to ensure that only allowable costs incurred within the period of availability are charged to the grant.

Auditee's Response: In the future, Toronto City Schools will charge to the grant only allowable costs resulting from obligations incurred during the funding period. As of September 2015, we have implemented new procedures to ensure that funds are obliged within the period of availability and that funds are spent or obliged by the end of the grant period.

FINDING NUMBER 2015-002

Non-Compliance/Material Weakness

Finding Number	2015-002
CFDA Title and Number	Special Education IDEA CFDA # 84.027
Federal Award Number/Year	6B-SF-15
Federal Agency	U.S. Department of Education
Pass -Through Agency	Ohio Department of Education

2 CFR § 215.28 states that where a funding period is specified, a recipient may charge to the grant only allowable costs resulting from obligations incurred during the funding period.

Special Education Funds were spent outside of the period of availability. The District spent \$5,981.54 of Special Education funds on equipment for which the order was not placed until July 2015. Based on the order date, the funds were obligated outside the period of availability. These expenditures account for 18% of Special Education expenditures made from July 1, 2015 through September 30, 2015.

District procedures for ensuring that funds were obligated within the period of availability were not in place and operating in a manner that would help ensure that funds were spent or obligated by the end of the grant period.

The District should review grant documents and guidance which stipulate the period of availability for federal funding. The District should establish control procedures to ensure that only allowable costs incurred within the period of availability are charged to the grant.

Auditee's Response: In the future, Toronto City Schools will charge to the grant only allowable costs resulting from obligations incurred during the funding period. As of September 2015, we have implemented new procedures to ensure that funds are obliged within the period of availability and that funds are spent or obliged by the end of the grant period.

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**TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2014-001	Non Compliance / Significant Deficiency- Ohio Administrative Code 117-2-02(C) Capital Asset records	Yes	

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**TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)**

JUNE 30, 2015

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2015-001	Charge to the grant only allowable costs resulting from obligations incurred during the funding period.	September 2015	Coleen Wickham
2015-002	Charge to the grant only allowable costs resulting from obligations incurred during the funding period	September 2015	Coleen Wickham