



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, 2016, 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, 2016, 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.

**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 Receipts and Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is 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 February 20, 2017, 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

February 20, 2017

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**Toronto City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

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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, 2016. 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 assessed valuation saw a significant increase in value from an increase in public utility personal property as reported by Jefferson County, resulting in an increase in property taxes receivable.
- The School District's major capital asset additions include a new school roof, the purchase of a building dedicated to the wrestling team, a new heating and air conditioning system, a new baseball scoreboard and a new bus.
- 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 liabilities increased during fiscal year 2016 from the change in proportionate share of the net pension liability which increased the portion attributable to the School District. This was offset by annual general obligation debt payments.

**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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*Management's Discussion and Analysis*  
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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 2016 compared to 2015.

**(Table 1)**  
**Net Position**  
**Governmental Activities**

	2016	2015	Change
<b>Assets</b>			
Current and Other Assets	\$10,200,801	\$8,022,663	\$2,178,138
Capital Assets, Net	19,556,537	19,836,479	(279,942)
<i>Total Assets</i>	<u>29,757,338</u>	<u>27,859,142</u>	<u>1,898,196</u>
<b>Deferred Outflows of Resources</b>			
Deferred Charge on Refunding	248,570	256,879	(8,309)
Pension	1,091,507	622,242	469,265
<i>Total Deferred Outflows of Resources</i>	<u>\$1,340,077</u>	<u>\$879,121</u>	<u>\$460,956</u>

**Toronto City School District**  
*Management's Discussion and Analysis*  
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**(Table 1)**  
**Net Position (continued)**  
**Governmental Activities**

	2016	2015	Change
<b>Liabilities</b>			
Current Liabilities	\$907,257	\$883,357	(\$23,900)
Long-Term Liabilities			
Due within One Year	135,138	132,782	(2,356)
Due in More than One Year			
Net Pension Liability	9,622,532	8,581,010	(1,041,522)
Other Amounts	8,536,304	8,557,555	21,251
<i>Total Liabilities</i>	<u>19,201,231</u>	<u>18,154,704</u>	<u>(1,046,527)</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	1,893,267	1,392,881	(500,386)
Pension	861,950	1,553,204	691,254
<i>Total Deferred Inflows of Resources</i>	<u>2,755,217</u>	<u>2,946,085</u>	<u>190,868</u>
<b>Net Position</b>			
Net Investment in Capital Assets	11,721,752	11,984,975	(263,223)
Restricted for:			
Capital Projects	30,659	128,472	(97,813)
Debt Service	573,176	406,996	166,180
Other Purposes	406,874	438,058	(31,184)
Unrestricted (Deficit)	(3,591,494)	(5,321,027)	1,729,533
<i>Total Net Position</i>	<u>\$9,140,967</u>	<u>\$7,637,474</u>	<u>\$1,503,493</u>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2016 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." 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.

GASB 68 requires the net pension liability to equal the School District's proportionate share of each plan's collective:

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*Unaudited*

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

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the 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.

Cash and cash equivalents increased due to the School District continuing to have more revenues than expenses during the fiscal year. The increase in property taxes receivable was due to the significant increase in the assessed valuation of the School District for fiscal year 2016. The decrease in capital assets was due to an additional year of depreciation exceeding current year additions.

Total liabilities increased during fiscal year 2016 which can be attributed to the increase in the proportionate share of the net pension liability along offset by annual payments on the School District's general obligation bonds and a decrease in matured compensated absences payable.

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 students; consequently, these assets are not available for future spending.

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Table 2 shows the changes in net position for fiscal year 2016 compared to 2015.

**(Table 2)**  
**Change in Net Position**  
**Governmental Activities**

	2016	2015	Change
<b>Revenues</b>			
<b><i>Program Revenues</i></b>			
Charges for Services and Sales	\$1,284,697	\$1,282,094	\$2,603
Operating Grants, Interest and Contributions	1,472,366	1,323,329	149,037
Capital Grants, Interest and Contributions	0	7,743	(7,743)
<b><i>Total Program Revenues</i></b>	<b>2,757,063</b>	<b>2,613,166</b>	<b>143,897</b>
<b><i>General Revenues</i></b>			
Property Taxes	2,054,556	1,938,051	116,505
Grants and Entitlements not Restricted	5,853,106	4,574,866	1,278,240
Investment Earnings	16,761	21,649	(4,888)
Miscellaneous	51,347	73,344	(21,997)
<b><i>Total General Revenues</i></b>	<b>7,975,770</b>	<b>6,607,910</b>	<b>1,367,860</b>
<b><i>Total Revenues</i></b>	<b>10,732,833</b>	<b>9,221,076</b>	<b>1,511,757</b>
<b>Program Expenses</b>			
Current:			
Instruction:			
Regular	4,029,285	4,071,617	42,332
Special	1,097,653	1,067,085	(30,568)
Vocational	114,547	104,352	(10,195)
Support Services:			
Pupils	249,650	217,738	(31,912)
Instructional Staff	105,481	82,222	(23,259)
Board of Education	9,628	9,490	(138)
Administration	821,529	818,913	(2,616)
Fiscal	305,208	276,150	(29,058)
Business	48,110	94,726	46,616
Operation and Maintenance of Plant	973,770	779,631	(194,139)
Pupil Transportation	209,438	169,519	(39,919)
Central	42,245	617	(41,628)
Extracurricular Activities	377,504	375,969	(1,535)
Operation of Non-Instructional Services:			
Food Service Operations	384,742	409,503	24,761
Other Non-Instructional Services	24,002	18,267	(5,735)
Interest and Fiscal Charges	436,548	430,975	(5,573)
<b><i>Total Program Expenses</i></b>	<b>9,229,340</b>	<b>8,926,774</b>	<b>(302,566)</b>
<b><i>Change in Net Position</i></b>	<b>1,503,493</b>	<b>294,302</b>	<b>1,209,191</b>
<b><i>Net Position Beginning of Year</i></b>	<b>7,637,474</b>	<b>7,343,172</b>	<b>294,302</b>
<b><i>Net Position End of Year</i></b>	<b>\$9,140,967</b>	<b>\$7,637,474</b>	<b>\$1,503,493</b>

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*Management's Discussion and Analysis*  
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*Unaudited*

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 actively seeking out additional sources of Federal and State funding to ensure the programs important to the community are maintained.

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 1.5 percent base increase. The classified staff received a 2 percent base increase as well as step increases. Even with an overall increase in expenses during fiscal year 2016, total revenues continued to exceed expenses by over 16 percent, ensuring positive net position.

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 2016 compared to 2015.

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

	2016		2015	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$5,241,485	\$3,166,004	\$5,243,054	\$3,312,355
Support Services:				
Pupils and Instructional Staff	355,131	353,863	299,960	298,805
Board of Education, Administration				
Fiscal and Business	1,184,475	1,087,243	1,199,279	1,174,783
Operation and Maintenance of Plant	973,770	947,443	779,631	771,888
Pupil Transportation	209,438	205,530	169,519	165,590
Central	42,245	42,245	617	617
Extracurricular Activities	377,504	192,854	375,969	145,924
Operation of Non-Instructional Services:				
Food Service Operations	384,742	16,795	409,503	44,904
Other Non-Instructional Services	24,002	23,752	18,267	(32,233)
Interest and Fiscal Charges	436,548	436,548	430,975	430,975
<i>Total Expenses</i>	<u>\$9,229,340</u>	<u>\$6,472,277</u>	<u>\$8,926,774</u>	<u>\$6,313,608</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 2016. 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 School District seeking out additional funding sources. Property tax collections were up compared to the prior fiscal year as well from the increase in assessed valuation. Total expenditures showed an increase, however, the School District was able to continue

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reporting revenues exceeding expenditures thereby ensuring a positive fund balance in the general fund. The bond retirement fund balance increased from the prior fiscal year from the School District having less expenditures in association to outstanding debt obligations.

***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 2016 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 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 intergovernmental 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 while ensuring the programs important to the community are maintained.

**Capital Assets and Long-term Liabilities**

*Capital Assets* Table 4 shows fiscal year 2016 balances compared to fiscal year 2015.

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

	2016	2015
Land	\$215,638	\$215,638
Land Improvements	2,533,807	2,670,257
Buildings and Improvements	16,189,275	16,385,438
Furniture and Fixtures	503,023	525,000
Vehicles	114,794	40,146
Total	\$19,556,537	\$19,836,479

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The decrease in capital assets can be attributed to an additional year of depreciation which was offset by current year additions. The School District's major additions include a new school roof, the purchase of a building dedicated to the wrestling team, a new heating and air conditioning system, a new baseball scoreboard and a new bus. 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	
	2016	2015
Classroom Facilities and School Improvement Bonds	\$1,988,499	\$2,040,428
Classroom Facilities and School Improvement Refunding Bonds	6,331,210	6,325,542
Net Pension Liability	9,622,532	8,581,010
Compensated Absences	351,733	324,367
Totals	<u>\$18,293,974</u>	<u>\$17,271,347</u>

As of June 30, 2016, the School District's overall legal debt margin was \$0 with an unvoted debt margin of \$78,860. Please refer to Note 16 within the Notes to the Basic Financial Statements for further information on debt.

**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 2015 District Profile Report (fiscal year 2016 is not available) prepared by the Ohio Department of Education, seventeen percent of the School District's revenue sources are from local funds, fifty-eight percent is from State funds, nine percent is from Federal funds and the remaining sixteen percent is from other. The total expenditures per pupil were calculated at \$7,734.16.

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 continued to approve a replacement of the levy. The replacement levy generates \$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.

**Toronto City School District**  
*Management's Discussion and Analysis*  
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*Unaudited*

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**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, 2016

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$4,163,294
Cash and Cash Equivalents With Fiscal Agents	3,377,197
Accounts Receivable	13,175
Intergovernmental Receivable	133,993
Inventory Held for Resale	14,678
Materials and Supplies Inventory	2,931
Property Taxes Receivable	2,495,533
Nondepreciable Capital Assets	215,638
Depreciable Capital Assets, Net	19,340,899
<i>Total Assets</i>	29,757,338
<b>Deferred Outflows of Resources</b>	
Deferred Charge on Refunding	248,570
Pension	1,091,507
<i>Total Deferred Outflows of Resources</i>	1,340,077
<b>Liabilities</b>	
Accounts Payable	37,594
Accrued Wages	594,047
Intergovernmental Payable	136,935
Matured Compensated Absences Payable	14,122
Accrued Interest Payable	30,375
Claims Payable	94,184
Long-Term Liabilities:	
Due Within One Year	135,138
Due in More Than One Year	
Net Pension Liability (Note 13)	9,622,532
Other Amounts	8,536,304
<i>Total Liabilities</i>	19,201,231
<b>Deferred Inflows of Resources</b>	
Property Taxes	1,893,267
Pension	861,950
<i>Total Deferred Inflows of Resources</i>	2,755,217
Net Investment in Capital Assets	11,721,752
Restricted for:	
Capital Projects	30,659
Debt Service	573,176
Other Purposes	406,874
Unrestricted (Deficit)	(3,591,494)
<i>Total Net Position</i>	\$9,140,967

See accompanying notes to the basic financial statements

**Toronto City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2016

	Program Revenues			Net Revenue/(Expense) and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Interest and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$4,029,285	\$1,022,661	\$189,741	(\$2,816,883)
Special	1,097,653	916	854,750	(241,987)
Vocational	114,547	0	7,413	(107,134)
Support Services:				
Pupils	249,650	0	1,268	(248,382)
Instructional Staff	105,481	0	0	(105,481)
Board of Education	9,628	0	0	(9,628)
Administration	821,529	0	42,280	(779,249)
Fiscal	305,208	0	0	(305,208)
Business	48,110	54,952	0	6,842
Operation and Maintenance of Plant	973,770	0	26,327	(947,443)
Pupil Transportation	209,438	0	3,908	(205,530)
Central	42,245	0	0	(42,245)
Extracurricular Activities	377,504	130,040	54,610	(192,854)
Operation of Non-Instructional Services:				
Food Service Operations	384,742	76,128	291,819	(16,795)
Other Non-Instructional Services	24,002	0	250	(23,752)
Interest and Fiscal Charges	436,548	0	0	(436,548)
<i>Totals</i>	<u>\$9,229,340</u>	<u>\$1,284,697</u>	<u>\$1,472,366</u>	<u>(6,472,277)</u>

**General Revenues**

Property Taxes Levied for:

General Purposes	1,551,082
Debt Service	473,663
Classroom Facilities	29,811
Grants and Entitlements not Restricted to Specific Programs	5,853,106
Investment Earnings	16,761
Miscellaneous	51,347

*Total General Revenues* 7,975,770

Change in Net Position 1,503,493

*Net Position Beginning of Year* 7,637,474

*Net Position End of Year* \$9,140,967

See accompanying notes to the basic financial statements

**Toronto City School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2016*

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and				
Cash Equivalents	\$3,021,572	\$549,640	\$592,082	\$4,163,294
Property Taxes Receivables	1,899,381	561,391	34,761	2,495,533
Accounts Receivables	13,175	0	0	13,175
Intergovernmental Receivables	9,835	0	124,158	133,993
Interfund Receivable	14,166	0	0	14,166
Inventory Held for Resale	0	0	14,678	14,678
Materials and Supplies Inventory	0	0	2,931	2,931
<i>Total Assets</i>	<u>\$4,958,129</u>	<u>\$1,111,031</u>	<u>\$768,610</u>	<u>\$6,837,770</u>
<b>Liabilities</b>				
Accounts Payable	\$37,059	\$0	\$535	\$37,594
Accrued Wages	512,773	0	81,274	594,047
Intergovernmental Payable	128,025	0	8,910	136,935
Interfund Payable	0	0	14,166	14,166
Matured Compensated Absences Payable	14,122	0	0	14,122
<i>Total Liabilities</i>	<u>691,979</u>	<u>0</u>	<u>104,885</u>	<u>796,864</u>
<b>Deferred Inflows of Resources</b>				
Property Taxes	1,440,758	426,246	26,263	1,893,267
Unavailable Revenue	200,864	42,545	85,449	328,858
<i>Total Deferred Inflows of Resources</i>	<u>1,641,622</u>	<u>468,791</u>	<u>111,712</u>	<u>2,222,125</u>
<b>Fund Balances</b>				
Nonspendable	0	0	2,931	2,931
Restricted	0	642,240	406,366	1,048,606
Committed	38,367	0	0	38,367
Assigned	2,586,161	0	191,083	2,777,244
Unassigned (Deficit)	0	0	(48,367)	(48,367)
<i>Total Fund Balances</i>	<u>2,624,528</u>	<u>642,240</u>	<u>552,013</u>	<u>3,818,781</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$4,958,129</u>	<u>\$1,111,031</u>	<u>\$768,610</u>	<u>\$6,837,770</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, 2016*

<b>Total Governmental Funds Balances</b>		\$3,818,781
 <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.		19,556,537
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	246,207	
Intergovernmental	82,651	
Total		328,858
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	1,091,507	
Deferred Inflows - Pension	(861,950)	
Net Pension Liability	(9,622,532)	
Total		(9,392,975)
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.		3,283,013
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.		
General Obligation Bonds	(8,319,709)	
Compensated Absences	(351,733)	
Deferred Charge on Refunding	248,570	
Total		(8,422,872)
<i>Net Position of Governmental Activities</i>		<b>\$9,140,967</b>

See accompanying notes to the basic financial statements

**Toronto City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2016*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$1,577,316	\$476,960	\$30,029	\$2,084,305
Intergovernmental	6,139,172	173,527	978,584	7,291,283
Interest	658	0	1	659
Charges for Services	0	0	76,128	76,128
Tuition and Fees	1,014,011	0	9,566	1,023,577
Extracurricular Activities	54,952	0	130,040	184,992
Contributions and Donations	0	0	54,860	54,860
Miscellaneous	50,448	0	899	51,347
<i>Total Revenues</i>	<u>8,836,557</u>	<u>650,487</u>	<u>1,280,107</u>	<u>10,767,151</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	3,403,306	0	199,632	3,602,938
Special	685,823	0	463,983	1,149,806
Vocational	117,389	0	0	117,389
Support Services:				
Pupils	257,196	0	1,183	258,379
Instructional Staff	109,078	0	0	109,078
Board of Education	9,628	0	0	9,628
Administration	794,873	0	43,056	837,929
Fiscal	293,769	12,759	825	307,353
Business	48,110	0	0	48,110
Operation and Maintenance of Plant	1,219,342	0	30,486	1,249,828
Pupil Transportation	251,738	0	0	251,738
Central	37,185	0	0	37,185
Extracurricular Activities	171,746	0	172,743	344,489
Operation of Non-Instructional Services:				
Food Service Operations	0	0	407,622	407,622
Other Non-Instructional Services	1,327	0	5,658	6,985
Capital Outlay	0	0	100,239	100,239
Debt Service:				
Principal Retirement	0	19,514	0	19,514
Interest and Fiscal Charges	0	364,500	0	364,500
Capital Appreciation Bond Accretion	0	90,486	0	90,486
<i>Total Expenditures</i>	<u>7,400,510</u>	<u>487,259</u>	<u>1,425,427</u>	<u>9,313,196</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,436,047</u>	<u>163,228</u>	<u>(145,320)</u>	<u>1,453,955</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	10,000	0	113,746	123,746
Transfers Out	(35,000)	0	(88,746)	(123,746)
<i>Total Other Financing Sources (Uses)</i>	<u>(25,000)</u>	<u>0</u>	<u>25,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	1,411,047	163,228	(120,320)	1,453,955
<i>Fund Balances Beginning of Year</i>	<u>1,213,481</u>	<u>479,012</u>	<u>672,333</u>	<u>2,364,826</u>
<i>Fund Balances End of Year</i>	<u>\$2,624,528</u>	<u>\$642,240</u>	<u>\$552,013</u>	<u>\$3,818,781</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, 2016*

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**Net Change in Fund Balances - Total Governmental Funds** \$1,453,955

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

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

Capital Asset Additions	498,428	
Current Year Depreciation	(778,370)	
Total		(279,942)

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

Delinquent Property Taxes	(29,749)	
Intergovernmental	(20,671)	
Total		(50,420)

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. 110,000

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.

Amortization of Accretion	(75,502)	
Amortization of Bond Premium	11,763	
Amortization of Deferred Charge on Refunding	(8,309)	
Total		(72,048)

Some expenses, such as compensated absences, reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (27,366)

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. 250,317

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 572,784

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (453,787)

*Change in Net Position of Governmental Activities* \$1,503,493

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, 2016*

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$1,558,736	\$1,592,334	\$1,587,832	(\$4,502)
Intergovernmental	5,897,414	6,024,530	6,157,055	132,525
Interest	1,468	1,500	658	(842)
Tuition and Fees	1,064,064	1,087,000	1,014,011	(72,989)
Contributions and Donations	13,979	14,280	0	(14,280)
Miscellaneous	64,822	66,220	37,773	(28,447)
<i>Total Revenues</i>	8,600,483	8,785,864	8,797,329	11,465
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	4,792,071	4,880,717	3,496,783	1,383,934
Special	824,333	839,582	697,571	142,011
Vocational	147,842	150,577	110,563	40,014
Support Services:				
Pupils	413,255	420,900	293,417	127,483
Instructional Staff	144,412	147,083	108,636	38,447
Board of Education	11,880	12,100	9,628	2,472
Administration	1,021,243	1,040,135	810,886	229,249
Fiscal	324,546	330,550	293,743	36,807
Operation and Maintenance of Plant	1,536,572	1,564,996	1,306,258	258,738
Pupil Transportation	379,870	386,897	326,950	59,947
Central	172,493	175,684	39,402	136,282
Extracurricular Activities	201,247	204,970	170,768	34,202
Operation of Non-Instructional Services:				
Other Non-Instructional Services	1,375	1,400	1,327	73
Capital Outlay	29,554	30,100	0	30,100
<i>Total Expenditures</i>	10,000,693	10,185,691	7,665,932	2,519,759
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,400,210)	(1,399,827)	1,131,397	2,531,224
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	1,958	2,000	0	(2,000)
Transfers In	9,789	10,000	10,000	0
Transfers Out	(34,364)	(35,000)	(35,000)	0
<i>Total Other Financing Sources (Uses)</i>	(22,617)	(23,000)	(25,000)	(2,000)
<i>Net Change in Fund Balance</i>	(1,422,827)	(1,422,827)	1,106,397	2,529,224
<i>Fund Balance Beginning of Year</i>	1,422,826	1,422,826	1,422,826	0
Prior Year Encumbrances Appropriated	172,501	172,501	172,501	0
<i>Fund Balance End of Year</i>	\$172,500	\$172,500	\$2,701,724	\$2,529,224

See accompanying notes to the basic financial statements

**Toronto City School District**  
*Statement of Fund Net Position*  
*Internal Service Fund*  
*June 30, 2016*

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	<u>Self Insurance</u>
<b>Assets</b>	
Cash and Cash Equivalents With Fiscal Agents	\$3,377,197
<b>Liabilities</b>	
Claims Payable	<u>94,184</u>
<b>Net Position</b>	
Unrestricted	<u><u>\$3,283,013</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, 2016*

	Self Insurance
<b>Operating Revenues</b>	
Charges for Services	\$1,375,708
<b>Operating Expenses</b>	
Purchased Services	63,874
Claims	1,077,619
<i>Total Operating Expenses</i>	1,141,493
<i>Operating Income (Loss)</i>	234,215
<b>Non-Operating Revenues (Expenses)</b>	
Interest	16,102
<i>Net Change in Net Position</i>	250,317
<i>Net Position Beginning of Year</i>	3,032,696
<i>Net Position End of Year</i>	\$3,283,013

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, 2016

	Self Insurance
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Interfund Services Provided	\$1,375,708
Cash Payments for Services	(63,874)
Cash Payments for Claims	(1,067,508)
<i>Net Cash Provided by (Used for) Operating Activities</i>	244,326
<b>Cash Flows from Investing Activities</b>	
Interest on Investments	16,102
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	260,428
<i>Cash and Cash Equivalents Beginning of Year</i>	3,116,769
<i>Cash and Cash Equivalents End of Year</i>	\$3,377,197
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>	
Operating Income (Loss)	\$234,215
Adjustments:	
Increase (Decrease) in Claims Payable	10,111
<i>Net Cash Provided by (Used for) Operating Activities</i>	\$244,326

See accompanying notes to the basic financial statements

**Toronto City School District**  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*June 30, 2016*

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$23,378	\$60,577
<b>Liabilities</b>		
Due to Students	0	\$60,577
<b>Net Position</b>		
Held in Trust for Scholarships	\$23,378	

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, 2016*

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	<u>Scholarship</u>
<b>Additions</b>	
Interest	\$4
<b>Deductions</b>	
College Scholarships Awarded	<u>800</u>
<i>Change in Net Position</i>	(796)
<i>Net Position Beginning of Year</i>	<u>24,174</u>
<i>Net Position End of Year</i>	<u><u>\$23,378</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, 2016*

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**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 974 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, two insurance purchasing pools 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, the Jefferson Health Plan and the Schools of Ohio Risk Sharing Authority. 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, 2016*

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***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, 2016*

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***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.

**Toronto City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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***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 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, 2016, but which were levied to finance fiscal year 2017 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

**Toronto City School District**  
*Notes to the Basic Financial Statements*  
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resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 18. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 13)

***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.

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.

***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, 2016*

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The School District utilizes a financial institution to service self-insurance payments as they come due. The balances in these accounts are presented in the statements as “cash and cash equivalents with fiscal agents.”

During fiscal year 2016, investments were limited to certificates of deposits, which are reported at cost.

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 2016 amounted to \$658, none of which 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 expended/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 acquisition 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

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*Notes to the Basic Financial Statements*  
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***Deferred Charge on Refunding***

The difference between the reacquisition price (funds required to refund the old debt) of various refunding bonds and the net carrying amount of the old debt, the deferred amount (loss) on refunding, is being amortized as a component of interest expense. This accounting loss is amortized over the remaining life of the old debt or the life of the new debt whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

***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.

***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.

**Toronto City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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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.

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.

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*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**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. The Board of Education assigned fund balance for school support and to cover a gap between estimated revenue and appropriations in fiscal year 2017'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.

**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:

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Fund Balances	General	Bond Retirement	Other Governmental Funds	Total
<b><i>Nonspendable</i></b>				
Materials and Supplies Inventory	\$0	\$0	\$2,931	\$2,931
<b><i>Restricted for</i></b>				
Scholarships	0	0	65,485	65,485
Athletics	0	0	51,675	51,675
Classroom Facilities Maintenance	0	0	258,547	258,547
Debt Service Payments	0	642,240	0	642,240
Capital Improvements	0	0	30,659	30,659
<b><i>Total Restricted</i></b>	<b>0</b>	<b>642,240</b>	<b>406,366</b>	<b>1,048,606</b>
<b><i>Committed to</i></b>				
Insurance	5,595	0	0	5,595
Construction	30,000	0	0	30,000
Lawn Services	2,772	0	0	2,772
<b><i>Total Committed</i></b>	<b>38,367</b>	<b>0</b>	<b>0</b>	<b>38,367</b>
<b><i>Assigned to</i></b>				
Capital Improvements	0	0	191,083	191,083
School Support	22,406	0	0	22,406
Fiscal Year 2017 Operations	2,563,755	0	0	2,563,755
<b><i>Total Assigned</i></b>	<b>2,586,161</b>	<b>0</b>	<b>191,083</b>	<b>2,777,244</b>
<b><i>Unassigned (Deficit)</i></b>	<b>0</b>	<b>0</b>	<b>(48,367)</b>	<b>(48,367)</b>
<b><i>Total Fund Balances</i></b>	<b>\$2,624,528</b>	<b>\$642,240</b>	<b>\$552,013</b>	<b>\$3,818,781</b>

**Note 4 – Accountability**

Fund balances at June 30, 2016, included the following individual fund deficits:

***Special Revenue Funds:***

Food Service	\$3,353
Public School Preschool	9,033
Title VI-B	21,265
Title II-A	11,066
Special Education Preschool	254
Reducing Class Size	3,396

**Toronto City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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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 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	\$1,411,047
Net Adjustment for Revenue Accruals	(94,179)
Perspective Difference:	
Public School Support	6,682
Net Adjustment for Expenditure Accruals	94,456
Adjustment for Encumbrances	(311,609)
Budget Basis	\$1,106,397

**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.

**Toronto City School District**  
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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 obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage 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.

### **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, \$3,735,373 of the School District's bank balance of \$4,269,471 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.

**Toronto City School District**  
*Notes to the Basic Financial Statements*  
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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.

**Note 7 – Receivables**

Receivables at June 30, 2016, 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:

Governmental Activities	Amounts
IDEA Part B Grant	\$47,349
Title I Grant	43,284
Public School Preschool Grant	23,663
Title II-A	9,132
Medicaid Reimbursements	5,892
Foundation Adjustments	3,943
Early Childhood Education Grant	730
Total	\$133,993

**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 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, 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-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.

**Toronto City School District**  
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Public utility property tax revenues received in calendar year 2016 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 become a lien December 31, 2014, were levied after April 1, 2015, and are collected in calendar year 2016 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, 2016, are available to finance fiscal year 2016 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, 2016, 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, 2016, was \$257,759 in the general fund, \$5,700 in the classroom facilities special revenue fund and \$92,600 in the bond retirement debt service fund. 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 assessed values upon which the fiscal year 2016 taxes were collected are:

	2015 Second Half Collections		2016 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$59,726,790	92.72 %	\$64,285,130	81.52 %
Public Utility Personal	4,687,934	7.28	14,575,077	18.48
Total	<u>\$64,414,724</u>	<u>100.00 %</u>	<u>\$78,860,207</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$45.75		\$45.75	

**Note 9 – Interfund Transfers and Balances**

***Interfund Transfers***

The general fund transferred \$35,000 to the food service special revenue fund to assist with food service operations. The classroom facilities capital project fund transferred \$48,144 and \$30,602, respectively, to the permanent improvement and the building capital projects funds, closing the fund out. The district managed activities special revenue fund transferred \$10,000 to the general fund for its portion of donations that were collected in the purchase of a building to be used for the wrestling team that the general fund paid for.

**Toronto City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2016

**Interfund Balances**

Interfund Payable	Interfund Receivable General
<b>Other Governmental Funds:</b>	
Public School Preschool	\$1,879
Title VI-B	3,742
Title I	7,804
Special Education Preschool	81
Title II-A	660
Total	\$14,166

Interfund receivables and payables at June 30, 2016, 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, 2016, was as follows:

	Balance 06/30/15	Additions	Deductions	Balance 06/30/16
<b>Governmental Activities</b>				
<b>Capital Assets not being Depreciated:</b>				
Land	\$215,638	\$0	\$0	\$215,638
<b>Capital Assets being Depreciated:</b>				
Land Improvements	3,424,499	24,570	0	3,449,069
Buildings and Building Improvements	20,526,168	340,984	(559,328)	20,307,824
Furniture, Fixtures and Equipment	739,977	27,848	(5,542)	762,283
Vehicles	508,833	105,026	(49,579)	564,280
<b>Total Capital Assets being Depreciated</b>	<b>25,199,477</b>	<b>498,428</b>	<b>(614,449)</b>	<b>25,083,456</b>
Less Accumulated Depreciation:				
Land Improvements	(754,242)	(161,020)	0	(915,262)
Buildings and Improvements	(4,140,730)	(537,147)	559,328	(4,118,549)
Furniture and Equipment	(214,977)	(49,825)	5,542	(259,260)
Vehicles	(468,687)	(30,378)	49,579	(449,486)
<b>Total Accumulated Depreciation</b>	<b>(5,578,636)</b>	<b>(778,370) *</b>	<b>614,449</b>	<b>(5,742,557)</b>
<b>Total Assets being Depreciated, Net</b>	<b>19,620,841</b>	<b>(279,942)</b>	<b>0</b>	<b>19,340,899</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$19,836,479</b>	<b>(\$279,942)</b>	<b>\$0</b>	<b>\$19,556,537</b>

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

Instruction:	
Regular	\$637,658
Special	1,795
Support Services:	
Instructional Staff	4,419
Administration	5,824
Operation and Maintenance of Plant	857
Pupil Transportation	36,902
Central	5,060
Food Service Operations	1,621
Other Non-Instructional Services	17,017
Extracurricular Activities	<u>67,217</u>
Total Depreciation Expense	<u><u>778,370</u></u>

## **Note 11 – 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 12 – 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 2016, the School District contracted with Schools of Ohio Risk Sharing Authority (SORSA) for various types of insurance. Coverage is as follows:

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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
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	2,500	
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	250	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.

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***Worker's Compensation***

For fiscal year 2016, 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 \$94,184 reported in the internal service funds at June 30, 2016, 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 2015 and 2016 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2015	\$94,247	\$863,380	(\$873,554)	\$84,073
2016	84,073	1,077,619	(1,067,508)	94,184

**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.

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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 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](http://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.

**Toronto City School District**  
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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, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District's contractually required contribution to SERS was \$145,990 for fiscal year 2016. Of this amount \$18,678 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](http://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 is 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 years 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, 11 percent of the 12 percent member rate goes to the DC Plan and 1 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member 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.

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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 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. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. Effective July 1, 2016, the statutory maximum employee contribution rate was increased one percent to 14 percent. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$426,794 for fiscal year 2016. Of this amount \$59,786 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, 2015, 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>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.02986800%	0.02906415%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.03291240%</u>	<u>0.02802220%</u>	
Change in Proportionate Share	<u>0.00304440%</u>	<u>-0.00104195%</u>	
Proportionate Share of the Net			
Pension Liability	\$1,878,015	\$7,744,517	\$9,622,532
Pension Expense	\$162,307	\$291,480	\$453,787

At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$165,670	\$353,053	\$518,723
School District contributions subsequent to the measurement date	<u>145,990</u>	<u>426,794</u>	<u>572,784</u>
Total Deferred Outflows of Resources	<u><u>\$311,660</u></u>	<u><u>\$779,847</u></u>	<u><u>\$1,091,507</u></u>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$62,225	\$556,977	\$619,202
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>0</u>	<u>242,748</u>	<u>242,748</u>
Total Deferred Inflows of Resources	<u><u>\$62,225</u></u>	<u><u>\$799,725</u></u>	<u><u>\$861,950</u></u>

\$572,784 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2017	\$20,671	(\$186,379)	(\$165,708)
2018	20,671	(186,379)	(165,708)
2019	20,527	(186,379)	(165,852)
2020	<u>41,576</u>	<u>112,465</u>	<u>154,041</u>
Total	<u><u>\$103,445</u></u>	<u><u>(\$446,672)</u></u>	<u><u>(\$343,227)</u></u>

***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.

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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, 2015, 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 rate of return has been determined by calculating an arithmetic weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>15.00</u>	7.50
Total	<u><u>100.00 %</u></u>	

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**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	\$2,604,130	\$1,878,015	\$1,266,564

In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the School District's net pension liability is expected to be significant.

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	12.25 percent at age 20 to 2.75 percent at age 70
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 commences on fifth anniversary of retirement date.

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 no set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS' investment consultant develops best estimates for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

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Asset Class	Target Allocation	10 Year Expected Nominal Rate of Return *
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	1.00	3.00
 Total	 100.00 %	

\* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent.

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. 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, 2015. 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, 2015.

**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:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$10,757,718	\$7,744,517	\$5,196,406

**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,

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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](http://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 2016, no allocation 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 2016, this amount was \$23,000. 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 2016, the School District's surcharge obligation was \$16,526.

The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$8,125, and \$1,466, respectively. The full amount has been contributed for fiscal years 2015 and 2014.

***State Teachers Retirement System***

Plan Description – The State Teachers Retirement System of Ohio (STRS Ohio) administers a cost-sharing multiple-employer defined benefit Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. 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 Ohio which can be obtained by visiting [www.strsoh.org](http://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 discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2016 and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care. For the fiscal year ended June 30, 2014, one percent of covered payroll was allocated to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015 and 2014 were \$0, \$0 and \$32,485, respectively. The full amount has been contributed for 2014.

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**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, 2016, 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 fiscal year 2015, traditional school districts must comply with minimum hours of instruction, instead of a 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 enrollment adjustments to the June 30, 2016 Foundation funding for the school district; therefore, the financial statement impact is not determinable at this time. ODE and management believe this may 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

**Toronto City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2016

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

	Principal Outstanding 6/30/15	Additions	Deductions	Principal Outstanding 6/30/16	Amounts Due in One Year
<b>Governmental Activities</b>					
<b>General Obligation Bonds:</b>					
Classroom Facilities and School Improvement Bonds					
Capital Appreciation Bonds	\$42,918	\$0	\$19,514	\$23,404	\$13,736
Accretion	160,027	64,320	90,486	133,861	96,264
Term Bonds	1,750,000	0	0	1,750,000	0
Premium on Bonds	87,483	0	6,249	81,234	0
<i>Total Classroom Facilities and School Improvement Bonds</i>	<u>2,040,428</u>	<u>64,320</u>	<u>116,249</u>	<u>1,988,499</u>	<u>110,000</u>
Classroom Facilities and School Improvement Refunding Bonds					
Term Bonds	6,050,000	0	0	6,050,000	0
Capital Appreciation Bonds	95,000	0	0	95,000	0
Accretion	10,077	11,182	0	21,259	0
Premium on Bonds	170,465	0	5,514	164,951	0
<i>Total Classroom Facilities and School Improvement Refunding Bonds</i>	<u>6,325,542</u>	<u>11,182</u>	<u>5,514</u>	<u>6,331,210</u>	<u>0</u>
<i>Total General Obligation Bonds</i>	<u>8,365,970</u>	<u>75,502</u>	<u>121,763</u>	<u>8,319,709</u>	<u>110,000</u>
<b>Other Long Term Obligations</b>					
Net Pension Liability:					
STRS	7,069,407	675,110	0	7,744,517	0
SERS	1,511,603	366,412	0	1,878,015	0
<i>Total Net Pension Liability</i>	<u>8,581,010</u>	<u>1,041,522</u>	<u>0</u>	<u>9,622,532</u>	<u>0</u>
Compensated Absences	324,367	50,148	22,782	351,733	25,138
<i>Total Other Long Term Obligations</i>	<u>8,905,377</u>	<u>1,091,670</u>	<u>22,782</u>	<u>9,974,265</u>	<u>25,138</u>
<i>Total General Long-Term Obligations</i>	<u>\$17,271,347</u>	<u>\$1,167,172</u>	<u>\$144,545</u>	<u>\$18,293,974</u>	<u>\$135,138</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 benefitting from their service. See Note 13 for additional information related to the net pension liability.

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

**Toronto City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

to 100 percent of the corresponding interest payable on the qualified school construction term bonds. During fiscal year 2014, the Build America Term bonds were removed from the School District through a refunding debt issuance. The bonds were originally issued for a thirty-five year period with final maturity now at December 1, 2029. The bonds will be retired from the bond retirement debt service fund.

The capital appreciation bonds were originally sold at a discount of \$196,596, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2017 and 2018.

The maturity amount of outstanding capital appreciation bonds is \$220,000. The accretion recorded for fiscal year 2016 was \$64,320, for a total outstanding bond liability of \$157,265 at June 30, 2016.

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 serial bonds were retired in full during fiscal year 2016.

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 2016 was \$11,182, for a total outstanding bond liability of \$116,259.

**Toronto City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2016

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:

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 \$78,860 at June 30, 2016. The School District has been designated an "approved special needs School District" by the Ohio Superintendent of Public Instruction. As a result, any debt of the School District authorized by the School District's voters at the election held on November 2, 2010, in excess of the 9 percent limitation is exempted from that limitation pursuant to Ohio Revised Code Section 133.06(D)(2). Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2016, are as follows:

Fiscal Year	General Obligation Bonds				
	Capital Appreciation		Term		
	Principal	Interest	Principal	Interest	Subsidy
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	0	0	130,000	345,600	(77,324)
2022-2026	0	0	810,000	1,568,750	(267,763)
2027-2031	95,000	380,000	605,000	1,274,925	(48,459)
2032-2036	0	0	1,405,000	1,076,300	0
2037-2041	0	0	2,035,000	735,700	0
2042-2046	0	0	2,610,000	267,000	0
Total	<u>\$118,404</u>	<u>\$576,596</u>	<u>\$7,800,000</u>	<u>\$6,712,800</u>	<u>(\$749,213)</u>

**Toronto City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**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 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. The School District no longer pays OME-RESA directly for the gas purchases, but instead pays the gas vendor. The School District paid OME-RESA \$31,609 for financial accounting services, educational management information, internet access, student services systems, and automated notification systems for fiscal year 2016. 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 2016, 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.

**Toronto City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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***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.

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, 2015	\$0
Current Year Set-aside Requirement	149,014
Offsets During the Fiscal Year:	
Permanent Improvement Levy Proceeds	(562,440)
Totals	(\$413,426)
Set-aside Balance Carried Forward to Future Fiscal Years	\$0
Set-aside Balance as of June 30, 2016	\$0

Although the School District had qualifying disbursements and offsets 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.

**Toronto City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**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	\$311,609
Other Governmental Funds	<u>51,406</u>
Total Governmental	<u><u>\$363,015</u></u>

**Note 22 – Change in Accounting Principle**

For fiscal year 2016, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 72, “Fair Value Measurement and Application,” GASB Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,” GASB Statement No. 79, “Certain External Investment Pools and Pool Participants,” and GASB Statement No. 82, “Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73.”

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the School District’s fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 76 identifies-in the context of the current governmental financial reporting environment-the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this GASB pronouncement did not result in any changes to the School District’s financial statements.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance and also establishes additional note disclosure requirements for governments that participate in those pools. The School District incorporated the corresponding GASB 79 guidance into their fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the School District’s fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

**Toronto City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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## Required Supplementary Information

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**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 Three Fiscal Years (1)\**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Proportion of the Net Pension Liability	0.0329124%	0.0298680%	0.0298680%
School District's Proportionate Share of the Net Pension Liability	\$1,878,015	\$1,511,603	\$1,776,154
School District's Covered-Employee Payroll	\$1,042,786	\$1,000,099	\$1,107,611
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	180.10%	151.15%	160.36%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

\* Amounts presented for each fiscal year were determined 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 Three Fiscal Years (1) \**

	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.02802220%	0.02906415%	0.02906415%
School District's Proportionate Share of the Net Pension Liability	\$7,744,517	\$7,069,407	\$8,421,032
School District's Covered Payroll	\$3,048,529	\$2,925,043	\$2,947,931
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	254.04%	241.69%	285.66%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

\* Amounts presented for each fiscal year were determined 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 Contributions*  
*School Employees Retirement System of Ohio*  
*Last Ten Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$145,990	\$131,813	\$153,515	\$130,431
Contributions in Relation to the Contractually Required Contribution	<u>(145,990)</u>	<u>(131,813)</u>	<u>(153,515)</u>	<u>(130,431)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$1,042,786	\$1,000,099	\$1,107,611	\$942,420
Contributions as a Percentage of Covered Payroll	14.00%	13.18%	13.86%	13.84%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$144,705	\$149,869	\$158,899	\$143,364	\$219,711	\$197,655
<u>(144,705)</u>	<u>(149,869)</u>	<u>(158,899)</u>	<u>(143,364)</u>	<u>(219,711)</u>	<u>(197,655)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,075,874	\$1,192,278	\$1,173,552	\$1,456,953	\$2,237,380	\$1,850,702
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$426,794	\$409,506	\$383,231	\$500,197
Contributions in Relation to the Contractually Required Contribution	<u>(426,794)</u>	<u>(409,506)</u>	<u>(383,231)</u>	<u>(500,197)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$3,048,529	\$2,925,043	\$2,947,931	\$3,847,669
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.00%	13.00%

2012	2011	2010	2009	2008	2007
\$501,290	\$524,102	\$480,469	\$461,074	\$480,850	\$456,768
(501,290)	(524,102)	(480,469)	(461,074)	(480,850)	(456,768)
\$0	\$0	\$0	\$0	\$0	\$0
\$3,856,077	\$4,031,554	\$3,695,915	\$3,546,723	\$3,698,846	\$3,513,600
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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TORONTO CITY SCHOOL DISTRICT  
JEFFERSON COUNTY

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<b>U.S. DEPARTMENT OF Agriculture</b>				
<i>Passed Through Ohio Department of Education:</i>				
Commodity Supplemental Food Program (Non-Cash)	03-PU-16	10.555	\$24,527	\$24,527
Child Nutrition Cluster:				
School Breakfast Program	05-PU-16	10.553	\$66,831	\$66,831
National School Lunch Program	04-PU-16	10.555	195,225	195,225
Total Child Nutrition Cluster			<u>262,056</u>	<u>262,056</u>
Total U.S. Department of Agriculture			<u><b>286,583</b></u>	<u><b>286,583</b></u>
<b>U.S. DEPARTMENT OF Education</b>				
<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-S1-15 C1-S1-16	84.010	32,495 259,966	44,854 267,770
Total Title I, Part A Cluster			<u>292,461</u>	<u>312,624</u>
Special Education Cluster:				
Special Education - Grants to States (IDEA Part B)	6B-SF-15 6B-SF-16	84.027	23,261 140,554	32,743 144,296
Special Education - Preschool Grants	PG-S1-16	84.173	3,926	4,007
Total Special Education Cluster			<u>167,741</u>	<u>181,046</u>
Title II-A Improving Teacher Quality State Grant	TR-S1-15 TR-S1-16	84.367	1,743 34,483	3,064 35,142
Total Title II-A Improving Teacher Quality State Grant			<u>36,226</u>	<u>38,206</u>
Race to the Top Grant	2015	84.395	4	
Total Race to the Top Grant			<u>4</u>	
Total U.S. Department of Education			<u><b>496,432</b></u>	<u><b>531,876</b></u>
<b>Total Federal Financial Assistance</b>			<u><b>\$783,015</b></u>	<u><b>\$818,459</b></u>

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

**TORONTO CITY SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)**

**JUNE 30, 2016**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Receipts AND Expenditures of Federal Awards (the Schedule) includes the federal award activity of Toronto City School District (the District's) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C - 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 District assumes it expends federal monies first.

**NOTE D – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program 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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 20, 2017.

### ***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*.

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***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

February 20, 2017



# 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 THE UNIFORM GUIDANCE

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) *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, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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 each of the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Toronto City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affects each of its major federal programs for the year ended June 30, 2016.

***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 the Uniform Guidance, 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.

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

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

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

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

February 20, 2016

**TORONTO CITY SCHOOL DISTRICT  
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2016**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified – 10.553 and 10.555 Nutrition Cluster Unmodified – 84.010 Title 1
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA # 84.010 – Title I CFDA #10.553 & 10.553 – Nutrition Cluster
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR §200.520?</b>	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**

None

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**TORONTO CITY SCHOOL DISTRICT  
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
2 CFR 200.511(b)  
JUNE 30, 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	<b>2 CFR § 215.28</b> – Title I funds spent outside the period of availability	Corrective Action Taken and Finding is Fully Corrected	
2015-002	<b>2 CFR § 215.28</b> – Special Education funds spent outside the period of availability	Corrective Action Taken and Finding is Fully Corrected	