CITY OF TORONTO
JEFFERSON COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2008

Mary Taylor, CPA
Auditor of State

CITY OF TORONTO
JEFFERSON COUNTY

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Mary Taylor, CPA
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INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of City of Toronto, Jefferson County, Ohio (the City), as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements exclude certain capital assets and related depreciation for the governmental activities, the business type activities, the Water, Sewer and Refuse Funds. Accounting principles generally accepted in the United States of America require that capital assets and related depreciation be reported, which would increase the assets and net assets and changes the expenses in the governmental activities, business type activities and Water, Sewer and Refuse Funds. We cannot reasonably determine the amount by which this departure would increases the amounts reported for these capital assets, net assets, fund balances and expenses.

In our opinion, except for the effects of not reporting certain capital assets and the related depreciation for the governmental activities, the business type activities and the Water, Sewer and Refuse Funds, as described in the previous paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, the Water, Sewer and Refuse Funds of the City of Toronto, Jefferson County as of December 31, 2008 and the respective changes in financial position thereof, and for the year then ended in conformity with accounting principles .generally accepted in the United States of America

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In addition, in our opinion, the financial statements referred to above present fairly, in all material respects the respective financial position of the General, CHIP Grant and Industrial Sites Funds, and the aggregate remaining fund information of City of Toronto, Jefferson County, Ohio, as of December 31, 2008, and the respective changes in financial position, thereof, and the budgetary comparison for the General, CHIP Grant and Industrial Sites Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2010, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We did not audit and do not express an opinion on this information. However, we have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. As a result of our limited procedures, we believe Management's Discussion and Analysis does not conform to Governmental Accounting Standards Board guidelines, since as discussed in paragraph three, government activities' and business type activities' assets and net assets presented in Table 1 are understated and the expenses presented in Table 2 are understated since there are capital assets and the depreciation thereof that have not been reported.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 26, 2010

The discussion and analysis of the City of Toronto's (the "City") financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2008. The intent of this discussion and analysis is to look at the City's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- General revenues accounted for $3,379,701 in revenue or 39 percent of all revenues. Program revenues in the form of charges for services and sales, grants, and contributions accounted for $5,389,080 or 61 percent of total revenues of $8,768,781.

- Total program expenses were $7,430,571; $4,530,128 in governmental activities and $2,900,443 in business-type activities.

- In total, net assets increased $1,338,210. Net assets of governmental activities increased $756,591, which represents a 14 percent increase from 2007. Net assets of business-type activities increased by $581,619. This was a 23 percent increase from 2007.

- Outstanding debt decreased from $14,425,480 to $14,067,971 through debt principal payments.

Using this Annual Financial Report

This report is designed to allow the reader to look at the financial activities of the City of Toronto as a whole and is intended to allow the reader to obtain a summary view or a more detailed view of the City operations, as they prefer.

The Statement of Net Assets and the Statement of Activities provide information from a summary perspective showing the effects of the operations for the year 2008 and how they affected the operations of the City as a whole.

Reporting the City of Toronto as a Whole

Statement of Net Assets and the Statement of Activities

The *Statement of Net Assets and Statement of Activities* provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column. In the case of the City of Toronto, the general, CHIP grant, industrial site improvement and repair and capital improvements funds are the most significant governmental funds. The water, sewer and refuse funds are the significant enterprise funds.

A question typically asked about the City's finances "How did we do financially during fiscal year 2008?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's *net assets* and *changes in those assets*. This change in net assets is important because it tells the reader that, for the City as a whole, the *financial position* of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions and other factors.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two distinct kinds of activities:

- ✓ Governmental Activities - Most of the City's programs and services are reported here, including general government, security of persons and property, community environment, leisure time activities and transportation.

- ✓ Business-Type Activities - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's water, sewer and refuse funds are reported as business activities.

Reporting the City of Toronto's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been safeguarded for specific activities or objectives. The City uses many funds to account for financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds are the general, CHIP grant, industrial site improvement and capital improvements funds.

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, CHIP grant, industrial site improvement and capital improvement funds, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The City adopts an annual appropriated budget for each of its funds. A budgetary comparison statement has been provided for the general fund and each major special revenue fund to demonstrate compliance with this budget.

Proprietary Funds - Proprietary funds use the same basis of accounting as business-type activities (water, sewer and refuse); therefore, these statements will essentially match.

The City of Toronto as a Whole

Recall that the Statement of Net Assets provides the perspective of the City as a whole.

Table 1 provides a summary of the City's net assets for 2008 compared to 2007:

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets						
Current and Other Assets	$ 4,372,880	$ 3,659,385	$ 1,211,902	$ 975,332	$ 5,584,782	$ 4,634,717
Capital Assets	3,498,090	3,349,705	15,250,082	15,252,204	18,748,172	18,601,909
Total Assets	7,870,970	7,009,090	16,461,984	16,227,536	24,332,954	23,236,626
Liabilities						
Long-Term Liabilities	1,304,002	1,169,708	13,208,411	13,645,626	14,512,413	14,815,334
Other Liabilities	300,678	329,683	160,419	70,375	461,097	400,058
Total Liabilities	1,604,680	1,499,391	13,368,830	13,716,001	14,973,510	15,215,392
Net Assets						
Invested in Capital Assets Net of Debt	2,551,971	2,507,660	2,128,231	1,668,768	4,680,202	4,176,428
Restricted	1,772,697	711,808	0	0	1,772,697	711,808
Unrestricted	1,941,622	2,290,231	964,923	842,767	2,906,545	3,132,998
Total Net Assets	$ 6,266,290	$ 5,509,699	$ 3,093,154	$ 2,511,535	$ 9,359,444	$ 8,021,234

Total assets increased by $1,096,328 with governmental assets increasing by $861,880 and business-type assets increasing by $234,448. Total capital assets increased by $146,263, the majority of which was the purchase of new assets. Total liabilities decreased by $241,882 with governmental liabilities increasing $105,289 and business-type liabilities decreasing $347,171. The majority of the increase in governmental activities was related to new bonds for the water meters.

Total net assets increased by $1,338,210. This number reflects an increase of $756,591 in governmental activities and a increase of $581,619 in the net assets of the business-type activities.

Table 2 shows the changes in net assets for fiscal year 2008. This table presents two fiscal years in side-by-side comparisons, which will enable the reader to draw further conclusion about the City's financial status and possibly project future problems.

(Table 2)
Changes in Net Assets

	Governmental Activities 2008	Governmental Activities 2007	Business-Type Activities 2008	Business-Type Activities 2007	Total 2008	Total 2007
Revenues						
Program Revenues:						
Charges for Services and Sales	$ 130,843	$ 133,067	$ 3,071,833	$ 3,040,579	$ 3,202,676	$ 3,173,646
Operating Grants and Contributions	2,176,404	282,492	0	0	2,176,404	282,492
Capital Grants and Contributions	10,000	0	0	0	10,000	0
General Revenues:						
Property Taxes	193,384	223,932	0	0	193,384	223,932
Income Taxes	2,482,760	3,940,617	0	0	2,482,760	3,940,617
Other Local Taxes	47,447	48,132	0	0	47,447	48,132
Grants and Entitlements	347,058	253,037	0	0	347,058	253,037
Investment Earnings	49,422	118,098	0	1,847	49,422	119,945
Miscellaneous	253,785	11,392	5,845	5,049	259,630	16,441
Total Revenues	5,691,103	5,010,767	3,077,678	3,047,475	8,768,781	8,058,242
Program Expenses						
General Government	636,559	468,038	0	0	636,559	468,038
Security of Persons and Property	1,628,492	1,531,958	0	0	1,628,492	1,531,958
Public Health Services	23,108	11,716	0	0	23,108	11,716
Leisure Time Activities	269,271	179,419	0	0	269,271	179,419
Community and Economic Development	1,362,761	268,560	0	0	1,362,761	268,560
Transportation	565,178	623,264	0	0	565,178	623,264
Interest and Fiscal Charges	44,759	40,657	0	0	44,759	40,657
Enterprise Operations:						
Water	0	0	1,895,666	1,788,946	1,895,666	1,788,946
Sewer	0	0	538,856	493,105	538,856	493,105
Refuse	0	0	465,921	426,201	465,921	426,201
Total Program Expenses	4,530,128	3,123,612	2,900,443	2,708,252	7,430,571	5,831,864
Increase in Net Assets Before Transfers	1,160,975	1,887,155	177,235	339,223	1,338,210	2,226,378
Transfers	(404,384)	(302,354)	404,384	302,354	0	0
Increase in Net Assets	$ 756,591	$ 1,584,801	$ 581,619	$ 641,577	$ 1,338,210	$ 2,226,378

Governmental Activities

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

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

General revenues include grants and entitlements, such as local government funds. With the combination of property tax, income tax and intergovernmental funding all expenses in the governmental activities are funded. Two new grants were awarded in 2008, which accounts for the large increase in operating grant revenue from 2007 to 2008. The City monitors its source of revenues very closely for fluctuations.

Police and fire represent the largest expense of the Governmental Activities. This expense of $1,628,492 represents 36 percent of the total expenses. These two departments operate out of the general fund.

Community and economic development was another large area of expense for the City. The total for community and economic development expense for 2008 was $1,362,761 which was 30 percent of total expenses.

The City also maintains a health department (public health services) and a park (leisure time services) within the City. These areas had expenses of $292,379 in 2008 equaling 6 percent of the total governmental services expenses.

Business-Type Activities

Business-type activities include water, sewer and refuse operations. The revenues are generated primarily from charges for services. In 2008, charges for services of $3,071,833 accounted for 99 percent of the business-type revenues. The total expenses for the utilities were $2,900,443. The City had an increase in net assets of $581,619 for the business-type activities.

The City's Funds

Information about the City's governmental funds begins on page 12. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues (exclusive of other financing sources) of $5,218,300 and expenditures (exclusive of other financing uses) of $5,050,989. The total change in fund balance was $271,061. The fund balance in the general fund decreased by $10,758; from $1,487,072 in 2007 to $1,476,314 in 2008. The capital improvements capital projects fund had a fund balance increase of $169,101 from $22,245 in 2007 to $191,346 in 2008. The funds are monitored consistently with adjustments made throughout the year in budgets to accommodate yearly revenues.

Information about the proprietary funds starts on page 19. These funds are accounted for on an accrual basis. All business type funds had operating expenses of $2,474,447 which was less than operating revenues of $3,077,678, by $603,231 or 19.6 percent of operating revenues.

General Fund Budgeting Highlights

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

During the course of 2008, the City amended its general fund budget on various occasions. All recommendations for appropriation changes come to Council from the City Auditor. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

For the general fund, final budget basis revenue (inclusive of other financing sources) was $3,505,000, over the original budget estimates (inclusive of other financing sources) of $2,759,300. Of this $745,700 increase, most was attributable to increased income tax revenue.

For the general fund, the final appropriations were (inclusive of other financing uses) $3,693,404, representing a $241,054 increase over the original appropriations (inclusive of other financing uses) of $3,452,350. This was mostly due to a change in the appropriations for capital outlay expense for the purchase of the new city building.

Capital Assets and Debt Administration

Capital Assets

At the end of year 2008, the City had $18,748,172 invested in land, construction in progress, work of art, buildings, land improvements, equipment, vehicles and water lines. A total of $3,498,090 of this was for governmental activities and $15,250,082 was attributable to business-type activities. Table 3 shows fiscal year 2008 balances compared with 2007.

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

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	$ 140,000	$ 140,000	$ 43,904	$ 43,904	$ 183,904	$ 183,904
Construction in Progress	9,795	10,130	91,418	46,545	101,213	56,675
Work of Art	17,500	17,500	0	0	17,500	17,500
Buildings	1,039,126	1,068,473	10,140,748	10,241,515	11,179,874	11,309,988
Land Improvements	405,409	351,026	1,681,250	1,708,750	2,086,659	2,059,776
Equipment	279,284	205,248	2,131,939	1,997,500	2,411,223	2,202,748
Vehicles	905,081	923,008	88,835	107,825	993,916	1,030,833
Infrastructure	701,895	634,320	0	0	701,895	634,320
Water and Sewer Lines	0	0	1,071,988	1,106,165	1,071,988	1,106,165
Totals	$ 3,498,090	$ 3,349,705	$ 15,250,082	$ 15,252,204	$ 18,748,172	$ 18,601,909

The $146,263 increase in capital assets was attributable to additional purchases exceeding depreciation expense. The most significant addition in 2008 was the purchase of a new city building. Note 9 provides information on capital asset activity during the 2008 year.

Debt

The outstanding debt for the City of Toronto as of December 31, 2008 was $14,067,971 with $692,554 due within one year. Table 4 summarizes outstanding debt.

(Table 4)
Outstanding Debt, at December 31

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Installment Loans	$ 777,962	$ 842,045	$ 0	$ 0	$ 777,962	$ 842,045
General Obligation Bonds	168,157	0	0	0	168,157	0
OWDA Loans	0	0	13,121,852	13,583,435	13,121,852	13,583,435
Total	$ 946,119	$ 842,045	$ 13,121,852	$ 13,583,435	$ 14,067,971	$ 14,425,480

Additional information concerning the City's debt can be found in Note 16 to the basic financial statements.

Current Financial Issues

The City has a 2 percent wage income tax that took effect as of January 1, 2007. The City purchased a new police vehicle and a street department truck.

The $14,000,000 water treatment plant was completed in 2007. The City is now selling water to Jefferson County with budgeted revenue from county water sales projected to be $1,260,000 annually.

The City had a cash balance of $1,264,158 at the end of December 31, 2008 in the General Fund.

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Bob Owen, City of Toronto, 416 Clark St., Toronto, Ohio 43964, telephone 740-537-4505 or email tauditor@localisps.net.

City of Toronto
Statement of Net Assets
December 31, 2008

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	$ 1,914,914	$ 666,433	$ 2,581,347
Restricted Assets:			
Cash and Cash Equivalents	0	63,025	63,025
Materials and Supplies Inventory	30,372	53,527	83,899
Accrued Interest Receivable	18,596	0	18,596
Accounts Receivable	0	397,917	397,917
Intergovernmental Receivable	1,262,362	0	1,262,362
Prepaid Items	21,850	31,000	52,850
Taxes Receivable	1,108,155	0	1,108,155
Loans Receivable	16,631	0	16,631
Non-Depreciable Capital Assets	167,295	135,322	302,617
Depreciable Capital Assets, Net	3,330,795	15,114,760	18,445,555
Total Assets	7,870,970	16,461,984	24,332,954
Liabilities			
Accounts Payable	31,630	78,965	110,595
Contracts Payable	9,795	0	9,795
Intergovernmental Payable	98,575	18,429	117,004
Accrued Interest Payable	1,364	0	1,364
Customer Deposits	0	63,025	63,025
Deferred Revenue	159,314	0	159,314
Long-Term Liabilities:			
Due Within One Year	113,798	606,450	720,248
Due in More Than One Year	1,190,204	12,601,961	13,792,165
Total Liabilities	1,604,680	13,368,830	14,973,510
Net Assets			
Invested in Capital Assets, Net of Related Debt	2,551,971	2,128,231	4,680,202
Restricted for Capital Outlay	194,266	0	194,266
Restricted for Other Purposes	1,578,431	0	1,578,431
Unrestricted	1,941,622	964,923	2,906,545
Total Net Assets	$ 6,266,290	$ 3,093,154	$ 9,359,444

The accompanying notes are an integral part of the basic financial statements.

City of Toronto
Statement of Activities
For the Year Ended December 31, 2008

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	$ 636,559	$ 65,409	$ 0	$ 0	$ (571,150)	$ 0	$ (571,150)
Security of Persons and Property	1,628,492	21,626	51,212	0	(1,555,654)	0	(1,555,654)
Public Health	23,108		0	0	(23,108)	0	(23,108)
Leisure Time Services	269,271	43,808	50,027	0	(175,436)	0	(175,436)
Community and Economic Development	1,362,761	0	1,857,705	10,000	504,944	0	504,944
Transportation	565,178	0	217,460	0	(347,718)	0	(347,718)
Interest and Fiscal Charges	44,759	0	0	0	(44,759)	0	(44,759)
Total Governmental Activities	4,530,128	130,843	2,176,404	10,000	(2,212,881)	0	(2,212,881)
Business-Type Activities							
Refuse Fund	465,921	373,181	0	0	0	(92,740)	(92,740)
Sewer Fund	538,856	585,774	0	0	0	46,918	46,918
Water Fund	1,895,666	2,112,878	0	0	0	217,212	217,212
Total Business-Type Activities	2,900,443	3,071,833	0	0	0	171,390	171,390
Total - Primary Government	$ 7,430,571	$ 3,202,676	$ 2,176,404	$ 10,000	(2,212,881)	171,390	(2,041,491)

	Governmental Activities	Business-Type Activities	Total
General Revenues			
Property Taxes Levied for:			
General Purposes	139,256	0	139,256
Capital Outlay	480	0	480
Other Purposes	53,648	0	53,648
Income Taxes Levied for General Purposes	2,482,760	0	2,482,760
Other Local Taxes	47,447	0	47,447
Grants and Entitlements not Restricted to Specific Programs	347,058	0	347,058
Investment Earnings	49,422	0	49,422
Miscellaneous	253,785	5,845	259,630
Total General Revenues	3,373,856	5,845	3,379,701
Transfers	(404,384)	404,384	0
Total General Revenues and Transfers	2,969,472	410,229	3,379,701
Change in Net Assets	756,591	581,619	1,338,210
Net Assets Beginning of Year	5,509,699	2,511,535	8,021,234
Net Assets End of Year	$ 6,266,290	$ 3,093,154	$ 9,359,444

The accompanying notes are an integral part of the basic financial statements.

City of Toronto
Balance Sheet
Governmental Funds
December 31, 2008

	General Fund	CHIP Grant	Industrial Site Improvement	Capital Improvements	All Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and						
Cash Equivalents	$ 1,264,158	$ 880	$ 0	$ 201,141	$ 448,735	$ 1,914,914
Materials and Supplies Inventory	0	0	0	0	30,372	30,372
Accrued Interest Receivable	18,596	0	0	0	0	18,596
Interfund Receivable	158	0	0	0	0	158
Intergovernmental Receivable	165,294	989,740	0	0	107,328	1,262,362
Prepaid Items	16,850	0	0	0	5,000	21,850
Taxes Receivable	1,041,143	0	0	0	67,012	1,108,155
Loans Receivable	0	0	0	0	16,631	16,631
Total Assets	$ 2,506,199	$ 990,620	$ 0	$ 201,141	$ 675,078	$ 4,373,038
Liabilities						
Accounts Payable	29,198	0	0	0	2,432	31,630
Contracts Payable	0	0	0	9,795	0	9,795
Intergovernmental Payable	36,929	0	0	0	61,646	98,575
Interfund Payable	0	0	158	0		158
Deferred Revenue	963,758	953,750	0	0	161,847	2,079,355
Total Liabilities	1,029,885	953,750	158	9,795	225,925	2,219,513
Fund Balances						
Reserved for Encumbrances	0	125,880	0	0	236,872	362,752
Reserved for Loans Receivable	0	0	0	0	16,631	16,631
Unreserved, Undesignated, Reported in:						
General Fund	1,476,314	0	0	0	0	1,476,314
Special Revenue Funds	0	(89,010)	(158)	0	192,730	103,562
Capital Projects Funds	0	0	0	191,346	2,920	194,266
Total Fund Balances	1,476,314	36,870	(158)	191,346	449,153	2,153,525
Total Liabilities and Fund Balances	$ 2,506,199	$ 990,620	$ 0	$ 201,141	$ 675,078	$ 4,373,038

The accompanying notes are an integral part of the basic financial statements.

City of Toronto

Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2008

Total Governmental Fund Balances		$ 2,153,525
Amounts reported for governmental activities in the statement of net assets are different because		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		3,498,090
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	$ 19,630	
Income Tax	690,190	
Intergovernmental	1,210,221	
Total		1,920,041
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(1,364)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Installment Loans Payable	(777,962)	
Bonds Payable	(168,157)	
Compensated Absences	(357,883)	
Total		(1,304,002)
Net Assets of Governmental Activities		$ 6,266,290

The accompanying notes are an integral part of the basic financial statements.

City of Toronto
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For The Year Ended December 31, 2008

	General Fund	CHIP Grant	Industrial Site Improvement	Capital Improvements	All Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	$ 139,834	$ 0	$ 0	$ 480	$ 57,348	$ 197,662
Income Taxes	2,862,583	0	0	0	0	2,862,583
Other Local Taxes	0	0	0	0	47,972	47,972
Charges for Services	30,500	0	0	0	43,808	74,308
Licenses and Permits	34,909	0	0	0	0	34,909
Fines and Forfeitures	21,626	0	0	0	0	21,626
Intergovernmental	263,604	241,161	482,397	0	688,871	1,676,033
Interest	45,378	0	0	0	4,044	49,422
Other	9,538	0	199,857	0	44,390	253,785
Total Revenues	3,407,972	241,161	682,254	480	886,433	5,218,300
Expenditures						
Current:						
General Government	590,425	0	0	0	0	590,425
Security of Persons and Property	1,312,486	0	0	0	195,077	1,507,563
Public Health	19,843	0	0	0	3,265	23,108
Leisure Time Services	6,000	0	0	0	138,505	144,505
Community and Economic Development	0	253,731	682,412	0	426,618	1,362,761
Transportation	51,668	0	0	0	384,361	436,029
Capital Outlay	80,552	0	0	695,895	70,830	847,277
Debt Service:						
Principal Retirements	31,923	0	0	31,843	32,160	95,926
Interest and Fiscal Charges	39,383	0	0	3,641	371	43,395
Total Expenditures	2,132,280	253,731	682,412	731,379	1,251,187	5,050,989
Excess of Revenues Over (Under) Expenditures	1,275,692	(12,570)	(158)	(730,899)	(364,754)	167,311
Other Financing Sources (Uses)						
Transfers In	0	0	0	700,000	490,200	1,190,200
Proceeds of Notes	0	0	0	200,000	0	200,000
Transfers Out	(1,286,450)	0	0	0	0	(1,286,450)
Total Other Financing Sources (Uses)	(1,286,450)	0	0	900,000	490,200	103,750
Net Change in Fund Balance	(10,758)	(12,570)	(158)	169,101	125,446	271,061
Fund Balance Beginning of Year	1,487,072	49,440	0	22,245	323,707	1,882,464
Fund Balance End of Year	$ 1,476,314	$ 36,870	$ (158)	$ 191,346	$ 449,153	$ 2,153,525

The accompanying notes are an integral part of the basic financial statements.

City of Toronto

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For The Year Ended December 31, 2008

Net Change in Fund Balances - Total Governmental Funds		$ 271,061
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 capital outlays exceeded depreciation in the current period.		
Capital Asset Additions	$ 321,464	
Current Year Depreciation	(173,079)	
Total		148,385
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent Property Taxes	(856)	
Income Tax	(379,823)	
Intergovernmental	853,482	
Total		472,803
Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		95,926
Proceeds of notes in the governmental funds that increase long-term liabilities in the statement of net assets are not reported as revenue.		(200,000)
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.		(1,364)
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.		(30,220)
Change in Net Assets of Governmental Activities		$ 756,591

The accompanying notes are an integral part of the basic financial statements.

City of Toronto

Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2008

	Budgeted Amounts			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	$ 145,800	$ 145,800	$ 139,834	$ (5,966)
Income Taxes	1,985,000	2,721,200	2,756,407	35,207
Charges for Services	35,500	35,500	30,500	(5,000)
Licenses and Permits	0	30,500	34,909	4,409
Fines and Forfeitures	53,100	22,600	21,626	(974)
Intergovernmental	283,800	288,300	282,184	(6,116)
Interest	101,100	101,100	46,297	(54,803)
Other	5,000	10,000	9,538	(462)
Total Revenues	2,609,300	3,355,000	3,321,295	(33,705)
Expenditures				
Current:				
General Government	596,700	682,391	545,358	137,033
Security of Persons and Property	1,409,450	1,334,895	1,319,115	15,780
Public Health	22,200	22,200	18,605	3,595
Leisure Time Services	26,000	6,000	6,000	0
Transportation	0	61,000	51,470	9,530
Capital Outlay	0	78,468	80,552	(2,084)
Debt Service:				
Principal Retirements	72,000	32,000	31,923	77
Interest and Fiscal Charges	0	40,000	39,383	617
Total Expenditures	2,126,350	2,256,954	2,092,406	164,548
Excess of Revenues Over Expenditures	482,950	1,098,046	1,228,889	130,843
Other Financing Sources (Uses)				
Advances In	150,000	150,000	0	(150,000)
Transfers Out	(1,176,000)	(1,286,450)	(1,286,450)	0
Advances Out	(150,000)	(150,000)	0	150,000
Total Other Financing Sources (Uses)	(1,176,000)	(1,286,450)	(1,286,450)	0
Net Change in Fund Balance	(693,050)	(188,404)	(57,561)	130,843
Fund Balance Beginning of Year	1,287,497	1,287,497	1,287,497	0
Prior Year Encumbrances Appropriated	32,104	32,104	32,104	0
Fund Balance End of Year	$ 626,551	$ 1,131,197	$ 1,262,040	$ 130,843

The accompanying notes are an integral part of the basic financial statements.

City of Toronto

Statement of Revenues, Expenditures and Changes

In Fund Balance - Budget (Non-GAAP Basis) and Actual

CHIP Grant Fund

For the Year Ended December 31, 2008

	Budgeted Amounts			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Intergovernmental	$ 722,214	$ 769,214	$ 205,171	$ (564,043)
Expenditures				
Community and Economic Development	771,654	771,654	379,611	392,043
Excess of Revenues Under Expenditures	(49,440)	(2,440)	(174,440)	(172,000)
Net Change in Fund Balance	(49,440)	(2,440)	(174,440)	(172,000)
Fund Balance Beginning of Year	49,440	49,440	49,440	0
Fund Balance End of Year	$ 0	$ 47,000	$ (125,000)	$ (172,000)

The accompanying notes are an integral part of the basic financial statements.

City of Toronto
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Industrial Site Improvement Fund
For the Year Ended December 31, 2008

	Budgeted Amounts			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Intergovernmental	$ 650,000	$ 484,000	$ 482,397	$ (1,603)
Other	0	166,000	199,857	33,857
Total Revenues	650,000	650,000	682,254	32,254
Expenditures				
Community and Economic Development	650,000	650,000	682,412	(32,412)
Excess of Revenues Under Expenditures	0	0	(158)	(158)
Other Financing Sources (Uses)				
Advances In	0	150,000	0	(150,000)
Advances Out	0	(150,000)	0	150,000
Total Other Financing Sources (Uses)	0	0	(158)	(158)
Net Change in Fund Balance	0	0	(158)	(158)
Fund Balance Beginning of Year	0	0	0	0
Fund Balance End of Year	$ 0	$ 0	$ (158)	$ (158)

The accompanying notes are an integral part of the basic financial statements.

City of Toronto
Statement of Fund Net Assets
Proprietary Funds
December 31, 2008

	Business-Type Activities				
	Water Fund	Sewer Fund	Refuse Fund	Other Enterprise Fund	Totals
Assets					
Current Assets					
Equity in Pooled Cash and Cash Equivalents	$ 297,009	$ 220,836	$ 148,588	$ 0	$ 666,433
Materials and Supplies Inventory	49,460	4,067	0	0	53,527
Accounts Receivable	275,616	77,051	45,250	0	397,917
Prepaid Items	13,500	8,000	9,500	0	31,000
Total Current Assets	635,585	309,954	203,338	0	1,148,877
Non-Current Assets					
Restricted Equity in Pooled Cash and Cash Equivalents	0	0	0	63,025	63,025
Non-Depreciable Capital Assets	23,904	111,418	0	0	135,322
Depreciable Capital Assets, Net	14,229,021	849,319	36,420	0	15,114,760
Total Non-Current Assets	14,252,925	960,737	36,420	63,025	15,313,107
Total Assets	14,888,510	1,270,691	239,758	63,025	16,461,984
Liabilities					
Current Liabilities					
Accounts Payable	24,982	43,631	10,352	0	78,965
Intergovernmental Payable	10,699	1,870	5,860	0	18,429
Compensated Absences Payable	8,645	381	3,484	0	12,510
OWDA Loans Payable	593,940	0	0	0	593,940
Customer Deposits	0	0	0	63,025	63,025
Total Current Liabilities	638,266	45,882	19,696	63,025	766,869
Long-Term Liabilities					
Compensated Absences Payable - Net of Current Portion	52,289	851	20,909	0	74,049
OWDA Loans Payable - Net of Current Portion	12,527,912	0	0	0	12,527,912
Total Long-Term Liabilities	12,580,201	851	20,909	0	12,601,961
Total Liabilities	13,218,467	46,733	40,605	63,025	13,368,830
Net Assets					
Invested in Capital Assets, Net of Related Debt	1,131,073	960,738	36,420	0	2,128,231
Unrestricted	538,970	263,220	162,733	0	964,923
Total Net Assets	$ 1,670,043	$ 1,223,958	$ 199,153	$ 0	$ 3,093,154

The accompanying notes are an integral part of the basic financial statements.

City of Toronto

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

For the Year Ended December 31, 2008

	Business-Type Activities			
	Water Fund	Sewer Fund	Refuse Fund	Totals
Operating Revenues				
Charges for Services	$ 2,112,878	$ 585,774	$ 373,181	$ 3,071,833
Other	766	0	5,079	5,845
Total Operating Revenues	2,113,644	585,774	378,260	3,077,678
Operating Expenses				
Personal Services	532,739	86,418	254,292	873,449
Contractual Services	313,462	396,443	192,613	902,518
Materials and Supplies	220,798	16,990	9,305	247,093
Depreciation	402,671	39,005	9,711	451,387
Total Operating Expenses	1,469,670	538,856	465,921	2,474,447
Operating Income (Loss)	643,974	46,918	(87,661)	603,231
Non-Operating Revenues (Expenses)				
Interest and Fiscal Charges	(425,996)	0	0	(425,996)
Income (Loss) Before Contributions and Transfers	217,978	46,918	(87,661)	177,235
Capital Contributions	268,600	39,534	0	308,134
Transfers In	0	0	96,250	96,250
Change in Net Assets	486,578	86,452	8,589	581,619
Net Assets Beginning of Year	1,183,465	1,137,506	190,564	2,511,535
Net Assets End of Year	$ 1,670,043	$ 1,223,958	$ 199,153	$ 3,093,154

The accompanying notes are an integral part of the basic financial statements.

City of Toronto
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2008

	Business-Type Activities				
	Water Fund	Sewer Fund	Refuse Fund	Other Enterprise Fund	Totals
Increase in Cash and Cash Equivalents					
Cash flows from Operating Activities					
Cash Received from Customers	$ 2,092,975	$ 575,384	$ 372,512	$ 0	$ 3,040,871
Other Operating Receipts	766	0	5,079	27,800	33,645
Cash Payments to Suppliers for Goods and Services	(224,595)	(17,078)	(9,272)	0	(250,945)
Cash Payments to Employees	(508,891)	(85,594)	(248,536)	0	(843,021)
Cash Payments for Contractual Services	(299,870)	(351,884)	(185,462)	(15,841)	(853,057)
Net Cash Provided by Operating Activities	1,060,385	120,828	(65,679)	11,959	1,127,493
Cash Flows from Noncapital Financing Activities					
Transfers In	0	0	96,250	0	96,250
Transfers Out	0	0	0	0	0
Net Cash Provided by Noncapital Financing Activities	0	0	96,250	0	96,250
Cash Flows from Capital and Related Financing Activities					
Proceeds from Loans	114,785	0	0	0	114,785
Acquisition of Capital Assets	(124,635)	(13,933)	(3,382)	0	(141,950)
Principal Payments on Debt	(576,368)	0	0	0	(576,368)
Interest Payments	(425,996)	0	0	0	(425,996)
Net Cash Used for Capital and Related Financing Activities	(1,012,214)	(13,933)	(3,382)	0	(1,029,529)
Net Increase in Cash and Cash Equivalents	48,171	106,895	27,189	11,959	194,214
Cash and Cash Equivalents, Beginning of Year	248,838	113,941	121,399	51,066	535,244
Cash and Cash Equivalents, End of Year	$ 297,009	$ 220,836	$ 148,588	$ 63,025	$ 729,458
Reconciliation of Operating Income to Net Cash Provided by Operating Activities					
Operating Income (Loss)	$ 643,974	$ 46,918	$ (87,661)	$ 0	$ 603,231
Adjustments:					
Depreciation	402,671	39,005	9,711	0	451,387
(Increase) Decrease in Assets:					
Accounts Receivable	(19,903)	(10,390)	(669)	0	(30,962)
Prepaid Items	(3,736)	2,500	2,000	0	764
Materials and Supplies Inventory	(10,850)	(1,308)	0	0	(12,158)
Increase (Decrease) in Liabilities:					
Accounts Payable	24,381	43,279	5,183	0	72,843
Customer Deposits	0	0	0	11,959	11,959
Compensated Absences Payable	20,190	682	4,037	0	24,909
Intergovernmental Payable	3,658	142	1,720	0	5,520
Net Cash Provided by Operating Activities	$ 1,060,385	$ 120,828	$ (65,679)	$ 11,959	$ 1,127,493

Noncash Capital Financing Activities:
During 2008, capital assets were transferred from the governmental activities to the water and sewer enterprise fund in the amount of $268,600 and $39,534 , respectively.

The accompanying notes are an integral part of the basic financial statements.

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION

The City of Toronto (the "City") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The City Council is composed of eight members, four of whom are elected by their respective electors within their designated wards. Three councilmen at large and a council president are elected by the City at large. The City provides the following services: police and fire protection, water, wastewater and sanitation utilities, parks and recreation, health services, street maintenance, building inspection and development. Management believes the financial statements included in this report represent all of the funds of the City over which the City has the ability to exercise direct operating control.

Reporting Entity

In evaluating how to define the City for financial reporting purposes, management has considered all agencies, departments, and organizations making up the City (the primary government) and its potential component units consistent with Government Accounting Standards Board Statements No. 14, "The Financial Reporting Entity" and No. 39, "Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No. 14."

The City provides various services including police, parks and recreation, planning, zoning, street construction, maintenance and repair, water, sewer and refuse services, and general administrative services. The operation of these activities is directly controlled by Council through the budgetary process. None of these services are provided by a legally separate organization; therefore these operations are included in the primary government.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the levying of taxes or the issuance of debt. The City has no component units.

The City is involved with the Ohio Mid-Eastern Governments Association and Jefferson-Belmont Joint Solid Waste Authority, which are defined as jointly governed organizations. Additional information concerning the jointly-governed organizations is presented in Note 17.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The City has elected not to apply FASB pronouncements and Interpretations issued after November 30, 1989, to its business-type activities and enterprise funds. The most significant of the City's accounting policies are described below.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net assets 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 assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the City that are governmental and those that are considered business-type.

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department, and therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limitations. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary, 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 liabilities is reported as fund balance. The following are the City's major governmental funds:

> ***General Fund*** - The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Chip Grant Fund – This special revenue fund is used to account for grant revenue and expenditures for community development projects.

Industrial Site Improvement Fund – This special revenue fund accounts for revenue and expenditures relating to a site improvement project of the City.

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

The other governmental funds of the City account for grants and other resources whose use is restricted to a particular purpose.

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

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

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

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

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

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

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. 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 City under a trust agreement for individuals, private organizations, or other governments, and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City does not have any fiduciary funds.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the Statement of Net Assets. The Statement of Activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net assets. The statement of revenues, expenses and changes in fund net assets presents increases (e.g. revenues) and decreases (e.g. expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary fund activities.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within thirty days of the fiscal year-end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: income tax, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), fines and forfeitures, interest, grants and entitlements, and rentals.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Property taxes for which there is an enforceable legal claim as of December 31, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Pooled Cash and Cash Equivalents

To improve cash management, all cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents."

Investments are reported at fair value which is based on quoted market prices, with the exception of nonparticipating certificates of deposit and repurchase agreements, which are reported at cost. Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2008 amounted to $45,378, which includes $28,119 assigned from other City funds.

Investments with a maturity of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are reported as investments.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2008 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the payment and an expenditure/expense is reported in the year in which services are consumed.

G. Materials and Supplies Inventory

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Customer deposits have been restricted in the enterprise funds because the deposit remains the property of the customer. The restricted asset account is balanced by a customer deposits liability account.

I. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of $5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

All reported capital assets, except for land, construction-in-progress and works of art, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings	25-50 Years	50 Years
Land Improvements	15-50 Years	15-50 Years
Equipment	10-25 Years	10-25 Years
Vehicles	8-40 Years	10-20 Years
Infrastructure	N/A	50 Years

The City's infrastructure consists of roads, bridges, curbs and gutters, sidewalks, drainage systems, lighting systems and water and sewer lines. The City did not record general infrastructure assets in governmental activities prior to December 31, 2002.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The City records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future (employees with ten or more years of service). The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the City's termination policy.

K. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

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

L. Fund Balance Reserves

The City reserves those portions of fund balance which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund balance reserves are established for loans receivable and encumbrances.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions, enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At December 31, 2008 $105,335 of the City's net assets were restricted by enabling legislation.

Net assets restricted for other purposes include recreation, street construction and repair, and the operation of the police department.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Operating Revenues and Expenses

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

O. Interfund Activity

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

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2008.

Q. 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.

R. Budgetary Data

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

S. Implementation of New Accounting Policies

For 2008, the City has implemented GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 provides guidance on all aspects of OPEB reporting by employers.

GASB Statement No. 49 provides guidance on calculating and reporting the costs and obligations associated with pollution cleanup efforts.

GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits.

The implementation of GASB Statement No. 45, No. 49, and No. 50 did not affect the presentation of the financial statements of the City.

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

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

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (Continued)

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditure/expenses (budget) rather than as a reservation of fund balance (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund, the Chip grant fund and the Industrial site improvement major special revenue funds.

Net Change in Fund Balance

	General	CHIP Grant	Industrial Site Improvement
GAAP Basis	$ (10,758)	$ (12,570)	$ (158)
Revenue accruals	(86,677)	(35,990)	0
Expenditure accruals	42,150	0	0
Encumbrances	(2,276)	(125,880)	0
Budget Basis	$ (57,561)	$ (174,440)	$ (158)

NOTE 4 - ACCOUNTABILITY

Fund balances at December 31, 2008 included the following individual fund deficits:

	Deficit
Major	
Industrial Site Improvement	$ (158)
Non-major	
Police Pension	(24,731)
Fire Pension	(20,997)

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

NOTE 5 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the City into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the City has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool (STAR Ohio);

7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in any amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and

8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

According to State law, uninsured public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the City's name. During 2008, the City and public depositories complied with the provisions of these statutes.

Deposits with Financial Institutions

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

At fiscal year-end, the carrying amount of the City's deposits was $(19,251). Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of December 31, 2008, $98,032 of the City's bank balance of $389,670 was exposed to custodial risk as discussed above, while $291,638 was covered by Federal Deposit Insurance Corporation.

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Investments

As of December 31, 2008, the City had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities 6 Months or Less
Repurchase Agreements	$ 2,663,623	$ 2,663,623

The City has no investment policy in place at this time.

Credit Risk. The City's repurchase agreement is an unrated investment.

Concentration of Credit Risk. The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the City at December 31, 2008:

Investment Type	Fair Value	Percent of Total
Repurchase Agreement	$ 2,663,623	100%

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property, and tangible personal property located in the City. Property tax revenue received during 2008 for real and public utility property taxes represents collections of the 2007 taxes. Property tax payments received during 2008 for tangible personal property (other than public utility property) are for 2008 taxes.

2008 real property taxes were levied after October 1, 2007 on the assessed value as of January 1, 2007, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2008 real property taxes are collected in and intended to finance 2008.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2008 public utility property taxes which became a lien December 31, 2007, are levied after October 1, 2008, and are collected in 2008 with real property taxes.

Tangible personal property tax revenue received during calendar 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2008, on the value as of December 31, 2007. For 2008, tangible personal property is assessed at 6.25 percent for property including inventory. This percentage will be reduced to zero percent for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the City prior to June 30.

NOTE 6 - PROPERTY TAXES (Continued)

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the City due the phasing out of the tax. In calendar years 2006-2010, the City will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The full tax rate for all City operations for the year ended December 31, 2008 was $3.40 per $1,000 of assessed value. The assessed values of real and tangible personal property upon which 2008 property tax receipts were based are as follows:

Real Property	$	54,970,220
Tangible Personal Property		9,957,530
Public Utilities		3,007,480
Total	$	67,935,230

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

NOTE 7 - RECEIVABLES

Receivables at December 31, 2008 consisted of taxes, accrued interest, accounts (billings for user charged services including unbilled utility services), loans, and intergovernmental receivables arising from grants and shared revenues. All receivables are deemed collectible in full.

The governmental funds reflect housing loans receivable of $3,696. The housing loans receivable are for financing the sale of City property to individuals as a home mortgage. The loans were issued at 4-5 percent interest. The loans are to be repaid over a period of ten years. Also, included in the governmental funds are revolving loans of $12,935. These business revolving loans were issued to local businesses to improve their facades and sidewalks. The loans were issued at 4-5 percent interest. They are to be repaid over periods ranging from ten to twelve years.

NOTE 8 – INCOME TAX

The City levies a municipal income tax of 2.0 percent on gross salaries, wages and other personal service compensation earned by residents of the City and on the earnings of nonresidents working within the City. This tax also applies to the net income of businesses operating within the City. Residents of the City are granted a credit up to 2.0 percent for taxes paid to other municipalities. Prior to 2007, the municipal income tax rate was 1.5 percent.

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

NOTE 9 – CAPITAL ASSETS

A summary of changes in capital assets during 2008 follows:

	Balance 12/31/2007	Additions	Deletions	Balance 12/31/2008
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 140,000	$ 0	$ 0	$ 140,000
Work of Art	17,500	0	0	17,500
Construction in progress	10,130	9,795	(10,130)	9,795
Total Capital Assets Not Being Depreciated	167,630	9,795	(10,130)	167,295
Capital Assets, Being Depreciated:				
Buildings	1,418,343	0	0	1,418,343
Land Improvements	1,055,177	102,236	0	1,157,413
Equipment	259,667	91,531	0	351,198
Vehicles	1,318,330	31,932	0	1,350,262
Infrastructure	665,065	96,100	0	761,165
Total Capital Assets, Being Depreciated	4,716,582	321,799	0	5,038,381
Less Accumulated Depreciation:				
Buildings	(349,870)	(29,347)	0	(379,217)
Land Improvements	(704,151)	(47,853)	0	(752,004)
Equipment	(54,419)	(17,495)	0	(71,914)
Vehicles	(395,322)	(49,859)	0	(445,181)
Infrastructure	(30,745)	(28,525)	0	(59,270)
Total Accumulated Depreciation	(1,534,507)	(173,079) *	0	(1,707,586)
Total Capital Assets Being Depreciated, Net	3,182,075	148,720	0	3,330,795
Total Governmental Activities Capital Assets, Net	$ 3,349,705	$ 158,515	$ (10,130)	$ 3,498,090

*Depreciation expense was charged to governmental functions as follows:

General Government	$ 20,434
Security of Persons and Property	40,169
Leisure Time Activities	55,263
Transportation	57,213
Total	$ 173,079

NOTE 9 - CAPITAL ASSETS (Continued)

	Balance 12/31/2007	Additions	Deletions	Balance 12/31/2008
Business-Type Activities				
Capital Assets Not Being Depreciated:				
Land	$ 43,904	$ 0	$ 0	$ 43,904
Construction in Progress	46,545	44,873	0	91,418
Total Capital Assets Not Being Depreciated	90,449	44,873	0	135,322
Capital Assets, Being Depreciated:				
Buildings	11,207,745	124,635	0	11,332,380
Improvements	1,750,000	0	0	1,750,000
Equipment	2,200,000	276,375	0	2,476,375
Vehicles	344,398	3,382	0	347,780
Water Lines	1,690,000	0	0	1,690,000
Sewer Lines	124,053	0	0	124,053
Total Capital Assets Being Depreciated	17,316,196	404,392	0	17,720,588
Less Accumulated Depreciation:				
Buildings	(966,230)	(225,402)	0	(1,191,632)
Improvements	(41,250)	(27,500)	0	(68,750)
Equipment	(202,500)	(141,936)	0	(344,436)
Vehicles	(236,573)	(22,372)	0	(258,945)
Water Lines	(602,500)	(33,800)	0	(636,300)
Sewer Lines	(105,388)	(377)	0	(105,765)
Total Accumulated Depreciation	(2,154,441)	(451,387)	0	(2,605,828)
Total Capital Assets Being Depreciated, Net	15,161,755	(46,995)	0	15,114,760
Total Business-Type Capital Assets, Net	$ 15,252,204	$ (2,122)	$ 0	$ 15,250,082

NOTE 10 - RISK MANAGEMENT

The City belongs to the Public Entities Pool of Ohio ("PEP"), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to $350,000 per occurrence, including loss adjustment expenses. Claims exceeding $350,000 are reinsured with APEEP in an amount not to exceed $2,650,000 for each claim and $10,000,000 in the aggregate per year. Governments can elect up to $10,000,000 in additional coverage with the General Reinsurance Corporations, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to $5,000,000 per year, subject to the annual aggregate limit of $10,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

On January 1, 2005, APEEP established a risk-sharing property program. Under the new program, Travelers will reinsure specific losses exceeding $250,000 up to $600,000,000 per occurrence. The amount was increased to $300,000 in 2007. APEEP will reinsure members for specific losses in excess of $100,000 up to $250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based on the combined Members' Total Insurable Value. If the stop-loss is reached by payment of losses between $100,000 and $300,000, Travelers will reinsure specific losses exceeding $100,000 up to their $600,000,000 per occurrence limit. The aggregate stop-loss limit for 2007 and 2006 was $2,014,547 and $1,901,127, respectively.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claim payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

NOTE 10 - RISK MANAGEMENT (Continued)

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006 (the latest information available):

	2007	2006
Casualty and Property Coverage		
Assets	$37,560,071	$36,123,194
Liabilities	(17,340,825)	(16,738,904)
Retained Earnings	$20,219,246	$19,384,290

At December 31, 2007 and 2006, respectively, casualty coverage liabilities noted above include approximately $15.9 and $15.0 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately $15.0 and $14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The City's share of these unpaid claims collectible in future years is approximately $110,000. This payable includes the subsequent year's contribution due if the City terminates participation, as described in the last paragraph below.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to determine the historical contributions required to be made to PEP for each year of membership are as follows:

Contributions to PEP	
2007	$114,312
2008	105,699

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they give written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

NOTE 10 - RISK MANAGEMENT (Continued)

There was no reduction in insurance coverage, as compared to the prior year, and insurance was sufficient to cover settlements in 2006, 2007 and 2008.

The City pays the State Workers' Compensation System a premium based on a rate per $100 of salaries. This rate is calculated based on accident history and administrative costs to provide coverage to employees for job and other related injuries.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

The City of Toronto participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan is a defined contribution plan; and the Combined Plan - a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, and survivor benefits as well as post-employment coverage to qualifying members of the Traditional Pension and Combined Plan. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For the year ended December 31, 2008, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 10 percent of their annual covered salaries. Members participating in the traditional plan who were in public safety and law enforcement contributed 10.1 percent of their annual covered salaries. The City's contribution rate for pension benefits for 2008 was 14 percent, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 17.4 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to all three plans for the years ended December 31, 2008, 2007 and 2006 were $140,578, $129,418 and $77,677, respectively. 91.7 percent has been contributed for 2008 and 100 percent for 2007 and 2006.

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the City is required to contribute 19.5 percent for police officers and 24 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the fund for police and firefighters, respectively, were $117,404 and $71,140 for the year ended December 31, 2008; $109,686 and $69,719 for the year ended December 31, 2007 and $64,370 and $45,786 for the year ended December 31, 2006. The full amount has been contributed for 2007 and 2006. 70.5 percent and 70 percent has been contributed for 2008 for police and firefighters, respectively.

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 45.* A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care. In 2008 local government employers contributed at a rate of 14 percent of covered payroll (17.4 percent for public safety and law enforcement). For 2008, the employer contribution allocated to the health care plan was 7 percent of covered payroll.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2007, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .5 percent to 4 percent for the next seven years. In subsequent years, (8 and beyond) health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The Traditional Pension and Combined Plans had 363,503 active contributing participants as of December 31, 2008. The number of active contributing participants for both plans used in the December 31, 2007 actuarial valuation was 364,076.

The City's actual employer contributions for 2008, which were used to fund postemployment benefits, were $70,289. The actual contribution and the actuarially required contribution amounts are the same. The amount of $12.8 billion represents the actuarial funding value of OPERS' net assets available for OPEBs at December 31, 2007 (the latest information available). Based on the actuarial cost method used, the Actuarial Valuation as of December 31, 2007, reported the actuarially accrued liability and the unfunded actuarial accrued liability for OPEB at $29.8 billion and $17.0 billion, respectively.

The Health Care Preservation Plan (HCCP) adopted by the OPERS Board of Trustees on September 9, 2004 was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of the Ohio Police and Fire Pension shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll.

Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 6.75 percent of covered payroll in 2008. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care cost through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2008 that were used to fund postemployment benefits were $40,640 for police and $20,008 for fire. The OP&F's total health care expense for the year ended December 31, 2007 (the latest information available) was $93,205,319, which was net of member contributions of $56,031,875. The number of OP&F participants eligible to receive health care benefits as of December 31, 2007 was 14,295 for police and 10,583 for firefighters.

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Additional Insurance

The City provides life insurance and accidental death and dismemberment insurance to full time employees. The policy is in the amount of $15,000 life insurance and $15,000 accidental death and dismemberment. All employees can purchase life insurance from the City up to $65,000.

The City contracts with Health Assurance for hospitalization insurance for all employees, excluding part-time elected and part-time appointed officials. The City pays 90 percent of the total monthly premiums of $1,798.60 for family health care, $513.90 for single health care, $976.41 for employee plus children health care and $1,027.80 for employee plus spouse health care through Health Assurance. The City also contracts with Ohio AFSCME Eye Care in which the City pays 100 percent of the total monthly premium of $187.50 for family or single eye and hearing care for AFSCME members. Premiums are paid from the same funds that pay the employees' salaries.

B. Compensated Absences

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn vacation time based on the length of service. Typically, vacation can not be carried over, however, unforeseen circumstances may come into play and the superintendent may elect to permit an employee to carryover minimal vacation time. Sick leave is accumulated at a rate of 4.6 hours per each 80 hours worked. For employees that work less than a 40 hour work week, the sick leave accumulation is prorated based on 4.6 hours per 80 hours worked. All accumulated, unused vacation time and personal days are paid upon separation if the employee has acquired at least one year of service with the City. Upon separation, AFSCME members are paid for a maximum of 440 hours of accumulated sick time provided they have five years of service with the City. Police are paid one-half of accumulated sick time with no maximum provided they have five years of service with the City. Upon separation, firefighters are paid for a maximum of 480 hours of accumulated sick time provided they have five years of service with the City. As of December 31, 2008, the liability for unpaid compensated absences was $444,442.

NOTE 14 – INTERFUND BALANCES AND TRANSFERS

A. Interfund Balances

Interfund balances at December 31, 2008 consisted of the following individual fund receivables and payables:

	Interfund Receivable	Interfund Payable
General	$ 158	$ 0
Industrial Site Improvement	0	158
	$ 158	$ 158

The purpose of the interfund advance from the general fund to the industrial site improvement fund was to eliminate a negative cash balance in that fund at the end of the year.

B. Interfund Transfers

The City made the following transfers during 2008:

	Transfers In	Transfers Out
Governmental Activities		
General	$ 0	$ 1,286,450
Recreation	100,000	0
Police Severance	20,000	0
Fire Severance	20,000	0
Police Pension	90,000	0
Fire Pension	41,200	0
Street Maintenance and Repair	219,000	0
Capital Improvements	700,000	308,134
	1,190,200	1,594,584
Business-Type Activities		
Water	268,600	0
Sewer	39,534	0
Refuse	96,250	0
	404,384	$ 0
Total	$ 1,594,584	$ 1,594,584

The General Fund transferred $1,246,450 to various other governmental funds and the refuse fund to distribute income tax revenue. The general fund transferred $20,000 to the police severance fund and $20,000 to the fire severance funds to provide additional resources. During 2008, the governmental activities transferred capital assets with a net book value of $268,600 to the water enterprise fund and $39,534 to the sewer district enterprise fund which are reflected on the Statement of Activities as transfers into the business-type activities and a transfer out of the governmental activities.

NOTE 15 - CONTRACTUAL COMMITMENTS

As of December 31, 2008, the City had contractual commitments for the following projects:

	Contractual Commitment	Expended	Balance 12/31/2008
Alexander Street Project			
W. E. Quicksall	$ 24,995	$ 0	$ 24,995
Myers Street Sewer Separation Project:			
W. E. Quicksall	82,670	82,611	59
Total	$ 107,665	$ 82,611	$ 25,054

NOTE 16 - LONG-TERM OBLIGATIONS

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

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
Governmental Activities			
Fire Truck Installment Loan - 2004	2.99%	$ 383,816	June 1, 2009
City Building Installment Loan - 2007	5.00%	834,873	December 22, 2024
Water Meter Bonds - 2008	3.63%	200,000	June 12, 2011
Business-Type Activities			
Sewer Treatment Plant OWDA Loan - 1985	7.00%	3,428,887	January 1, 2010
Water Treatment Plant OWDA Loan - 2001	3.26%	14,014,179	January 1, 2026
Water Treatament Lagoons OWDA Loan - 2005	1.00%	790,155	January 1, 2026

NOTE 16 - LONG-TERM OBLIGATIONS (Continued)

Changes in long-term obligations during the year ended December 31, 2008, consisted of the following:

	Outstanding 12/31/2007	Additions	Reductions	Outstanding 12/31/2008	Amounts Due In One Year
Governmental Activities					
Installment Loan-Fire Truck	$ 32,160	$ 0	$ (32,160)	$ 0	$ 0
Installment Loan-City Building	809,885	0	(31,923)	777,962	33,161
Water Meter Bonds	0	200,000	(31,843)	168,157	65,453
Compensated Absences	327,663	30,220	0	357,883	15,184
Total Governmental Activities	$ 1,169,708	$ 230,220	$ (95,926)	$ 1,304,002	$ 113,798
Business-Type Activities					
Water Treatment Plant OWDA Loan	$ 12,869,705	$ 114,785	$ (540,362)	$ 12,444,128	$ 556,974
Water Treatment OWDA Plant Lagoons	713,730	0	(36,006)	677,724	36,966
Compensated Absences	62,191	24,368	0	86,559	12,510
Total Business-Type Activities	$ 13,645,626	$ 139,153	$ (576,368)	$ 13,208,411	$ 606,450

The fire truck installment loan will be paid from property taxes receipted into the police fire truck levy fund. The loan for the city building will be paid from the general fund. The water meter bond debt will be paid from the capital improvements fund. In the business-type activities, the general obligation bonds and OWDA loans will be paid from revenues derived from charges for services in the water, sewer and refuse funds. Compensated absences will be paid from the fund from which the employees' salaries are paid.

The City entered into contractual agreements with the Ohio Water Development Authority (OWDA) to construct a new water treatment plant. As of December 31, 2008, the City had received $13,534,834 from OWDA. In addition to the draw down, the City has incurred capitalized interest of $479,345 as of December 31, 2008. The City began to repay the loan in 2007. The loan is not fully drawn down as of December 31, 2008. An amortization schedule has not been completed by the OWDA, therefore, the loan is not included in the following amortization schedule.

In 2005 the City was awarded a new loan from the Ohio Water Development Authority (OWDA) in the amount of $790,155. The proceeds of this loan are being used to construct water treatment plant lagoons. As of December 31, 2008, the City had received $781,823 from OWDA. In addition to the draw down, the City has incurred capitalized interest of $4,020. The City began to repay this loan as of July 2006. The OWDA has not completed an amortization schedule; therefore the loan is not included in the following amortization schedule.

NOTE 16 - LONG-TERM OBLIGATIONS (Continued)

In 2007, the City entered into a loan agreement with Consumers National Bank for the purchase of the new city building. The principal amount of the loan was $834,873 and the interest rate is 5 percent. The loan will mature in December of 2024. Payments on the city building loan will be paid from the general fund.

During 2007, the City assumed the loan for the new city building which had been previously owned by an individual and leased to the city. The original principal balance of the loan on the building was $894,981 and when the city assumed the loan in February of 2007, the principal balance was $834,873.

During 2008, the City entered into a loan agreement with U.S. Bank for $200,000 for the purpose of paying part of the cost of acquiring remote water meter reading equipment. The loan agreement is for a period of three years and the interest rate is 3.63 percent.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2008 are as follows:

	Governmental Activities					
	Installment Loan-City Building		Water Meter Bonds		Totals	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2009	$ 33,161	$ 38,165	$ 65,453	$ 5,514	$ 98,614	$ 43,679
2010	34,836	36,470	67,851	3,116	102,687	39,586
2011	36,619	34,687	34,853	631	71,472	35,318
2012	38,492	32,814	0	0	38,492	32,814
2013	40,461	30,845	0	0	40,461	30,845
2014-2018	235,558	120,971	0	0	235,558	120,971
2019-2023	302,307	54,223	0	0	302,307	54,223
2024	56,528	1,271	0	0	56,528	1,271
	$ 777,962	$ 349,446	$ 168,157	$ 9,261	$ 946,119	$ 358,707

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

A. Ohio Mid-Eastern Governments Association

Ohio Mid-Eastern Governments Association (OMEGA) is a ten-county regional council of governments comprised of Belmont, Carroll, Coshocton, Columbiana, Guernsey, Harrison, Holmes, Jefferson, Muskingum, and Tuscarawas counties. OMEGA was formed to aid and assist the participating counties and political subdivisions within the counties in the application for Appalachian Regional Commission and Economic Development grant monies. OMEGA is governed by a sixteen member executive board comprised of members appointed from each participating county and cities within each county. City membership is voluntary. The Mayor of the City of Toronto serves as the City's representative on the board; however, the City is not active. Each member currently pays a per capita membership fee based upon the most recent United States census. During 2008, no fees were paid to OMEGA. The continued existence of OMEGA is not dependent on the City's continued participation and no equity interest exists. OMEGA has no outstanding debt.

B. Jefferson-Belmont Joint Solid Waste Authority

Jefferson-Belmont Joint Solid Waste Authority (the Authority) was established by State statutes and is operated to provide solid waste services to Jefferson and Belmont counties. The Authority is governed by a fourteen member board of directors of which the Mayor of the City of Toronto is a member. The Authority is not dependent on the City of Toronto for its continued existence, no debt exists, and the City does not maintain an equity interest. The City does not make any monetary contributions to the Authority.

NOTE 18 - CONTINGENCIES

A. Grants

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the City at December 31, 2008.

B. Litigation

The City of Toronto is not party to any litigation.

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

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

To the City Council:

We have audited the financial statements of the governmental activities, business activities, each major fund, and the aggregate remaining fund information of City of Toronto, Jefferson County, (the City) as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 26, 2010. We qualified our report on the capital assets reported within the governmental activities and business type activities, Water, Sewer and Refuse funds because certain accounting records were not presented for audit. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

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

A deficiency in internal control exits 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 deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and timely corrected. We consider finding 2008-001 described in the accompanying schedule of findings to be a material weakness.

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Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards,* which is described in the accompanying schedule of findings as item 2008-001.

We also noted certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated July 26, 2010.

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

We intend this report solely for the information and use of management, City Council and others within the City. We intend it for no one other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 26, 2010

SCHEDULE OF FINDINGS

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

FINDING NUMBER 2008-001

Noncompliance Finding/Material Weakness

Ohio Administrative Code Section 117-2-02(D) states that all local public officers may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include capital asset records including such information as original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset description, location and tag number. Local governments preparing financial statements using generally accepted accounting principles will want to maintain additional data.

Ohio Administrative Code Section 117-2-02(E) states that each public office should establish a capitalization threshold, so that, at a minimum, eighty percent of the local public office's non-infrastructure assets are identified, classified and recorded on the local public office's financial records.

It is management's responsibility to implement internal accounting control policies and procedures to reasonably ensure the City's assets are safeguarded and recorded. Specifically, these control procedures include the maintenance of adequate documentation to support the accuracy and completeness of capital asset records. The City's capital assets are reported on the financial statements at $18,748,172.

The City has not maintained a complete capital asset listing to support the valuation of capital assets that should have been capitalized and depreciated in the governmental type activities and business type activities. Accordingly, the City's financial statements omit certain capital assets and depreciation expenses in the governmental type activities and business type activities. The City does not have an accounting system in place to identify capital asset purchases, deletions and depreciation expense and the City does not maintain an identification system for capitalized items. .In addition, the City has not adopted a written policy regarding capital assets. The omission of the capital asset information resulted in a qualified opinion on the City's basic financial statements, because we cannot reasonably determine whether the amount of the capital assets is fairly stated..

The City should conduct a complete physical inventory of its assets and prepare an accurate and complete capital asset listing. Also, the City should annually conduct a physical inventory of its assets and reconcile with the capital asset listing. The City should create and approve a comprehensive written policy governing the identification, disposition, and depreciation of capital assets. In addition, the policy should outline procedures for the identification, capitalization and depreciation of general infrastructure required to be reported under Governmental Accounting Standards Board (GASB) Statement No. 34. The policy should also include application and monitoring controls over the purchase, sale, and movement of capital assets within the City and periodic physical inventory requirements. This policy would then provide a consistent approach needed by management to exercise proper control over the acquisition, disposal and maintenance of the City's property, plant, and equipment.

Officials' Response

We are working on system to support by outside sources. We do not have a comprehensive written policy.

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CITY OF TORONTO
JEFFERSON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2007-001	ORC Section 5705.39, Appropriations exceeded estimated resources	Yes	
2007-002	ORC Section 5705.41(D) Disbursements were not properly certified.	Yes	
2007-003	No documentation to support valuation of capital assets that should be capitalized and depreciated	No	Re-issued as Finding 2008-001
2007-004	Failure to correctly code and classify receipts.	Partially	Issued in management letter

Mary Taylor, CPA
Auditor of State

CITY OF TORONTO

JEFFERSON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 30, 2010

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