



Dave Yost • Auditor of State

**CITY OF TORONTO
JEFFERSON COUNTY**

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Dave Yost • Auditor of State

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, 2011, 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 change 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 increase 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 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, 2011 and the respective changes in financial position and where applicable, cash flows, thereof, and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects the respective financial position of the General Fund, and the aggregate remaining fund information of City of Toronto, Jefferson County, Ohio, as of December 31, 2011, and the respective changes in financial position, thereof, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, during 2011, the City adopted provisions of Government Accounting Standards Board Statement No. 54, Fund *Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2012, 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

Accounting principles generally accepted in the United States of America require this presentation to include management's discussion and analysis, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Government Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge, we obtained during our audit of the basic financial statements. As a result of our limited procedures, we believe Management' Discussion and Analysis does not conform to Governmental Accounting Standards Board guidelines, since as discussed above, governmental activities' assets and net assets presented in Table 1, and infrastructure in Table 3 are understated due to the omission of certain infrastructure. Also, the changes in net assets in Table 2 do not include the effects of omitted capital assets and the depreciation for the governmental activities, the business type activities and the Water, Sewer and Refuse Funds, that should have been recorded. However, we do not express an opinion or provide any assurance on management's discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.



Dave Yost
Auditor of State

August 24, 2012

City of Toronto
Management's Discussion and Analysis
For the Year Ended December 31, 2011

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, 2011. 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 2011 are as follows:

- General revenues accounted for \$3,036,959 in revenue or 44 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$3,882,159 or 56 percent of total revenues of \$6,919,118.
- Total program expenses were \$6,381,201; \$3,440,818 in governmental activities and \$2,940,383 in business-type activities.
- In total, net assets increased \$537,917. Net assets of governmental activities increased \$153,837, which represents a 2.9 percent increase from 2010. Net assets of business-type activities increased by \$384,080. This was a 7.9 percent increase from 2010.
- Outstanding debt decreased from \$12,951,083 to \$12,305,865 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 2011 and how they affected the operations of the City as a whole. 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 is the most significant governmental fund. The water, sewer and refuse funds are the significant enterprise funds.

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.

City of Toronto
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2011

A question typically asked about the City's finances "How did we do financially during fiscal year 2011?" 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:

- ü Governmental Activities - Most of the City's programs and services are reported here, including general government, security of persons and property, public health, community and economic development, leisure time activities and transportation.
- ü 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 fund is the general fund.

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

City of Toronto
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2011

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 2011 compared to 2010:

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets						
Current and Other Assets	\$ 2,886,174	\$ 2,747,038	\$ 1,815,751	\$ 1,617,793	\$ 4,701,925	\$ 4,364,831
Capital Assets	4,085,591	4,145,297	15,163,885	15,545,485	19,249,476	19,690,782
Total Assets	6,971,765	6,892,335	16,979,636	17,163,278	23,951,401	24,055,613
Liabilities						
Long-Term Liabilities	1,201,963	1,258,421	11,604,257	12,189,516	12,806,220	13,447,937
Other Liabilities	250,857	268,806	111,425	93,888	362,282	362,694
Total Liabilities	1,452,820	1,527,227	11,715,682	12,283,404	13,168,502	13,810,631
Net Assets						
Invested in Capital						
Assets Net of Debt	3,293,405	3,332,193	3,650,207	3,442,361	6,943,612	* 6,739,700
Restricted	985,440	1,347,885	0	0	985,440	1,347,885
Unrestricted	1,240,100	685,030	1,613,747	1,437,513	2,853,847	* 2,157,397
Total Net Assets	\$ 5,518,945	\$ 5,365,108	\$ 5,263,954	\$ 4,879,874	\$ 10,782,899	\$ 10,244,982

*In 2010, debt in the amount of \$34,854, related to certain business-type assets, was included in the governmental activities. This debt was not been included in the invested in capital assets, net of related debt for the governmental or business-type activities but it was reflected in the entity-wide total for 2010.

Total assets decreased by \$104,212 with governmental assets increasing by \$79,430 and business-type assets decreasing by \$183,642. Total capital assets decreased by \$441,306 due to depreciation expense exceeding additional purchases for 2011. The OWDA combined sewer overflow project was placed in service in 2011. Total liabilities decreased by \$642,129 with governmental liabilities decreasing \$74,407 and business-type liabilities decreasing \$567,722. The majority of the decrease in governmental and business-type activities was related to the payment of debt.

Total net assets increased by \$537,917. This number reflects an increase of \$153,837 in governmental activities and an increase of \$384,080 in the net assets of the business-type activities.

City of Toronto
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2011

Table 2 shows the changes in net assets for fiscal year 2011. 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		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Revenues						
<i>Program revenues:</i>						
Charges for Services and Sales	\$ 206,884	\$ 141,542	\$ 3,215,331	\$ 3,189,808	\$ 3,422,215	\$ 3,331,350
Operating Grants, Contributions and Interest	441,981	372,952	1,575	0	443,556	372,952
Capital Grants and Contributions	16,388	47,963	0	668,882	16,388	716,845
<i>General revenues:</i>						
Property Taxes	158,448	165,225	0	0	158,448	165,225
Income Taxes	2,494,735	1,808,770	0	0	2,494,735	1,808,770
Other Local Taxes	69,500	46,958	0	0	69,500	46,958
Grants and Entitlements	256,538	315,150	0	0	256,538	315,150
Investment earnings	0	10,935	0	0	0	10,935
Miscellaneous	44,181	48,654	13,557	38,625	57,738	87,279
<i>Total revenues</i>	<u>3,688,655</u>	<u>2,958,149</u>	<u>3,230,463</u>	<u>3,897,315</u>	<u>6,919,118</u>	<u>6,855,464</u>
<i>Program Expenses:</i>						
General Government	553,349	530,213	0	0	553,349	530,213
Security of Persons and Property	1,770,148	1,665,376	0	0	1,770,148	1,665,376
Public Health Services	21,963	32,748	0	0	21,963	32,748
Leisure time activities	226,658	258,693	0	0	226,658	258,693
Community and Economic Development	357,500	342,797	0	0	357,500	342,797
Transportation	499,061	551,988	0	0	499,061	551,988
Interest & Fiscal Charges	12,139	12,158	0	0	12,139	12,158
Enterprise Operations:						
Water	0	0	1,965,721	1,990,856	1,965,721	1,990,856
Sewer	0	0	491,085	630,258	491,085	630,258
Refuse	0	0	483,577	483,385	483,577	483,385
<i>Total expenses</i>	<u>3,440,818</u>	<u>3,393,973</u>	<u>2,940,383</u>	<u>3,104,499</u>	<u>6,381,201</u>	<u>6,498,472</u>
Increase in net assets before transfers	247,837	(435,824)	290,080	792,816	537,917	356,992
Transfers	<u>(94,000)</u>	<u>(115,000)</u>	<u>94,000</u>	<u>115,000</u>	<u>0</u>	<u>0</u>
Change in net assets	<u>\$ 153,837</u>	<u>\$ (550,824)</u>	<u>\$ 384,080</u>	<u>\$ 907,816</u>	<u>\$ 537,917</u>	<u>\$ 356,992</u>

City of Toronto
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2011

Governmental Activities

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

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

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

Police and fire represent the largest expense of the Governmental Activities. This expense of \$1,770,148 represents 51.4 percent of the total expenses. These two departments operate out of the general fund.

Transportation expense was another large area of expense for the City. The total for transportation expense for 2011 was \$499,061 which was 14.5 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 \$248,621 in 2011 equaling 7.2 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 2011, charges for services of \$3,215,331 accounted for 99.5 percent of the business-type revenues. The total expenses for the utilities were \$2,940,383. The City had an increase in net assets of \$384,080 for the business-type activities. During 2011 the City completed the combined sewer separation project which was funded by a loan from the Ohio Water Development Authority and a grant from the Appalachian Regional Commission. The majority of the revenue from these funding sources was received during 2010.

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 \$3,894,552 and expenditures (exclusive of other financing uses) of \$3,477,187. The total change in fund balance was \$363,365. The fund balance in the general fund increased by \$290,847; from \$653,396 in 2010 to \$944,243 in 2011. All funds are monitored consistently with adjustments made throughout the year in budgets to accommodate yearly revenues.

Information about the proprietary funds starts on page 17. These funds are accounted for on an accrual basis. All enterprise funds had operating expenses of \$2,567,859 which was less than operating revenues of \$3,228,888, by \$661,029 or 20.5 percent of operating revenues.

City of Toronto
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2011

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 2011, 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 (exclusive of other financing sources) was \$3,057,776. This was higher than the original budget estimates (exclusive of other financing sources) of \$2,495,376. Of this \$562,400 increase, most was attributable to increased income tax revenue.

For the general fund, the final appropriations (exclusive of other financing uses) were \$2,290,288, representing a \$132,197 increase from the original appropriations (exclusive of other financing uses) of \$2,158,091. Amounts for security of person and property increased in the final budget.

Capital Assets and Debt Administration

Capital Assets

At the end of year 2011, the City had \$19,249,476 invested in land, work of art, buildings, land improvements, equipment, vehicles, infrastructure and water and sewer lines. A total of \$4,085,591 of this was for governmental activities and \$15,163,885 was attributable to business-type activities. Table 3 shows fiscal year 2011 balances compared with 2010.

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 140,000	\$ 140,000	\$ 43,904	\$ 43,904	\$ 183,904	\$ 183,904
Construction in Progress	0	0	0	798,849	0	798,849
Work of Art	17,500	17,500	0	0	17,500	17,500
Buildings	1,014,622	1,046,793	9,460,804	9,687,452	10,475,426	10,734,245
Land Improvements	269,457	309,852	1,598,750	1,626,250	1,868,207	1,936,102
Equipment	216,258	233,879	1,742,467	1,896,038	1,958,725	2,129,917
Vehicles	974,003	964,206	120,780	154,356	1,094,783	1,118,562
Infrastructure	1,453,751	1,433,067	0	0	1,453,751	1,433,067
Water and Sewer Lines	0	0	2,197,180	1,338,636	2,197,180	1,338,636
Totals	\$ 4,085,591	\$ 4,145,297	\$ 15,163,885	\$ 15,545,485	\$ 19,249,476	\$ 19,690,782

City of Toronto
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2011

Capital Assets and Debt Administration (Continued)

The \$441,306 decrease in capital assets was attributable to depreciation expense exceeding additional purchases. Note 9 provides information on capital asset activity during the 2011 year.

Debt

The outstanding debt for the City as of December 31, 2011 was \$12,305,865 with \$730,383 due within one year. Table 4 summarizes outstanding debt.

(Table 4)
Outstanding Debt, at December 31

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Installment Loans	\$ 654,945	\$ 701,133	\$ 0	\$ 0	\$ 654,945	\$ 701,133
Fire Truck Loan	97,241	111,971	0	0	97,241	111,971
Dump Truck Loan	40,000	0	0	0	40,000	0
General Obligation Bonds	0	34,854	0	0	0	34,854
OWDA Loans	0	0	11,513,679	12,103,125	11,513,679	12,103,125
Total	\$ 792,186	\$ 847,958	\$ 11,513,679	\$ 12,103,125	\$ 12,305,865	\$ 12,951,083

Additional information concerning the City's debt can be found in Note 15 to the basic financial statements.

Current Financial Issues

The City had a cash balance of \$688,686 at December 31, 2011 in the General fund.

The City has a 2 percent wage income tax, plus grants, which enabled the City to complete capital improvements totaling \$250,630.

The City purchased a new dump truck in 2011 at a cost of \$67,200.

The City is now selling water to Jefferson County with revenue of \$1,437,232 in 2011.

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@gotmc.net.

City of Toronto
Statement of Net Assets
December 31, 2011

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 1,410,025	\$ 1,228,277	\$ 2,638,302
Restricted Assets:			
Cash and Cash Equivalents	0	66,994	66,994
Materials and Supplies Inventory	31,765	69,519	101,284
Accrued Interest Receivable	17,303	0	17,303
Accounts Receivable	0	395,975	395,975
Internal Balances	(7,867)	7,867	0
Intergovernmental Receivable	482,444	11,103	493,547
Prepaid Items	25,383	36,016	61,399
Taxes Receivable	927,121	0	927,121
Non-Depreciable Capital Assets	157,500	43,904	201,404
Depreciable Capital Assets, Net	3,928,091	15,119,981	19,048,072
<i>Total Assets</i>	<u>6,971,765</u>	<u>16,979,636</u>	<u>23,951,401</u>
Liabilities			
Accounts Payable	9,298	27,333	36,631
Intergovernmental Payable	93,080	17,098	110,178
Accrued Interest Payable	490	0	490
Customer Deposits	0	66,994	66,994
Deferred Revenue	147,989	0	147,989
Long-Term Liabilities:			
Due Within One Year	97,118	673,684	770,802
Due in More Than One Year	1,104,845	10,930,573	12,035,418
<i>Total Liabilities</i>	<u>1,452,820</u>	<u>11,715,682</u>	<u>13,168,502</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	3,293,405	3,650,207	6,943,612
Restricted for Capital Outlay	205,249	0	205,249
Restricted for Other Purposes	780,191	0	780,191
Unrestricted	1,240,100	1,613,747	2,853,847
<i>Total Net Assets</i>	<u>\$ 5,518,945</u>	<u>\$ 5,263,954</u>	<u>\$ 10,782,899</u>

See accompanying notes to the basic financial statements.

City of Toronto
Statement of Activities
For the Year Ended December 31, 2011

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$ 553,349	\$ 96,284	\$ 0	\$ 0	\$ (457,065)	\$ 0	\$ (457,065)
Security of Persons and Property	1,770,148	41,885	110,820	0	(1,617,443)	0	(1,617,443)
Public Health	21,963	0	0	0	(21,963)	0	(21,963)
Leisure Time Services	226,658	68,715	11,750	0	(146,193)	0	(146,193)
Community and Economic Development	357,500	0	67,664	16,388	(273,448)	0	(273,448)
Transportation	499,061	0	251,747	0	(247,314)	0	(247,314)
Interest and Fiscal Charges	12,139	0	0	0	(12,139)	0	(12,139)
<i>Total Governmental Activities</i>	<u>3,440,818</u>	<u>206,884</u>	<u>441,981</u>	<u>16,388</u>	<u>(2,775,565)</u>	<u>0</u>	<u>(2,775,565)</u>
Business-Type Activities							
Refuse Fund	483,577	366,204	0	0	0	(117,373)	(117,373)
Sewer Fund	491,085	584,315	0	0	0	93,230	93,230
Water Fund	1,965,721	2,264,812	1,575	0	0	300,666	300,666
<i>Total Business-Type Activities</i>	<u>2,940,383</u>	<u>3,215,331</u>	<u>1,575</u>	<u>0</u>	<u>0</u>	<u>276,523</u>	<u>276,523</u>
<i>Total - Primary Government</i>	<u>\$ 6,381,201</u>	<u>\$ 3,422,215</u>	<u>\$ 443,556</u>	<u>\$ 16,388</u>	<u>(2,775,565)</u>	<u>276,523</u>	<u>(2,499,042)</u>
General Revenues							
Property Taxes Levied for:							
General Purposes					116,981	0	116,981
Other Purposes					41,467	0	41,467
Income Taxes Levied for General Purposes					2,494,735	0	2,494,735
Other Local Taxes					69,500	0	69,500
Grants and Entitlements not Restricted to Specific Programs					256,538	0	256,538
Miscellaneous					44,181	13,557	57,738
<i>Total General Revenues</i>					<u>3,023,402</u>	<u>13,557</u>	<u>3,036,959</u>
Transfers					(94,000)	94,000	0
<i>Total General Revenues and Transfers</i>					<u>2,929,402</u>	<u>107,557</u>	<u>3,036,959</u>
<i>Change in Net Assets</i>					<u>153,837</u>	<u>384,080</u>	<u>537,917</u>
<i>Net Assets Beginning of Year</i>					<u>5,365,108</u>	<u>4,879,874</u>	<u>10,244,982</u>
<i>Net Assets End of Year</i>					<u>\$ 5,518,945</u>	<u>\$ 5,263,954</u>	<u>\$ 10,782,899</u>

See accompanying notes to the basic financial statements.

City of Toronto
Balance Sheet
Governmental Funds
December 31, 2011

	General Fund	All Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 770,154	\$ 620,837	\$ 1,390,991
Materials and Supplies Inventory	0	31,765	31,765
Accrued Interest Receivable	17,303	0	17,303
Interfund Receivable	488	0	488
Intergovernmental Receivable	100,427	382,017	482,444
Prepaid Items	19,574	5,809	25,383
Taxes Receivable	855,599	71,522	927,121
<i>Total Assets</i>	<u>\$ 1,763,545</u>	<u>\$ 1,111,950</u>	<u>\$ 2,875,495</u>
Liabilities			
Accounts Payable	5,440	3,858	9,298
Intergovernmental Payable	34,403	58,677	93,080
Interfund Payable	0	488	488
Deferred Revenue	779,459	363,411	1,142,870
<i>Total Liabilities</i>	<u>819,302</u>	<u>426,434</u>	<u>1,245,736</u>
Fund Balances			
Nonspendable	19,796	37,574	57,370
Restricted	0	487,505	487,505
Committed	81,733	0	81,733
Assigned	0	200,124	200,124
Unassigned	842,714	(39,687)	803,027
<i>Total Fund Balances</i>	<u>944,243</u>	<u>685,516</u>	<u>1,629,759</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 1,763,545</u>	<u>\$ 1,111,950</u>	<u>\$ 2,875,495</u>

See accompanying notes to the basic financial statements.

City of Toronto
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2011*

Total Governmental Fund Balances		\$ 1,629,759
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		4,085,591
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	\$ 32,248	
Other Local Taxes	19,424	
Income Tax	560,627	
Intergovernmental	382,582	
Total	994,881	994,881
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		11,167
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(490)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Installment Loan Payable	(654,945)	
Fire Truck Loan	(97,241)	
Bonds Payable	(40,000)	
Compensated Absences	(409,777)	
Total	(1,201,963)	(1,201,963)
<i>Net Assets of Governmental Activities</i>		\$ 5,518,945

See accompanying notes to the basic financial statements.

City of Toronto
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For The Year Ended December 31, 2011

	General Fund	All Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$ 110,705	\$ 38,464	\$ 149,169
Income Taxes	2,428,194	0	2,428,194
Other Local Taxes	0	50,076	50,076
Charges for Services	61,000	68,715	129,715
Licenses and Permits	35,284	0	35,284
Fines and Forfeitures	33,540	8,345	41,885
Intergovernmental	291,299	724,605	1,015,904
Interest	0	144	144
Other	4,735	39,446	44,181
<i>Total Revenues</i>	<u>2,964,757</u>	<u>929,795</u>	<u>3,894,552</u>
Expenditures			
Current:			
General Government	520,857	0	520,857
Security of Persons and Property	1,446,161	262,809	1,708,970
Public Health	17,910	0	17,910
Leisure Time Services	6,000	148,123	154,123
Community and Economic Development	0	357,500	357,500
Transportation	62,874	294,748	357,622
Capital Outlay	20,672	231,811	252,483
Debt Service:			
Principal Retirements	46,188	49,584	95,772
Interest and Fiscal Charges	8,498	3,452	11,950
<i>Total Expenditures</i>	<u>2,129,160</u>	<u>1,348,027</u>	<u>3,477,187</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>835,597</u>	<u>(418,232)</u>	<u>417,365</u>
Other Financing Sources (Uses)			
Transfers In	0	450,750	450,750
Proceeds of Loans	0	40,000	40,000
Transfers Out	(544,750)	0	(544,750)
<i>Total Other Financing Sources (Uses)</i>	<u>(544,750)</u>	<u>490,750</u>	<u>(54,000)</u>
<i>Net Change in Fund Balance</i>	290,847	72,518	363,365
<i>Fund Balance Beginning of Year (Restated - See Note 3)</i>	<u>653,396</u>	<u>612,998</u>	<u>1,266,394</u>
<i>Fund Balance End of Year</i>	<u>\$ 944,243</u>	<u>\$ 685,516</u>	<u>\$ 1,629,759</u>

See accompanying notes to 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, 2011*

Net Change in Fund Balances - Total Governmental Funds \$ 363,365

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

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

Capital Asset Additions	\$	157,512	
Current Year Depreciation		(217,218)	
Total		(59,706)	(59,706)

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

Delinquent Property Taxes		9,279	
Other Local Taxes		19,424	
Income Tax		66,541	
Intergovernmental		(301,141)	
Total		(205,897)	(205,897)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in entity-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. (194)

Repayment of loan and bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 95,772

Proceeds of loans in the governmental funds that increase long-term liabilities in the statement of net assets are not reported as revenue. (40,000)

In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due. (189)

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. 686

Change in Net Assets of Governmental Activities \$ 153,837

See accompanying notes to 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, 2011

	Budgeted Amounts			Variance with Final Budget
	Original Budget	Final Budget	Actual	
Revenues				
Property Taxes	\$ 110,900	\$ 129,659	\$ 110,705	\$ (18,954)
Income Taxes	1,902,000	2,513,185	2,513,185	0
Charges for Services	68,288	58,728	61,000	2,272
Licenses and Permits	39,500	33,970	35,284	1,314
Fines and Forfeitures	37,547	32,291	33,540	1,249
Intergovernmental	329,284	283,186	294,141	10,955
Interest	2,556	2,198	2,283	85
Other	5,301	4,559	4,735	176
<i>Total Revenues</i>	<u>2,495,376</u>	<u>3,057,776</u>	<u>3,054,873</u>	<u>(2,903)</u>
Expenditures				
Current:				
General Government	539,450	553,950	505,624	48,326
Security of Persons and Property	1,466,441	1,583,538	1,364,568	218,970
Public Health	25,000	25,000	24,250	750
Leisure Time Services	6,000	6,000	6,000	0
Transportation	66,200	66,200	63,321	2,879
Capital Outlay	0	0	20,672	(20,672)
Debt Service:				
Principal Retirements	46,100	46,188	46,188	0
Interest and Fiscal Charges	8,900	9,412	8,498	914
<i>Total Expenditures</i>	<u>2,158,091</u>	<u>2,290,288</u>	<u>2,039,121</u>	<u>251,167</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>337,285</u>	<u>767,488</u>	<u>1,015,752</u>	<u>248,264</u>
Other Financing Use				
Transfers Out	(514,750)	(564,750)	(564,750)	0
<i>Net Change in Fund Balance</i>	(177,465)	202,738	451,002	248,264
<i>Fund Balance Beginning of Year</i>	<u>239,754</u>	<u>239,754</u>	<u>239,754</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 62,289</u>	<u>\$ 442,492</u>	<u>\$ 690,756</u>	<u>\$ 248,264</u>

See accompanying notes to the basic financial statements.

City of Toronto
Statement of Fund Net Assets
Proprietary Funds
December 31, 2011

	Business-Type Activities				Totals	Governmental Activities - Internal Service Fund
	Water Fund	Sewer Fund	Refuse Fund	Other Enterprise Fund		
Assets						
<i>Current Assets</i>						
Equity in Pooled Cash and Cash Equivalents	\$ 741,917	\$ 378,034	\$ 108,326	\$ 0	\$ 1,228,277	\$ 19,034
Materials and Supplies Inventory	66,012	3,507	0	0	69,519	0
Accounts Receivable	250,747	89,557	55,671	0	395,975	0
Intergovernmental Receivable	1,575	9,528	0	0	11,103	0
Prepaid Items	15,700	9,289	11,027	0	36,016	0
<i>Total Current Assets</i>	<u>1,075,951</u>	<u>489,915</u>	<u>175,024</u>	<u>0</u>	<u>1,740,890</u>	<u>19,034</u>
<i>Non-Current Assets</i>						
Restricted Cash and Cash Equivalents	0	0	0	66,994	66,994	0
Non-Depreciable Capital Assets	23,904	20,000	0	0	43,904	0
Depreciable Capital Assets, Net	13,006,889	1,968,564	144,528	0	15,119,981	0
<i>Total Non-Current Assets</i>	<u>13,030,793</u>	<u>1,988,564</u>	<u>144,528</u>	<u>66,994</u>	<u>15,230,879</u>	<u>0</u>
<i>Total Assets</i>	<u>14,106,744</u>	<u>2,478,479</u>	<u>319,552</u>	<u>66,994</u>	<u>16,971,769</u>	<u>19,034</u>
Liabilities						
<i>Current Liabilities</i>						
Accounts Payable	22,226	2,749	2,358	0	27,333	0
Intergovernmental Payable	9,615	1,540	5,943	0	17,098	0
Compensated Absences Payable	4,866	466	3,284	0	8,616	0
OWDA Loans Payable	652,860	12,208	0	0	665,068	0
Customer Deposits	0	0	0	66,994	66,994	0
<i>Total Current Liabilities</i>	<u>689,567</u>	<u>16,963</u>	<u>11,585</u>	<u>66,994</u>	<u>785,109</u>	<u>0</u>
<i>Long-Term Liabilities</i>						
Compensated Absences Payable - Net of Current Portion	52,003	1,106	28,853	0	81,962	0
OWDA Loans Payable - Net of Current Portion	10,627,592	221,019	0	0	10,848,611	0
<i>Total Long-Term Liabilities</i>	<u>10,679,595</u>	<u>222,125</u>	<u>28,853</u>	<u>0</u>	<u>10,930,573</u>	<u>0</u>
<i>Total Liabilities</i>	<u>11,369,162</u>	<u>239,088</u>	<u>40,438</u>	<u>66,994</u>	<u>11,715,682</u>	<u>0</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	1,750,340	1,755,338	144,529	0	3,650,207	0
Unrestricted	987,242	484,053	134,585	0	1,605,880	19,034
<i>Total Net Assets</i>	<u>\$ 2,737,582</u>	<u>\$ 2,239,391</u>	<u>\$ 279,114</u>	<u>\$ 0</u>	<u>5,256,087</u>	<u>\$ 19,034</u>

Some amounts reported for business-type activities in the statement of net assets are different because internal service fund assets and liabilities are included with business-type activities.

Net assets of business-type activities

7,867
\$ 5,263,954

See accompanying notes to 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, 2011

	Business-Type Activities				Governmental Activities - Internal Service Fund
	Water Fund	Sewer Fund	Refuse Fund	Totals	
Operating Revenues					
Charges for Services	\$ 2,264,812	\$ 584,315	\$ 366,204	\$ 3,215,331	\$ 20,000
Other	6,755	6,802	0	13,557	0
<i>Total Operating Revenues</i>	<u>2,271,567</u>	<u>591,117</u>	<u>366,204</u>	<u>3,228,888</u>	<u>20,000</u>
Operating Expenses					
Personal Services	490,749	92,866	278,500	862,115	0
Contractual Services	391,481	323,810	175,910	891,201	0
Materials and Supplies	304,402	22,544	3,716	330,662	0
Claims	0	0	0	0	20,337
Depreciation	409,175	49,301	25,405	483,881	0
<i>Total Operating Expenses</i>	<u>1,595,807</u>	<u>488,521</u>	<u>483,531</u>	<u>2,567,859</u>	<u>20,337</u>
<i>Operating Income (Loss)</i>	<u>675,760</u>	<u>102,596</u>	<u>(117,327)</u>	<u>661,029</u>	<u>(337)</u>
Non-Operating Revenues (Expenses)					
Intergovernmental	1,575	0	0	1,575	0
Interest and Fiscal Charges	(369,822)	(2,559)	0	(372,381)	0
<i>Income (Loss) Before Transfers</i>	<u>307,513</u>	<u>100,037</u>	<u>(117,327)</u>	<u>290,223</u>	<u>(337)</u>
Transfers In	0	0	94,000	94,000	0
<i>Change in Net Assets</i>	307,513	100,037	(23,327)	384,223	(337)
<i>Net Assets Beginning of Year</i>	<u>2,430,069</u>	<u>2,139,354</u>	<u>302,441</u>		<u>19,371</u>
<i>Net Assets End of Year</i>	<u>\$ 2,737,582</u>	<u>\$ 2,239,391</u>	<u>\$ 279,114</u>		<u>\$ 19,034</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:				(143)	
Changes in Net Assets of Business-Type Activities				<u>\$ 384,080</u>	

See accompanying notes to the basic financial statements.

City of Toronto
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2011

	Business-Type Activities				Totals	Governmental Activities - Internal Service Fund
	Water Fund	Sewer Fund	Refuse Fund	Other Enterprise Fund		
Increase (Decrease) in Cash and Cash Equivalents						
Cash flows from Operating Activities						
Cash Received from Customers	\$ 2,257,218	\$ 582,917	\$ 365,244	\$ 0	\$ 3,205,379	\$ 20,000
Other Operating Receipts	6,755	6,802	0	19,450	33,007	0
Cash Payments to Suppliers for Goods and Services	(309,059)	(21,123)	(4,919)	0	(335,101)	0
Cash Payments to Employees	(490,078)	(92,986)	(273,682)	0	(856,746)	0
Cash Payments for Contractual Services	(378,802)	(324,098)	(177,724)	(17,120)	(897,744)	0
Claims Paid	0	0	0	0	0	(20,337)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>1,086,034</u>	<u>151,512</u>	<u>(91,081)</u>	<u>2,330</u>	<u>1,148,795</u>	<u>(337)</u>
Cash Flows from Noncapital Financing Activities						
Transfers In	0	0	94,000	0	94,000	0
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>0</u>	<u>0</u>	<u>94,000</u>	<u>0</u>	<u>94,000</u>	<u>0</u>
Cash Flows from Capital and Related Financing Activities						
Proceeds from OWDA Loans	0	55,557	0	0	55,557	0
Capital Grants	0	7,582	0	0	7,582	0
Acquisition of Capital Assets	0	(103,815)	0	0	(103,815)	0
Principal Payments on Debt	(632,916)	(12,087)	0	0	(645,003)	0
Interest Payments	(369,822)	(2,559)	0	0	(372,381)	0
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(1,002,738)</u>	<u>(55,322)</u>	<u>0</u>	<u>0</u>	<u>(1,058,060)</u>	<u>0</u>
<i>Net Increase (Decrease) in Cash and Investments</i>	83,296	96,190	2,919	2,330	184,735	(337)
<i>Cash and Cash Equivalents, Beginning of Year</i>	<u>658,621</u>	<u>281,844</u>	<u>105,407</u>	<u>64,664</u>	<u>1,110,536</u>	<u>19,371</u>
<i>Cash and Cash Equivalents, End of Year</i>	<u>\$ 741,917</u>	<u>\$ 378,034</u>	<u>\$ 108,326</u>	<u>\$ 66,994</u>	<u>\$ 1,295,271</u>	<u>\$ 19,034</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities						
Operating Income (Loss)	\$ 675,760	\$ 102,596	\$ (117,327)	\$ 0	\$ 661,029	\$ (337)
Adjustments:						
Depreciation	409,175	49,301	25,405	0	483,881	0
(Increase) Decrease in Assets:						
Accounts Receivable	(7,594)	(1,398)	(960)	0	(9,952)	0
Prepaid Items	(2,969)	(1,755)	(2,084)	0	(6,808)	0
Materials and Supplies Inventory	(3,907)	1,294	0	0	(2,613)	0
Increase (Decrease) in Liabilities:						
Accounts Payable	14,898	1,594	(933)	0	15,559	0
Customer Deposits	0	0	0	2,330	2,330	0
Compensated Absences Payable	(46)	88	4,145	0	4,187	0
Intergovernmental Payable	717	(208)	673	0	1,182	0
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>\$ 1,086,034</u>	<u>\$ 151,512</u>	<u>\$ (91,081)</u>	<u>\$ 2,330</u>	<u>\$ 1,148,795</u>	<u>\$ (337)</u>

See accompanying notes to the basic financial statements.

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CITY OF TORONTO, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION

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

Reporting Entity

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

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

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

The City is involved with the Ohio Mid-Eastern Governments Association and the Jefferson-Belmont Joint Solid Waste Authority, which are defined as jointly governed organizations. Additional information concerning the jointly-governed organizations is presented in Note 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 applies generally accepted accounting principles that were issued prior to November 30, 1989 by the Financial Accounting Standards Board ("FASB") to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The entity has elected not to follow FASB guidelines for business-type activities and enterprise funds issued after November 30, 1989. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification. The most significant of the City's accounting policies are described below.

CITY OF TORONTO, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

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 two categories of funds: governmental and proprietary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the City's major governmental fund:

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

CITY OF TORONTO, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

C. Measurement Focus

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

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.

CITY OF TORONTO, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 5). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

CITY OF TORONTO, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

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, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Cash and Cash Equivalents

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

Investments are reported at fair value which is based on quoted market prices, with the exception of nonparticipating certificates of deposit and repurchase agreements, which are reported at cost. Investment procedures are restricted by the provisions of the Ohio Revised Code.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the City are presented on the financial statements as "equity in pooled cash and cash equivalents". Investments with an original maturity of more than three months that are not made from the pool are reported as "investments".

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2011 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the payment and an expenditure/expense is reported in the year in which services are consumed.

G. Materials and Supplies Inventory

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

CITY OF TORONTO, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

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:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Buildings	25-50 Years	50 Years
Land Improvements	15-50 Years	15-50 Years
Equipment	10-25 Years	10-25 Years
Vehicles	8-40 Years	10-20 Years
Infrastructure	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.

CITY OF TORONTO, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Interfund Balances

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables." Interfund balance amounts are eliminated in the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

K. Compensated Absences

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

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

L. Accrued Liabilities and Long-term Obligations

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

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

M. Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*," the City classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

CITY OF TORONTO, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

N. Net 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, 2011 \$169,042 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.

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

CITY OF TORONTO, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Operating Revenues and Expenses

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

P. Interfund Activity

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

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2011.

R. Estimates

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

S. Budgetary Data

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

CITY OF TORONTO, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

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.

T. Implementation of New Accounting Policies

For the year ended December 31, 2011, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*” and GASB Statement No. 59, “*Financial Instruments Omnibus*.”

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned and/or unassigned.

GASB Statement No. 59 updated and improved existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Implementation of this GASB statement did not affect the presentation of the financial statements of the City.

NOTE 3: RESTATEMENT OF FUND BALANCES

Fund reclassifications are required in order to report funds in accordance with GASB Statement No. 54. These fund reclassifications had the following effect on the City’s governmental fund balances as previously reported:

	General	Other Governmental
Fund Balance Previously Reported at December 31, 2010	\$ 483,514	\$ 782,880
Fund Reclassifications:		
Police Severance	100,000	(100,000)
Fire Severance	69,882	(69,882)
Restated Fund Balance at January 1, 2011	\$ 653,396	\$ 612,998

CITY OF TORONTO, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Some funds are included in the general fund, (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance	
	<u>General</u>
GAAP Basis	\$ 290,847
Revenue accruals	110,116
Expenditure accruals	(39,957)
Funds Budgeted Elsewhere*	<u>89,996</u>
Budget Basis	<u><u>\$ 451,002</u></u>

** As part of Governmental Accounting Standards Board Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*,” certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes unclaimed monies, police severance and fire severance funds.

NOTE 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.

CITY OF TORONTO, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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;
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.

CITY OF TORONTO, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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 2011, 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 \$1,594,906. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of December 31, 2011, none of the City's bank balance was exposed to custodial risk as discussed above. The entire bank balance of \$1,651,680 was covered by the Federal Deposit Insurance Corporation.

Investments

As of December 31, 2011, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 Months or Less
Repurchase Agreements	\$ 1,110,390	\$ 1,110,390

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

CITY OF TORONTO, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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

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

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, 2011:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Repurchase Agreement	<u>\$ 1,110,390</u>	<u>100%</u>

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2011 for real and public utility property taxes represents collections of the 2010 taxes.

2011 real property taxes were levied after October 1, 2011 on the assessed value as of January 1, 2011, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2011 real property taxes are collected in and intended to finance 2012.

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. 2011 public utility property taxes which became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes.

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

CITY OF TORONTO, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 6 - PROPERTY TAXES (Continued)

The full tax rate for all City operations for the year ended December 31, 2011, was \$3.40 per \$1,000 of assessed valuation. The assessed values of real property upon which 2011 property tax receipts were based are as follows:

Real Property	\$ 53,063,440
Public Utilities - Real	28,830
Public Utilities - Personal	<u>3,281,390</u>
Total	<u>\$ 56,373,660</u>

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.

Tangible personal property taxes paid 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.

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City of Toronto. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility real and tangible personal property taxes, and outstanding delinquencies which became measurable as of December 31, 2011, and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2011 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

NOTE 7 - RECEIVABLES

Receivables at December 31, 2011 consisted of taxes, accrued interest, accounts (billings for user charged services including unbilled utility services), and intergovernmental receivables arising from grants and shared revenues. All receivables are deemed collectible in full.

NOTE 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.

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.

CITY OF TORONTO, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 9 – CAPITAL ASSETS

A summary of changes in capital assets during 2011 follows:

	Balance 1/1/2011	Additions	Deletions	Balance 12/31/2011
Governmental Activities				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 140,000	\$ 0	\$ 0	\$ 140,000
Work of Art	17,500	0	0	17,500
Construction in progress	0	0	0	0
<i>Total Capital Assets Not Being Depreciated</i>	157,500	0	0	157,500
<i>Capital Assets, Being Depreciated:</i>				
Buildings	1,488,940	0	0	1,488,940
Land Improvements	1,164,413	0	0	1,164,413
Equipment	351,198	5,081	0	356,279
Vehicles	1,509,873	67,200	0	1,577,073
Infrastructure	1,571,067	85,231	0	1,656,298
<i>Total Capital Assets, Being Depreciated</i>	6,085,491	157,512	0	6,243,003
<i>Less Accumulated Depreciation:</i>				
Buildings	(442,147)	(32,171)	0	(474,318)
Land Improvements	(854,561)	(40,395)	0	(894,956)
Equipment	(117,319)	(22,702)	0	(140,021)
Vehicles	(545,667)	(57,403)	0	(603,070)
Infrastructure	(138,000)	(64,547)	0	(202,547)
<i>Total Accumulated Depreciation</i>	(2,097,694)	(217,218) *	0	(2,314,912)
<i>Total Capital Assets Being Depreciated, Net</i>	3,987,797	(59,706)	0	3,928,091
<i>Total Governmental Activities Capital Assets, Net</i>	\$ 4,145,297	\$ (59,706)	\$ 0	\$ 4,085,591

*Depreciation expense was charged to governmental functions as follows:

General Government	\$ 22,536
Security of Persons and Property	42,690
Leisure Time Activities	50,989
Transportation	98,192
Public Health	2,811
	\$ 217,218

CITY OF TORONTO, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 9 – CAPITAL ASSETS (Continued)

	Balance 1/1/2011	Additions	Deletions	Balance 12/31/2011
Business-Type Activities				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 43,904	\$ 0	\$ 0	\$ 43,904
Construction in Progress	798,849	102,281	(901,130)	0
<i>Total Capital Assets Not Being Depreciated</i>	<u>842,753</u>	<u>102,281</u>	<u>(901,130)</u>	<u>43,904</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings	11,332,380	0	0	11,332,380
Improvements	1,750,000	0	0	1,750,000
Equipment	2,545,265	0	0	2,545,265
Vehicles	474,114	0	0	474,114
Water Lines	1,690,000	0	0	1,690,000
Sewer Lines	469,416	901,130	0	1,370,546
<i>Total Capital Assets Being Depreciated</i>	<u>18,261,175</u>	<u>901,130</u>	<u>0</u>	<u>19,162,305</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	(1,644,928)	(226,648)	0	(1,871,576)
Improvements	(123,750)	(27,500)	0	(151,250)
Equipment	(649,227)	(153,571)	0	(802,798)
Vehicles	(319,758)	(33,576)	0	(353,334)
Water Lines	(703,900)	(33,800)	0	(737,700)
Sewer Lines	(116,880)	(8,786)	0	(125,666)
<i>Total Accumulated Depreciation</i>	<u>(3,558,443)</u>	<u>(483,881)</u>	<u>0</u>	<u>(4,042,324)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>14,702,732</u>	<u>417,249</u>	<u>0</u>	<u>15,119,981</u>
<i>Total Business-Type Capital Assets, Net</i>	<u>\$ 15,545,485</u>	<u>\$ 519,530</u>	<u>\$ (901,130)</u>	<u>\$ 15,163,885</u>

NOTE 10 - RISK MANAGEMENT

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

The City belongs to the Public Entities Pool of Ohio (“PEP”), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

CITY OF TORONTO, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 10 - RISK MANAGEMENT (Continued)

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2010 (the latest information available), PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

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

Financial Position

PEP's financial statements (audited by other accountants) conform with accounting principles generally accepted in the United States of America, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009 (the latest information available):

	2010	2009
<u>Casualty and Property Coverage</u>		
Assets	\$ 34,952,010	\$ 36,374,898
Liabilities	(14,320,812)	(15,256,862)
Net Assets	\$ 20,631,198	\$ 21,118,036

At December 31, 2010 and 2009, respectively, the liabilities noted above include approximately \$12.91 and \$14.1 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$12.4 million and \$13.7 million of unpaid claims to be billed to approximately 454 member governments in the future, as of December 31, 2010 and 2009, 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 \$114,201.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due are not expected to change significantly from those used to determine the historical contributions detailed below. By contrast, the annual liability of each member is limited to the amount of financial contributions required to made to PEP for each year of membership.

Contributions to PEP

2009	\$111,236
2010	118,673
2011	122,797

CITY OF TORONTO, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 10 - RISK MANAGEMENT (Continued)

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

Settlements have not exceeded coverage in any of the last three fiscal years. There has not been a significant reduction in coverage from the prior year.

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

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

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

CITY OF TORONTO, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

For the year ended December 31, 2011, members in state and local classifications contributed 10.0 percent of covered payroll while public safety and law enforcement members contributed 11.0 percent and 11.6 percent, respectively.

The City's 2011 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 18.1 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of postemployment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 4.0 percent during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2011.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010, and 2009, were \$93,907, \$67,756, and \$79,357, respectively. For 2011, 91.46 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009. There were no contributions made to the Member-Directed Plan for 2011.

B. Ohio Police and Fire Pension Fund (OP&F)

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

Funding Policy - Plan members are required to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24.0 percent for firefighters. The City's contributions to OP&F for police and firefighters were \$80,628 and \$49,991 for the year ended December 31, 2011, \$83,292 and \$50,728 for the year ended December 31, 2010, and \$83,088 and \$49,045 for the year ended December 31, 2009, respectively. 72.42 percent for police and 71.45 percent for firefighters has been contributed for 2011. The full amount has been contributed for 2010 and 2009.

CITY OF TORONTO, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 12 – POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan – a cost sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan, which includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or calling 614-222-5601 or 1-800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer’s contribution OPERS is set aside for the funding of post-retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS’ Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2011.

CITY OF TORONTO, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 12 – POSTEMPLOYMENT BENEFITS (Continued)

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

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010, and 2009 were \$51,649, \$57,951 and \$70,858, respectively. For 2011, 91.46 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund (OP&F)

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

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide healthcare coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24.0 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

CITY OF TORONTO, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 12 – POSTEMPLOYMENT BENEFITS (Continued)

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2011, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$42,685 and \$19,562 for the year ended December 31, 2011, \$44,096 and \$19,850 for the year ended December 31, 2010, and \$43,988 and \$19,192 for the year ended December 31, 2009. 72.42 percent has been contributed for police and 71.45 percent has been contributed for firefighters for 2011. The full amount has been contributed for 2010 and 2009.

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 \$1,783.12 for family health care, \$509.46 for single health care, \$967.97 for employee plus children health care and \$1,018.92 for employee plus spouse health care through Health Assurance. The City also contracts with Ohio AFSCME Eye Care in which the City pays 100 percent of the total monthly premium of \$162.50 for family or single eye and hearing care for AFSCME members. Premiums are paid from the same funds that pay the employees' salaries.

CITY OF TORONTO, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 13 - OTHER EMPLOYEE BENEFITS (Continued)

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, 2011, the liability for unpaid compensated absences was \$495,365.

NOTE 14 – INTERFUND ACTIVITY

A. Interfund Transfers

The City made the following transfers during 2011:

	Transfers In	Transfers Out
Governmental Activities		
General	\$ 0	\$ 544,750
Recreation	70,000	0
Police Pension	105,000	0
Fire Pension	50,000	0
Street Maintenance and Repair	125,750	0
Capital Improvements	100,000	0
	450,750	544,750
Business-Type Activities		
Refuse	94,000	0
	94,000	0
Total	\$ 544,750	\$ 544,750

The General Fund transferred \$544,750 to various other governmental funds and the refuse fund to distribute income tax revenue.

B. Interfund Balances

Interfund balances at December 31, 2011 consisted of an advance in the amount of \$488 from the General fund to the Nature Works fund to cover a negative cash balance at year end.

CITY OF TORONTO, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 15 - 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			
City Building Installment Loan - 2007	1.25%	\$ 894,981	December 22, 2024
Water Meter Bonds - 2008	3.63%	200,000	June 12, 2011
Fire Truck Loan - 2010	2.76%	111,971	December 14, 2017
Dump Truck Bonds - 2011	3.75%	40,000	November 1, 2021
Business-Type Activities			
Water Treatment Plant OWDA Loan - 2001	3.26%	14,014,178	January 1, 2026
Water Treatment Lagoons OWDA Loan - 2005	1.00%	785,842	January 1, 2026
Combined Sewer Separation OWDA Loan - 2010	1.00%	720,195	July 1, 2030

Changes in long-term obligations during the year ended December 31, 2011, consisted of the following:

	Outstanding 1/1/2011	Additions	Reductions	Outstanding 12/31/2011	Amounts Due In One Year
Governmental Activities					
Installment Loan-City Building	\$ 701,133	\$ 0	\$ (46,188)	\$ 654,945	\$ 46,768
Water Meter Bonds	34,854	0	(34,854)	0	0
Fire Truck Loan	111,971	0	(14,730)	97,241	15,109
Dump Truck Bonds	0	40,000	0	40,000	3,438
Compensated Absences	410,463	95,869	(96,555)	409,777	31,803
Total Governmental Activities	<u>\$ 1,258,421</u>	<u>\$ 135,869</u>	<u>\$ (192,327)</u>	<u>\$ 1,201,963</u>	<u>\$ 97,118</u>
Business-Type Activities					
Water Treatment Plant OWDA Loan	\$ 11,309,541	\$ 0	\$ (595,411)	\$ 10,714,130	\$ 614,979
Water Treatment OWDA Plant Lagoons	603,827	0	(37,505)	566,322	37,881
Combined Sewer Separation OWDA Loan	189,757	55,557	(12,087)	233,227	12,208
Compensated Absences	86,391	4,990	(803)	90,578	8,616
Total Business-Type Activities	<u>\$ 12,189,516</u>	<u>\$ 60,547</u>	<u>\$ (645,806)</u>	<u>\$ 11,604,257</u>	<u>\$ 673,684</u>

CITY OF TORONTO, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 15 - LONG-TERM OBLIGATIONS (Continued)

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

The City entered into contractual agreements with the Ohio Water Development Authority (OWDA) to construct a new water treatment plant. As of December 31, 2011, the City had received \$13,534,834 from OWDA. In addition to the draw down, the City has incurred capitalized interest of \$479,344 as of December 31, 2011. The City began to repay the loan in 2007.

In 2005 the City was awarded a new loan from the Ohio Water Development Authority (OWDA) in the amount of \$790,155. The proceeds of this loan are being used to construct water treatment plant lagoons. As of December 31, 2010, 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 in July 2006.

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 \$894,981 and the interest rate is currently 1.25 percent. The loan will mature in December of 2024. Payments on the city building loan will be paid from the general fund.

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 was for a period of three years and the interest rate was 3.63 percent.

During 2010, the City entered into a loan agreement with U.S. Bank for \$111,971 for the purpose of purchasing a new fire truck. The loan agreement is for a period of five years and the interest rate is 2.76 percent. The loan matures on December 14, 2017.

During 2010, the City entered into a contractual agreement with the Ohio Water Development Authority (OWDA) for a loan to begin a project mandated by the U.S. EPA and the Ohio EPA to eliminate sanitary sewer overflows into the Ohio River. As of December 31, 2011, the City had drawn down \$264,886. In addition to this loan, the City was awarded proceeds of \$468,882 as part of the American Recovery and Reinvestment Act (ARRA) and an equal amount of debt was forgiven. The OWDA loan has an interest rate of 1 percent and the City made the first payment in December of 2010. The loan matures on July 1, 2030. Because the loan is not fully disbursed as of December 31, 2011, there is no amortization schedule available and the debt is not included in the amortization tables that follow.

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

CITY OF TORONTO, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 15 - LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2011 are as follows:

Year	Governmental Activities					
	Installment Loan-City Building		Dump Truck Bonds		Fire Truck Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 46,768	\$ 7,918	\$ 3,438	\$ 1,433	\$ 15,109	\$ 2,729
2013	47,356	7,330	3,484	1,387	15,539	2,298
2014	47,952	6,735	3,617	1,254	15,973	1,864
2015	48,554	6,132	3,754	1,117	16,421	1,416
2016	49,165	5,521	3,896	975	16,877	960
2017-2021	255,253	18,179	21,811	2,544	17,322	485
2022-2026	159,897	3,072	0	0	0	0
	<u>\$ 654,945</u>	<u>\$ 54,887</u>	<u>\$ 40,000</u>	<u>\$ 8,710</u>	<u>\$ 97,241</u>	<u>\$ 9,752</u>

Year	Governmental Activities Total	
	Principal	Interest
2012	\$ 65,315	\$ 12,080
2013	66,379	11,015
2014	67,542	9,853
2015	68,729	8,665
2016	69,938	7,456
2017-2021	294,386	21,208
2022-2026	159,897	3,072
	<u>\$ 792,186</u>	<u>\$ 73,349</u>

Year	Business-Type Activities	
	OWDA Loans	
	Principal	Interest
2012	652,860	349,878
2013	673,452	329,286
2014	694,712	308,028
2015	716,660	286,078
2016	739,323	263,415
2017-2021	4,063,160	950,532
2022-2026	3,740,285	270,668
	<u>\$ 11,280,452</u>	<u>\$ 2,757,885</u>

CITY OF TORONTO, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 16 – FUND BALANCE

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other funds are presented as follows:

	General	Other Governmental Funds	Total
Nonspendable for:			
Prepaid Items	\$ 19,574	\$ 5,809	\$ 25,383
Inventory	0	31,765	31,765
Unclaimed Monies	222	0	222
Total Nonspendable	19,796	37,574	57,370
Restricted for:			
Recreation	0	37,088	37,088
Street Maintenance and City Improvements	0	285,786	285,786
Law Enforcement and Public Safety	0	6,893	6,893
CHIP and CDBG	0	106,244	106,244
Other Purposes	0	51,494	51,494
Total Restricted	0	487,505	487,505
Committed for:			
Police and Fire Severence	81,733	0	81,733
Assigned for:			
Capital Projects	0	200,124	200,124
Unassigned	842,714	(39,687)	803,027
Total Fund Balance	\$ 944,243	\$ 685,516	\$ 1,629,759

CITY OF TORONTO, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

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 2011, 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 - FUND DEFICITS

Fund balances at December 31, 2011 included the following individual fund deficits:

	<u>Deficit</u>
Nature Works	\$ 488
Police Pension	26,920
Fire Pension	12,279

The deficits in the non-major funds resulted from adjustments for accrued liabilities.

NOTE 19 - CONTINGENCIES

A. Grants

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the City at December 31, 2011.

B. Litigation

The City of Toronto is not party to any litigation.

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Dave Yost • Auditor of State

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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 24, 2012, wherein we noted the City adopted provisions of Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We qualified our report on the capital assets reported within the governmental activities and business type activities, the 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 report 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 exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is 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 2011-02 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 instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2011-01 and 2011-02.

We also noted certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated August 24, 2012.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the City's responses and, accordingly, we express no opinion on them.

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



Dave Yost
Auditor of State

August 24, 2012

CITY OF TORONTO
JEFFERSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011

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

FINDING NUMBER 2011-01

Noncompliance Citation

Ohio Revised Code Section 5705.41(D) provides in part that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D) (1) and 5705.41(D) (3), respectively of the Ohio Revised Code.

1. **Then and Now Certificate** - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the District may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

If the amount involved is less than \$3,000 the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Board of Education if such expenditure is otherwise valid.

2. **Blanket Certificate** - Fiscal officers may prepare "blanket" certificates for a certain sum or money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not be, limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** - The District may also make expenditures and contracts for any amount from a specific line item appropriation in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket may be outstanding at a particular time for any line item appropriation.

The City Auditor did not certify or record the amount against the applicable appropriation accounts for 8% of tested expenditures in 2011. The City did not properly utilize the certification exceptions described above for those expenditures lacking prior certification.

Failure to certify the availability of funds and encumber appropriations for the full amount of the expenditure could result in overspending and in negative cash balances. Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the City's funds exceeding budgetary spending limitations, the City Auditor should certify that the funds are or will be available prior to obligation by the City. When prior certification is not possible, "then and now" certification should be used.

The City should certify the full purchase amounts to which section Ohio Revised Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language which Ohio Revised Code Section 5705.41(D) requires the authorization of disbursements. The City Auditor should sign the certification prior to incurring a commitment, and only when the requirements of Ohio Revised Code Section 5705.41(D) are satisfied. The City Auditor should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials' Response:

Purchase orders, same problem year after year, continuous education of all department heads.

FINDING NUMBER 2011-02

Noncompliance Citation/Material Weakness

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

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

It is management's responsibility to implement internal accounting control policies and procedures to reasonably ensure the City's assets are safeguarded and recorded. Specifically, these control procedures should include the maintenance of adequate documentation to support the accuracy and completeness of capital asset records. The City's capital assets are reported on the financial statements at \$19,249,477 for 2011.

The City has not maintained a complete capital asset listing to support the valuation of capital assets that should have been capitalized and depreciated in the governmental and business-type activities. Accordingly, the City's financial statements omit certain capital assets and depreciation expenses in the governmental and business-type activities. The City does not have an accounting system in place to identify capital asset purchases, deletions, and depreciation expense and the City does not maintain an identification system for capitalized items. 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 prepared an accurate and complete capital asset listing. The City should then annually conduct a physical inventory of its assets and reconcile with the capital asset listing. The City should create and approve a comprehensive written policy governing the identification, disposition, and depreciation of general infrastructure required to be reported under Governmental Accounting Standards Board (GASB) Statement No. 34. The policy should also include application and monitoring controls over the purchase, sale, and movement of capital assets within the City and periodic inventory requirements. This policy would then provide a consistent approach needed by management to exercise proper control over the acquisition, disposal, and maintenance of the City's property, plant, and equipment.

Officials' Response

The valuation of capital assets. At this time the City of Toronto does not have a comprehensive written policy. However, we believe the amount of the capital assets are fairly stated.

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**CITY OF TORONTO
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	Ohio Revised Code Section 5705.41(D) Expenditures were not certified	No	Reissued as Finding 2011-01
2010-02	Ohio Revised Code Section 5705.39 Appropriations exceeded the total amount of certified available resources	Yes	Fully corrected
2010-03	Capital assets noncompliance and material weakness	No	Reissued as Finding 2011-02

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Dave Yost • Auditor of State

CITY OF TORONTO

JEFFERSON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 14, 2013