



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**CITY OF TORONTO  
JEFFERSON COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

City of Toronto  
Jefferson County  
308 North Sixth Street  
Toronto, Ohio 43964

To City Council:

We have audited the accompanying financial statements of the City of Toronto, Jefferson County, (the City) as of and for the year ended December 31, 2001. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

Ohio Administrative Code Section 117-2-03 requires the City to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 1, the accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, can not be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the City of Toronto, Jefferson County, as of December 31, 2001, and its combined receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated, October 25, 2002 on our consideration of the City's internal control over reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended for the information and use of management, City Council, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

**Jim Petro**  
Auditor of State

October 25, 2002

**CITY OF TORONTO  
JEFFERSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$915,838	\$211,856	\$93,513	\$1,221,207
Intergovernmental Receipts	333,057	555,734	324,897	1,213,688
Charges for Services	5,953	36,539		42,492
Fines, Licenses, and Permits	50,589	8,367		58,956
Miscellaneous	44,154	31,894	200	76,248
<b>Total Cash Receipts</b>	<u>1,349,591</u>	<u>844,390</u>	<u>418,610</u>	<u>2,612,591</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	1,068,911	171,993		1,240,904
Public Health Services	27,198	6,558		33,756
Leisure Time Activities	29,280	93,903		123,183
Community Environment	19,535	633,740		653,275
Transportation		230,868		230,868
General Government	258,757	7,500		266,257
Debt Service:				
Debt Service		10,415	44,234	54,649
Interest Payments		6,418	6,274	12,692
Capital Outlay	37,177		748,201	785,378
<b>Total Cash Disbursements</b>	<u>1,440,858</u>	<u>1,161,395</u>	<u>798,709</u>	<u>3,400,962</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(91,267)</u>	<u>(317,005)</u>	<u>(380,099)</u>	<u>(788,371)</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Sale of Bonds or Notes			750,000	750,000
Transfers-In		42,000	31,000	73,000
Advances-In	81,061		88,000	169,061
Transfers-Out	(73,000)			(73,000)
Advances Out	(88,000)		(81,061)	(169,061)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(79,939)</u>	<u>42,000</u>	<u>787,939</u>	<u>750,000</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(171,206)</u>	<u>(275,005)</u>	<u>407,840</u>	<u>(38,371)</u>
<b>Fund Cash Balances January 1</b>	<u>351,539</u>	<u>708,240</u>	<u>83,708</u>	<u>1,143,487</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$180,333</b></u>	<u><b>\$433,235</b></u>	<u><b>\$491,548</b></u>	<u><b>\$1,105,116</b></u>
<b>Reserves for Encumbrances, December 31</b>	<u><b>\$18,485</b></u>	<u><b>\$116,598</b></u>	<u><b>\$1,365</b></u>	<u><b>\$136,448</b></u>

*The notes to the financial statements are an integral part of this statement.*

**CITY OF TORONTO  
JEFFERSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$1,245,171		\$1,245,171
Miscellaneous	21,493		21,493
Total Operating Cash Receipts	<u>1,266,664</u>		<u>1,266,664</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	581,327		581,327
Transportation	2,140		2,140
Contractual Services	594,256	\$35,171	629,427
Supplies and Materials	65,433	447	65,880
Capital Outlay	361,040		361,040
Total Operating Cash Disbursements	<u>1,604,196</u>	<u>35,618</u>	<u>1,639,814</u>
Operating Income/(Loss)	<u>(337,532)</u>	<u>(35,618)</u>	<u>(373,150)</u>
<b>Non-Operating Cash Receipts:</b>			
Property Tax and Other Local Taxes	62,296	1,175,201	1,237,497
Proceeds from Notes and Bonds	372,443		372,443
Fines and Fees		31,232	31,232
Other Non-Operating Receipts	11,796		11,796
Total Non-Operating Cash Receipts	<u>446,535</u>	<u>1,206,433</u>	<u>1,652,968</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service			
Debt Service	134,706		134,706
Interest Payments	64,855		64,855
Distribution to City Funds		1,059,284	1,059,284
Distribution to Customers	12,171		12,171
Other Non-Operating Disbursements		31,232	31,232
Total Non-Operating Cash Disbursements	<u>211,732</u>	<u>1,090,516</u>	<u>1,302,248</u>
Net Receipts Over/(Under) Disbursements	(102,729)	80,299	(22,430)
Fund Cash Balances, January 1	<u>268,215</u>	<u>1,635</u>	<u>269,850</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$165,486</u></b>	<b><u>\$81,934</u></b>	<b><u>\$247,420</u></b>
Reserve for Encumbrances, December 31	<u>\$21,433</u>		<u>\$21,433</u>

*The notes to the financial statements are an integral part of this statement.*



**CITY OF TORONTO  
JEFFERSON COUNTY**

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2001**

<b>Fund Types/ Funds</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
Governmental Fund Types:			
General Fund	\$1,366,892	\$1,349,591	(\$17,301)
Special Revenue Funds	1,126,315	886,390	(\$239,925)
Capital Projects Funds	1,270,000	1,199,610	(\$70,390)
Proprietary Fund Types:			
Enterprise Fund	<u>2,061,900</u>	<u>1,713,199</u>	<u>(\$348,701)</u>
<b>Totals</b>	<u><u>\$5,825,107</u></u>	<u><u>\$5,148,790</u></u>	<u><u>(\$676,317)</u></u>

*The notes to the financial statements are an integral part of this statement.*

**CITY OF TORONTO  
JEFFERSON COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES  
BUDGET AND ACTUAL COMPARED WITH EXPENDITURE AUTHORITY  
FOR THE YEAR ENDED DECEMBER 31, 2001**

Fund Types/ Funds	Prior Year Carryover Appropriations	2001 Appropriations	Totals	Actual Disbursements	Encumbrances Outstanding At 12/31/01	Totals	Variance Favorable (Unfavorable)
Governmental Fund Types:							
General Fund	\$0	\$1,738,787	\$1,738,787	\$1,513,858	\$18,485	\$1,532,343	\$206,444
Special Revenue Funds	0	1,720,199	1,720,199	1,161,395	116,598	1,277,993	442,206
Capital Projects Funds	0	1,284,586	1,284,586	798,709	1,365	800,074	484,512
Proprietary Fund Types:							
Enterprise Fund	0	2,244,297	2,244,297	1,815,928	21,433	1,837,361	406,936
<b>Totals</b>	<u>\$0</u>	<u>\$6,987,869</u>	<u>\$6,987,869</u>	<u>\$5,289,890</u>	<u>\$157,881</u>	<u>\$5,447,771</u>	<u>\$1,540,098</u>

*The notes to the financial statements are an integral part of this statement.*

**CITY OF TORONTO  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of Entity**

The City of Toronto 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 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 over which the City has the ability to exercise direct operating control.

**B. Basis of Accounting**

Although required by Ohio Administrative Code Section 117-2-03 to prepare its annual financial report in accordance with generally accepted accounting principles, the City chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

**C. Cash and Investments**

Certificates of deposit are valued at cost.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts, gains or losses at the time of sales are recorded as receipts or disbursements accordingly.

**D. Fund Accounting**

The City maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of funds are as follows:

**CITY OF TORONTO  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1. Governmental Fund Types:**

Governmental funds are those through which most governmental functions of the City are financed. The following are the City's governmental fund types:

**General Fund**

The General Fund is the operating fund of the City and is used to account 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.

**Special Revenue Funds**

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

**Capital Projects Funds**

The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

**2. Proprietary Funds**

Proprietary funds are used to account for the City's ongoing activities which are similar to those found in the private sector. The following is the City's proprietary fund type:

**Enterprise Fund**

Enterprise funds are used to account for City activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**3. Fiduciary Fund Type:**

Fiduciary fund types are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The City's fiduciary funds include expendable trust funds and agency funds.

**CITY OF TORONTO  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process**

**Budget**

A budget of estimated cash receipts and disbursements is submitted to the County auditor, as secretary of the County budget commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

**Estimated Resources**

The County budget commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources which states the projected receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year.

Prior to December 31, the City must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include January 1, 2001, unencumbered fund balances. However, those fund balances are available for appropriations.

**Appropriations**

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31.

An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

**Encumbrances**

The City is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

**CITY OF TORONTO  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Property, Plant and Equipment**

Fixed assets acquired or constructed for general governmental service are recorded as expenditures. Depreciation is not recorded for these fixed assets.

**G. Total Columns on Financial Statements**

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

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

Inactive deposits are deposits of that City Council has identified as not required for used 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 deposits of 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 moneys deposited with the institution.

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

**CITY OF TORONTO  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

1. United States Treasury Notes, Bills, Bonds, or any other obligations 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 fo the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-loan money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreement secured by such obligations, provided that the investments in securities described in this division are made only through eligible institutions; or
6. The State Treasurer's Investment Pool (STAR Ohio).

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county , township or other political subdivision of this State, as to which there is no default of principal, interest of coupons; or
3. Obligations of the City.

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 upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**CITY OF TORONTO  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**3. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

**Deposits:** At December 31, 2001, the carrying amount of the City's deposits was \$1,352,536 and the bank balance was \$1,452,277. Of the bank balance:

1. \$200,000 was covered by federal deposit insurance;
2. \$1,252,277 was collateralized with securities held by the pledging financial institution's trust department or agent in the City's name; and

For the purpose of this note presentation, the City had no qualifying investments as defined by the Government Accounting Standards Board (GASB).

**3. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by City Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due by December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the City.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting and distributing all property taxes on behalf of the City.

**4. DEBT OBLIGATIONS**

Debt outstanding at December 31, 2001, consisted of the following:

Equipment Acquisition Bonds	
Principal Outstanding	\$29,120
Interest Rates	4.95%
O.W.D.A. Loans	
Principal Outstanding	\$836,606
Interest Rates	3.2% - 9.9%



**CITY OF TORONTO  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**4. DEBT OBLIGATIONS (Continued)**

Accrued Police & Fire Pension Liability	
Principal Outstanding	\$149,505
Interest Rate	2.25%
New City Building Loan	
Principal Outstanding	\$750,000
Interest Rates	2.8%

Bonded debt was issued for the purchase of two trucks, one for the sewer department and a garbage compactor. Revenue from the utility facilities are used to repay this debt.

Ohio Water Development Authority (OWDA) loans were issued for the construction of a sewage treatment facility and a water treatment facility. Property and revenue of the utility facilities have been pledged to pay this debt.

Accrued police and fire pension liability was incurred when the State of Ohio established the statewide pension system for police and fire personnel in 1967. This is paid semiannually from revenue received in the Police Pension Fund and the Fire Pension Fund.

Note debt is for the acquisition and upgrade of a new city building. The capital improvement portion of income taxes will be used to repay this debt.

The annual requirements to amortize all general obligation debt outstanding as of December 31, 2001, including interest payments are as follows:

Year ending December 31:	Equipment Acquisition Bonds	OWDA Loan	Police and Fire Pension Liability	City Building Loan
2002	\$ 20,902	\$ 97,170	\$ 8,415	\$ 770,417
2003	9,803	97,170	8,415	
2004	0	97,170	8,415	
2005	0	97,170	8,415	
2006	0	97,170	8,415	
Subsequent	0	609,517	239,442	
Total	<u>\$ 30,705</u>	<u>\$ 1,095,367</u>	<u>\$ 281,517</u>	<u>\$ 770,417</u>

**5. LEASE OBLIGATIONS**

The City is a party in the following leases:

The City entered into a lease purchase agreement with Municipal Services Group, Inc. for the purchase of four vehicles. Repayment will be made from tax receipts, local government monies and utility receipts.

**CITY OF TORONTO  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**5 LEASE OBLIGATIONS (Continued)**

The City entered into a lease purchase agreement with Public-Finance Company, Inc for the purchase of water meters. Repayment will be made from utility receipts.

The annual requirements to amortize all lease debt outstanding as of December 31, 2001, including interest payments are as follows:

Year ending December 31:	Vehicle Lease	Water Meter Lease
2002	\$ 33,672	\$ 68,633
2003	33,672	68,633
2004	33,672	68,633
2005	_____	68,492
Total	\$ 101,016	\$ 274,391

**6. RISK POOL MEMBERSHIP**

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

**A. Casualty Insurance**

PEP retains casualty risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation. If losses exhaust PEP’s retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

**B. Property Insurance**

PEP retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding up \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

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

**CITY OF TORONTO  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**6. RISK POOL MEMBERSHIP (Continued)**

**C. Financial Position**

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

<b>Casualty Coverage</b>	<b><u>2001</u></b>
Assets	\$19,358,458
Liabilities	(8,827,588)
	<hr/>
Retained Earnings	\$10,530,870
	<hr/> <hr/>
 <b>Property Coverage</b>	
Assets	\$1,890,323
Liabilities	(469,100)
	<hr/>
Retained Earnings	\$1,421,223
	<hr/> <hr/>

**7. DEFINED BENEFIT PENSION PLANS**

**A. Public Employees Retirement System**

All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2001 employer pension contribution rate for the City was 9.25 percent of covered payroll, increased from 6.54 percent in 2000. For 2000, PERS instituted a temporary employer rate rollback for state and local governments. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to PERS for the years ended December 31, 2001, 2000, and 1999 were \$77,472, 80,834, and \$98,068, respectively, 80 percent has been contributed for 2001 and 100 percent has been contributed for 2000 and 1999.

**CITY OF TORONTO  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**7. DEFINED BENEFIT PENSION PLANS (Continued)**

**B. Ohio Police and Fire Pension Fund**

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

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 12 percent for police and 16.5 percent for firefighters. For 2000, the City contributions were 12.25 percent for police and 16.75 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the OP&F for police and firefighters were \$65,587 and \$90,572 for the year ended December 31, 2001, \$63,528 and \$87,728 for the year ended December 31, 2000, \$60,400 and \$83,410 for the year ended December 31, 1999, 78 percent has been contributed for 2001 and 100 percent has been contributed for 2000 and 1999. .

In addition to current contributions, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2001, the unfunded liability of the City was \$149,505 payable in semi-annual payments through the year 2035. This is an accounting liability of the City which will not vary.



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JIM PETRO, AUDITOR OF STATE

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## REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

City of Toronto  
Jefferson County  
308 North Sixth Street  
Toronto, Ohio 43964

To City Council:

We have audited the financial statements of City of Toronto, Jefferson County, as of and for the year ended December 31, 2001, and have issued our report thereon dated October 25, 2002, which notes the City prepares its financial statements on a comprehensive basis of accounting other than generally accepted accounting principles, which is further described in Note 1. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the City of Toronto's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings as item 2001-21241-001. We also noted certain immaterial instances of noncompliance, which we have reported to management of the City in a separate letter dated October 25, 2002.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Toronto's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated October 25, 2002.

This report is intended for the information and use of the management and City Council and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

**Jim Petro**  
Auditor of State

October 25, 2002

CITY OF TORONTO  
JEFFERSON COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2001

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<i>Finding Number</i>
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<b>2001-21241-001</b>
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**Ohio Administrative Code § 117- 2-03 (B)** requires the City to prepare its annual financial report in accordance with generally accepted accounting principles. However the City prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, can not be determined at this time.

The City should report in accordance with generally accepted accounting principles to provide more useful financial reports to all users.

**CITY OF TORONTO  
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2001**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2000-21241-001	OAC § 117-6-01 Annual report was not filed in accordance with generally accepted accounting procedures.	No	Reissued as Finding 2001-21241-001





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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800-282-0370  
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**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  
NOVEMBER 26, 2002**