



OHIO AUDITOR OF STATE
KEITH FABER



**TORONTO SCHOOL DISTRICT
JEFFERSON COUNTY
JUNE 30, 2018**

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JEFFERSON COUNTY
JUNE 30, 2018**

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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Toronto City School District, Jefferson County, Ohio (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Toronto City School District, Jefferson County, Ohio, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 21 to the financial statements, during the year ended June 30, 2018, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

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

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2019, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State

Columbus, Ohio

March 22, 2019

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Toronto City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

As management of the Toronto City School District (the School District), we offer readers of the School District's financial statements this narrative overview and analysis of the financial activities of the School District for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

- Net position increased significantly in fiscal year 2018 due mainly to changes in the net pension liability and net OPEB liability and the deferred outflows and deferred inflows of resources associated with these liabilities as well as an increase in cash and cash equivalents and intergovernmental receivables. The increase in net position was partially offset by a decrease in net capital assets resulting from current year depreciation outpacing capital asset additions.
- Total program expenses decreased in fiscal year 2018 due to changes in the net pension liability and net OPEB liability. Program expenses excluding amounts related to the net pension and net OPEB liabilities actually increased due to higher purchased service costs and capital outlay costs during fiscal year 2018.
- The School District's major capital asset additions include various land improvements, building improvements and 2 buses.
- The School District actively pursues grants and controls expenses while still maintaining the high academic standards the residents expect of the School District.

Overview of the Financial Statements

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

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

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

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

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

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

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual*, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Table 1 provides a comparison of the School District's Net Position for 2018 compared to 2017.

Toronto City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

(Table 1)
Net Position
Governmental Activities

	2018	Restated 2017	Change
Assets			
Current and Other Assets	\$20,925,386	\$12,874,878	\$8,050,508
Capital Assets, Net	18,208,090	18,802,084	(593,994)
<i>Total Assets</i>	<u>39,133,476</u>	<u>31,676,962</u>	<u>7,456,514</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding	231,953	240,261	(8,308)
Pension	2,815,361	2,484,361	331,000
OPEB	106,711	17,868	88,843
<i>Total Deferred Outflows of Resources</i>	<u>3,154,025</u>	<u>2,742,490</u>	<u>411,535</u>
Liabilities			
Current Liabilities	831,744	1,001,278	169,534
Long-Term Liabilities			
Due within One Year	128,307	131,541	3,234
Due in More than One Year			
Net Pension Liability	8,878,658	12,107,738	3,229,080
Net OPEB Liability	2,053,747	2,506,745	452,998
Other Amounts	8,448,020	8,486,688	38,668
<i>Total Liabilities</i>	<u>20,340,476</u>	<u>24,233,990</u>	<u>3,893,514</u>
Deferred Inflows of Resources			
Property Taxes	2,356,011	2,109,123	(246,888)
Pension	447,115	182,062	(265,053)
OPEB	236,389	0	(236,389)
<i>Total Deferred Inflows of Resources</i>	<u>3,039,515</u>	<u>2,291,185</u>	<u>(501,442)</u>
Net Position			
Net Investment in Capital Assets	10,391,119	10,978,239	(587,120)
Restricted for:			
Capital Projects	9,940,120	0	9,940,120
Debt Service	1,015,442	838,885	176,557
Other Purposes	443,370	445,177	(1,807)
Unrestricted (Deficit)	<u>(2,882,541)</u>	<u>(4,368,024)</u>	<u>1,485,483</u>
<i>Total Net Position</i>	<u>\$18,907,510</u>	<u>\$7,894,277</u>	<u>\$11,013,233</u>

Toronto City School District
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For the Fiscal Year Ended June 30, 2018
Unaudited

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the School District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the School District's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

In accordance with GASB 68 and GASB 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from \$10,383,154 to \$7,894,277.

The School District continues to provide the services that the School District residents expect while maintaining the costs of providing those services. The most dramatic changes were to cash and cash equivalents, intergovernmental receivables, current liabilities, capital assets and the changes from net pension/OPEB changes noted above. Cash and cash equivalents increased from fiscal year 2017 mainly due to the School District conservatively spending in order to set aside cash for future capital projects related to the construction of the new school facility. The increase in intergovernmental receivables is due to new monies expected to be received from the Ohio Facilities Construction Commission (OFCC) for the upcoming construction of new facilities for the School District. Current liabilities decreased primarily due to the decrease in accrued wages payable resulting from the School District taking a insurance premium holiday in July and August. Capital assets decreased due to current year depreciation exceeding additions for 2018.

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

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

Table 2 shows the changes in net position for fiscal year 2018 compared to 2017.

Toronto City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

(Table 2)
Change in Net Position
Governmental Activities

	2018	2017	Change
Revenues			
<i>Program Revenues</i>			
Charges for Services and Sales	\$1,157,519	\$1,249,291	(\$91,772)
Operating Grants and Contributions	1,508,535	1,575,856	(67,321)
<i>Total Program Revenues</i>	2,666,054	2,825,147	(159,093)
<i>General Revenues</i>			
Property Taxes	2,242,459	2,571,333	(328,874)
Grants and Entitlements not Restricted	12,577,856	6,374,024	6,203,832
Unrestricted Contributions	14,664	25	14,639
Investment Earnings	22,825	13,323	9,502
Miscellaneous	49,653	0	49,653
<i>Total General Revenues</i>	14,907,457	8,958,705	5,948,752
<i>Total Revenues</i>	17,573,511	11,783,852	5,789,659
Program Expenses			
Current:			
Instruction:			
Regular	1,995,336	4,692,226	2,696,890
Special	933,839	1,262,009	328,170
Vocational	12,806	151,111	138,305
Support Services:			
Pupils	235,159	274,808	39,649
Instructional Staff	57,629	86,612	28,983
Board of Education	8,991	9,276	285
Administration	700,002	1,005,942	305,940
Fiscal	285,926	345,068	59,142
Business	85,452	87,939	2,487
Operation and Maintenance of Plant	905,745	1,080,718	174,973
Pupil Transportation	132,976	185,631	52,655
Central	73,753	71,717	(2,036)
Extracurricular Activities	303,469	417,673	114,204
Operation of Non-Instructional Services:			
Food Service Operations	413,159	433,935	20,776
Other Non-Instructional Services	23,607	18,604	(5,003)
Interest and Fiscal Charges	392,429	418,396	25,967
<i>Total Program Expenses</i>	6,560,278	10,541,665	3,981,387
<i>Change in Net Position</i>	11,013,233	1,242,187	9,771,046
<i>Net Position Beginning of Year</i>	7,894,277	N/A	
<i>Net Position End of Year</i>	\$18,907,510	\$7,894,277	\$11,013,233

Toronto City School District
Management's Discussion and Analysis
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The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$17,868 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$280,677. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	\$6,560,278
Negative OPEB expense under GASB 75	280,677
2018 contractually required contribution	<u>24,775</u>
Adjusted 2018 program expenses	6,865,730
Total 2017 program expenses under GASB 45	<u>10,541,665</u>
Decrease in program expenses not related to OPEB	<u><u>(\$3,675,935)</u></u>

The largest component of the decrease in program expenses results from changes in assumptions and benefit terms related to pensions. STRS adopted certain assumption changes, including a reduction in their discount rate, and also voted to suspend cost of living adjustments (COLA). SERS decreased their COLA assumption. (See Note 14) As a result of these changes, pension expense decreased from \$1,007,030 in fiscal year 2017 to a negative pension expense of \$2,670,692 for fiscal year 2018. The allocation of the fiscal year 2018 negative pension expense to program expenses is as follows:

Program Expenses	2018 Program Expenses Related to Negative Pension Expense
Instruction:	
Regular	(\$1,985,004)
Special	(210,030)
Vocational	(55,594)
Support Services:	
Pupils	(77,718)
Instructional Staff	(25,600)
Administration	(194,166)
Fiscal	(1,833)
Operation and Maintenance of Plant	(4,178)
Pupil Transportation	(1,038)
Operation of Food Service Operations	(1,299)
Extracurricular Activities	<u>(114,232)</u>
Total Expenses	<u><u>(\$2,670,692)</u></u>

Toronto City School District
Management's Discussion and Analysis
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Program revenues decreased for governmental activities in fiscal year 2018. Charges for services and sales decreased due to a drop in tuition received through foundation adjustments. Operating grants decreased due to reductions in current year restricted grants available from the Ohio Department of Education. General revenues increased in fiscal year 2018 primarily resulting from increased grants and entitlements received through State Foundation and OFCC grant monies receivable related to the school construction.

Program expenses decreased in fiscal year 2018 due to changes in the net pension liability and net OPEB liability. As mentioned previously, pension expense decreased by \$3,677,722 attributable to changes in the net pension liability. The recording on a net OPEB liability resulted in an additional \$280,677 decrease to program expenses. Changes in deferred outflows relating to payments made subsequent to the measurement date resulted in a decrease of \$54,544 to program expenses as well.

Program expenses excluding amounts related to the net pension and net OPEB liabilities actually increased by approximately \$31,556 due to higher purchased services costs and capital outlay costs. These increases were offset by decreases in salaries and benefits due to the School District taking insurance premium holidays throughout the fiscal year due to excess cash balances in the self-insurance fund.

The School District relies heavily upon property taxes and the State School Foundation Program to support its operations. The School District also actively solicits and receives additional grant and entitlement funds to help offset operating costs. The increase in grants and entitlements not restricted can be attributed to the School District actively seeking out additional sources of Federal and State funding to ensure the programs important to the community are maintained.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for 2018 compared to 2017.

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

	2018		2017	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$2,941,981	\$966,945	\$6,105,346	\$4,011,543
Support Services:				
Pupils and Instructional Staff	292,788	283,674	361,420	360,057
Board of Education, Administration				
Fiscal and Business	1,080,371	940,662	1,448,225	1,303,323
Operation and Maintenance of Plant	905,745	879,622	1,080,718	1,054,365
Pupil Transportation	132,976	126,701	185,631	180,258
Central	73,753	73,753	71,717	71,717
Extracurricular Activities	303,469	132,782	417,673	235,897
Operation of Non-Instructional Services:				
Food Service Operations	413,159	74,049	433,935	62,358
Other Non-Instructional Services	23,607	23,607	18,604	18,604
Interest and Fiscal Charges	392,429	392,429	418,396	418,396
<i>Total Expenses</i>	<u>\$6,560,278</u>	<u>\$3,894,224</u>	<u>\$10,541,665</u>	<u>\$7,716,518</u>

Toronto City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

The dependence upon general revenues for governmental activities is apparent as they account for a majority of the total cost of services in fiscal year 2018. The community, as a whole, is by far the primary support for the Toronto City School District.

Financial Analysis of the Government's Funds

Governmental Fund Information about the School District's major funds begins with the balance sheet. These funds are accounted for using the modified accrual basis of accounting. The general fund had an increase in fund balance primarily due to decreases in salaries and benefits due to the School District taking insurance premium holidays throughout the fiscal year. Intergovernmental revenue increased due to the School District seeking out additional funding sources. Property tax revenues decreased due to the timing of advance settlements. The bond retirement fund balance increased from the prior fiscal year due to property tax collections outpacing the debt obligations due in fiscal year 2018. The classroom facilities capital projects fund was established with transfers during the fiscal year, which caused the fund to be major in fiscal year 2018 due to its cash balance.

General Fund Budgeting Highlights

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

During the course of fiscal year 2018 the School District amended its general fund budget numerous times. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, the final budget basis revenue estimate was higher than the original budget estimate. The difference can be attributed to the increase in intergovernmental revenues. These amounts increased due to an increase in collections and a higher than expected enrollment number. These revenue line items fluctuate year to year and are budgeted on a conservative basis to avoid revenue overestimations. Actual revenue was lower than final budget basis revenue predominantly due to tuition and fees and miscellaneous revenues coming in lower than expected. The final budget appropriations were consistent with the original budget appropriations of the general fund. Actual expenditures and other financing uses were lower than final budget appropriations due to the School District keeping spending in control while ensuring the programs important to the community are maintained.

Capital Assets and Long-term Liabilities

Capital Assets

During fiscal year 2018, the School District's capital asset additions included various land improvements, building improvements and 2 buses while deletions included 3 buses. Please refer to Note 10 within the Notes to the Basic Financial Statements for further information on capital assets.

Debt

On December 20, 2010, the School District issued school facilities and school improvement bonds for the purpose of constructing, furnishing and equipping a new middle/high school building as well as various other improvement to existing school buildings. The bonds include capital appreciation (deep discount) bonds, Build America Term bonds and qualified school construction term bonds. The bonds were issued at a

Toronto City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

premium. The School District may elect to receive payments directly from the Secretary of the United States Treasury equal to 100 percent of the corresponding interest payable on the qualified school construction term bonds. During fiscal year 2014, the Build America Term bonds were removed from the School District through a refunding debt issuance. The capital appreciation bonds were retired in full in fiscal year 2018. The bonds were originally issued for a thirty-five year period with final maturity now at December 1, 2029. The bonds will be retired from the bond retirement debt service fund.

On June 2, 2014, the School District issued general obligation bonds to refund a portion of the 2010 general obligation classroom facilities and school improvement bonds. The general obligation bonds included serial, term and capital appreciation (deep discount) bonds. The bonds were issued at a premium. The bonds were issued for a thirty-two year period with a final maturity at December 1, 2045. The serial bonds were retired in full during fiscal year 2016. The capital appreciation bonds were originally sold at a discount, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is fiscal year 2031. The serial bonds were retired in full during fiscal year 2016.

As of June 30, 2018, the School District's overall legal debt margin was \$0 with an unvoted debt margin of \$83,033. Please refer to Note 17 within the Notes to the Basic Financial Statements for further information on debt.

Current Financial Related Activities

Toronto is a small residential community of 4,814 people along the Ohio River in Eastern Ohio. Its major business is TIMET, a worldwide producer/distributor of titanium sheet metal products. Many of its residents are employed in the area gaming industry at Mountaineer Park and Wheeling Downs as well as Franciscan University of Steubenville, Trinity Health Systems and Walmart Distribution Center. It also has a number of small and medium businesses.

The School District is currently operating under HB49 funding formula. According to the fiscal year 2017 District Profile Report (fiscal year 2018 is not available) prepared by the Ohio Department of Education, seventeen percent of the School District's revenue sources are from local funds, sixty-three percent is from State funds, seven percent is from Federal funds and the remaining thirteen percent is from other. The total expenditures per pupil were calculated at \$8,450.

Over the past several years, the School District has remained in a good financial position. In May 1995, the School District passed a 5 mill five-year operating levy. Voters have continued to approve a replacement of the levy. The replacement levy generates \$389,013 annually. The last collection on that levy will occur in calendar year 2020. This levy provides a source of funds for the financial operations and stability of the School District. However, future finances are not without challenges as our community changes. Some of these challenges are in the future long term effects of public utility deregulation, as well as the reduction of personal property for business inventory.

Contacting the School District's Financial Management

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

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Basic Financial Statements

Toronto City School District

Statement of Net Position

June 30, 2018

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$8,812,653
Cash and Cash Equivalents With Fiscal Agents	3,090,418
Accounts Receivable	1,313
Intergovernmental Receivable	6,264,159
Inventory Held for Resale	5,848
Materials and Supplies Inventory	3,620
Property Taxes Receivable	2,747,375
Nondepreciable Capital Assets	215,638
Depreciable Capital Assets, Net	17,992,452
<i>Total Assets</i>	39,133,476
Deferred Outflows of Resources	
Deferred Charge on Refunding	231,953
Pension	2,815,361
OPEB	106,711
<i>Total Deferred Outflows of Resources</i>	3,154,025
Liabilities	
Accounts Payable	2,435
Accrued Wages	526,418
Contracts Payable	1,486
Intergovernmental Payable	127,413
Matured Compensated Absences Payable	22,685
Accrued Interest Payable	30,375
Claims Payable	120,932
Long-Term Liabilities:	
Due Within One Year	128,307
Due in More Than One Year	
Net Pension Liability (Note 14)	8,878,658
Net OPEB Liability (Note 15)	2,053,747
Other Amounts	8,448,020
<i>Total Liabilities</i>	20,340,476
Deferred Inflows of Resources	
Property Taxes	2,356,011
Pension	447,115
OPEB	236,389
<i>Total Deferred Inflows of Resources</i>	3,039,515
Net Position	
Net Investment in Capital Assets	10,391,119
Restricted for:	
Capital Projects	9,940,120
Debt Service	1,015,442
Other Purposes	443,370
Unrestricted (Deficit)	(2,882,541)
<i>Total Net Position</i>	\$18,907,510

See accompanying notes to the basic financial statements

Toronto City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2018

	Program Revenues		Net Revenue/(Expense) and Changes in Net Position
	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities			
Instruction:			
Regular	\$1,995,336	\$728,509	\$419,598 (\$847,229)
Special	933,839	131,627	665,965 (136,247)
Vocational	12,806	17,013	12,324 16,531
Support Services:			
Pupils	235,159	0	9,114 (226,045)
Instructional Staff	57,629	0	0 (57,629)
Board of Education	8,991	0	0 (8,991)
Administration	700,002	560	46,516 (652,926)
Fiscal	285,926	0	0 (285,926)
Business	85,452	92,633	0 7,181
Operation and Maintenance of Plant	905,745	0	26,123 (879,622)
Pupil Transportation	132,976	0	6,275 (126,701)
Central	73,753	0	0 (73,753)
Extracurricular Activities	303,469	119,057	51,630 (132,782)
Operation of Non-Instructional Services:			
Food Service Operations	413,159	68,120	270,990 (74,049)
Other Non-Instructional Services	23,607	0	0 (23,607)
Interest and Fiscal Charges	392,429	0	0 (392,429)
<i>Totals</i>	\$6,560,278	\$1,157,519	\$1,508,535 (3,894,224)

General Revenues

Property Taxes Levied for:	
General Purposes	1,728,604
Debt Service	483,829
Classroom Facilities	30,026
Grants and Entitlements not Restricted to Specific Programs	12,577,856
Unrestricted Contributions	14,664
Investment Earnings	22,825
Miscellaneous	49,653
<i>Total General Revenues</i>	14,907,457
Change in Net Position	11,013,233
<i>Net Position Beginning of Year - Restated (See Note 21)</i>	7,894,277
<i>Net Position End of Year</i>	\$18,907,510

See accompanying notes to the basic financial statements

Toronto City School District
Balance Sheet
Governmental Funds
June 30, 2018

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$2,742,124	\$1,037,894	\$3,876,647	\$1,155,988	\$8,812,653
Property Taxes Receivable	2,103,031	606,684	0	37,660	2,747,375
Accounts Receivable	1,313	0	0	0	1,313
Intergovernmental Receivable	43,764	0	6,063,473	156,922	6,264,159
Interfund Receivable	48,859	0	0	0	48,859
Inventory Held for Resale	0	0	0	5,848	5,848
Materials and Supplies Inventory	0	0	0	3,620	3,620
<i>Total Assets</i>	<u>\$4,939,091</u>	<u>\$1,644,578</u>	<u>\$9,940,120</u>	<u>\$1,360,038</u>	<u>\$17,883,827</u>
Liabilities					
Accounts Payable	\$2,435	\$0	\$0	\$0	\$2,435
Accrued Wages	446,296	0	0	80,122	526,418
Contracts Payable	1,486	0	0	0	1,486
Intergovernmental Payable	122,595	0	0	4,818	127,413
Interfund Payable	0	0	0	48,859	48,859
Matured Compensated Absences Payable	22,685	0	0	0	22,685
<i>Total Liabilities</i>	<u>595,497</u>	<u>0</u>	<u>0</u>	<u>133,799</u>	<u>729,296</u>
Deferred Inflows of Resources					
Property Taxes	1,793,235	530,024	0	32,752	2,356,011
Unavailable Revenue	220,054	44,420	6,063,473	70,463	6,398,410
<i>Total Deferred Inflows of Resources</i>	<u>2,013,289</u>	<u>574,444</u>	<u>6,063,473</u>	<u>103,215</u>	<u>8,754,421</u>
Fund Balances					
Nonspendable	0	0	0	3,620	3,620
Restricted	0	1,070,134	3,876,647	429,034	5,375,815
Committed	207,068	0	0	0	207,068
Assigned	2,123,237	0	0	722,728	2,845,965
Unassigned (Deficit)	0	0	0	(32,358)	(32,358)
<i>Total Fund Balances</i>	<u>2,330,305</u>	<u>1,070,134</u>	<u>3,876,647</u>	<u>1,123,024</u>	<u>8,400,110</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$4,939,091</u>	<u>\$1,644,578</u>	<u>\$9,940,120</u>	<u>\$1,360,038</u>	<u>\$17,883,827</u>

See accompanying notes to the basic financial statements

Toronto City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2018*

Total Governmental Funds Balances	\$8,400,110
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	18,208,090
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:	
Delinquent Property Taxes	267,397
Intergovernmental	<u>6,131,013</u>
Total	6,398,410
The net pension liability and net OPEB liability are not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:	
Deferred Outflows - Pension	2,815,361
Deferred Outflows - OPEB	106,711
Net Pension Liability	(8,878,658)
Net OPEB Liability	(2,053,747)
Deferred Inflows - Pension	(447,115)
Deferred Inflows - OPEB	<u>(236,389)</u>
Total	(8,693,837)
The internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	2,969,486
In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.	(30,375)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(8,164,917)
Compensated Absences	(411,410)
Deferred Charge on Refunding	<u>231,953</u>
Total	<u>(8,344,374)</u>
<i>Net Position of Governmental Activities</i>	<u><u>\$18,907,510</u></u>

See accompanying notes to the basic financial statements

Toronto City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$1,722,072	\$482,510	\$0	\$29,939	\$2,234,521
Intergovernmental	6,821,737	173,634	0	1,125,000	8,120,371
Interest	3,540	0	0	2	3,542
Charges for Services	0	0	0	68,120	68,120
Tuition and Fees	869,444	0	0	8,265	877,709
Extracurricular Activities	92,633	0	0	119,057	211,690
Contributions and Donations	14,664	0	0	51,630	66,294
Miscellaneous	49,653	0	0	0	49,653
<i>Total Revenues</i>	<u>9,573,743</u>	<u>656,144</u>	<u>0</u>	<u>1,402,013</u>	<u>11,631,900</u>
Expenditures					
Current:					
Instruction:					
Regular	3,661,321	0	0	135,413	3,796,734
Special	648,475	0	0	462,654	1,111,129
Vocational	85,216	0	0	0	85,216
Support Services:					
Pupils	317,626	0	0	10,093	327,719
Instructional Staff	75,333	0	0	0	75,333
Board of Education	8,991	0	0	0	8,991
Administration	831,209	0	0	49,599	880,808
Fiscal	276,849	12,654	0	780	290,283
Business	84,595	0	0	0	84,595
Operation and Maintenance of Plant	807,478	0	0	112,146	919,624
Pupil Transportation	128,867	0	0	86,931	215,798
Central	51,584	0	0	22,169	73,753
Extracurricular Activities	186,359	0	0	198,280	384,639
Operation of Non-Instructional Services:					
Food Service Operations	0	0	0	405,921	405,921
Other Non-Instructional Services	2,102	0	0	4,488	6,590
Capital Outlay	0	0	0	65,510	65,510
Debt Service:					
Principal Retirement	0	9,668	0	0	9,668
Interest and Fiscal Charges	0	364,500	0	0	364,500
Capital Appreciation Bond Accretion	0	100,332	0	0	100,332
<i>Total Expenditures</i>	<u>7,166,005</u>	<u>487,154</u>	<u>0</u>	<u>1,553,984</u>	<u>9,207,143</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,407,738</u>	<u>168,990</u>	<u>0</u>	<u>(151,971)</u>	<u>2,424,757</u>
Other Financing Sources (Uses)					
Transfers In	0	0	3,876,647	416,000	4,292,647
Transfers Out	(1,416,000)	0	0	(2,876,647)	(4,292,647)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,416,000)</u>	<u>0</u>	<u>3,876,647</u>	<u>(2,460,647)</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	991,738	168,990	3,876,647	(2,612,618)	2,424,757
<i>Fund Balances Beginning of Year</i>	<u>1,338,567</u>	<u>901,144</u>	<u>0</u>	<u>3,735,642</u>	<u>5,975,353</u>
<i>Fund Balances End of Year</i>	<u>\$2,330,305</u>	<u>\$1,070,134</u>	<u>\$3,876,647</u>	<u>\$1,123,024</u>	<u>\$8,400,110</u>

See accompanying notes to the basic financial statements

Toronto City School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2018*

Net Change in Fund Balances - Total Governmental Funds \$2,424,757

*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	179,938	
Current Year Depreciation	<u>(773,932)</u>	
Total		(593,994)

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

Delinquent Property Taxes	7,938	
Intergovernmental	<u>5,914,390</u>	
Total		5,922,328

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:

Principal Retirement	9,668	
Capital Appreciation Bond Accretion	<u>100,332</u>	
Total		110,000

Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Amortization of Accretion	(31,383)	
Amortization of Bond Premium	11,762	
Amortization of Deferred Charge on Refunding	<u>(8,308)</u>	
Total		(27,929)

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

(48,477)

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

(373,931)

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

Pension	624,335	
OPEB	<u>24,775</u>	
Total		649,110

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities:

Pension	2,670,692	
OPEB	<u>280,677</u>	
		<u>2,951,369</u>

Change in Net Position of Governmental Activities

\$11,013,233

See accompanying notes to the basic financial statements

Toronto City School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$1,961,564	\$1,961,564	\$1,956,076	(\$5,488)
Intergovernmental	6,452,990	6,850,337	6,811,368	(38,969)
Interest	3,333	3,540	3,540	0
Tuition and Fees	901,241	951,673	864,517	(87,156)
Contributions and Donations	14,309	15,164	14,664	(500)
Miscellaneous	188,866	189,928	19,908	(170,020)
<i>Total Revenues</i>	9,522,303	9,972,206	9,670,073	(302,133)
Expenditures				
Current:				
Instruction:				
Regular	5,329,885	5,330,284	3,837,514	1,492,770
Special	816,168	816,168	647,736	168,432
Vocational	126,041	126,041	113,905	12,136
Support Services:				
Pupils	381,979	382,679	322,277	60,402
Instructional Staff	87,622	87,622	75,789	11,833
Board of Education	12,569	12,569	9,431	3,138
Administration	1,104,461	1,104,461	949,397	155,064
Fiscal	359,269	359,269	320,289	38,980
Operation and Maintenance of Plant	1,157,519	1,157,519	962,545	194,974
Pupil Transportation	299,897	299,897	192,577	107,320
Central	103,968	111,758	56,087	55,671
Extracurricular Activities	195,128	195,128	189,273	5,855
Operation of Non-Instructional Services:				
Other Non-Instructional Services	3,856	3,856	2,102	1,754
<i>Total Expenditures</i>	9,978,362	9,987,251	7,678,922	2,308,329
<i>Excess of Revenues Over (Under) Expenditures</i>	(456,059)	(15,045)	1,991,151	2,006,196
Other Financing Sources (Uses)				
Transfers Out	(974,986)	(1,416,000)	(1,416,000)	0
<i>Net Change in Fund Balance</i>	(1,431,045)	(1,431,045)	575,151	2,006,196
<i>Fund Balance Beginning of Year</i>	1,431,046	1,431,046	1,431,046	0
Prior Year Encumbrances Appropriated	301,002	301,002	301,002	0
<i>Fund Balance End of Year</i>	\$301,003	\$301,003	\$2,307,199	\$2,006,196

See accompanying notes to the basic financial statements

Toronto City School District
Statement of Fund Net Position
Internal Service Fund
June 30, 2018

	<u>Self Insurance</u>
Assets	
Cash and Cash Equivalents With Fiscal Agents	\$3,090,418
Liabilities	
Claims Payable	<u>120,932</u>
Net Position	
Unrestricted	<u><u>\$2,969,486</u></u>

See accompanying notes to the basic financial statements

Toronto City School District
*Statement of Revenues,
 Expenses and Changes in Fund Net Position
 Internal Service Fund
 For the Fiscal Year Ended June 30, 2018*

	Self Insurance
Operating Revenues	
Charges for Services	\$891,180
Operating Expenses	
Purchased Services	62,823
Claims	1,221,571
<i>Total Operating Expenses</i>	1,284,394
<i>Operating Income (Loss)</i>	(393,214)
Non-Operating Revenues (Expenses)	
Interest	19,283
<i>Net Change in Net Position</i>	(373,931)
<i>Net Position Beginning of Year</i>	3,343,417
<i>Net Position End of Year</i>	\$2,969,486

See accompanying notes to the basic financial statements

Toronto City School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2018

	Self Insurance
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Interfund Services Provided	\$891,180
Cash Payments for Services	(62,823)
Cash Payments for Claims	(1,220,426)
<i>Net Cash Provided by (Used for) Operating Activities</i>	(392,069)
Cash Flows from Investing Activities	
Interest on Investments	19,283
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(372,786)
<i>Cash and Cash Equivalents Beginning of Year</i>	3,463,204
<i>Cash and Cash Equivalents End of Year</i>	\$3,090,418
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities	
Operating Income (Loss)	(\$393,214)
Adjustments:	
Increase (Decrease) in Claims Payable	1,145
<i>Net Cash Provided by (Used for) Operating Activities</i>	(\$392,069)
See accompanying notes to the basic financial statements	

Toronto City School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$22,786	\$69,587
Liabilities		
Due to Students	0	\$69,587
Net Position		
Held in Trust for Scholarships	\$22,786	

See accompanying notes to the basic financial statements

Toronto City School District
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2018

	<u>Scholarship</u>
Additions	
Interest	\$6
Deductions	
College Scholarships Awarded	300
<i>Change in Net Position</i>	(294)
<i>Net Position Beginning of Year</i>	23,080
<i>Net Position End of Year</i>	\$22,786

See accompanying notes to the basic financial statements

Toronto City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 1 – Description of the School District and Reporting Entity

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

The School District operates under a locally-elected five member Board form of government and provides educational services to residents of the School District. The Board oversees the operations of the School District's two instructional/support facilities staffed by the 35 non-certified and 66 certified full-time teaching personnel who provide services to 971 students and other community members.

Reporting Entity

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

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

The School District is associated with two jointly governed organizations, two insurance purchasing pools and one risk sharing pool. These organizations are the Ohio Mid-Eastern Regional Education Service Agency, Jefferson County Joint Vocational School, the Ohio School Boards Association Workers' Compensation Group Retrospective Rating Program, the Jefferson Health Plan and the Schools of Ohio Risk Sharing Authority. These organizations are presented in Notes 18 and 19 of the basic financial statements.

Note 2 – Summary of Significant Accounting Policies

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

Basis of Presentation

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

Toronto City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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

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

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

Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

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

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

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

Classroom Facilities Fund The classroom facilities fund accounts for grants and interest received and expended in connection with contracts entered into by the School District and the Ohio Facilities Construction Commission for the building and equipping of classroom facilities.

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

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

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

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

Measurement Focus

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

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

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

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statements presented for the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

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

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

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding, pension and OPEB plans. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 14 and 15.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB plans and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 19. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 14 and 15)

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

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

Pensions/Other Postemployment Benefits (OPEB)

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

Budgetary Data

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original and final appropriations were passed by the Board of Education.

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

Cash and Cash Equivalents

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

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2018 amounted to \$3,540, none of which was assigned from other School District funds.

Toronto City School District
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Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

Inventory

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

Capital Assets

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

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

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

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

Deferred Charge on Refunding

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

Bond Premiums

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On the fund financial statements, bond premiums are received in the year the bonds are issued. Under Ohio law, premiums on the original issuance of debt are to be deposited to

Toronto City School District
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the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

Interfund Balances

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

Compensated Absences

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

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

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

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

Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, and are reported as obligations of the funds. However, claims and judgments, 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 the payment during the current fiscal year. Bonds and capital lease obligations are recognized as a liability on the governmental fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those

Toronto City School District
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assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service operations, instruction, support services and extracurricular activities.

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

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of Education, delegated that authority by State statute. The Board of Education assigned fund balance for capital improvements, school support and to cover a gap between estimated revenue and appropriations in fiscal year 2019’s budget.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

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Estimates

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

Note 3 – Fund Balances

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

Fund Balances	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total
<i>Nonspendable</i>					
Materials and Supplies Inventory	\$0	\$0	\$0	\$3,620	\$3,620
<i>Restricted for</i>					
Scholarships	0	0	0	61,891	61,891
Athletics	0	0	0	40,157	40,157
Classroom Facilities Maintenance	0	0	0	321,389	321,389
Preschool	0	0	0	4,411	4,411
Debt Service Payments	0	1,070,134	0	0	1,070,134
Capital Improvements	0	0	3,876,647	0	3,876,647
Other Purposes	0	0	0	1,186	1,186
<i>Total Restricted</i>	0	1,070,134	3,876,647	429,034	5,375,815
<i>Committed to</i>					
Education Services	102,516	0	0	0	102,516
Technical Support Services	104,552	0	0	0	104,552
<i>Total Committed</i>	207,068	0	0	0	207,068
<i>Assigned to</i>					
Capital Improvements	0	0	0	722,728	722,728
School Support	31,465	0	0	0	31,465
Fiscal Year 2019 Operations	1,848,393	0	0	0	1,848,393
Purchases on Order:					
Instruction	24,629	0	0	0	24,629
Support Services	218,750	0	0	0	218,750
<i>Total Assigned</i>	2,123,237	0	0	722,728	2,845,965
<i>Unassigned (Deficit)</i>	0	0	0	(32,358)	(32,358)
<i>Total Fund Balances</i>	\$2,330,305	\$1,070,134	\$3,876,647	\$1,123,024	\$8,400,110

Toronto City School District
Notes to the Basic Financial Statements
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Note 4 – Accountability

Fund balances at June 30, 2018, included the following individual fund deficits:

Special Revenue Funds:

Food Service	\$6,544
Title VI-B	10,314
Title I	5,895
Special Education Preschool	2,826
Reducing Class Size	3,159

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

Note 5 – Budgetary Basis of Accounting

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

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

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

Net Change in Fund Balance	
GAAP Basis	\$991,738
Net Adjustment for Revenue Accruals	3,697
Perspective Difference:	
Public School Support	8,038
Net Adjustment for Expenditure Accruals	23,997
Adjustment for Encumbrances	(452,319)
Budget Basis	\$575,151

Toronto City School District
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For the Fiscal Year Ended June 30, 2018

Note 6 – Deposits and Investments

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

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

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided 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 daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

Toronto City School District
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6. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances and commercial paper for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, 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.

Note 7 – Receivables

Receivables at June 30, 2018, consisted of taxes, accounts and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of federal funds. All receivables, except for property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amounts
Ohio Facilities Construction Commission Receivable	\$6,063,473
Title I Grant	62,412
IDEA Part B Grant	46,268
Public School Preschool Grant	37,510
Speech Therapy Reimbursement	14,737
Medicare Reimbursements	11,004
Bureau of Workers' Compensation Refunds	9,578
Title II-A	5,300
Foundation Adjustments	4,927
Miscellaneous Federal Grants	4,843
Medicaid Reimbursements	3,518
Early Childhood Education Grant	589
Total	\$6,264,159

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Note 8 – Property Taxes

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

Property taxes include amounts levied against all real property and public utility property located in the School District. Real property tax revenues received in calendar year 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, the lien date. Assessed values for real property are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2018 represents collections of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 become a lien December 31, 2016, were levied after April 1, 2017, and are collected in calendar year 2018 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Jefferson County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2018 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2018, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations are reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The amount available as an advance at June 30, 2018, was \$89,742 in the general fund, \$1,985 in the classroom facilities special revenue fund and \$32,240 in the bond retirement debt service fund. The amount available as an advance at June 30, 2017, was \$323,746 in the general fund, \$7,159 in the classroom facilities special revenue fund and \$116,306 in the bond retirement debt service fund.

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The assessed values upon which the fiscal year 2018 taxes were collected are:

	2017 Second Half Collections		2018 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$64,474,790	75.63 %	\$64,632,630	77.84 %
Public Utility Personal	20,776,709	24.37	18,400,040	22.16
Total	\$85,251,499	100.00 %	\$83,032,670	100.00 %
Tax rate per \$1,000 of assessed valuation	\$45.75		\$45.75	

Note 9 – Interfund Transfers and Balances

Interfund Transfers

The general fund transferred \$66,000 to the food service special revenue fund to assist with food service operations. The general fund transferred \$350,000 and \$1,000,000, respectively, to the building and classroom facilities capital projects funds to help fund capital projects. The building capital projects fund transferred \$2,876,647 to the classroom facilities capital projects fund for the construction of the new school facility.

Interfund Balances

Interfund Payable	Interfund Receivable
	General
<i>Other Governmental Funds:</i>	
Public School Preschool	\$25,611
Title VI-B	8,988
Title I	10,597
Special Education Preschool	117
Title II-A	1,579
Miscellaneous Federal Grants	1,967
Total	\$48,859

Interfund receivables and payables at June 30, 2018, are due to the timing of the receipt of grant monies and monies collected for some programs received by various funds. The general fund provides money to operate the programs until grants and other monies are received and the advances can be repaid. These loans are expected to be repaid in one year.

Toronto City School District
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Note 10 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

Governmental Activities	Balance 06/30/17	Additions	Deductions	Balance 06/30/18
<i>Capital Assets not being Depreciated:</i>				
Land	\$215,638	\$0	\$0	\$215,638
<i>Capital Assets being Depreciated:</i>				
Land Improvements	3,449,069	46,747	0	3,495,816
Buildings and Building Improvements	20,307,824	47,510	0	20,355,334
Furniture, Fixtures and Equipment	788,680	0	0	788,680
Vehicles	564,280	85,681	(163,987)	485,974
<i>Total Capital Assets being Depreciated</i>	<u>25,109,853</u>	<u>179,938</u>	<u>(163,987)</u>	<u>25,125,804</u>
Less Accumulated Depreciation:				
Land Improvements	(1,073,448)	(155,907)	0	(1,229,355)
Buildings and Building Improvements	(4,663,631)	(545,991)	0	(5,209,622)
Furniture, Fixtures and Equipment	(311,069)	(52,076)	0	(363,145)
Vehicles	(475,259)	(19,958)	163,987	(331,230)
<i>Total Accumulated Depreciation</i>	<u>(6,523,407)</u>	<u>(773,932) *</u>	<u>163,987</u>	<u>(7,133,352)</u>
<i>Total Assets being Depreciated, Net</i>	<u>18,586,446</u>	<u>(593,994)</u>	<u>0</u>	<u>17,992,452</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$18,802,084</u>	<u>(\$593,994)</u>	<u>\$0</u>	<u>\$18,208,090</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$633,574
Special	1,795
Support Services:	
Instructional Staff	4,419
Administration	5,824
Business	857
Operation and Maintenance of Plant	25,201
Pupil Transportation	15,475
Food Service Operations	2,162
Other Non-Instructional Services	17,017
Extracurricular Activities	67,608
Total Depreciation Expense	<u>\$773,932</u>

Toronto City School District
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Note 11 – Other Employee Benefits

Compensated Absences

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

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

Note 12 – Contingencies

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 adverse effect on the overall financial position of the District at June 30, 2018.

School Foundation

School district Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2018 have been finalized and were determined to be insignificant.

Litigation

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

Note 13 – Risk Management

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2018, the School District contracted with Schools of Ohio Risk Sharing Authority (SORSA) for various types of insurance. Coverage is as follows:

Toronto City School District
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Coverage	Deductible	Liability Limit
Building and Business Personal Property	\$1,000	*
* All SORSA Members covered up to \$300,000,000		
Limit including extensions of coverage		
Earthquake	50,000	2,000,000
Flood Limit	50,000	2,000,000
Equipment Breakdown	1,000	300,000,000
CFC Refrigerants	1,000	250,000
Hazardous Substance	1,000	250,000
Spoilage	1,000	250,000
Expediting expenses	1,000	250,000
Crime Coverage		
Employee Dishonesty	1,000	100,000
Forgery or Alteration	1,000	100,000
Computer Fraud	1,000	100,000
Theft, Disappearance and Destruction	1,000	100,000
General Liability		
Bodily Injury		15,000,000
Personal Injury		15,000,000
Products/Completed Operations		15,000,000
Employers Stop Gap Liability		
Bodily Injury by accident - each accident		15,000,000
Bodily Injury by disease - policy limit		15,000,000
Bodily Injury by disease - each employee		15,000,000
Aggregate Limit		15,000,000
General Annual Aggregate		17,000,000
Fire Legal Liability		500,000
Medical Payments Occurrence/Aggregate		10,000/25,000
Educator's Legal Liability		
Wrongful Acts Coverage	2,500	
Per occurrence		15,000,000
Aggregate		15,000,000
Employee Benefits Liability		15,000,000
Automobile Liability		
Bodily injury & property damages per occur		15,000,000
Medical payments		10,000/25,000
Uninsured/underinsured motorist		100,000/1,000,000
Automobile Physical Damage	250	Actual Cash Value

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

Toronto City School District
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Worker’s Compensation

For fiscal year 2018, the School District participated in the Ohio School Boards Association Workers’ Compensation Group Retrospective Rating Program (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers’ compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers’ compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP’s selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Employee Insurance Benefits

The School District offers medical, surgical, and dental insurance to employees through a self-insurance internal service fund. The School District’s monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District’s behalf. The claims liability of \$120,932 reported in the internal service funds at June 30, 2018, is estimated by and based on the requirements of the Governmental Accounting Standards Board Statement No. 30 which required that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the funds' claims liability amounts for 2017 and 2018 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2017	\$94,184	\$1,118,067	(\$1,092,464)	\$119,787
2018	119,787	1,221,571	(1,220,426)	120,932

Note 14 – Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability

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

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 15 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining .5 percent was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$163,815 for fiscal year 2018. Of this amount \$27,100 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$460,520 for fiscal year 2018. Of this amount \$63,190 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.03351660%	0.02884303%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.03455330%</u>	<u>0.02868496%</u>	
Change in Proportionate Share	<u><u>0.00103670%</u></u>	<u><u>-0.00015807%</u></u>	
Proportionate Share of the Net			
Pension Liability	\$2,064,484	\$6,814,174	\$8,878,658
Pension Expense	(\$15,215)	(\$2,655,477)	(\$2,670,692)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$88,848	\$263,132	\$351,980
Changes of assumptions	106,756	1,490,335	1,597,091
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	105,960	135,995	241,955
School District contributions subsequent to the measurement date	<u>163,815</u>	<u>460,520</u>	<u>624,335</u>
Total Deferred Outflows of Resources	<u><u>\$465,379</u></u>	<u><u>\$2,349,982</u></u>	<u><u>\$2,815,361</u></u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$54,920	\$54,920
Net difference between projected and actual earnings on pension plan investments	9,800	224,876	234,676
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>0</u>	<u>157,519</u>	<u>157,519</u>
Total Deferred Inflows of Resources	<u><u>\$9,800</u></u>	<u><u>\$437,315</u></u>	<u><u>\$447,115</u></u>

\$624,335 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2019	\$147,447	\$282,294	\$429,741
2020	150,114	588,201	738,315
2021	42,332	471,647	513,979
2022	<u>(48,129)</u>	<u>110,005</u>	<u>61,876</u>
Total	<u><u>\$291,764</u></u>	<u><u>\$1,452,147</u></u>	<u><u>\$1,743,911</u></u>

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

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

Toronto City School District
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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
 Total	 <u>100.00 %</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
School District's proportionate share of the net pension liability	\$2,864,966	\$2,064,484	\$1,393,916

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented as follows:

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	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

Toronto City School District
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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$9,767,886	\$6,814,174	\$4,326,114

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Note 15 - Defined Benefit OPEB Plans

See Note 14 for a description of the net OPEB liability.

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was \$18,708.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$24,775 for fiscal year 2018. Of this amount \$19,712 is reported as an intergovernmental payable.

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Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.03382760%	0.02884303%	
Proportion of the Net OPEB Liability			
Current Measurement Date	0.03482330%	0.02868496%	
Change in Proportionate Share	0.00099570%	-0.00015807%	
Proportionate Share of the Net			
OPEB Liability	\$934,566	\$1,119,181	\$2,053,747
OPEB Expense	\$62,045	(\$342,722)	(\$280,677)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$0	\$64,606	\$64,606
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	17,330	0	17,330
School District contributions subsequent to the measurement date	<u>24,775</u>	<u>0</u>	<u>24,775</u>
Total Deferred Outflows of Resources	<u><u>\$42,105</u></u>	<u><u>\$64,606</u></u>	<u><u>\$106,711</u></u>
Deferred Inflows of Resources			
Changes of assumptions	\$88,685	\$90,154	\$178,839
Net difference between projected and actual earnings on OPEB plan investments	2,468	47,836	50,304
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>0</u>	<u>7,246</u>	<u>7,246</u>
Total Deferred Inflows of Resources	<u><u>\$91,153</u></u>	<u><u>\$145,236</u></u>	<u><u>\$236,389</u></u>

\$24,775 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2019	(\$26,470)	(\$17,425)	(\$43,895)
2020	(26,470)	(17,425)	(43,895)
2021	(20,266)	(17,425)	(37,691)
2022	(617)	(17,425)	(18,042)
2023	0	(5,466)	(5,466)
Thereafter	<u>0</u>	<u>(5,464)</u>	<u>(5,464)</u>
Total	<u><u>(\$73,823)</u></u>	<u><u>(\$80,630)</u></u>	<u><u>(\$154,453)</u></u>

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 14.

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63 percent) and higher (4.63 percent) than the current discount rate (3.63 percent). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5 percent decreasing to 4.0 percent) and higher (8.5 higher decreasing to 6.0 percent) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's proportionate share of the net OPEB liability	\$1,128,607	\$934,566	\$780,836
	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
School District's proportionate share of the net OPEB liability	\$758,330	\$934,566	\$1,167,817

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

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Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 14.

Discount Rate The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments

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through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's proportionate share of the net OPEB liability	\$1,502,483	\$1,119,181	\$816,248
	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB liability	\$777,559	\$1,119,181	\$1,568,796

Note 16 – Set-Asides

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

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

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	Capital Improvement
Set-aside Balance as of June 30, 2017	\$0
Current Year Set-aside Requirement	159,102
Offsets During the Fiscal Year:	
Permanent Improvement Levy Proceeds	(648,189)
Totals	(\$489,087)
Set-aside Balance Carried Forward to Future Fiscal Years	\$0
Set-aside Balance as of June 30, 2018	\$0

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

Note 17 – Long-Term Obligations

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

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

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

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	Principal Outstanding 6/30/17	Additions	Deductions	Principal Outstanding 6/30/18	Amounts Due in One Year
Governmental Activities					
General Obligation Bonds:					
Classroom Facilities and School Improvement Bonds					
Capital Appreciation Bonds	\$9,668	\$0	\$9,668	\$0	\$0
Accretion	82,605	17,727	100,332	0	0
Term Bonds	1,750,000	0	0	1,750,000	90,000
Premium on Bonds	74,985	0	6,248	68,737	0
<i>Total Classroom Facilities and School Improvement Bonds</i>	<u>1,917,258</u>	<u>17,727</u>	<u>116,248</u>	<u>1,818,737</u>	<u>90,000</u>
Classroom Facilities and School Improvement Refunding Bonds					
Term Bonds	6,050,000	0	0	6,050,000	0
Capital Appreciation Bonds	95,000	0	0	95,000	0
Accretion	33,600	13,656	0	47,256	0
Premium on Bonds	159,438	0	5,514	153,924	0
<i>Total Classroom Facilities and School Improvement Refunding Bonds</i>	<u>6,338,038</u>	<u>13,656</u>	<u>5,514</u>	<u>6,346,180</u>	<u>0</u>
<i>Total General Obligation Bonds</i>	<u>8,255,296</u>	<u>31,383</u>	<u>121,762</u>	<u>8,164,917</u>	<u>90,000</u>
Other Long Term Obligations					
Net Pension Liability:					
STRS	9,654,632	0	2,840,458	6,814,174	0
SERS	2,453,106	0	388,622	2,064,484	0
<i>Total Net Pension Liability</i>	<u>12,107,738</u>	<u>0</u>	<u>3,229,080</u>	<u>8,878,658</u>	<u>0</u>
Net OPEB Liability:					
STRS	1,542,533	0	423,352	1,119,181	0
SERS	964,212	0	29,646	934,566	0
<i>Total Net OPEB Liability</i>	<u>2,506,745</u>	<u>0</u>	<u>452,998</u>	<u>2,053,747</u>	<u>0</u>
Compensated Absences	362,933	87,745	39,268	411,410	38,307
<i>Total Other Long Term Obligations</i>	<u>14,977,416</u>	<u>87,745</u>	<u>3,721,346</u>	<u>11,343,815</u>	<u>38,307</u>
<i>Total General Long-Term Obligations</i>	<u>\$23,232,712</u>	<u>\$119,128</u>	<u>\$3,843,108</u>	<u>\$19,508,732</u>	<u>\$128,307</u>

Compensated absences will be paid from the general fund and the food service, public school preschool, title VI-B, title I special revenue funds. There are no repayment schedules for the net pension liability and net OPEB liability. However, employer pension and OPEB contributions are made from following funds: the general fund and the food service, public school preschool, title VI-B, title I and title II-A special revenue funds. For additional information related to the net pension and net OPEB liabilities see Notes 14 and 15.

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On December 20, 2010, the School District issued \$8,199,996 in school facilities and school improvement bonds for the purpose of constructing, furnishing and equipping a new middle/high school building as well as various other improvement to existing school buildings. The bonds include capital appreciation (deep discount) bonds, Build America Term bonds and qualified school construction term bonds in the amounts of \$249,996, \$6,200,000 and \$1,750,000, respectively. The bonds were issued at a premium of \$452,810. The School District may elect to receive payments directly from the Secretary of the United States Treasury equal to 100 percent of the corresponding interest payable on the qualified school construction term bonds. During fiscal year 2014, the Build America Term bonds were removed from the School District through a refunding debt issuance. The capital appreciation bonds were retired in full in fiscal year 2018. The bonds were originally issued for a thirty-five year period with final maturity now at December 1, 2029. The bonds will be retired from the bond retirement debt service fund.

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

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

On June 2, 2014, the School District issued \$6,200,000 in general obligation bonds to refund a portion of the 2010 general obligation classroom facilities and school improvement bonds. The general obligation bonds included serial, term and capital appreciation (deep discount) bonds in the amount of \$55,000, \$6,050,000 and \$95,000, respectively. The bonds were issued at a premium of \$176,438. The bonds were issued for a thirty-two year period with a final maturity at December 1, 2045. The serial bonds were retired in full during fiscal year 2016.

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

The maturity amount of outstanding capital appreciation bonds is \$475,000. The accretion recorded for fiscal year 2018 was \$13,656, for a total outstanding bond liability of \$142,256.

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

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

The School District's overall legal debt margin was \$0 with an unvoted debt margin of \$83,033 at June 30, 2018. The School District has been designated an "approved special needs School District" by the Ohio Superintendent of Public Instruction. As a result, any debt of the School District authorized by the School District's voters at the election held on November 2, 2010, in excess of the 9 percent limitation is exempted from that limitation pursuant to Ohio Revised Code Section 133.06(D)(2).

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2018, are as follows:

Fiscal Year	General Obligation Bonds				
	Capital Appreciation		Term		
	Principal	Interest	Principal	Interest	Subsidy
2019	\$0	\$0	\$90,000	\$361,350	(\$89,080)
2020	0	0	115,000	354,175	(83,725)
2021	0	0	130,000	345,600	(77,324)
2022	0	0	150,000	335,800	(70,010)
2023	0	0	155,000	325,125	(62,043)
2024 - 2028	0	0	900,000	1,449,400	(178,683)
2029 - 2033	95,000	380,000	725,000	1,196,850	(5,486)
2034 - 2038	0	0	1,630,000	955,800	0
2039 - 2043	0	0	2,265,000	563,100	0
2044 - 2046	0	0	1,640,000	96,600	0
Total	<u>\$95,000</u>	<u>\$380,000</u>	<u>\$7,800,000</u>	<u>\$5,983,800</u>	<u>(\$566,351)</u>

Toronto City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 18 – Jointly Governed Organizations

Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) The Ohio Mid-Eastern Regional Educational Service Agency was created as a regional council of governments pursuant to State Statutes. OME-RESA has twelve participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Monroe, Muskingum, Noble and Tuscarawas Counties. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school district's elected boards, plus a joint vocational service representative, the fiscal agent superintendent and a treasurer, which possesses its own budgeting and taxing authority. The degree of control exercised by any participating school district is limited to its representation on the Board. OME-RESA provides financial accounting services, educational management information, internet access and cooperative purchasing services to member districts. The School District participates in the natural gas sales service program. This program allows schools to purchase natural gas at reduced rates. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage and any necessary adjustments are made. The School District no longer pays OME-RESA directly for the gas purchases, but instead pays the gas vendor. The School District paid OME-RESA \$31,398 for financial accounting services, educational management information, internet access, student services systems, and automated notification systems for fiscal year 2018. The Jefferson County Educational Service Center serves as the fiscal agent and receives funding from the State Department of Education. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2230 Sunset Blvd., Suite 2, Steubenville, Ohio 43952.

Jefferson County Joint Vocational School The Jefferson County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school district's elected boards, which possesses its own budgeting and taxing authority. The degree of control exercised by any participating school district is limited to its representation on the Board. During fiscal year 2018, the School District made no contributions to the Vocational School District. To obtain financial information write to the Jefferson County Joint Vocational School, Treasurer, at 1509 County Highway 22A, Bloomingdale, Ohio 43910.

Note 19 – Public Entity Pools

Insurance Purchasing Pool

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

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

Toronto City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Shared Risk Pool

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

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

Note 20 – Encumbrances

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

General	\$452,319
Classroom Facilities	326,502
Other Governmental Funds	<u>74,559</u>
Total Governmental	<u><u>\$853,380</u></u>

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

For fiscal year 2018, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*.

For fiscal year 2018, the School District also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2017-1*. These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

Toronto City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2017:

Net Position June 30, 2017	\$10,383,154
Adjustments:	
Net OPEB Liability	(2,506,745)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>17,868</u>
Restated Net Position June 30, 2017	<u><u>\$7,894,277</u></u>

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

Required Supplementary Information

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

	2018	2017	2016
School District's Proportion of the Net Pension Liability	0.03455330%	0.03351660%	0.03291240%
School District's Proportionate Share of the Net Pension Liability	\$2,064,484	\$2,453,106	\$1,878,015
School District's Covered Payroll	\$1,059,929	\$1,042,786	\$1,000,099
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	194.78%	235.25%	187.78%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%

(1) Although this schedule is intended to reflect information for ten years, information prior fiscal year 2014 is not available. An additional column will be added each year.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

<u>2015</u>	<u>2014</u>
0.02986800%	0.02986800%
\$1,511,603	\$1,776,154
\$1,107,611	\$942,420
136.47%	188.47%
71.70%	65.52%

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

	2018	2017
School District's Proportion of the Net OPEB Liability	0.03482330%	0.03382760%
School District's Proportionate Share of the Net OPEB Liability	\$934,566	\$964,212
School District's Covered Payroll	\$1,059,929	\$1,042,786
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	88.17%	92.46%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Although this schedule is intended to reflect information for ten years, information prior fiscal year 2017 is not available. An additional column will be added each year.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

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

	2018	2017	2016
School District's Proportion of the Net Pension Liability	0.02868496%	0.02884303%	0.02802220%
School District's Proportionate Share of the Net Pension Liability	\$6,814,174	\$9,654,632	\$7,744,517
School District's Covered Payroll	\$3,186,971	\$3,048,529	\$2,925,043
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	213.81%	316.70%	264.77%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%

(1) Although this schedule is intended to reflect information for ten years, information prior fiscal year 2014 is not available. An additional column will be added each year.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

2015	2014
0.02906415%	0.02906415%
\$7,069,407	\$8,421,032
\$2,947,931	\$3,847,669
239.81%	218.86%
74.70%	69.30%

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

	2018	2017
School District's Proportion of the Net OPEB Liability	0.02868496%	0.02884303%
School District's Proportionate Share of the Net OPEB Liability	\$1,119,181	\$1,542,533
School District's Covered Payroll	\$3,186,971	\$3,048,529
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	35.12%	50.60%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Although this schedule is intended to reflect information for ten years, information prior fiscal year 2017 is not available. An additional column will be added each year.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net Pension Liability				
Contractually Required Contribution	\$163,815	\$148,390	\$145,990	\$131,813
Contributions in Relation to the Contractually Required Contribution	<u>(163,815)</u>	<u>(148,390)</u>	<u>(145,990)</u>	<u>(131,813)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$1,213,444	\$1,059,929	\$1,042,786	\$1,000,099
Pension Contributions as a Percentage of Covered Payroll	<u>13.50%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.18%</u>
Net OPEB Liability				
Contractually Required Contribution (2)	24,775	17,868	16,526	25,046
Contributions in Relation to the Contractually Required Contribution	<u>(24,775)</u>	<u>(17,868)</u>	<u>(16,526)</u>	<u>(25,046)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>2.04%</u>	<u>1.69%</u>	<u>1.58%</u>	<u>2.50%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.54%</u>	<u>15.69%</u>	<u>15.58%</u>	<u>15.68%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

(2) Includes Surcharge

See accompanying notes to the required supplementary information

2014	2013	2012	2011	2010	2009
\$153,515	\$130,431	\$144,705	\$149,869	\$158,899	\$143,364
(153,515)	(130,431)	(144,705)	(149,869)	(158,899)	(143,364)
\$0	\$0	\$0	\$0	\$0	\$0
\$1,107,611	\$942,420	\$1,075,874	\$1,192,278	\$1,173,552	\$1,456,953
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%
19,540	16,814	23,391	36,414	24,458	84,272
(19,540)	(16,814)	(23,391)	(36,414)	(24,458)	(84,272)
\$0	\$0	\$0	\$0	\$0	\$0
1.76%	1.78%	2.17%	3.05%	2.08%	5.78%
15.62%	15.62%	15.62%	15.62%	15.62%	15.62%

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net Pension Liability				
Contractually Required Contribution	\$460,520	\$446,176	\$426,794	\$409,506
Contributions in Relation to the Contractually Required Contribution	<u>(460,520)</u>	<u>(446,176)</u>	<u>(426,794)</u>	<u>(409,506)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$3,289,429	\$3,186,971	\$3,048,529	\$2,925,043
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$383,231	\$500,197	\$501,290	\$524,102	\$480,469	\$461,074
<u>(383,231)</u>	<u>(500,197)</u>	<u>(501,290)</u>	<u>(524,102)</u>	<u>(480,469)</u>	<u>(461,074)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,947,931	\$3,847,669	\$3,856,077	\$4,031,554	\$3,695,915	\$3,546,723
<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>
\$29,479	\$38,477	\$38,561	\$40,316	\$36,959	\$35,467
<u>(29,479)</u>	<u>(38,477)</u>	<u>(38,561)</u>	<u>(40,316)</u>	<u>(36,959)</u>	<u>(35,467)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

Toronto City School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2018

Net Pension Liability

Changes in Assumptions – SERS

For fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc Cola. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Beginning with fiscal year 2017, mortality assumptions use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Changes in Assumptions - STRS

Amounts reported for fiscal year 2018 incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented below:

	Fiscal Year 2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

For fiscal year 2018 post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70% of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014

Toronto City School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2018

Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Net OPEB Liability

Changes in Assumptions – SERS

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:	
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Changes in Assumptions – STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under *GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

Toronto City School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2018

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**TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Federal CFDA Number	Expenditures	Non-Cash Expenditures
UNITED STATES DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education:</i>			
<i>Nutrition Cluster:</i>			
<i>Non-Cash Assistance (Food Distribution):</i>			
National School Lunch Program	10.555		\$16,992
<i>Cash Assistance:</i>			
School Breakfast Program	10.553	\$70,809	
National School Lunch Program	10.555	205,335	
Nutrition Cluster Total (Cash and Non-Cash)		<u>276,144</u>	<u>16,992</u>
Total U.S. Department of Agriculture		<u>276,144</u>	<u>16,992</u>
UNITED STATES DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education:</i>			
Title 1 Grants to Local Educational Agencies (Title 1, Part A of the ESEA)	84.010	252,094	
<i>Special Education Cluster:</i>			
Special Education Grants to States	84.027	216,509	
Special Education Preschool Grants	84.173	<u>2,821</u>	
Special Education Cluster Total		219,330	
Supporting Effective Instruction State Grants (Title IIA)	84.367	<u>40,848</u>	
Student Support and Academic Enrichment Program	84.424	<u>7,124</u>	
Total U.S. Department of Education		<u>519,396</u>	
Totals		<u><u>\$795,540</u></u>	<u><u>\$16,992</u></u>

The accompanying notes are an integral part of this schedule.

**TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Toronto City School District (the District's) under programs of the federal government for the year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Toronto City School District, Jefferson County, (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 22, 2019, wherein noted the District adopted new accounting guidance in Governmental Accounting Standards Board Statement (GASB) 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2018-001.

District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and / or corrective action plan. We did not subject the District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Keith Faber
Auditor of State

Columbus, Ohio

March 22, 2019

OHIO AUDITOR OF STATE KEITH FABER



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited Toronto City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Toronto City School District's major federal program for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, Toronto City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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



Keith Faber
Auditor of State

Columbus, Ohio

March 22, 2019

**TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	CFDA # 84.027 & 84.173 – Special Education Cluster
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	Yes

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

FINDING NUMBER 2018-001

Noncompliance

Ohio Rev. Code § 3318.05(B) requires a school district participating in the Classroom Facilities Assistance Program to levy a tax at the rate of not less than one-half mill for each dollar of valuation for a period of twenty-three years, for which the proceeds shall be used to pay the cost of maintaining the classroom facilities included in the project.

Additionally, the **Classroom Facilities Assistance Program Project Agreement** between the Ohio School Facilities Commission and the District states that the District's Board acknowledges that allowable uses for the maintenance fund shall be the maintenance and repair of the completed facilities as identified in the approved maintenance plan. The maintenance plan approved by the Commission, as evidenced by a formal approval letter states that allowable maintenance fund expenditures would include preventative maintenance, and periodic repairs in the categories of Life/Fire Safety, HVAC Systems, Building Envelope, Plumbing, and Electrical.

Testing over the maintenance fund expenditures identified one expenditure paid to CDW Government, Inc. in for the purchase of Chromebooks and licensing agreements which does not appear to fall within the guidelines of the maintenance plan. This expenditure accounted for \$21,079 of the total maintenance fund expenditures of \$32,346 and was 7% of the maintenance funds total fund balance of \$298,325. The District did not obtain approval from the Commission for this expenditure. The Treasurer has agreed to and made an adjustment to back out this expenditure.

This is due to the District not reviewing the maintenance plan. Failure to comply with the approved plan could result in adjustments to the financial statements and possible impact of funding for future Ohio School Facilities Commission projects.

The District should review the maintenance plan to help ensure expenditures being made from the maintenance fund are in compliance with the guidelines of the plan.

Officials' Response: See corrective action plan.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

TORONTO CITY SCHOOLS

Administrative Service Center
1307 Dennis Way
Toronto, Ohio 43964
(740) 537-2456
Fax Number: (740) 537-1102

CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) 2018

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-001	Charge to 034 only the allowable cost as per the Preventive Maintenance and Capital Planning Program	March 2019	Coleen Wickham

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OHIO AUDITOR OF STATE KEITH FABER



TORONTO CITY SCHOOL DISTRICT

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
MARCH 28, 2019**