



Mary Taylor, CPA  
Auditor of State



**CITY OF TORONTO  
JEFFERSON COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Toronto, Jefferson County, Ohio (the City) as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. The financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, except for the effects of not reporting certain capital assets and the depreciation for the governmental activities, the business type activities and the Water, Sewer and Refuse Funds, as described in the previous paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and the Water, Sewer and Refuse Funds of the City of Toronto, Jefferson County, Ohio as of December 31, 2007, and the respective changes in financial position and where applicable, cash flows, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General and the Capital Improvement major funds and the aggregate remaining fund information for the City of Toronto, Jefferson County, Ohio, as of December 31, 2007 and the respective changes in the financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2009 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we do not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should be read it in conjunction with this report in assessing the results of our audit.

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



**Mary Taylor, CPA**  
Auditor of State

January 13, 2009

**City of Toronto**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*  
*(Unaudited)*

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The discussion and analysis of the City of Toronto's (the "city") financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2007. The intent of this discussion and analysis is to look at the City's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

***Financial Highlights***

Key financial highlights for 2007 are as follows:

- General Revenues accounted for \$4,602,104 in revenue or 57.1 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$3,456,138 or 42.9 percent of total revenues of \$8,058,242.
- Total program expenses were \$5,831,864; \$3,123,612 in governmental activities and \$2,708,252 in business-type activities.
- In total, net assets increased \$2,226,378. Net assets of governmental activities increased \$1,584,801, which represents a 40.4 percent increase from 2006. Net assets of business-type activities increased \$641,577 from 2006.
- Outstanding debt decreased from \$14,515,668 to \$14,425,480 through debt principal payments.

***Using this Annual Financial Report***

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

The Statement of Net Assets and the Statement of Activities provide information from a summary perspective showing the effects of the operations for the year 2007 and how they affected the operations of the City as a whole.

***Reporting the City of Toronto as a Whole***

*Statement of Net Assets and the Statement of Activities*

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

**City of Toronto**  
*Management's Discussion and Analysis (Continued)*  
*For the Year Ended December 31, 2007*  
*(Unaudited)*

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A question typically asked about the City's finances "How did we do financially during fiscal year 2007?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

- ✓ Governmental Activities - Most of the City's programs and services are reported here, including general government, security of persons and property, community environment, leisure time activities and transportation.
- ✓ Business-Type Activities - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's water, sewer and refuse funds are reported as business activities.

***Reporting the City of Toronto's Most Significant Funds***

*Fund Financial Statements*

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

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

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



**City of Toronto**  
*Management's Discussion and Analysis (Continued)*  
For the Year Ended December 31, 2007  
(Unaudited)

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

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

**The City of Toronto as a Whole**

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

Table 1 provides a summary of the City's net assets for 2007 compared to 2006:

**(Table 1)**  
**Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Assets</b>						
Current and Other Assets	\$ 3,659,385	\$ 2,611,224	\$ 975,332	\$ 765,320	\$ 4,634,717	\$ 3,376,544
Capital Assets	3,349,705	2,099,354	15,252,204	15,634,890	18,601,909	17,734,244
Total Assets	7,009,090	4,710,578	16,227,536	16,400,210	23,236,626	21,110,788
<b>Liabilities</b>						
Long-Term Liabilities	1,169,708	297,527	13,645,626	14,384,388	14,815,334	14,681,915
Other Liabilities	329,683	488,153	70,375	145,864	400,058	634,017
Total Liabilities	1,499,391	785,680	13,716,001	14,530,252	15,215,392	15,315,932
<b>Net Assets</b>						
Invested in Capital						
Assets Net of Debt	2,507,660	2,048,558	1,668,768	1,308,176	4,176,428	3,356,734
Restricted	711,808	902,556	0	0	711,808	902,556
Unrestricted	2,290,231	973,784	842,767	561,782	3,132,998	1,535,566
Total Net Assets	\$ 5,509,699	\$ 3,924,898	\$ 2,511,535	\$ 1,869,958	\$ 8,021,234	\$ 5,794,856

Total assets increased by \$2,125,838 with governmental assets increasing by \$2,298,512 and business-type assets decreasing by \$172,674. Total capital assets increased by \$867,665, the majority of which was the purchase of a new city building. Total liabilities decreased by \$100,540 with governmental liabilities increasing \$713,711 and business-type liabilities decreasing \$814,251. The majority of the increase in governmental activities was related to a loan for the new city building.

Total net assets increased by \$2,226,378. This number reflects an increase of \$1,584,801 in governmental activities and a increase of \$641,577 in the net assets of the business-type activities.

**City of Toronto**  
*Management's Discussion and Analysis (Continued)*  
For the Year Ended December 31, 2007  
(Unaudited)

Table 2 shows the changes in net assets for fiscal year 2007. This table presents two fiscal years in side-by-side comparisons, which will enable the reader to draw further conclusion about the City's financial status and possibly project future problems.

**(Table 2)**  
**Changes in Net Assets**

	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities	Total	Total
	2007	2006	2007	2006	2007	2006
<b>Revenues</b>						
<i>Program Revenues:</i>						
Charges for Services and Sales	\$ 133,067	\$ 131,279	\$ 3,040,579	\$ 3,003,845	\$ 3,173,646	\$ 3,135,124
Operating Grants and Contributions	282,492	774,641	0	0	282,492	774,641
<i>General Revenues:</i>						
Property Taxes	223,932	232,905	0	0	223,932	232,905
Income Taxes	3,940,617	2,427,169	0	0	3,940,617	2,427,169
Other Local Taxes	48,132	0	0	0	48,132	0
Grants and Entitlements	253,037	270,181	0	0	253,037	270,181
Investment Earnings	118,098	71,970	1,847	2,165	119,945	74,135
Miscellaneous	11,392	187,027	5,049	2,658	16,441	189,685
<i>Total Revenues</i>	<u>5,010,767</u>	<u>4,095,172</u>	<u>3,047,475</u>	<u>3,008,668</u>	<u>8,058,242</u>	<u>7,103,840</u>
<b>Program Expenses</b>						
General Government	468,038	472,499	0	0	468,038	472,499
Security of Persons and Property	1,531,958	1,427,278	0	0	1,531,958	1,427,278
Public Health Services	11,716	18,615	0	0	11,716	18,615
Leisure Time Activities	179,419	176,783	0	0	179,419	176,783
Community and Economic Development	268,560	425,510	0	0	268,560	425,510
Transportation	623,264	376,721	0	0	623,264	376,721
Interest and Fiscal Charges	40,657	7,853	0	0	40,657	7,853
<i>Enterprise Operations:</i>						
Water	0	0	1,788,946	1,536,263	1,788,946	1,536,263
Sewer	0	0	493,105	520,645	493,105	520,645
Refuse	0	0	426,201	373,179	426,201	373,179
<i>Total Program Expenses</i>	<u>3,123,612</u>	<u>2,905,259</u>	<u>2,708,252</u>	<u>2,430,087</u>	<u>5,831,864</u>	<u>5,335,346</u>
Increase in Net Assets Before Transfers	1,887,155	1,189,913	339,223	578,581	2,226,378	1,768,494
Transfers	(302,354)	(60,000)	302,354	60,000	0	0
Increase in Net Assets	<u>\$ 1,584,801</u>	<u>\$ 1,129,913</u>	<u>\$ 641,577</u>	<u>\$ 638,581</u>	<u>\$ 2,226,378</u>	<u>\$ 1,768,494</u>

**City of Toronto**  
*Management's Discussion and Analysis (Continued)*  
*For the Year Ended December 31, 2007*  
*(Unaudited)*

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### **Governmental Activities**

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

The City's income tax is at a rate of 2.0 percent. This is an increase over the previous income tax rate of 1.5 percent. The increased rate was effective beginning in January of 2007. Both residents of the City and non-residents who work inside the City are subject to the income tax. However if residents work in a locality that has a municipal income tax, the City provides 100 percent credit up to 2.0 percent for those who pay income tax to another city. City Council could by Ordinance, choose to vary that income tax credit and create additional revenues for the City.

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

Police and fire represent the largest expense of the Governmental Activities. This expense of \$1,531,958 represents 49.0 percent of the total expenses. These two departments operate out of the general fund.

Transportation was another large area of expense for the City. The total for transportation expense for 2007 was \$623,264 which was 20 percent of total expenses.

The City also maintains a health department (public health services) and a park (leisure time services) within the City. These areas had expenses of \$191,135 in 2007 equaling 6.1 percent of the total governmental services expenses.

### **Business-Type Activities**

Business-type activities include water, sewer and refuse operations. The revenues are generated primarily from charges for services. In 2007, charges for services of \$3,040,579 accounted for 99.8 percent of the business-type revenues. The total expenses for the utilities were \$2,708,252. The City had an increase in net assets of \$641,577 for the business-type activities.

### ***The City's Funds***

Information about the City's governmental funds begins on page 12. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues (exclusive of other financing sources) of \$4,841,431 and expenditures (exclusive of other financing uses) of \$4,546,135. The total change in fund balance was \$846,669 with the majority of this increase being in the general fund. The fund balance in the general fund increased by \$769,006; from \$718,066 in 2006 to \$1,487,072 in 2007. The funds are monitored consistently with adjustments made throughout the year in budgets to accommodate yearly revenues.

Information about the proprietary funds starts on page 18. These funds are accounted for on an accrual basis. All business type funds had operating expenses of \$2,247,850 which was less than operating revenues of \$3,045,628, by \$797,778 or 26.2 percent of operating revenues.

**City of Toronto**  
*Management's Discussion and Analysis (Continued)*  
For the Year Ended December 31, 2007  
(Unaudited)

**General Fund Budgeting Highlights**

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

During the course of 2007, the City amended its general fund budget on various occasions. All recommendations for appropriation changes come to Council from the City Auditor. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

For the general fund, final budget basis revenue was \$4,065,194, over the original budget estimates of \$2,227,700. Of this \$1,837,494 increase, most was attributable to increased income tax revenue. The income tax was increased effective in January 2007 from 1.5 percent to 2.0 percent.

For the general fund, the final appropriations were \$2,897,690, representing an \$897,323 increase over the original appropriations of \$2,000,367. This was mostly due to a change in the appropriations for capital outlay expense for the purchase of the new city building.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of year 2007, the City had \$18,601,909 invested in land, construction in progress, work of art, buildings, land improvements, equipment, vehicles and water lines. A total of \$3,349,705 of this was for governmental activities and \$15,252,204 was attributable to business-type activities. Table 3 shows fiscal year 2007 balances compared with 2006.

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

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 140,000	\$ 140,000	\$ 43,904	\$ 43,904	\$ 183,904	\$ 183,904
Construction in Progress	10,130	0	46,545	0	56,675	0
Work of Art	17,500	17,500	0	0	17,500	17,500
Buildings	1,068,473	224,101	10,241,515	11,455,668	11,309,988	11,679,769
Land Improvements	351,026	354,558	1,708,750	746,250	2,059,776	1,100,808
Equipment	205,248	75,913	1,997,500	2,132,500	2,202,748	2,208,413
Vehicles	923,008	859,905	107,825	135,268	1,030,833	995,173
Infrastructure	634,320	427,377	0	0	634,320	427,377
Water and Sewer Lines	0	0	1,106,165	1,121,300	1,106,165	1,121,300
<b>Totals</b>	<b>\$ 3,349,705</b>	<b>\$ 2,099,354</b>	<b>\$ 15,252,204</b>	<b>\$ 15,634,890</b>	<b>\$ 18,601,909</b>	<b>\$ 17,734,244</b>

The \$867,665 increase in capital assets was attributable to additional purchases exceeding depreciation expense. The most significant addition in 2007 was the purchase of a new city building. Note 8 provides capital asset activity during the 2007 year.

**City of Toronto**  
*Management's Discussion and Analysis (Continued)*  
For the Year Ended December 31, 2007  
(Unaudited)

**Debt**

The outstanding debt for the City of Toronto as of December 31, 2007 was \$14,425,480 with \$631,553 due within one year. Table 4 summarizes outstanding debt.

**(Table 4)**  
**Outstanding Debt, at December 31**

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Installment Loans	\$ 842,045	\$ 50,796	\$ 0	\$ 0	\$ 842,045	\$ 50,796
Police and Fire Pension	0	138,158	0	0	0	138,158
General Obligation Bonds	0	0	0	17,642	0	17,642
OWDA Loans	0	0	13,583,435	14,309,072	13,583,435	14,309,072
<i>Total</i>	<u>\$ 842,045</u>	<u>\$ 188,954</u>	<u>\$ 13,583,435</u>	<u>\$ 14,326,714</u>	<u>\$ 14,425,480</u>	<u>\$ 14,515,668</u>

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

***Current Financial Issues***

The City has a 2 percent wage income tax that took effect as of January 1, 2007, enabling them to complete such capital improvements as \$477,000 in street and alley improvements. They also purchased a new police vehicle and a street department truck.

The \$14,000,000 water treatment plant was completed in 2007. The City is now selling water to Jefferson County with budgeted revenue from county water sales projected to be \$1,300,000 annually.

The City had an encumbered cash balance of \$1,286,128 at the end of December 31, 2007 in the General Fund. The City has paid off some long term notes, OWDA loan and the Police and Fire Pension loan in 2007.

***Contacting the City's Finance Department***

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

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**City of Toronto**  
*Statement of Net Assets*  
December 31, 2007

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 1,770,742	\$ 484,178	\$ 2,254,920
Restricted Assets:			
Cash and Cash Equivalents	0	51,066	51,066
Materials and Supplies Inventory	8,963	41,369	50,332
Accrued Interest Receivable	19,515	0	19,515
Accounts Receivable	0	366,955	366,955
Intergovernmental Receivable	414,011	0	414,011
Prepaid Items	25,392	31,764	57,156
Taxes Receivable	1,410,031	0	1,410,031
Loans Receivable	10,731	0	10,731
Non-Depreciable Capital Assets	167,630	90,449	258,079
Depreciable Capital Assets, Net	3,182,075	15,161,755	18,343,830
<i>Total Assets</i>	<u>7,009,090</u>	<u>16,227,536</u>	<u>23,236,626</u>
<b>Liabilities</b>			
Accounts Payable	43,618	6,122	49,740
Contracts Payable	10,130	818	10,948
Intergovernmental Payable	74,484	12,369	86,853
Customer Deposits	0	51,066	51,066
Deferred Revenue	201,451	0	201,451
Long-Term Liabilities:			
Due Within One Year	64,984	593,272	658,256
Due in More Than One Year	1,104,724	13,052,354	14,157,078
<i>Total Liabilities</i>	<u>1,499,391</u>	<u>13,716,001</u>	<u>15,215,392</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	2,507,660	1,668,768	4,176,428
Restricted for Capital Outlay	25,165	0	25,165
Restricted for Other Purposes	686,643	0	686,643
Unrestricted	2,290,231	842,767	3,132,998
<i>Total Net Assets</i>	<u>\$ 5,509,699</u>	<u>\$ 2,511,535</u>	<u>\$ 8,021,234</u>

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

**City of Toronto**  
*Statement of Activities*  
For the Year Ended December 31, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>						
General Government	\$ 468,038	\$ 33,113	\$ 0	\$ (434,925)	\$ 0	\$ (434,925)
Security of Persons and Property	1,531,958	19,951	38,568	(1,473,439)	0	(1,473,439)
Public Health	11,716	40,872	0	29,156	0	29,156
Leisure Time Services	179,419	39,131	17,129	(123,159)	0	(123,159)
Community and Economic Development	268,560	0	0	(268,560)	0	(268,560)
Transportation	623,264	0	226,795	(396,469)	0	(396,469)
Interest and Fiscal Charges	40,657	0	0	(40,657)	0	(40,657)
<i>Total Governmental Activities</i>	<u>3,123,612</u>	<u>133,067</u>	<u>282,492</u>	<u>(2,708,053)</u>	<u>0</u>	<u>(2,708,053)</u>
<b>Business-Type Activities</b>						
Refuse Fund	426,201	371,570	0	0	(54,631)	(54,631)
Sewer Fund	493,105	605,728	0	0	112,623	112,623
Water Fund	1,788,946	2,063,281	0	0	274,335	274,335
<i>Total Business-Type Activities</i>	<u>2,708,252</u>	<u>3,040,579</u>	<u>0</u>	<u>0</u>	<u>332,327</u>	<u>332,327</u>
<i>Total - Primary Government</i>	<u>\$ 5,831,864</u>	<u>\$ 3,173,646</u>	<u>\$ 282,492</u>	<u>(2,708,053)</u>	<u>332,327</u>	<u>(2,375,726)</u>
<b>General Revenues</b>						
Property Taxes Levied for:						
General Purposes				159,426	0	159,426
Capital Outlay				2,440	0	2,440
Other Purposes				62,066	0	62,066
Income Taxes Levied for General Purposes				3,940,617	0	3,940,617
Other Local Taxes				48,132	0	48,132
Grants and Entitlements not Restricted to Specific Programs				253,037	0	253,037
Investment Earnings				118,098	1,847	119,945
Miscellaneous				11,392	5,049	16,441
<i>Total General Revenues</i>				<u>4,595,208</u>	<u>6,896</u>	<u>4,602,104</u>
Transfers				<u>(302,354)</u>	<u>302,354</u>	<u>0</u>
<i>Total General Revenues and Transfers</i>				<u>4,292,854</u>	<u>309,250</u>	<u>4,602,104</u>
<i>Change in Net Assets</i>				<u>1,584,801</u>	<u>641,577</u>	<u>2,226,378</u>
<i>Net Assets Beginning of Year</i>				<u>3,924,898</u>	<u>1,869,958</u>	<u>5,794,856</u>
<i>Net Assets End of Year</i>				<u>\$ 5,509,699</u>	<u>\$ 2,511,535</u>	<u>\$ 8,021,234</u>

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



**City of Toronto**  
*Balance Sheet*  
*Governmental Funds*  
*December 31, 2007*

	General Fund	Street Maintenance and Repair	Capital Improvements	All Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 1,319,601	\$ 24,584	\$ 27,544	\$ 399,013	\$ 1,770,742
Materials and Supplies Inventory	0	8,963	0	0	8,963
Accrued Interest Receivable	19,515	0	0	0	19,515
Intergovernmental Receivable	100,420	106,137	0	207,454	414,011
Prepaid Items	18,392	7,000	0	0	25,392
Taxes Receivable	1,349,714	0	0	60,317	1,410,031
Loans Receivable	0	0	0	10,731	10,731
<i>Total Assets</i>	<u>\$ 2,807,642</u>	<u>\$ 146,684</u>	<u>\$ 27,544</u>	<u>\$ 677,515</u>	<u>\$ 3,659,385</u>
<b>Liabilities</b>					
Accounts Payable	7,842	30,431	5,299	46	43,618
Contracts Payable	0	0	0	10,130	10,130
Intergovernmental Payable	17,677	3,190	0	53,617	74,484
Deferred Revenue	1,295,051	88,321	0	265,317	1,648,689
<i>Total Liabilities</i>	<u>1,320,570</u>	<u>121,942</u>	<u>5,299</u>	<u>329,110</u>	<u>1,776,921</u>
<b>Fund Balances</b>					
Reserved for Encumbrances	24,262	7,334	19,304	133,397	184,297
Reserved for Loans Receivable	0	0	0	10,731	10,731
Unreserved, Undesignated, Reported in:					
General Fund	1,462,810	0	0	0	1,462,810
Special Revenue Funds	0	17,408	0	201,424	218,832
Capital Projects Funds	0	0	2,941	2,853	5,794
<i>Total Fund Balances</i>	<u>1,487,072</u>	<u>24,742</u>	<u>22,245</u>	<u>348,405</u>	<u>1,882,464</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 2,807,642</u>	<u>\$ 146,684</u>	<u>\$ 27,544</u>	<u>\$ 677,515</u>	<u>\$ 3,659,385</u>

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

**City of Toronto**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 December 31, 2007*

<b>Total Governmental Fund Balances</b>		\$ 1,882,464
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		3,349,705
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds:		
Property Taxes	\$ 20,486	
Income Tax	1,070,013	
Intergovernmental	356,739	
Total	1,447,238	1,447,238
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Installment Loans Payable	(842,045)	
Compensated Absences	(327,663)	
Total	(1,169,708)	(1,169,708)
<i>Net Assets of Governmental Activities</i>		<b>\$ 5,509,699</b>

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

**City of Toronto**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For The Year Ended December 31, 2007*

	General Fund	Street Maintenance and Repair	Capital Improvements	All Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$ 160,422	\$ 0	\$ 2,440	\$ 62,542	\$ 225,404
Income Taxes	3,459,739	0	0	0	3,459,739
Other Local Taxes	0	0	0	48,132	48,132
Charges for Services	40,873	0	0	39,130	80,003
Licenses and Permits	33,113	0	0	0	33,113
Fines and Forfeitures	18,201	0	0	1,750	19,951
Intergovernmental	292,673	217,885	0	335,041	845,599
Interest	107,644	0	0	10,454	118,098
Other	3,560	1,725	314	5,793	11,392
<i>Total Revenues</i>	<u>4,116,225</u>	<u>219,610</u>	<u>2,754</u>	<u>502,842</u>	<u>4,841,431</u>
<b>Expenditures</b>					
Current:					
General Government	458,356	0	0	0	458,356
Security of Persons and Property	1,271,203	0	0	182,733	1,453,936
Public Health	11,716	0	0	0	11,716
Leisure Time Services	6,000	0	0	123,842	129,842
Community and Economic Development	0	0	0	268,560	268,560
Transportation	53,006	384,506	5,299	11,105	453,916
Capital Outlay	898,889	158,840	472,193	17,447	1,547,369
Debt Service:					
Principal Retirements	34,624	0	0	147,159	181,783
Interest and Fiscal Charges	35,798	0	0	4,859	40,657
<i>Total Expenditures</i>	<u>2,769,592</u>	<u>543,346</u>	<u>477,492</u>	<u>755,705</u>	<u>4,546,135</u>
<i>Excess of Revenues Over (Under)</i> <i>Expenditures</i>	<u>1,346,633</u>	<u>(323,736)</u>	<u>(474,738)</u>	<u>(252,863)</u>	<u>295,296</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	0	279,000	480,000	370,000	1,129,000
Proceeds of Notes	834,873	0	0	0	834,873
Transfers Out	(1,412,500)	0	0	0	(1,412,500)
<i>Total Other Financing Sources (Uses)</i>	<u>(577,627)</u>	<u>279,000</u>	<u>480,000</u>	<u>370,000</u>	<u>551,373</u>
<i>Net Change in Fund Balance</i>	769,006	(44,736)	5,262	117,137	846,669
<i>Fund Balance Beginning of Year</i>	<u>718,066</u>	<u>69,478</u>	<u>16,983</u>	<u>231,268</u>	<u>1,035,795</u>
<i>Fund Balance End of Year</i>	<u>\$ 1,487,072</u>	<u>\$ 24,742</u>	<u>\$ 22,245</u>	<u>\$ 348,405</u>	<u>\$ 1,882,464</u>

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

**City of Toronto**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For The Year Ended December 31, 2007*

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**Net Change in Fund Balances - Total Governmental Funds** \$ 846,669

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

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

Capital Asset Additions	\$	1,389,875	
Current Year Depreciation		(139,524)	
Total		1,250,351	1,250,351

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

Delinquent Property Taxes		(1,472)	
Income Tax		480,878	
Intergovernmental		(310,070)	
Total		169,336	169,336

Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 181,783

Proceeds of notes in the governmental funds that increase long-term liabilities in the statement of net assets are not reported as revenue. (834,873)

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. (28,465)

*Change in Net Assets of Governmental Activities* \$ 1,584,801

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

**City of Toronto**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Year Ended December 31, 2007*

	Budgeted Amounts			Variance with Final Budget
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Property Taxes	\$ 175,800	\$ 175,800	\$ 160,422	\$ (15,378)
Income Taxes	1,634,000	3,434,000	3,478,909	44,909
Charges for Services	35,500	40,850	40,873	23
Licenses and Permits	0	27,500	33,113	5,613
Fines and Forfeitures	50,100	22,600	18,201	(4,399)
Intergovernmental	272,300	274,444	271,134	(3,310)
Interest	60,000	85,000	103,844	18,844
Other	0	5,000	3,560	(1,440)
<i>Total Revenues</i>	<u>2,227,700</u>	<u>4,065,194</u>	<u>4,110,056</u>	<u>44,862</u>
<b>Expenditures</b>				
Current:				
General Government	462,066	520,609	466,784	53,825
Security of Persons and Property	1,351,041	1,319,253	1,263,147	56,106
Public Health	24,700	24,400	11,889	12,511
Leisure Time Services	26,000	6,000	6,000	0
Transportation	0	58,000	53,051	4,949
Community and Economic Development	52,560	0	0	0
Capital Outlay	0	868,810	927,519	(58,709)
Debt Service:				
Principal Retirements	84,000	64,820	34,624	30,196
Interest and Fiscal Charges	0	35,798	35,798	0
<i>Total Expenditures</i>	<u>2,000,367</u>	<u>2,897,690</u>	<u>2,798,812</u>	<u>98,878</u>
<i>Excess of Revenues Over Expenditures</i>	<u>227,333</u>	<u>1,167,504</u>	<u>1,311,244</u>	<u>143,740</u>
<b>Other Financing Sources (Uses)</b>				
Notes Issued	0	834,873	834,873	0
Transfers Out	(718,000)	(1,412,500)	(1,412,500)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(718,000)</u>	<u>(577,627)</u>	<u>(577,627)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(490,667)	589,877	733,617	143,740
<i>Fund Balance Beginning of Year</i>	553,513	553,513	553,513	0
Prior Year Encumbrances Appropriated	367	367	367	0
<i>Fund Balance End of Year</i>	<u>\$ 63,213</u>	<u>\$ 1,143,757</u>	<u>\$ 1,287,497</u>	<u>\$ 143,740</u>

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

**City of Toronto**  
*Statement of Revenues, Expenditures and Changes  
 In Fund Balance - Budget (Non-GAAP Basis) and Actual  
 Street Maintenance and Repair Fund  
 For the Year Ended December 31, 2007*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
<b>Revenues</b>				
Intergovernmental	\$ 190,000	\$ 196,000	\$ 217,277	\$ 21,277
Other	2,000	2,000	1,725	(275)
<i>Total Revenues</i>	<u>192,000</u>	<u>198,000</u>	<u>219,002</u>	<u>21,002</u>
<b>Expenditures</b>				
Transportation	184,600	377,816	364,990	12,826
Capital Outlay	156,700	197,500	189,681	7,819
<i>Total Expenditures</i>	<u>341,300</u>	<u>575,316</u>	<u>554,671</u>	<u>20,645</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(149,300)</u>	<u>(377,316)</u>	<u>(335,669)</u>	<u>41,647</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	110,000	279,000	279,000	0
<i>Net Change in Fund Balance</i>	(39,300)	(98,316)	(56,669)	41,647
<i>Fund Balance Beginning of Year</i>	19,767	19,767	19,767	0
Prior Year Encumbrances Appropriated	16	16	16	0
<i>Fund Balance End of Year</i>	<u>\$ (19,517)</u>	<u>\$ (78,533)</u>	<u>\$ (36,886)</u>	<u>\$ 41,647</u>

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

**City of Toronto**  
*Statement of Fund Net Assets*  
*Proprietary Funds*  
*December 31, 2007*

	Business-Type Activities				Totals
	Water Fund	Sewer Fund	Refuse Fund	Other Enterprise Funds	
<b>Assets</b>					
<i>Current Assets</i>					
Equity in Pooled Cash and Cash Equivalents	\$ 248,838	\$ 113,941	\$ 121,399	\$ 0	\$ 484,178
Materials and Supplies Inventory	38,610	2,759	0	0	41,369
Accounts Receivable	255,713	66,661	44,581	0	366,955
Prepaid Items	9,764	10,500	11,500	0	31,764
<i>Total Current Assets</i>	<u>552,925</u>	<u>193,861</u>	<u>177,480</u>	<u>0</u>	<u>924,266</u>
<i>Non-Current Assets</i>					
Restricted Equity in Pooled Cash and Cash Equivalents	0	0	0	51,066	51,066
Non-Depreciable Capital Assets	23,904	66,545	0	0	90,449
Depreciable Capital Assets, Net	14,238,457	880,548	42,750	0	15,161,755
<i>Total Non-Current Assets</i>	<u>14,262,361</u>	<u>947,093</u>	<u>42,750</u>	<u>51,066</u>	<u>15,303,270</u>
<i>Total Assets</i>	<u>14,815,286</u>	<u>1,140,954</u>	<u>220,230</u>	<u>51,066</u>	<u>16,227,536</u>
<b>Liabilities</b>					
<i>Current Liabilities</i>					
Accounts Payable	601	352	5,169	0	6,122
Contracts Payable	0	818	0	0	818
Intergovernmental Payable	7,041	1,188	4,140	0	12,369
Compensated Absences Payable	7,880	312	4,280	0	12,472
OWDA Loans Payable	580,800	0	0	0	580,800
Customer Deposits	0	0	0	51,066	51,066
<i>Total Current Liabilities</i>	<u>596,322</u>	<u>2,670</u>	<u>13,589</u>	<u>51,066</u>	<u>663,647</u>
<i>Long-Term Liabilities</i>					
Compensated Absences Payable - Net of Current Portion	32,864	778	16,077	0	49,719
OWDA Loans Payable - Net of Current Portion	13,002,635	0	0	0	13,002,635
<i>Total Long-Term Liabilities</i>	<u>13,035,499</u>	<u>778</u>	<u>16,077</u>	<u>0</u>	<u>13,052,354</u>
<i>Total Liabilities</i>	<u>13,631,821</u>	<u>3,448</u>	<u>29,666</u>	<u>51,066</u>	<u>13,716,001</u>
<b>Net Assets</b>					
Invested in Capital Assets, Net of Related Debt	678,926	947,092	42,750	0	1,668,768
Unrestricted	504,539	190,414	147,814	0	842,767
<i>Total Net Assets</i>	<u>\$ 1,183,465</u>	<u>\$ 1,137,506</u>	<u>\$ 190,564</u>	<u>\$ 0</u>	<u>\$ 2,511,535</u>

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

**City of Toronto**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Proprietary Funds*  
*For the Year Ended December 31, 2007*

	Business-Type Activities			
	Water Fund	Sewer Fund	Refuse Fund	Totals
<b>Operating Revenues</b>				
Charges for Services	\$ 2,063,281	\$ 605,728	\$ 371,570	\$ 3,040,579
Other	5,049	0	0	5,049
<i>Total Operating Revenues</i>	<u>2,068,330</u>	<u>605,728</u>	<u>371,570</u>	<u>3,045,628</u>
<b>Operating Expenses</b>				
Personal Services	477,356	106,948	225,925	810,229
Contractual Services	319,266	321,078	181,678	822,022
Materials and Supplies	153,123	10,019	4,372	167,514
Depreciation	395,628	38,385	14,072	448,085
<i>Total Operating Expenses</i>	<u>1,345,373</u>	<u>476,430</u>	<u>426,047</u>	<u>2,247,850</u>
<i>Operating Income (Loss)</i>	<u>722,957</u>	<u>129,298</u>	<u>(54,477)</u>	<u>797,778</u>
<b>Non-Operating Revenues (Expenses)</b>				
Interest	1,847	0	0	1,847
Interest and Fiscal Charges	(443,573)	(16,675)	(154)	(460,402)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(441,726)</u>	<u>(16,675)</u>	<u>(154)</u>	<u>(458,555)</u>
<i>Income (Loss) Before Contributions and Transfers</i>	<u>281,231</u>	<u>112,623</u>	<u>(54,631)</u>	<u>339,223</u>
Capital Contributions	0	18,854	0	18,854
Transfers In	42,000	181,500	60,000	283,500
<i>Change in Net Assets</i>	323,231	312,977	5,369	641,577
<i>Net Assets Beginning of Year</i>	<u>860,234</u>	<u>824,529</u>	<u>185,195</u>	<u>1,869,958</u>
<i>Net Assets End of Year</i>	<u>\$ 1,183,465</u>	<u>\$ 1,137,506</u>	<u>\$ 190,564</u>	<u>\$ 2,511,535</u>

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



**City of Toronto**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Year Ended December 31, 2007

	Business-Type Activities				Totals
	Water Fund	Sewer Fund	Refuse Fund	All Other Enterprise Funds	
<b>Increase in Cash and Cash Equivalents</b>					
<b>Cash flows from Operating Activities</b>					
Cash Received from Customers	\$ 2,020,726	\$ 610,160	\$ 372,457	\$ 0	\$ 3,003,343
Other Operating Receipts	5,049	0	0	15,100	20,149
Cash Payments to Suppliers for Goods and Services	(169,993)	(11,172)	(5,230)	0	(186,395)
Cash Payments to Employees	(470,241)	(107,463)	(223,085)	0	(800,789)
Cash Payments for Contractual Services	(322,445)	(322,064)	(180,357)	(13,537)	(838,403)
<i>Net Cash Provided by Operating Activities</i>	<u>1,063,096</u>	<u>169,461</u>	<u>(36,215)</u>	<u>1,563</u>	<u>1,197,905</u>
<b>Cash Flows from Noncapital Financing Activities</b>					
Transfers In	42,000	181,500	60,000	0	283,500
Transfers Out	0	0	0	0	0
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>42,000</u>	<u>181,500</u>	<u>60,000</u>	<u>0</u>	<u>283,500</u>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Proceeds from Loans	75,481	0	0	0	75,481
Acquisition of Capital Assets	(75,481)	(46,545)	0	0	(122,026)
Principal Payments on Debt	(559,404)	(248,810)	(10,546)	0	(818,760)
Interest Payments	(443,573)	(16,675)	(154)	0	(460,402)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(1,002,977)</u>	<u>(312,030)</u>	<u>(10,700)</u>	<u>0</u>	<u>(1,325,707)</u>
<b>Cash Flows from Investing Activities</b>					
Interest	1,847	0	0	0	1,847
<i>Net Increase in Cash and Cash Equivalents</i>	<u>103,966</u>	<u>38,931</u>	<u>13,085</u>	<u>1,563</u>	<u>157,545</u>
<i>Cash and Cash Equivalents, Beginning of Year</i>	<u>144,872</u>	<u>74,192</u>	<u>108,314</u>	<u>49,503</u>	<u>376,881</u>
<i>Cash and Cash Equivalents, End of Year</i>	<u>\$ 248,838</u>	<u>\$ 113,123</u>	<u>\$ 121,399</u>	<u>\$ 51,066</u>	<u>\$ 534,426</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>					
Operating Income (Loss)	\$ 722,957	\$ 129,298	\$ (54,477)	\$ 0	\$ 797,778
Adjustments:					
Depreciation	395,628	38,385	14,072	0	448,085
(Increase) Decrease in Assets:					
Accounts Receivable	(42,555)	4,432	887	0	(37,236)
Prepaid Items	236	(1,000)	(500)	0	(1,264)
Materials and Supplies Inventory	(11,930)	(1,219)	0	0	(13,149)
Increase (Decrease) in Liabilities:					
Accounts Payable	(8,355)	80	963	0	(7,312)
Customer Deposits	0	0	0	1,563	1,563
Compensated Absences Payable	4,307	(810)	1,020	0	4,517
Claims Payable	0	0	0	0	0
Intergovernmental Payable	2,808	295	1,820	0	4,923
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 1,063,096</u>	<u>\$ 169,461</u>	<u>\$ (36,215)</u>	<u>\$ 1,563</u>	<u>\$ 1,197,905</u>

**Noncash Capital Financing Activities:**

During 2007, capital assets were transferred from the governmental activities to the sewer enterprise fund in the amount of \$18,854.

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

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**CITY OF TORONTO, OHIO**  
*Notes to the Basic Financial Statements*  
*December 31, 2007*

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**NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION**

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

***Reporting Entity***

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

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

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

The City is involved with the Ohio Mid-Eastern Governments Association and Jefferson-Belmont Joint Solid Waste Authority, which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 16.

**CITY OF TORONTO, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*December 31, 2007*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

***A. Basis of Presentation***

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

***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the City that are governmental and those that are considered business-type.

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

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

***B. Fund Accounting***

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

**CITY OF TORONTO, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*December 31, 2007*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

**Street Maintenance and Repair Special Revenue Fund** - The street maintenance and repair special revenue fund is used to account for the costs associated with maintaining the streets and public roads.

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

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

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

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

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

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

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

**Fiduciary Funds** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments, and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City does not have any fiduciary funds.

**CITY OF TORONTO, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*December 31, 2007*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***C. Measurement Focus***

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

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

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

***D. Basis of Accounting***

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

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 5). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**CITY OF TORONTO, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*December 31, 2007*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2007, but which were levied to finance fiscal year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

***E. Pooled Cash and Cash Equivalents***

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

Investments are reported at fair value which is based on quoted market prices, with the exception of nonparticipating certificates of deposit and repurchase agreements, which are reported at cost. Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2007 amounted to \$107,644, which includes \$50,278 assigned from other City funds.

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

**CITY OF TORONTO, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
 December 31, 2007

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2007 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the payment and an expenditure/expense is reported in the year in which services are consumed.

***G. Materials and Supplies Inventory***

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

***H. Restricted Assets***

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

***I. Capital Assets***

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

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

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

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



**CITY OF TORONTO, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*December 31, 2007*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

***J. Compensated Absences***

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

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

***K. Accrued Liabilities and Long-term Obligations***

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

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

***L. Fund Balance Reserves***

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

**CITY OF TORONTO, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*December 31, 2007*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***M. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions, enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At December 31, 2007, \$71,794 of the City's net assets were restricted by enabling legislation.

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

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

***N. Operating Revenues and Expenses***

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

***O. Interfund Activity***

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

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

***P. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2007.

**CITY OF TORONTO, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*December 31, 2007*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Q. Estimates***

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

***R. Budgetary Data***

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

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

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

**CITY OF TORONTO, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
 December 31, 2007

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

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

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund and the street maintenance and repair major special revenue fund.

**Net Change in Fund Balance**

	General	Street Maintenance and Repair
GAAP Basis	\$ 769,006	\$ (44,736)
Revenue accruals	(6,169)	(608)
Expenditure accruals	2,884	26,440
Encumbrances	(32,104)	(37,765)
Budget Basis	\$ 733,617	\$ (56,669)

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

**CITY OF TORONTO, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*December 31, 2007*

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**NOTE 4 - DEPOSITS AND INVESTMENTS** (Continued)

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in any amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

**CITY OF TORONTO, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
 December 31, 2007

**NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)**

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

According to State law, uninsured public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the City's name. During 2007, the City and public depositories complied with the provisions of these statutes.

**Deposits with Financial Institutions**

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

At fiscal year-end, the carrying amount of the City's deposits was \$226,256. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of December 31, 2007, \$160,001 of the City's bank balance of \$344,250 was exposed to custodial risk as discussed above, while \$184,249 was covered by Federal Deposit Insurance Corporation.

**Investments**

As of December 31, 2007, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 Months or Less
Repurchase Agreements	\$ 2,079,730	\$ 2,079,730

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

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

**CITY OF TORONTO, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*December 31, 2007*

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**NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)**

**Concentration of Credit Risk.** The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the City at June 30, 2007:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Repurchase Agreement	<u>\$ 2,079,730</u>	<u>100%</u>

**NOTE 5 - PROPERTY TAXES**

Property taxes include amounts levied against all real and public utility property, and tangible personal property located in the City. Property tax revenue received during 2007 for real and public utility property taxes represents collections of the 2006 taxes. Property tax payments received during 2007 for tangible personal property (other than public utility property) are for 2007 taxes.

2007 real property taxes were levied after October 1, 2006 on the assessed value as of January 1, 2006, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2007 real property taxes are collected in and intended to finance 2007.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2007 public utility property taxes which became a lien December 31, 2006, are levied after October 1, 2007, and are collected in 2007 with real property taxes.

Tangible personal property tax revenue received during calendar 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2007, on the value as of December 31, 2006. For 2006, tangible personal property is assessed at 18.75 percent for property including inventory. This percentage will be reduced to 12.5 percent for 2007, 6.25 percent for 2008 and zero percent for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the City prior to June 30.

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

**CITY OF TORONTO, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*December 31, 2007*

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**NOTE 5 - PROPERTY TAXES (Continued)**

The full tax rate for all City operations for the year ended December 31, 2007 was \$3.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2007 property tax receipts were based are as follows:

Real Property	\$ 54,757,770
Tangible Personal Property	16,468,230
Public Utilities	<u>3,198,760</u>
Total	<u>\$ 74,424,760</u>

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

**NOTE 6 - RECEIVABLES**

Receivables at December 31, 2007 consisted of taxes, accounts receivables (billings for user charged services including unbilled utility services), loans, and intergovernmental receivables arising from grants and shared revenues. All receivables are deemed collectible in full.

The governmental funds reflect housing loans receivable of \$4,380. The housing loans receivable are for financing the sale of City property to individuals as a home mortgage. The loans were issued at 4-5 percent interest. The loans are to be repaid over a period of ten years. Also, included in the governmental funds are revolving loans of \$6,351. These business revolving loans were issued to local businesses to improve their facades and sidewalks. The loans were issued at 4-5 percent interest. They are to be repaid over periods ranging from ten to twelve years.

**NOTE 7 – INCOME TAX**

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

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



**CITY OF TORONTO, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
 December 31, 2007

**NOTE 8 – CAPITAL ASSETS**

A summary of changes in capital assets during 2007 follows:

	Balance 12/31/2006	Additions	Deletions	Balance 12/31/2007
<b>Governmental Activities</b>				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 140,000	\$ 0	\$ 0	\$ 140,000
Work of Art	17,500	0	0	17,500
Construction in progress	0	10,130	0	10,130
<i>Total Capital Assets Not Being Depreciated</i>	<u>157,500</u>	<u>10,130</u>	<u>0</u>	<u>167,630</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings	553,274	865,069	0	1,418,343
Land Improvements	1,015,900	39,277	0	1,055,177
Equipment	121,594	138,073	0	259,667
Vehicles	1,209,970	108,360	0	1,318,330
Infrastructure	436,099	228,966	0	665,065
<i>Total Capital Assets, Being Depreciated</i>	<u>3,336,837</u>	<u>1,379,745</u>	<u>0</u>	<u>4,716,582</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	(329,173)	(20,697)	0	(349,870)
Land Improvements	(661,342)	(42,809)	0	(704,151)
Equipment	(45,681)	(8,738)	0	(54,419)
Vehicles	(350,065)	(45,257)	0	(395,322)
Infrastructure	(8,722)	(22,023)	0	(30,745)
<i>Total Accumulated Depreciation</i>	<u>(1,394,983)</u>	<u>(139,524) *</u>	<u>0</u>	<u>(1,534,507)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>1,941,854</u>	<u>1,240,221</u>	<u>0</u>	<u>3,182,075</u>
<i>Total Governmental Activities Capital Assets, Net</i>	<u>\$ 2,099,354</u>	<u>\$ 1,250,351</u>	<u>\$ 0</u>	<u>\$ 3,349,705</u>

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

General Government	\$ 9,682
Security of Persons and Property	38,101
Leisure Time Activities	49,577
Transportation	<u>42,164</u>
Total	<u>\$ 139,524</u>

**CITY OF TORONTO, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
 December 31, 2007

**NOTE 8 - CAPITAL ASSETS** (Continued)

	Balance 12/31/2006	Additions	Deletions	Balance 12/31/2007
<b>Business-Type Activities</b>				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 43,904	\$ 0		\$ 43,904
Construction in Progress	0	46,545		46,545
<i>Total Capital Assets Not Being Depreciated</i>	<u>43,904</u>	<u>46,545</u>	<u>0</u>	<u>90,449</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings	11,207,745	0	0	11,207,745
Improvements	1,750,000	0	0	1,750,000
Equipment	2,200,000	0	0	2,200,000
Vehicles	344,398	0	0	344,398
Water Lines	1,690,000	0	0	1,690,000
Sewer Lines	105,199	18,854	0	124,053
<i>Total Capital Assets Being Depreciated</i>	<u>17,297,342</u>	<u>18,854</u>	<u>0</u>	<u>17,316,196</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	(742,077)	(224,153)	0	(966,230)
Improvements	(13,750)	(27,500)	0	(41,250)
Equipment	(67,500)	(135,000)	0	(202,500)
Vehicles	(209,130)	(27,443)	0	(236,573)
Water Lines	(568,700)	(33,800)	0	(602,500)
Sewer Lines	(105,199)	(189)	0	(105,388)
<i>Total Accumulated Depreciation</i>	<u>(1,706,356)</u>	<u>(448,085)</u>	<u>0</u>	<u>(2,154,441)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>15,590,986</u>	<u>(429,231)</u>	<u>0</u>	<u>15,161,755</u>
<i>Total Business-Type Capital Assets, Net</i>	<u>\$ 15,634,890</u>	<u>\$ (382,686)</u>	<u>\$ 0</u>	<u>\$ 15,252,204</u>

**CITY OF TORONTO, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*December 31, 2007*

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**NOTE 9 - RISK MANAGEMENT**

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

**Casualty Coverage**

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

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

**Property Coverage**

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provide aggregate stop-loss coverage based upon the combined members’ total insurable values. If the stop-loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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

**CITY OF TORONTO, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
 December 31, 2007

**NOTE 9 - RISK MANAGEMENT (Continued)**

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

**Financial Position**

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

	<b>2006</b>
<u>Casualty Coverage</u>	
Assets	\$30,997,868
Liabilities	(15,875,741)
Retained Earnings	\$15,122,127
 <u>Property Coverage</u>	
Assets	\$5,125,326
Liabilities	(863,163)
Retained Earnings	\$4,262,163

At December 31, 2006, casualty coverage liabilities noted above include approximately \$14.4 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$14.4 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2006. These amounts will be included in future contributions from members when the related claims are due for payment. The City's share of these unpaid claims collectible in future years is approximately \$110,000. This payable includes the subsequent year's contribution due if the City terminates participation, as described in the last paragraph below.

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

<u>Contributions to PEP</u>	
2004	\$56,880
2005	55,423
2006	54,796

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

**CITY OF TORONTO, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*December 31, 2007*

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**NOTE 9 - RISK MANAGEMENT (Continued)**

There was no reduction in insurance coverage, as compared to the prior year, and insurance was sufficient to cover settlements in 2005, 2006 and 2007.

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

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

***A. Ohio Public Employees Retirement System***

The City of Toronto participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2007, the members of all three plans, except those in law enforcement or public safety participating in the plan, were required to contribute 9.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salaries; members in public safety contributed 9.75 percent. The City's contribution rate for pension benefits for 2007 was 13.85 percent, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 17.17 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006 and 2005 were \$129,418, \$77,677 and \$75,899, respectively. 92 percent has been contributed for 2007 and 100 percent for 2006 and 2005.

**CITY OF TORONTO, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*December 31, 2007*

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the City is required to contribute 19.5 percent for police officers and 24 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the fund for police and firefighters were \$109,686 and \$69,719 for the year ended December 31, 2007, \$64,370 and \$45,786 for the year ended December 31, 2006, \$63,508 and \$44,048 for the year ended December 31, 2005. The full amount has been contributed for 2006 and 2005. 69.9 percent and 71.7 percent has been contributed for 2007.

In addition to current contributions, the City paid installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and firefighters in 1967. During 2007, the City paid off the outstanding balance of this liability which was \$138,158.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

***A. Ohio Public Employees Retirement System***

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2007 local government employer contribution rate was 13.85 percent of covered payroll (17.17 percent for public safety and law enforcement). The portion of employer contributions allocated to health care was 5 percent from January 1 through June 30, 2007 and 6 percent from July 1 through December 31, 2007.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between .5 percent and 5 percent annually for the next eight years and 4 percent annually after eight years.

**CITY OF TORONTO, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*December 31, 2007*

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**NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)**

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

The number of active contributing participants in the traditional and combined plans was 374,979. The City's actual employer contributions for 2007, which were used to fund postemployment benefits were \$46,720. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006 (the latest information available) were \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

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

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

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care cost paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2007. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2007 that were used to fund postemployment benefits were \$37,951 for police and \$19,591 for fire. The OP&F's total health care expenses for the year ended December 31, 2006 (the latest information available) were \$120,373,722, which was net of member contributions of \$58,532,848. The number of OP&F participants eligible to receive health care benefits as of December 31, 2006 was 14,120 for police and 10,563 for firefighters.

**CITY OF TORONTO, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*December 31, 2007*

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**NOTE 12 - OTHER EMPLOYEE BENEFITS**

***A. Additional Insurance***

The City provides life insurance and accidental death and dismemberment insurance to employees, excluding part-time elected officials and appointed part-time officials. The policy is in the amount of \$15,000 life insurance and \$15,000 accidental death and dismemberment.

The City offers two different health care plans with employees having the option of which plan to choose. The City contracts with Health Assurance for hospitalization insurance for all employees, excluding part-time elected and part-time appointed officials. The City pays 90 percent of the total monthly premiums of \$1,501.09 for family health care, \$428.88 for single health care, \$814.87 for employee plus children health care and \$857.76 for employee plus spouse health care through Health Assurance. The City also contracts with Ohio AFSCME Eye Care in which the City pays 100 percent of the total monthly premium of \$265.20 for family or single eye and hearing care for AFSCME members. Premiums are paid from the same funds that pay the employees' salaries.

***B. Compensated Absences***

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn vacation time based on the length of service. Typically, vacation can not be carried over, however, unforeseen circumstances may come into play and the superintendent may elect to permit an employee to carryover minimal vacation time. Sick leave is accumulated at a rate of 4.6 hours per each 80 hours worked. For employees that work less than a 40 hour work week, the sick leave accumulation is prorated based on 4.6 hours per 80 hours worked. All accumulated, unused vacation time and personal days are paid upon separation if the employee has acquired at least one year of service with the City. Upon separation, AFSCME members are paid for a maximum of 440 hours of accumulated sick time provided they have five years of service with the City. Police are paid one-half of accumulated sick time with no maximum provided they have five years of service with the City. Upon separation, firefighters are paid for a maximum of 480 hours of accumulated sick time provided they have five years of service with the City. As of December 31, 2007, the liability for unpaid compensated absences was \$389,854.



**CITY OF TORONTO, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
 December 31, 2007

**NOTE 13 – TRANSFERS**

The City made the following transfers during 2007:

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Governmental Activities</b>		
General	\$ 0	\$ 1,412,500
Police Severance	20,000	0
Fire Severance	20,000	0
Police Pension	157,000	0
Recreation	54,000	0
Fire Pension	119,000	0
Street Maintenance and Repair	279,000	0
Capital Improvements	480,000	18,854
	<u>1,129,000</u>	<u>1,431,354</u>
<b>Business-Type Activities</b>		
Refuse	60,000	0
Sewer	200,354	0
Water	42,000	0
	<u>302,354</u>	<u>\$ 0</u>
 Total	 <u>\$ 1,431,354</u>	 <u>\$ 1,431,354</u>

The General Fund transferred \$1,372,500 to various other governmental and business-type funds to distribute income tax revenue. The general fund transferred \$20,000 to the police severance fund and \$20,000 to the fire severance funds to provide additional resources. During 2007, the governmental activities transferred capital assets with a net book value of \$18,854 to the sewer district enterprise fund and are reflected on the Statement of Activities as a transfer into the business-type activities and a transfer out of the governmental activities.

**NOTE 14 - CONTRACTUAL COMMITMENTS**

As of December 31, 2007, the City had contractual commitments for the following projects:

	<u>Contractual Commitment</u>	<u>Expended</u>	<u>Balance 12/31/2007</u>
Recreational Splash Pool:			
W. E. Quicksall	\$ 12,000	\$ 0	\$ 12,000
Myers Street Sewer Separation Project:			
W. E. Quicksall	<u>50,311</u>	<u>9,945</u>	<u>40,366</u>
 Total	 <u>\$ 62,311</u>	 <u>\$ 9,945</u>	 <u>\$ 52,366</u>

**CITY OF TORONTO, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
 December 31, 2007

**NOTE 15 - LONG-TERM OBLIGATIONS**

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

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
<b>Governmental Activities</b>			
Fire Truck Installment Loan - 2004	2.99%	\$ 383,816	June 1, 2009
City Building Installment Loan - 2007	5.00%	834,873	December 22, 2024
<b>Business-Type Activities</b>			
Sewer Treatment Plant OWDA Loan - 1985	7.00%	3,428,887	January 1, 2010
Water Treatment Plant OWDA Loan - 2001	3.26%	14,014,179	January 1, 2026
Water Treatment Lagoons OWDA Loan - 2005	1.00%	790,155	January 1, 2026
Vehicle Acquisition General Obligation Bonds - 2002	4.25%	160,684	May 30, 2007

Changes in long-term obligations during the year ended December 31, 2007, consisted of the following:

	<b>Outstanding 12/31/2006</b>	<b>Additions</b>	<b>Reductions</b>	<b>Outstanding 12/31/2007</b>	<b>Amounts Due In One Year</b>
<b>Governmental Activities</b>					
Installment Loan-Fire Truck	\$ 50,796	\$ 0	\$ (18,636)	\$ 32,160	\$ 19,191
Installment Loan-City Building	0	834,873	(24,988)	809,885	31,562
Compensated Absences	299,199	42,327	(13,863)	327,663	14,231
Police and Fire Pension Payable	138,158	0	(138,158)	0	0
Total Governmental Activities	<u>\$ 488,153</u>	<u>\$ 877,200</u>	<u>\$ (195,645)</u>	<u>\$ 1,169,708</u>	<u>\$ 64,984</u>
<b>Business-Type Activities</b>					
Sewer Treatment Plant OWDA Loan	\$ 241,714	\$ 0	\$ (241,714)	\$ 0	\$ 0
Water Treatment Plant OWDA Loan	13,317,392	75,481	(523,168)	12,869,705	544,157
Water Treatment OWDA Plant Lagoons	749,966	0	(36,236)	713,730	36,643
General Obligation Bonds	17,642	0	(17,642)	0	0
Compensated Absences	57,674	4,517	0	62,191	12,472
Total Business-Type Activities	<u>\$ 14,384,388</u>	<u>\$ 79,998</u>	<u>\$ (818,760)</u>	<u>\$ 13,645,626</u>	<u>\$ 593,272</u>

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

**CITY OF TORONTO, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
 December 31, 2007

**NOTE 15 - LONG-TERM OBLIGATIONS (Continued)**

The City entered into contractual agreements with the Ohio Water Development Authority (OWDA) to construct a new water treatment plant. As of December 31, 2007, the City had received \$13,420,049 from OWDA. In addition to the draw down, the City has incurred capitalized interest of \$479,345 as of December 31, 2007. The City began to repay the loan in 2007. The loan is not fully drawn down as of December 31, 2007. An amortization schedule has not been completed by the OWDA, therefore, the loan is not included in the following amortization schedule.

In 2005 the City was awarded a new loan from the Ohio Water Development Authority (OWDA) in the amount of \$790,155. The proceeds of this loan are being used to construct water treatment plant lagoons. As of December 31, 2007, the City had received \$781,822 from OWDA. In addition to the draw down, the City has incurred capitalized interest of \$4,020. The City began to repay this loan as of July 2006. The OWDA has not completed an amortization schedule, therefore the loan is not included in the following amortization schedule.

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

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

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2007 are as follows:

Year	Governmental Activities				Totals	
	Installment Loan-City Building		Installment Loan-Fire Truck		Principal	Interest
	Principal	Interest	Principal	Interest		
2008	\$ 31,562	\$ 39,778	\$ 19,191	\$ 809	\$ 50,753	\$ 40,587
2009	33,141	38,165	12,969	192	46,110	38,357
2010	34,836	36,470	0	0	34,836	36,470
2011	36,619	34,687	0	0	36,619	34,687
2012	38,492	32,814	0	0	38,492	32,814
2013-2017	224,093	132,436	0	0	224,093	132,436
2018-2022	287,593	68,937	0	0	287,593	68,937
2023-2027	123,549	5,937	0	0	123,549	5,937
	<u>\$ 809,885</u>	<u>\$ 389,224</u>	<u>\$ 32,160</u>	<u>\$ 1,001</u>	<u>\$ 842,045</u>	<u>\$ 390,225</u>

**CITY OF TORONTO, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*December 31, 2007*

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**NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS**

***A. Ohio Mid-Eastern Governments Association***

Ohio Mid-Eastern Governments Association (OMEGA) is a ten-county regional council of governments comprised of Belmont, Carroll, Coshocton, Columbiana, Guernsey, Harrison, Holmes, Jefferson, Muskingum, and Tuscarawas counties. OMEGA was formed to aid and assist the participating counties and political subdivisions within the counties in the application for Appalachian Regional Commission and Economic Development grant monies. OMEGA is governed by a sixteen member executive board comprised of members appointed from each participating county and cities within each county. City membership is voluntary. The Mayor of the City of Toronto serves as the City's representative on the board; however, the City is not active. Each member currently pays a per capita membership fee based upon the most recent United States census. During 2007, no fees were paid to OMEGA. The continued existence of OMEGA is not dependent on the City's continued participation and no equity interest exists. OMEGA has no outstanding debt.

***B. Jefferson-Belmont Joint Solid Waste Authority***

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

**NOTE 17 - CONTINGENCIES**

***A. Grants***

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the City at December 31, 2007.

***B. Litigation***

The City of Toronto is not party to any litigation.

**CITY OF TORONTO, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*December 31, 2007*

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**NOTE 18 - LEGAL COMPLIANCE**

Legal Compliance

The Street Maintenance and Repair Fund and the Water Treatment Improvement Fund had appropriations in excess of estimated resources contrary to section 5705.39, Revised Code, in the amount of \$54,829 and \$16,000, respectively. The City will monitor estimated revenue levels in the future to ensure that appropriations are not in excess of the amount available.

The City made expenditures that were not certified or recorded in accordance with section 5705.41(D), Revised Code, which provides that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

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# Mary Taylor, CPA

Auditor of State

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

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

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Toronto, Jefferson County, (the City) as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 13, 2009. We qualified our report on the governmental activities, business type activities, the Water, Sewer and Refuse Funds because certain capital assets and depreciation were not reported. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the City's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-003 and 2007-004.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than remote likelihood that the City's internal control will not prevent or detect a material financial misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. However, we believe findings number 2007-003 and 2007-004 are also material weaknesses.

We also noted certain matters that we reported to the City's management in a separate letter dated January 13, 2009.

### **Compliance and Other Matters**

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2007-001 and 2007-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated January 13, 2009.

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



**Mary Taylor, CPA**  
Auditor of State

January 13, 2009



CITY OF TORONTO  
JEFFERSON COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2007

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

FINDING NUMBER 2007-001

**Noncompliance Citation**

**Ohio Revised Code Section 5705.39** states that total appropriations from each fund shall not exceed the total estimated resources available for expenditure therefrom, as certified by the budget commission.

Appropriations exceeded the amount certified as available by the budget commission in the Street Maintenance and Repair Fund by \$54,829 (10.5%) and the Water Treatment Improvement Fund by \$16,000 (100%).

Failure to limit appropriations to the amount certified by the budget commission could result in overspending and negative cash balances. The City should compare appropriations to estimated resources and if adequate resources are available for additional appropriations, the City should submit an amended certificate of estimated resources to the budget commission for certification. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by the City Council.

FINDING NUMBER 2007-002

**Noncompliance Citation**

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

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

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

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

**2. Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not be, limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**3. Super Blanket Certificate** – The City may also make expenditures and contracts for any amount from a specific line item appropriation in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket may be outstanding a particular time for any line item appropriation.

In 2007, the City did not properly certify or record the amount against the applicable appropriation accounts for tested expenditures from the listed funds: General Fund (10%), Capital Improvement Fund (11%) and Sewer Fund (50%). The City did not utilize the certification exceptions described above for those expenditures lacking prior certification.

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

The City should certify purchases to which section Ohio Revised Code § 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language which Ohio Revised Code § 5705.41(D) requires for authorizing disbursements. The fiscal officer should sign the certification at the time the City incurs a commitment, and only when the requirements of Ohio Revised Code § 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code in the system, to reduce the available appropriation.

#### **FINDING NUMBER 2007-003**

##### **Significant Deficiency/Material Weakness**

The City has not maintained documentation to support the valuation of capital assets that should have been capitalized and depreciated, where applicable, in the governmental type activities and business type activities. Accordingly, the City's financial statements omit certain capital assets and depreciation expenses which are reported in the governmental type activities and business type activities. Accounting principles generally accepted in the United States require the capitalization and depreciation, where applicable of capital assets. The City has neither adopted a written policy regarding capital assets nor provided a complete inventory of capital assets. The omission of the information resulted in a qualified opinion on the City's basic financial statements.

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

**FINDING NUMBER 2007-004**

**Significant Deficiency/Material Weakness**

**Posting Receipts**

The City did not correctly code and classify intergovernmental receipts in 2007, resulting in a reclassification. The City Auditor has agreed to the reclassification and the corrected amount is reflected in the accompanying financial statements.

<b>Reclassifications -</b>			
<b>Fund Name</b>	<b>Account Type</b>	<b>Amount</b>	<b>Description</b>
Permissive Motor Vehicle License	Local Tax Revenue	\$48,132	Recorded as Intergovernmental Revenue

Failure to consistently follow a uniform chart of accounts increases the possibility the City will not be able to identify, assemble, analyze, classify, record and report its transactions correctly or to document compliance with finance-related legal and contractual requirements. The City Auditor should maintain the accounting system to enable the City to identify, assemble, analyze, classify, record and report all transactions and to maintain accountability. All transactions should be properly coded and classified according to a chart of accounts to help ensure that financial activity of the City is accurately recorded and reported. In addition, the City should adopt procedures for the review of posting of transactions and subsequent posting to the financial statements.

**Officials' Response:**

We did not receive a response from officials to the findings reported above.

**CITY OF TORONTO  
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2006-001	ORC 5705.39, appropriations exceeded estimated revenue	No	Re-issued as Finding 2007-001
2006-002	ORC 5705.41(D) failure to certify fund availability	No	Re-issued as Finding 2007-002
2006-003	Material Weakness - no documentation to support the valuation of capital assets in the Governmental and Business type activities	No	Re-issued as Finding 2007-003
2006-004	Material weakness – failure to correctly cod and classify receipts	No	Re-issued as Finding 2007-004



**Mary Taylor, CPA**  
Auditor of State

**CITY OF TORONTO**

**JEFFERSON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 31, 2009**