



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, business type activities, each major fund, and the aggregate remaining fund information of City of Toronto, Jefferson County, Ohio (the City), as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, except for the effects of not reporting certain capital assets and the depreciation for the governmental activities, the business type activities and the Water, Sewer and Refuse Funds, as described in the previous paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, the Water, Sewer and Refuse Funds of the City of Toronto, Jefferson County as of December 31, 2009 and the respective changes in financial position and where applicable, cash flows, thereof, and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects the respective financial position of the General and the Capital Improvement Funds, and the aggregate remaining fund information of City of Toronto, Jefferson County, Ohio, as of December 31, 2009, and the respective changes in financial position, thereof, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements. The U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* requires presenting a federal awards expenditure schedule. The schedule is not a required part of the financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the financial statements. In our opinion, this information is fairly stated in all material respects in relation to the financial statements taken as a whole.



**Mary Taylor, CPA**  
Auditor of State

July 26, 2010

**City of Toronto**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
(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, 2009. 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 2009 are as follows:

- General revenues accounted for \$2,789,390 in revenue or 39.9 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$4,210,048 or 60.1 percent of total revenues of \$6,999,438.
- Total program expenses were \$6,470,892; \$3,557,141 in governmental activities and \$2,913,751 in business-type activities.
- In total, net assets increased \$528,546. Net assets of governmental activities decreased \$350,358, which represents a 5.6 percent decrease from 2008. Net assets of business-type activities increased by \$878,904. This was a 28.4 percent increase from 2008.
- Outstanding debt decreased from \$14,067,971 to \$13,376,304 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 2009 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 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, 2009*  
(Unaudited)

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A question typically asked about the City's finances "How did we do financially during fiscal year 2009?" 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 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 and capital improvement funds, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The City adopts an annual appropriated budget for each of its funds. A budgetary comparison statement has been provided for the general fund.



**City of Toronto**  
*Management's Discussion and Analysis (Continued)*  
For the Year Ended December 31, 2009  
(Unaudited)

**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 2009 compared to 2008:

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

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Assets</b>						
Current and Other Assets	\$ 3,487,500	\$ 4,372,880	\$ 1,482,456	\$ 1,211,902	\$ 4,969,956	\$ 5,584,782
Capital Assets	4,022,657	3,498,090	15,217,161	15,250,082	19,239,818	18,748,172
Total Assets	7,510,157	7,870,970	16,699,617	16,461,984	24,209,774	24,332,954
<b>Liabilities</b>						
Long-Term Liabilities	1,256,667	1,304,002	12,615,001	13,208,411	13,871,668	14,512,413
Other Liabilities	337,558	300,678	112,558	160,419	450,116	461,097
Total Liabilities	1,594,225	1,604,680	12,727,559	13,368,830	14,321,784	14,973,510
<b>Net Assets</b>						
Invested in Capital						
Assets Net of Debt	3,276,023	2,551,971	2,690,196	2,128,231	5,863,515 *	4,680,202
Restricted	1,496,335	1,772,697	0	0	1,496,335	1,772,697
Unrestricted	1,143,574	1,941,622	1,281,862	964,923	2,528,140 *	2,906,545
Total Net Assets	\$ 5,915,932	\$ 6,266,290	\$ 3,972,058	\$ 3,093,154	\$ 9,887,990	\$ 9,359,444

\*Debt, in the amount of \$102,704 related to certain business-type assets, is included in the governmental activities. This debt has not been included in the invested in capital assets, net of related debt for the governmental or business-type activities but has been reflected in the entity-wide total.

Total assets decreased by \$123,180 with governmental assets decreasing by \$360,813 and business-type assets increasing by \$237,633. Total capital assets increased by \$491,646, the majority of which was the purchase of new assets. Total liabilities decreased by \$651,726 with governmental liabilities decreasing \$10,455 and business-type liabilities decreasing \$641,271. The majority of the decrease in governmental activities and business-type was related to the payment of debt.

Total net assets increased by \$528,546. This number reflects a decrease of \$350,358 in governmental activities and an increase of \$878,904 in the net assets of the business-type activities.

**City of Toronto**  
*Management's Discussion and Analysis (Continued)*  
For the Year Ended December 31, 2009  
(Unaudited)

Table 2 shows the changes in net assets for fiscal year 2009. 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
	2009	2008	2009	2008	2009	2008
<b>Revenues</b>						
<i>Program Revenues:</i>						
Charges for Services and Sales	\$ 125,600	\$ 130,844	\$ 3,241,558	\$ 3,071,833	\$ 3,367,158	\$ 3,202,677
Operating Grants and Contributions	410,326	1,828,171	0	0	410,326	1,828,171
Capital Grants and Contributions	432,564	10,000	0	0	432,564	10,000
<i>General Revenues:</i>						
Property Taxes	159,531	215,417	0	0	159,531	215,417
Income Taxes	2,182,411	2,482,760	0	0	2,182,411	2,482,760
Other Local Taxes	25,492	47,972	0	0	25,492	47,972
Grants and Entitlements	367,343	672,732	0	0	367,343	672,732
Investment Earnings	2,575	49,422	0	0	2,575	49,422
Miscellaneous	47,179	253,785	4,859	5,845	52,038	259,630
<b>Total Revenues</b>	<b>3,753,021</b>	<b>5,691,103</b>	<b>3,246,417</b>	<b>3,077,678</b>	<b>6,999,438</b>	<b>8,768,781</b>
<b>Program Expenses</b>						
General Government	503,138	636,559	0	0	503,138	636,559
Security of Persons and Property	1,759,542	1,628,492	0	0	1,759,542	1,628,492
Public Health Services	18,338	23,108	0	0	18,338	23,108
Leisure Time Activities	220,633	269,271	0	0	220,633	269,271
Community and Economic Development	421,240	1,362,761	0	0	421,240	1,362,761
Transportation	589,676	565,178	0	0	589,676	565,178
Interest and Fiscal Charges	44,574	44,759	0	0	44,574	44,759
<i>Enterprise Operations:</i>						
Water	0	0	1,899,992	1,895,666	1,899,992	1,895,666
Sewer	0	0	536,583	538,856	536,583	538,856
Refuse	0	0	477,176	465,921	477,176	465,921
<b>Total Program Expenses</b>	<b>3,557,141</b>	<b>4,530,128</b>	<b>2,913,751</b>	<b>2,900,443</b>	<b>6,470,892</b>	<b>7,430,571</b>
Increase in Net Assets Before Transfers	195,880	1,160,975	332,666	177,235	528,546	1,338,210
Transfers	(546,238)	(404,384)	546,238	404,384	0	0
<b>Increase in Net Assets</b>	<b>\$ (350,358)</b>	<b>\$ 756,591</b>	<b>\$ 878,904</b>	<b>\$ 581,619</b>	<b>\$ 528,546</b>	<b>\$ 1,338,210</b>

**City of Toronto**  
*Management's Discussion and Analysis (Continued)*  
*For the Year Ended December 31, 2009*  
(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. 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. Revenue related to two new grants was recognized in 2008 which accounts for the decrease in operating grant revenue from 2008 to 2009. There were no new grants in 2009. 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 \$1,759,542 represents 49.5 percent of the total expenses. These two departments operate out of the general fund.

Community and economic development was another large area of expense for the City. The total for community and economic development expense for 2009 was \$421,240 which was 11.8 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 \$238,971 in 2009 equaling 6.7 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 2009, charges for services of \$3,241,558 accounted for 99.9 percent of the business-type revenues. The total expenses for the utilities were \$2,913,751. The City had an increase in net assets of \$878,904 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 \$4,146,315 and expenditures (exclusive of other financing uses) of \$4,143,488. The total change in fund balance was \$(543,411). The fund balance in the general fund decreased by \$642,867; from \$1,476,314 in 2008 to \$833,447 in 2009. The capital improvements capital projects fund had a fund balance decrease of \$111,671 from \$191,346 in 2008 to \$79,675 in 2009. 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 17. These funds are accounted for on an accrual basis. All business type funds had operating expenses of \$2,515,511 which was less than operating revenues of \$3,246,417, by \$730,906 or 22.5 percent of operating revenues.

**City of Toronto**  
*Management's Discussion and Analysis (Continued)*  
For the Year Ended December 31, 2009  
(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 2009, the City amended its general fund budget on various occasions. All recommendations for appropriation changes come to Council from the City Auditor. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

For the general fund, final budget basis revenue (exclusive of other financing sources) was \$2,997,800, over the original budget estimates (exclusive of other financing sources) of \$3,578,800. Of this \$581,000 decrease, most was attributable to decreased income tax revenue.

For the general fund, the final appropriations (exclusive of other financing uses) were \$2,417,316, representing a \$22,000 decrease from the original appropriations (exclusive of other financing uses) of \$2,439,316.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of year 2009, the City had \$19,239,818 invested in land, construction in progress, work of art, buildings, land improvements, equipment, vehicles and water lines. A total of \$4,022,657 of this was for governmental activities and \$15,217,161 was attributable to business-type activities. Table 3 shows fiscal year 2009 balances compared with 2008.

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

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 140,000	\$ 140,000	\$ 43,904	\$ 43,904	\$ 183,904	\$ 183,904
Construction in Progress	17,500	9,795	0	91,418	17,500	101,213
Work of Art	396,898	17,500	0	0	396,898	17,500
Buildings	1,078,964	1,039,126	9,914,100	10,140,748	10,993,064	11,179,874
Land Improvements	360,913	405,409	1,653,750	1,681,250	2,014,663	2,086,659
Equipment	256,581	279,284	2,052,991	2,131,939	2,309,572	2,411,223
Vehicles	877,884	905,081	172,696	88,835	1,050,580	993,916
Infrastructure	893,917	701,895	0	0	893,917	701,895
Water and Sewer Lines	0	0	1,379,720	1,071,988	1,379,720	1,071,988
<b>Totals</b>	<b>\$ 4,022,657</b>	<b>\$ 3,498,090</b>	<b>\$ 15,217,161</b>	<b>\$ 15,250,082</b>	<b>\$ 19,239,818</b>	<b>\$ 18,748,172</b>

**City of Toronto**  
*Management's Discussion and Analysis (Continued)*  
For the Year Ended December 31, 2009  
(Unaudited)

***Capital Assets and Debt Administration (Continued)***

The \$491,646 increase in capital assets was attributable to additional purchases exceeding depreciation expense. Note 8 provides information on capital asset activity during the 2009 year.

**Debt**

The outstanding debt for the City of Toronto as of December 31, 2009 was \$13,376,304 with \$727,062 due within one year. Table 4 summarizes outstanding debt.

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

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Installment Loans	\$ 746,634	\$ 777,962	\$ 0	\$ 0	\$ 746,634	\$ 777,962
General Obligation Bonds	102,704	168,157	0	0	102,704	168,157
OWDA Loans	0	0	12,526,966	13,121,852	12,526,966	13,121,852
<i>Total</i>	<b>\$ 849,338</b>	<b>\$ 946,119</b>	<b>\$ 12,526,966</b>	<b>\$ 13,121,852</b>	<b>\$ 13,376,304</b>	<b>\$ 14,067,971</b>

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

***Current Financial Issues***

The City had a cash balance of \$724,981 at December 31, 2009 in the General fund.

The City purchased a new police vehicle in 2009.

The City has a 2% wage income tax, plus grants, which enabled them to complete capital improvements totaling \$948,576.

The \$14,000,000 Water Treatment Plant was completed in 2007. The City is now selling water to Jefferson County with revenue of \$1,403,127 in 2009.

***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).

**City of Toronto**  
*Statement of Net Assets*  
*December 31, 2009*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 1,537,039	\$ 896,036	\$ 2,433,075
Restricted Assets:			
Cash and Cash Equivalents	0	62,449	62,449
Materials and Supplies Inventory	28,236	58,988	87,224
Accrued Interest Receivable	16,060	0	16,060
Accounts Receivable	0	422,751	422,751
Internal Balances	(9,612)	9,612	0
Intergovernmental Receivable	879,437	0	879,437
Prepaid Items	22,998	32,620	55,618
Taxes Receivable	1,002,472	0	1,002,472
Loans Receivable	10,870	0	10,870
Non-Depreciable Capital Assets	554,398	43,904	598,302
Depreciable Capital Assets, Net	3,468,259	15,173,257	18,641,516
<i>Total Assets</i>	<u>7,510,157</u>	<u>16,699,617</u>	<u>24,209,774</u>
<b>Liabilities</b>			
Accounts Payable	10,739	36,398	47,137
Contracts Payable	74,091	0	74,091
Intergovernmental Payable	82,049	13,711	95,760
Accrued Interest Payable	445	0	445
Matured Compensated Absences Payable	24,096	0	24,096
Customer Deposits	0	62,449	62,449
Deferred Revenue	146,138	0	146,138
Long-Term Liabilities:			
Due Within One Year	137,806	629,008	766,814
Due in More Than One Year	1,118,861	11,985,993	13,104,854
<i>Total Liabilities</i>	<u>1,594,225</u>	<u>12,727,559</u>	<u>14,321,784</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	3,276,023	2,690,196	5,863,515
Restricted for Capital Outlay	82,779	0	82,779
Restricted for Other Purposes	1,413,556	0	1,413,556
Unrestricted	1,143,574	1,281,862	2,528,140
<i>Total Net Assets</i>	<u>\$ 5,915,932</u>	<u>\$ 3,972,058</u>	<u>\$ 9,887,990</u>

Note: Debt in the amount of \$102,704 which is related to certain business-type assets is included in the governmental activities. This debt has not been included in the invested in capital assets, net of related debt for the governmental or business-type activities but has been reflected in the entity-wide total. See Note 15.

See accompanying notes.

**City of Toronto**  
*Statement of Activities*  
For the Year Ended December 31, 2009

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General Government	\$ 503,138	\$ 65,142	\$ 0	\$ 0	\$ (437,996)	\$ 0	\$ (437,996)
Security of Persons and Property	1,759,542	17,641	70,055	0	(1,671,846)	0	(1,671,846)
Public Health	18,338	0	0	0	(18,338)	0	(18,338)
Leisure Time Services	220,633	42,817	13,353	0	(164,463)	0	(164,463)
Community and Economic Development	421,240	0	120,258	7,184	(293,798)	0	(293,798)
Transportation	589,676	0	206,660	425,380	42,364	0	42,364
Interest and Fiscal Charges	44,574	0	0	0	(44,574)	0	(44,574)
<i>Total Governmental Activities</i>	<u>3,557,141</u>	<u>125,600</u>	<u>410,326</u>	<u>432,564</u>	<u>(2,588,651)</u>	<u>0</u>	<u>(2,588,651)</u>
<b>Business-Type Activities</b>							
Refuse Fund	477,176	378,965	0	0	0	(98,211)	(98,211)
Sewer Fund	536,583	621,635	0	0	0	85,052	85,052
Water Fund	1,899,992	2,240,958	0	0	0	340,966	340,966
<i>Total Business-Type Activities</i>	<u>2,913,751</u>	<u>3,241,558</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>327,807</u>	<u>327,807</u>
<i>Total - Primary Government</i>	<u>\$ 6,470,892</u>	<u>\$ 3,367,158</u>	<u>\$ 410,326</u>	<u>\$ 432,564</u>	<u>(2,588,651)</u>	<u>327,807</u>	<u>(2,260,844)</u>
<b>General Revenues</b>							
Property Taxes Levied for:							
General Purposes					116,922	0	116,922
Other Purposes					42,609	0	42,609
Income Taxes Levied for General Purposes					2,182,411	0	2,182,411
Other Local Taxes					25,492	0	25,492
Grants and Entitlements not Restricted to Specific Programs					367,343	0	367,343
Investment Earnings					2,575	0	2,575
Miscellaneous					47,179	4,859	52,038
<i>Total General Revenues</i>					<u>2,784,531</u>	<u>4,859</u>	<u>2,789,390</u>
Transfers					(546,238)	546,238	0
<i>Total General Revenues and Transfers</i>					<u>2,238,293</u>	<u>551,097</u>	<u>2,789,390</u>
<i>Change in Net Assets</i>					<u>(350,358)</u>	<u>878,904</u>	<u>528,546</u>
<i>Net Assets Beginning of Year</i>					<u>6,266,290</u>	<u>3,093,154</u>	<u>9,359,444</u>
<i>Net Assets End of Year</i>					<u>\$ 5,915,932</u>	<u>\$ 3,972,058</u>	<u>\$ 9,887,990</u>

See accompanying notes.

**City of Toronto**  
*Balance Sheet*  
**Governmental Funds**  
*December 31, 2009*

	<u>General Fund</u>	<u>Capital Improvements</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 724,981	\$ 153,766	\$ 635,154	\$ 1,513,901
Materials and Supplies Inventory	0	0	28,236	28,236
Accrued Interest Receivable	16,060	0	0	16,060
Intergovernmental Receivable	99,479	0	779,958	879,437
Prepaid Items	17,734	0	5,264	22,998
Taxes Receivable	957,736	0	44,736	1,002,472
Loans Receivable	0	0	10,870	10,870
<i>Total Assets</i>	<u>\$ 1,815,990</u>	<u>\$ 153,766</u>	<u>\$ 1,504,218</u>	<u>\$ 3,473,974</u>
<b>Liabilities</b>				
Accounts Payable	6,090	0	4,649	10,739
Contracts Payable	0	74,091	0	74,091
Intergovernmental Payable	26,233	0	55,816	82,049
Matured Compensated Absences Payable	24,096	0	0	24,096
Deferred Revenue	926,124	0	746,761	1,672,885
<i>Total Liabilities</i>	<u>982,543</u>	<u>74,091</u>	<u>807,226</u>	<u>1,863,860</u>
<b>Fund Balances</b>				
Reserved for Encumbrances	0	55,352	183,840	239,192
Reserved for Loans Receivable	0	0	10,870	10,870
Unreserved, Undesignated, Reported in:				
General Fund	833,447	0	0	833,447
Special Revenue Funds	0	0	510,339	510,339
Capital Projects Funds	0	24,323	(8,057)	16,266
<i>Total Fund Balances</i>	<u>833,447</u>	<u>79,675</u>	<u>696,992</u>	<u>1,610,114</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 1,815,990</u>	<u>\$ 153,766</u>	<u>\$ 1,504,218</u>	<u>\$ 3,473,974</u>

See accompanying notes.



**City of Toronto**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 December 31, 2009*

<b>Total Governmental Fund Balances</b>		\$ 1,610,114
<i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		4,022,657
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	\$ 21,911	
Income Tax	718,591	
Intergovernmental	786,245	
Total	1,526,747	1,526,747
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		13,526
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(445)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Installment Loan Payable	(746,634)	
Bonds Payable	(102,704)	
Compensated Absences	(407,329)	
Total	(1,256,667)	(1,256,667)
<i>Net Assets of Governmental Activities</i>		\$ 5,915,932

See accompanying notes.

**City of Toronto**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
**Governmental Funds**  
*For The Year Ended December 31, 2009*

	<u>General Fund</u>	<u>Capital Improvements</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Property Taxes	\$ 115,377	\$ 0	\$ 41,873	\$ 157,250
Income Taxes	2,154,010	0	0	2,154,010
Other Local Taxes	0	0	44,103	44,103
Charges for Services	30,500	0	42,817	73,317
Licenses and Permits	34,642	0	0	34,642
Fines and Forfeitures	17,641	0	0	17,641
Intergovernmental	431,072	291,233	892,728	1,615,033
Interest	2,575	0	567	3,142
Other	18,965	0	28,212	47,177
<i>Total Revenues</i>	<u>2,804,782</u>	<u>291,233</u>	<u>1,050,300</u>	<u>4,146,315</u>
<b>Expenditures</b>				
Current:				
General Government	467,051	0	0	467,051
Security of Persons and Property	1,448,847	0	208,285	1,657,132
Public Health	17,498	0	840	18,338
Leisure Time Services	6,000	0	128,103	134,103
Community and Economic Development	0	0	421,240	421,240
Transportation	55,822	0	419,300	475,122
Capital Outlay	45,467	753,845	28,916	828,228
Debt Service:				
Principal Retirements	31,328	65,453	0	96,781
Interest and Fiscal Charges	39,978	5,515	0	45,493
<i>Total Expenditures</i>	<u>2,111,991</u>	<u>824,813</u>	<u>1,206,684</u>	<u>4,143,488</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>692,791</u>	<u>(533,580)</u>	<u>(156,384)</u>	<u>2,827</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	704,000	501,658	1,205,658
Transfers Out	(1,335,658)	(282,091)	(134,147)	(1,751,896)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,335,658)</u>	<u>421,909</u>	<u>367,511</u>	<u>(546,238)</u>
<i>Net Change in Fund Balance</i>	(642,867)	(111,671)	211,127	(543,411)
<i>Fund Balance Beginning of Year</i>	<u>1,476,314</u>	<u>191,346</u>	<u>485,865</u>	<u>2,153,525</u>
<i>Fund Balance End of Year</i>	<u>\$ 833,447</u>	<u>\$ 79,675</u>	<u>\$ 696,992</u>	<u>\$ 1,610,114</u>

See accompanying notes.

**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, 2009*

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**Net Change in Fund Balances - Total Governmental Funds** \$ (543,411)

*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	\$	714,199	
Current Year Depreciation		(189,632)	
Total		524,567	524,567

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

Delinquent Property Taxes		2,281	
Income Tax		28,401	
Intergovernmental		(423,976)	
Total		(393,294)	(393,294)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in entity-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. 13,526

Repayment of loan and bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 96,781

In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due. 919

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. (49,446)

*Change in Net Assets of Governmental Activities* \$ (350,358)

See accompanying notes.

**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, 2009*

	Budgeted Amounts			Variance with Final Budget
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Property Taxes	\$ 133,453	\$ 133,800	\$ 115,377	\$ (18,423)
Income Taxes	2,808,794	2,335,000	2,263,511	(71,489)
Charges for Services	36,689	30,500	30,500	0
Licenses and Permits	36,689	30,500	34,642	4,142
Fines and Forfeitures	26,705	22,200	17,641	(4,559)
Intergovernmental	457,180	380,062	433,159	53,097
Interest	72,175	60,000	5,111	(54,889)
Other	7,115	5,738	18,965	13,227
<i>Total Revenues</i>	<u>3,578,800</u>	<u>2,997,800</u>	<u>2,918,906</u>	<u>(78,894)</u>
<b>Expenditures</b>				
Current:				
General Government	610,716	664,054	500,104	163,950
Security of Persons and Property	1,595,600	1,520,262	1,426,242	94,020
Public Health	24,000	24,000	18,736	5,264
Leisure Time Services	6,000	6,000	6,000	0
Transportation	63,000	63,000	54,728	8,272
Capital Outlay	68,000	68,000	45,467	22,533
Debt Service:				
Principal Retirements	33,000	33,000	31,328	1,672
Interest and Fiscal Charges	39,000	39,000	39,978	(978)
<i>Total Expenditures</i>	<u>2,439,316</u>	<u>2,417,316</u>	<u>2,122,583</u>	<u>294,733</u>
<i>Excess of Revenues Over Expenditures</i>	<u>1,139,484</u>	<u>580,484</u>	<u>796,323</u>	<u>215,839</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(1,203,658)	(1,335,658)	(1,335,658)	0
<i>Net Change in Fund Balance</i>	(64,174)	(755,174)	(539,335)	215,839
<i>Fund Balance Beginning of Year</i>	1,262,040	1,262,040	1,262,040	0
Prior Year Encumbrances Appropriated	2,276	2,276	2,276	0
<i>Fund Balance End of Year</i>	<u>\$ 1,200,142</u>	<u>\$ 509,142</u>	<u>\$ 724,981</u>	<u>\$ 215,839</u>

See accompanying notes.

**City of Toronto**  
**Statement of Fund Net Assets**  
**Proprietary Funds**  
**December 31, 2009**

	Business-Type Activities				Totals	Governmental Activities - Internal Service Fund
	Water Fund	Sewer Fund	Refuse Fund	Other Enterprise Fund		
<b>Assets</b>						
<i>Current Assets</i>						
Equity in Pooled Cash and Cash Equivalents	\$ 516,240	\$ 304,425	\$ 75,371	\$ 0	\$ 896,036	\$ 23,138
Materials and Supplies Inventory	54,096	4,892	0	0	58,988	0
Accounts Receivable	261,580	108,188	52,983	0	422,751	0
Prepaid Items	14,217	8,414	9,989	0	32,620	0
<i>Total Current Assets</i>	<u>846,133</u>	<u>425,919</u>	<u>138,343</u>	<u>0</u>	<u>1,410,395</u>	<u>23,138</u>
<i>Non-Current Assets</i>						
Restricted Equity in Pooled Cash and Cash Equivalents	0	0	0	62,449	62,449	0
Non-Depreciable Capital Assets	23,904	20,000	0	0	43,904	0
Depreciable Capital Assets, Net	13,826,126	1,151,793	195,338	0	15,173,257	0
<i>Total Non-Current Assets</i>	<u>13,850,030</u>	<u>1,171,793</u>	<u>195,338</u>	<u>62,449</u>	<u>15,279,610</u>	<u>0</u>
<i>Total Assets</i>	<u>14,696,163</u>	<u>1,597,712</u>	<u>333,681</u>	<u>62,449</u>	<u>16,690,005</u>	<u>23,138</u>
<b>Liabilities</b>						
<i>Current Liabilities</i>						
Accounts Payable	725	32,609	3,064	0	36,398	0
Intergovernmental Payable	7,814	1,099	4,798	0	13,711	0
Compensated Absences Payable	10,076	452	4,883	0	15,411	0
OWDA Loans Payable	613,597	0	0	0	613,597	0
Customer Deposits	0	0	0	62,449	62,449	0
<i>Total Current Liabilities</i>	<u>632,212</u>	<u>34,160</u>	<u>12,745</u>	<u>62,449</u>	<u>741,566</u>	<u>0</u>
<i>Long-Term Liabilities</i>						
Compensated Absences Payable - Net of Current Portion	44,157	952	27,515	0	72,624	0
OWDA Loans Payable - Net of Current Portion	11,913,369	0	0	0	11,913,369	0
<i>Total Long-Term Liabilities</i>	<u>11,957,526</u>	<u>952</u>	<u>27,515</u>	<u>0</u>	<u>11,985,993</u>	<u>0</u>
<i>Total Liabilities</i>	<u>12,589,738</u>	<u>35,112</u>	<u>40,260</u>	<u>62,449</u>	<u>12,727,559</u>	<u>0</u>
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	1,323,063	1,171,794	195,339	0	2,690,196	0
Unrestricted	783,362	390,806	98,082	0	1,272,250	23,138
<i>Total Net Assets</i>	<u>\$ 2,106,425</u>	<u>\$ 1,562,600</u>	<u>\$ 293,421</u>	<u>\$ 0</u>	<u>\$ 3,962,446</u>	<u>\$ 23,138</u>

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

Net assets of business-type activities

9,612  
\$ 3,972,058

See accompanying notes.

**City of Toronto**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Proprietary Funds*  
*For the Year Ended December 31, 2009*

	Business-Type Activities				Governmental Activities - Internal Service Fund
	Water Fund	Sewer Fund	Refuse Fund	Totals	
<b>Operating Revenues</b>					
Charges for Services	\$ 2,240,958	\$ 621,635	\$ 378,965	\$ 3,241,558	\$ 32,500
Other	1,539	0	3,320	4,859	0
<i>Total Operating Revenues</i>	<u>2,242,497</u>	<u>621,635</u>	<u>382,285</u>	<u>3,246,417</u>	<u>32,500</u>
<b>Operating Expenses</b>					
Personal Services	561,278	69,900	289,424	920,602	0
Contractual Services	293,900	405,569	160,987	860,456	0
Materials and Supplies	233,196	18,581	12,235	264,012	0
Claims	0	0	0	0	9,362
Depreciation	409,889	42,889	17,663	470,441	0
<i>Total Operating Expenses</i>	<u>1,498,263</u>	<u>536,939</u>	<u>480,309</u>	<u>2,515,511</u>	<u>9,362</u>
<i>Operating Income (Loss)</i>	<u>744,234</u>	<u>84,696</u>	<u>(98,024)</u>	<u>730,906</u>	<u>23,138</u>
<b>Non-Operating Revenues (Expenses)</b>					
Interest and Fiscal Charges	(407,852)	0	0	(407,852)	0
<i>Income (Loss) Before Contributions and Transfers</i>	<u>336,382</u>	<u>84,696</u>	<u>(98,024)</u>	<u>323,054</u>	<u>23,138</u>
Capital Contributions	0	253,946	162,292	416,238	0
Transfers In	100,000	0	30,000	130,000	0
<i>Change in Net Assets</i>	436,382	338,642	94,268	869,292	23,138
<i>Net Assets Beginning of Year</i>	<u>1,670,043</u>	<u>1,223,958</u>	<u>199,153</u>		<u>0</u>
<i>Net Assets End of Year</i>	<u>\$ 2,106,425</u>	<u>\$ 1,562,600</u>	<u>\$ 293,421</u>		<u>\$ 23,138</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:				<u>9,612</u>	
Changes in Net Assets of Business-Type Activities				<u>\$ 878,904</u>	

See accompanying notes.

**City of Toronto**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Year Ended December 31, 2009

	Business-Type Activities					Governmental Activities - Internal Service Fund
	Water Fund	Sewer Fund	Refuse Fund	Other Enterprise Fund	Totals	
<b>Increase in Cash and Cash Equivalents</b>						
<b>Cash flows from Operating Activities</b>						
Cash Received from Customers	\$ 2,254,994	\$ 590,498	\$ 371,232	\$ 0	\$ 3,216,724	\$ 32,500
Other Operating Receipts	1,539	0	3,320	25,900	30,759	0
Cash Payments to Suppliers for Goods and Services	(244,951)	(20,692)	(12,333)	0	(277,976)	0
Cash Payments to Employees	(570,864)	(70,499)	(282,481)	0	(923,844)	0
Cash Payments for Contractual Services	(311,755)	(415,718)	(168,666)	(26,476)	(922,615)	0
Claims Paid	0	0	0	0	0	(9,362)
<i>Net Cash Provided by Operating Activities</i>	<u>1,128,963</u>	<u>83,589</u>	<u>(88,928)</u>	<u>(576)</u>	<u>1,123,048</u>	<u>23,138</u>
<b>Cash Flows from Noncapital Financing Activities</b>						
Transfers In	100,000	0	30,000	0	130,000	0
<b>Cash Flows from Capital and Related Financing Activities</b>						
Acquisition of Capital Assets	(6,994)	0	(14,289)	0	(21,283)	0
Principal Payments on Debt	(594,886)	0	0	0	(594,886)	0
Interest Payments	(407,852)	0	0	0	(407,852)	0
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(1,009,732)</u>	<u>0</u>	<u>(14,289)</u>	<u>0</u>	<u>(1,024,021)</u>	<u>0</u>
<i>Net Increase in Cash and Cash Equivalents</i>	219,231	83,589	(73,217)	(576)	229,027	23,138
<i>Cash and Cash Equivalents, Beginning of Year</i>	297,009	220,836	148,588	63,025	729,458	0
<i>Cash and Cash Equivalents, End of Year</i>	<u>\$ 516,240</u>	<u>\$ 304,425</u>	<u>\$ 75,371</u>	<u>\$ 62,449</u>	<u>\$ 958,485</u>	<u>\$ 23,138</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>						
Operating Income (Loss)	\$ 744,234	\$ 84,696	\$ (98,024)	\$ 0	\$ 730,906	\$ 23,138
Adjustments:						
Depreciation	409,889	42,889	17,663	0	470,441	0
(Increase) Decrease in Assets:						
Accounts Receivable	14,036	(31,137)	(7,733)	0	(24,834)	0
Prepaid Items	(717)	(414)	(489)	0	(1,620)	0
Materials and Supplies Inventory	(4,636)	(825)	0	0	(5,461)	0
Increase (Decrease) in Liabilities:						
Accounts Payable	(24,257)	(11,022)	(7,288)	0	(42,567)	0
Customer Deposits	0	0	0	(576)	(576)	0
Compensated Absences Payable	(6,701)	173	8,005	0	1,477	0
Intergovernmental Payable	(2,885)	(771)	(1,062)	0	(4,718)	0
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>\$ 1,128,963</u>	<u>\$ 83,589</u>	<u>\$ (88,928)</u>	<u>\$ (576)</u>	<u>\$ 1,123,048</u>	<u>\$ 23,138</u>

**Noncash Capital Financing Activities:**

During 2009, capital assets were transferred from the governmental activities to the sewer and refuse enterprise fund in the amount of \$253,946 and \$162,292, respectively.

See accompanying notes.

**CITY OF TORONTO, OHIO**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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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.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles that were issued prior to November 30, 1989 by the Financial Accounting Standards Board ("FASB") to its governmental and business-type activities and proprietary funds provided they do not conflict with or contradict GASB pronouncements. The City has elected not to follow FASB guidance for business-type activities and enterprise funds issued after November 30, 1989. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification. The most significant of the City's accounting policies are described below.



**CITY OF TORONTO, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2009*

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

***A. Basis of Presentation***

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

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

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

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

***B. Fund Accounting***

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

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

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

**CITY OF TORONTO, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2009*

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

***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 are the City's proprietary fund types:

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

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

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

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

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

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

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

***C. Measurement Focus***

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

**CITY OF TORONTO, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2009*

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

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

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

***D. Basis of Accounting***

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

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

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

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

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

**CITY OF TORONTO, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2009*

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2009, but which were levied to finance fiscal year 2010 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 2009 amounted to \$2,575, which includes \$1,414 assigned from other City funds.

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

***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2009 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the payment and an expenditure/expense is reported in the year in which services are consumed.

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

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

**CITY OF TORONTO, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
For the Year Ended December 31, 2009

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

***H. Restricted Assets***

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

***I. Capital Assets***

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

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

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

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

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

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

**CITY OF TORONTO, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2009*

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

***J. Compensated Absences***

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

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

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

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

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

***L. Fund Balance Reserves***

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

***M. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions, enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At December 31, 2009 \$107,004 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.

**CITY OF TORONTO, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2009*

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

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

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

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

***O. Interfund Activity***

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

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

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

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2009.

***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.

**CITY OF TORONTO, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2009*

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

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

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

***S. Implementation of New Accounting Policies***

For the year ended December 31, 2009, the City has implemented GASB Statement No. 52, "*Land and Other Real Estate Held as Investments by Endowments*," GASB Statement No. 55, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*," and GASB Statement No. 56, "*Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*."

GASB Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature.

GASB Statement No. 56 incorporates into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards.

Implementation of these GASB Statements did not affect the presentation of the financial statements of the City.

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

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



**CITY OF TORONTO, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2009*

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**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (Continued)**

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

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

**Net Change in Fund Balance**

	<u>General</u>
GAAP Basis	\$ (642,867)
Revenue accruals	114,124
Expenditure accruals	<u>(10,592)</u>
Budget Basis	<u>\$ (539,335)</u>

**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.

*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.

**CITY OF TORONTO, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2009*

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

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.

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.

**CITY OF TORONTO, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
For the Year Ended December 31, 2009

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

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 2009, 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 \$333,747. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of December 31, 2009, the City's bank balance of \$27,575 was exposed to custodial risk as discussed above.

**Investments**

As of December 31, 2009, 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	\$ 2,161,777	\$ 2,161,777

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

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

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

**CITY OF TORONTO, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2009*

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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 December 31, 2009:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Repurchase Agreement	<u>\$ 2,161,777</u>	<u>100%</u>

**NOTE 5 - PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2009 for real and public utility property taxes represent collections of 2008 taxes. Property tax payments received during 2009 for tangible personal property (other than public utility property) are for 2009 taxes.

2009 real property taxes are levied after October 1, 2009 on the assessed value as of January 1, 2009, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. 2009 real property taxes are collected in and intended to finance 2009.

Real property taxes are payable annually or semi-annually. If paid annually, the 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 established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2009 public utility property taxes which became a lien December 31, 2008, are levied after October 1, 2009, and are collected in 2009 with real property taxes.

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

**CITY OF TORONTO, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2009*

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

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

The full tax rate for all City operations for the year ended December 31, 2009 was \$3.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2009 property tax receipts were based are as follows:

Real Property	\$ 54,984,160
Tangible Personal Property	87,610
Public Utilities	<u>3,038,890</u>
Total	<u><u>\$ 58,110,660</u></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, 2009 consisted of taxes, accrued interest, accounts (billings for user charged services including unbilled utility services), loans, and intergovernmental receivables arising from grants and shared revenues. All receivables are deemed collectible in full.

Included in the governmental funds are revolving loans receivable of \$10,870. 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 being 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)*  
For the Year Ended December 31, 2009

**NOTE 8 – CAPITAL ASSETS**

A summary of changes in capital assets during 2009 follows:

	<u>Balance</u> 12/31/2008	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 12/31/2009
<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	9,795	387,103	0	396,898
<i>Total Capital Assets Not Being Depreciated</i>	<u>167,295</u>	<u>387,103</u>	<u>0</u>	<u>554,398</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings	1,418,343	70,597	0	1,488,940
Land Improvements	1,157,413	7,000	0	1,164,413
Equipment	351,198	0	0	351,198
Vehicles	1,350,262	22,490	0	1,372,752
Infrastructure	761,165	227,009	0	988,174
<i>Total Capital Assets, Being Depreciated</i>	<u>5,038,381</u>	<u>327,096</u>	<u>0</u>	<u>5,365,477</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	(379,217)	(30,759)	0	(409,976)
Land Improvements	(752,004)	(51,496)	0	(803,500)
Equipment	(71,914)	(22,703)	0	(94,617)
Vehicles	(445,181)	(49,687)	0	(494,868)
Infrastructure	(59,270)	(34,987)	0	(94,257)
<i>Total Accumulated Depreciation</i>	<u>(1,707,586)</u>	<u>(189,632) *</u>	<u>0</u>	<u>(1,897,218)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>3,330,795</u>	<u>137,464</u>	<u>0</u>	<u>3,468,259</u>
<i>Total Governmental Activities Capital Assets, Net</i>	<u>\$ 3,498,090</u>	<u>\$ 524,567</u>	<u>\$ 0</u>	<u>\$ 4,022,657</u>

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

General Government	\$ 22,536
Security of Persons and Property	40,024
Leisure Time Activities	60,677
Transportation	<u>66,395</u>
 Total	 <u>\$ 189,632</u>

**CITY OF TORONTO, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
For the Year Ended December 31, 2009

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

	Balance 12/31/2008	Additions	Deletions	Balance 12/31/2009
<b>Business-Type Activities</b>				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 43,904	\$ 0	\$ 0	\$ 43,904
Construction in Progress	91,418	0	(91,418)	0
<i>Total Capital Assets Not Being Depreciated</i>	<u>135,322</u>	<u>0</u>	<u>(91,418)</u>	<u>43,904</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings	11,332,380	0	0	11,332,380
Improvements	1,750,000	0	0	1,750,000
Equipment	2,476,375	72,272	0	2,548,647
Vehicles	347,780	111,303	0	459,083
Water Lines	1,690,000	0	0	1,690,000
Sewer Lines	124,053	345,363	0	469,416
<i>Total Capital Assets Being Depreciated</i>	<u>17,720,588</u>	<u>528,938</u>	<u>0</u>	<u>18,249,526</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	(1,191,632)	(226,648)	0	(1,418,280)
Improvements	(68,750)	(27,500)	0	(96,250)
Equipment	(344,436)	(151,220)	0	(495,656)
Vehicles	(258,945)	(27,442)	0	(286,387)
Water Lines	(636,300)	(33,800)	0	(670,100)
Sewer Lines	(105,765)	(3,831)	0	(109,596)
<i>Total Accumulated Depreciation</i>	<u>(2,605,828)</u>	<u>(470,441)</u>	<u>0</u>	<u>(3,076,269)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>15,114,760</u>	<u>58,497</u>	<u>0</u>	<u>15,173,257</u>
<i>Total Business-Type Capital Assets, Net</i>	<u>\$ 15,250,082</u>	<u>\$ 58,497</u>	<u>\$ (91,418)</u>	<u>\$ 15,217,161</u>

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

**Casualty and Property Coverage**

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2008, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

**CITY OF TORONTO, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
For the Year Ended December 31, 2009

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

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

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

**Financial Position**

PEP's financial statements (audited by other accountants) conform with accounting principles generally accepted in the United States of America, and reported the following assets, liabilities and retained earnings at December 31, 2008 and 2007 (the latest information available):

	<b>2008</b>	<b>2007</b>
<u>Casualty and Property Coverage</u>		
Assets	\$35,769,535	\$37,560,071
Liabilities	(15,310,206)	(17,340,825)
Retained Earnings	\$20,459,329	\$20,219,246

At December 31, 2008 and 2007, respectively, the liabilities noted above include approximately \$13.8 and \$15.9 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$12.9 million and \$15.0 million of unpaid claims to be billed to approximately 445 member governments in the future, as of December 31, 2008 and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The City's share of these unpaid claims collectible in future years is approximately \$59,000.

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

<u>Contributions to PEP</u>	
2007	\$114,312
2008	105,699
2009	111,236

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



**CITY OF TORONTO, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2009*

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

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

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

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

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

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional 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. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension 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 OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2009, members in state and local classifications contributed 10 percent of covered payroll, public safety members and law enforcement members contributed 10.1 percent.

The City's contribution rate for 2009 was 14 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.63 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, 2009, 2008 and 2007 were \$79,357, \$70,289 and \$84,571, respectively. 85.7 percent has been contributed for 2009 and 100 percent for 2008 and 2007.

**CITY OF TORONTO, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2009*

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

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

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability 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.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The City's contribution was 19.5 percent for police officers and 24.0 percent for firefighters. Contributions are authorized by State statute. For 2009, a portion of the City's contribution equal to 6.75 percent of covered payroll was allocated to fund the post-employment health care plan.

The City's contributions to the fund for police and firefighters, respectively, were \$83,088 and \$49,045 for the year ended December 31, 2009; \$76,764 and \$51,132 for the year ended December 31, 2008 and \$73,392 and \$50,485 for the year ended December 31, 2007. The full amount has been contributed for 2008 and 2007. 73.2 percent and 74 percent has been contributed for 2009 for police and firefighters, respectively.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

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

Plan Description – OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for post-employment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund postemployment health care through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-employment health care.

**CITY OF TORONTO, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2009*

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2009, local government employers contributed 14.0 percent of covered payroll (17.63 percent for public safety and law enforcement). Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of the employer contributions which was allocated to fund post-employment health care was 7.0 percent of covered payroll from January 1 through March 31, 2009 and 5.5 percent from April 1 through December 31, 2009.

The retirement board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and coverage selected. Active members do not make contributions to the post-employment health care plan.

The City's contributions allocated to fund post-employment health care benefits for the traditional and combined plans for the years ended December 31, 2009, 2008 and 2007 were \$70,858, \$70,289 and \$55,705, respectively. Contributions to fund post-employment health care benefits for the member-directed plan for 2009 were \$1,085.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2009, which allowed additional funds to be allocated to the health care plan.

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

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

OP&F provides access to post-retirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability or survivor benefit or is a spouse or eligible dependent child of such person.

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

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

Funding Policy – OP&F's post-employment healthcare plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively.

**CITY OF TORONTO, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2009*

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2009, the employer contribution allocated to the healthcare plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the OPEB Plan.

The City's actual contributions that were used to fund postemployment health care benefits for police and firefighters were \$43,988 and \$19,192, \$40,640 and \$20,008 and \$38,854 and \$19,755 for the years ended December 31, 2009, 2008 and 2007, respectively..

**NOTE 12 - OTHER EMPLOYEE BENEFITS**

***A. Additional Insurance***

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

The City contracts with Health Assurance for hospitalization insurance for all employees, excluding part-time elected and part-time appointed officials. The City pays 90 percent of the total monthly premiums of \$1,798.66 for family health care, \$513.90 for single health care, \$976.41 for employee plus children health care and \$1,027.80 for employee plus spouse health care through Health Assurance. The City also contracts with Ohio AFSCME Eye Care in which the City pays 100 percent of the total monthly premium of \$189.50 for family or single eye and hearing care for AFSCME members. Premiums are paid from the same funds that pay the employees' salaries.

***B. Compensated Absences***

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn vacation time based on the length of service. Typically, vacation can not be carried over, however, unforeseen circumstances may come into play and the superintendent may elect to permit an employee to carryover minimal vacation time. Sick leave is accumulated at a rate of 4.6 hours per each 80 hours worked. For employees that work less than a 40 hour work week, the sick leave accumulation is prorated based on 4.6 hours per 80 hours worked. All accumulated, unused vacation time and personal days are paid upon separation if the employee has acquired at least one year of service with the City. Upon separation, AFSCME members are paid for a maximum of 440 hours of accumulated sick time provided they have five years of service with the City. Police are paid one-half of accumulated sick time with no maximum provided they have five years of service with the City. Upon separation, firefighters are paid for a maximum of 480 hours of accumulated sick time provided they have five years of service with the City. As of December 31, 2009, the liability for unpaid compensated absences was \$495,364.

**CITY OF TORONTO, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
For the Year Ended December 31, 2009

**NOTE 13 – INTERFUND TRANSFERS**

The City made the following transfers during 2009:

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Governmental Activities</b>		
General	\$ 0	\$ 1,335,658
Recreation	76,000	0
Police Severance	20,000	0
Fire Severance	20,000	0
Police Pension	97,000	0
Fire Pension	48,500	0
Street Maintenance and Repair	240,000	0
Industrial Site Improvement	158	134,147
Capital Improvements	704,000	282,091
	<u>1,205,658</u>	<u>1,751,896</u>
<b>Business-Type Activities</b>		
Water	100,000	0
Refuse	30,000	0
	<u>130,000</u>	<u>\$ 0</u>
Total	<u>\$ 1,335,658</u>	<u>\$ 1,751,896</u>

The General Fund transferred \$1,295,658 to various other governmental funds and the refuse fund to distribute income tax revenue. The general fund transferred \$20,000 to the police severance fund and \$20,000 to the fire severance funds to provide additional resources. During 2009, the governmental activities transferred capital assets with a net book value of \$162,292 to the refuse enterprise fund and \$253,946 of construction costs for the Myers Street sewer separation project to the sewer district enterprise fund. These are reflected on the Statement of Activities as transfers into the business-type activities and a transfer out of the governmental activities.

**NOTE 14 - CONTRACTUAL COMMITMENTS**

As of December 31, 2009, the City had contractual commitments for the following projects:

	<u>Contractual Commitment</u>	<u>Expended</u>	<u>Balance 12/31/2009</u>
Jefferson-Alexander Street Project			
Parella Pannunzio Inc.	\$ 383,362	\$ 120,108	\$ 263,254
Hammontree & Associates	45,651	9,948	35,703
Myers Street Sewer Separation Project:			
W. E. Quicksall	90,670	89,328	1,342
	<u>519,683</u>	<u>219,384</u>	<u>300,299</u>
Total	<u>\$ 519,683</u>	<u>\$ 219,384</u>	<u>\$ 300,299</u>

**CITY OF TORONTO, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
For the Year Ended December 31, 2009

**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>			
City Building Installment Loan - 2006	5.00%	\$ 834,873	December 20, 2024
Water Meter Bonds - 2008	3.63%	200,000	June 12, 2011
<b>Business-Type Activities</b>			
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

Changes in long-term obligations during the year ended December 31, 2009, consisted of the following:

	<b>Outstanding 12/31/2008</b>	<b>Additions</b>	<b>Reductions</b>	<b>Outstanding 12/31/2009</b>	<b>Amounts Due In One Year</b>
<b>Governmental Activities</b>					
Installment Loan-City Building	\$ 777,962	\$ 0	\$ (31,328)	\$ 746,634	\$ 45,614
Water Meter Bonds	168,157	0	(65,453)	102,704	67,851
Compensated Absences	357,883	61,493	(12,047)	407,329	24,341
Total Governmental Activities	<u>\$ 1,304,002</u>	<u>\$ 61,493</u>	<u>\$ (108,828)</u>	<u>\$ 1,256,667</u>	<u>\$ 137,806</u>
<b>Business-Type Activities</b>					
Water Treatment Plant OWDA Loan	\$ 12,444,128	\$ 0	\$ (558,122)	\$ 11,886,006	\$ 576,464
Water Treatment OWDA Plant Lagoons	677,724	0	(36,764)	640,960	37,133
Compensated Absences	86,559	6,373	(4,897)	88,035	15,411
Total Business-Type Activities	<u>\$ 13,208,411</u>	<u>\$ 6,373</u>	<u>\$ (599,783)</u>	<u>\$ 12,615,001</u>	<u>\$ 629,008</u>

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

The City entered into contractual agreements with the Ohio Water Development Authority (OWDA) to construct a new water treatment plant. As of December 31, 2009, the City had received \$13,534,834 from OWDA. In addition to the draw down, the City has incurred capitalized interest of \$479,345 as of December 31, 2009. The City began to repay the loan in 2007.

**CITY OF TORONTO, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
For the Year Ended December 31, 2009

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

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, 2009, the City had received \$781,823 from OWDA. In addition to the draw down, the City has incurred capitalized interest of \$4,020. The City began to repay this loan in July 2006.

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

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

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

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2009 are as follows:

Year	Governmental Activities					
	Installment Loan-City Building		Water Meter Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 45,614	\$ 9,072	\$ 67,851	\$ 3,116	\$ 113,465	\$ 12,188
2011	46,188	8,499	34,853	631	81,041	9,130
2012	46,768	7,918	0	0	46,768	7,918
2013	47,356	7,330	0	0	47,356	7,330
2014	47,952	6,735	0	0	47,952	6,735
2015-2019	248,954	24,478	0	0	248,954	24,478
2020-2024	263,802	8,426	0	0	263,802	8,426
	<u>\$ 746,634</u>	<u>\$ 72,458</u>	<u>\$ 102,704</u>	<u>\$ 3,747</u>	<u>\$ 849,338</u>	<u>\$ 76,205</u>

Year	Business-Type Activities			
	OWDA Loans		Totals	
	Principal	Interest	Principal	Interest
2010	\$ 613,597	\$ 389,141	\$ 613,597	\$ 389,141
2011	632,916	369,822	632,916	369,822
2012	652,860	349,878	652,860	349,878
2013	673,452	329,286	673,452	329,286
2014	694,712	308,028	694,712	308,028
2015-2019	3,817,405	1,196,285	3,817,405	1,196,285
2020-2024	4,462,564	551,127	4,462,564	551,127
2025-2029	979,460	23,279	979,460	23,279
	<u>\$ 12,526,966</u>	<u>\$ 3,516,846</u>	<u>\$ 12,526,966</u>	<u>\$ 3,516,846</u>

**CITY OF TORONTO, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2009*

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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 2009, 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the City at December 31, 2009.

***B. Litigation***

The City of Toronto is not party to any litigation.

**NOTE 18 – LEGAL COMPLIANCE**

The Community Housing Improvement 2008 Fund and the Street Maintenance & Repair Fund had appropriations in excess of estimated resources contrary to section 5705.39, Revised Code, in the amount of \$125,000 and \$19,244, respectively. The City will monitor estimated revenue levels in the future to ensure that appropriations are not in excess of the amount available.



CITY OF TORONTO  
JEFFERSON COUNTY

FEDERAL AWARDS EXPENDITURE SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2009

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>			
<i>Passed through Ohio Department of Development</i>			
CHIP Home Improvement Partnership Grant		14.239	\$232,208
Community Development Block Grant		14.228	<u>50,864</u>
Total U.S Department of Housing and Urban Development			\$283,072
<b><u>U.S. DEPARTMENT OF HOMELAND SECURITY</u></b>			
Assistance to Firefighters Grant		97.044	<u>\$94,762</u>
<b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>			
<i>Passed through Ohio Department of Transportation</i>			
Highway Planning and Construction		20.205	<u>\$204,586</u>
Total U.S. Department of Transportation			<u>204,586</u>
<b>Total Federal Awards Expenditures</b>			<b><u><u>\$582,420</u></u></b>

*The accompanying notes to this schedule are an integral part of this schedule.*

**CITY OF TORONTO  
JEFFERSON COUNTY**

**NOTES TO FEDERAL AWARDS EXPENDITURES SCHEDULE  
DECEMBER 31, 2009**

**A. SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the City's federal award programs disbursements. The Schedule has been prepared on the cash basis of accounting.

**B. MATCHING REQUIREMENTS**

Certain federal programs require the City to contribute non-federal funds (matching funds) to support the Federally-funded programs. The City has complied with the matching requirements. The expenditure of non-federal matching funds is not included on the Schedule.



# 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, business activities, each major fund, and the aggregate remaining fund information of City of Toronto, Jefferson County, (the City) as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 26, 2010. We qualified our report on the capital assets reported within the governmental activities and business type activities, the Water, Sewer and Refuse funds because certain accounting records were not presented for audit. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and timely corrected. We consider finding 2009-002 described in the accompanying schedule of findings to be a material weakness.

### **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 2009-001 and 2009-002.

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

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

July 26, 2010



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the City Council:

### Compliance

We have audited the compliance of the City of Toronto, (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended December 30, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal programs. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Toronto complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2009.

### Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503-1293  
Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949

[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of management, City Council, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

**Mary Taylor, CPA**  
Auditor of State

July 26, 2010

CITY OF TORONTO  
JEFFERSON COUNTY

DECEMBER 31, 2009

SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Qualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
<i>(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under ' .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	<b>97.044 Assistance to Firefighters Grant Program</b> <b>20.205 Highway Planning &amp; Construction Cluster</b>
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

**FINDING NUMBER 2009-001**

**Noncompliance Finding**

**Ohio Revised Code Section 5705.39** prohibits a political subdivision from making a fund appropriation in excess of the total estimated revenue available for expenditure from that fund as certified by the budget commission on the Amended Official Certificates of Estimated Resources.

Appropriations exceeded the amount certified as available by the budget commission in the following Funds in 2009:

Fund	Estimated Revenue	Appropriations	Variance
Community Housing Improvement Program	\$322,500	\$447,500	\$(125,000)
Street Construction, Maintenance and Repair	\$482,606	\$501,850	\$(19,244)

The City should base annual appropriations on Total Available Estimated Resources. If amendments are necessary during the year then an amended certificate should be obtained.

**Officials' Response**

Appropriations exceeded the amount certified by \$125,000 in the CHIP Fund. This fund is managed by Bleckman and Associates. They draw money from the State after disbursements to local contractors are made. They also don't balance the funds until late in the year, usually the last week, almost impossible to keep in balance. We appropriated \$447,500 for year 2009 but estimated revenue was \$332,500.

The street construction program was not completed in one calendar year, thus all the draw downs were not made on the appropriations.

**FINDING NUMBER 2009-002**

**Noncompliance Finding/Material Weakness**

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

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

It is management's responsibility to implement internal accounting control policies and procedures to reasonably ensure the City's assets are safeguarded and recorded. Specifically, these control procedures include the maintenance of adequate documentation to support the accuracy and completeness of capital asset records. The City's capital assets are reported on the financial statements at \$19,239,818.

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



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

**Officials' Response:**

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

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**CITY OF TORONTO  
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2009**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2008-001	Capital asset noncompliance citation/material weakness	No	Re-issued as 2009-002.





**Mary Taylor, CPA**  
Auditor of State

CITY OF TORONTO

JEFFERSON COUNTY

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
SEPTEMBER 30, 2010