CITY OF TORONTO
JEFFERSON COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2015

Dave Yost · Auditor of State

CITY OF TORONTO
JEFFERSON COUNTY
DECEMBER 31, 2015

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INDEPENDENT AUDITOR'S REPORT

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

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Toronto, Jefferson County, Ohio (the "City"), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Basis for Qualified Opinion

Capital Assets are reported in the financial statements as described in the following table:

2015	Governmental Activities	Business Type Activities	Water Fund	Sewer Fund	Refuse Fund	Total Capital Assets
Reported Capital Assets	$4,287,323	$15,921,590	$13,675,244	$2,068,872	$177,474	$20,208,913
Percent of Total Assets	48%	80%	87%	55%	40%	

The City has not maintained a complete capital asset listing to support the accuracy and completeness of reported capital assets, therefore, we are unable to rely on the beginning balances. 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. Additionally, the City's financial statements omit certain capital assets, including infrastructure and depreciation expenses. We cannot reasonably determine the impact of the omissions on capital assets, net position and expenses. As a result, we were unable to obtain sufficient appropriate audit evidence supporting in the amounts recorded as capital assets in the Governmental Activities, Business Type Activities, Water Fund, Sewer Fund, and Refuse Fund. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified Opinion

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental Activities, Business Type Activities, Water Fund, Sewer Fund and Refuse Fund of the City of Toronto, Jefferson County, Ohio, as of December 31, 2015, and the respective changes in financial position, and where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, Street Maintenance and Repair Fund, Titanium Way Bridge Replacement Fund, and the aggregate remaining fund information of the City of Toronto, Jefferson County, Ohio, as of December 31, 2015, and the respective changes in financial position thereof and the respective budgetary comparisons for the General and Street Maintenance and Repair funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended December 31, 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2017, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

September 14, 2017

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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 year ended December 31, 2015. 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 2015 are as follows:

- In total, net position increased $25,126, which represents a 0.2 percent increase from 2014. Net position of governmental activities decreased $1,139,343. Net position of business-type activities increased $1,164,469.

- Total capital assets decreased $355,928 in 2015. Capital assets of governmental activities decreased $36,156 and capital assets of business-type activities decreased $319,772.

- Outstanding debt decreased from $10,726,345 to $10,170,035 due to principal payments made during the year.

- The City implemented GASB 68, which reduced beginning net position as previously reported by $2,817,030.

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's operations, as they prefer.

The Statement of Net Position and the Statement of Activities provide information from a summary perspective showing the effects of the operations for the year 2015 and how they affected the operations of the City as a whole.

Reporting the City of Toronto as a Whole

Statement of Net Position and the Statement of Activities

The *Statement of Net Position 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 fund, the street maintenance and repair fund and the Titanium Way Bridge replacement fund are the City's most significant governmental funds. Business-type major funds consist of the water, sewer and refuse funds.

A question typically asked about the City's finances "How did we do financially during 2015?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets and deferred outflows of resources* and *liabilities and deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting method 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 position* and *changes in net position*. This change in net position 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 Position 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, public health, community development, 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 major 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 fund, the street maintenance and repair fund and the Titanium Way Bridge replacement fund.

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

Proprietary Funds Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match, except for the internal service fund allocations.

The City of Toronto as a Whole

Recall that the Statement of Net Position provides the perspective of the City as a whole. Table 1 provides a summary of the City's net position for 2015 compared to 2014:

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	Restated 2014	2015	Restated 2014	2015	Restated 2014
Assets						
Current and Other Assets	$ 4,721,431	$ 5,739,837	$ 4,060,891	$ 3,844,454	$ 8,782,322	$ 9,584,291
Net Pension Asset	1,307	356	1,628	444	2,935	800
Capital Assets	4,287,323	4,323,479	15,921,590	16,241,362	20,208,913	20,564,841
Total Assets	9,010,061	10,063,672	19,984,109	20,086,260	28,994,170	30,149,932
Deferred Outflows of Resources						
Pension	370,813	242,957	91,424	63,418	462,237	306,375
Liabilities						
Current and Other Liabilities	148,610	71,396	200,013	962,985	348,623	1,034,381
Long-Term Liabilities						
Due Within One Year	145,230	90,163	837,769	781,830	982,999	871,993
Due in More Than One Year						
Net Pension Liability	2,782,361	2,630,914	504,690	493,291	3,287,051	3,124,205
Other Amounts	718,674	806,328	8,977,082	9,529,425	9,695,756	10,335,753
Total Liabilities	3,794,875	3,598,801	10,519,554	11,767,531	14,314,429	15,366,332
Deferred Inflows of Resources						
Property Taxes and Other	149,023	139,029	0	0	149,023	139,029
Pension	7,520	0	9,363	0	16,883	0
Total Deferred Inflows of Resources	156,543	139,029	9,363	0	165,906	139,029
Net Position						
Net Investment in Capital Assets	3,823,006	3,810,608	6,180,848	5,188,205	10,003,854	8,998,813
Restricted	2,201,327	1,948,441	0	0	2,201,327	1,948,441
Unrestricted	(594,877)	809,750	3,365,768	3,193,942	2,770,891	4,003,692
Total Net Position	$ 5,429,456	$ 6,568,799	$ 9,546,616	$ 8,382,147	$ 14,976,072	$ 14,950,946

During 2015, the City adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*, which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting the net pension asset and deferred outflows related to pension.

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

Under the new standards required by GASB 68, the net pension asset/liability equals the City's proportionate share of each plan's collective:

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

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer.* State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

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

As a result of implementing GASB 68, the City is reporting a net pension asset/liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, from $8,956,400 to $6,568,799 for governmental activities and from $8,811,576 to $8,382,147 for business-type activities.

At year end, capital assets represented 70 percent of total assets. Capital assets include land, work of art, construction in progress, buildings, land improvements, equipment, vehicles, infrastructure and water and sewer lines. The net investment in capital assets was $10,003,854 at December 31, 2015, with $3,823,006 in governmental activities and $6,180,848 in business-type activities. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, $2,201,327, or 15 percent, represents resources that are subject to external restrictions on how they may be used.

Current assets of governmental activities decreased $1,018,406 largely due to cash decreases resulting from lower income tax receipts and increased expenses for street maintenance and the Titanium Way bridge project. The City also saw increases in deferred outflows for pension and net pension liability due to the implementation of GASB 68.

Current assets of business-type activities increased $216,437. This was caused by an increase in cash and cash equivalents due to a decrease in construction related expenses. Additionally, the $762,972 decrease in current liabilities is due to decreased contracts payable for the waterline replacement.

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In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2015 and 2014.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program Revenues:						
Charges for Services	$ 172,068	$ 164,120	$ 3,852,625	$ 3,901,834	$ 4,024,693	$ 4,065,954
Operating Grants	279,269	849,011	0	0	279,269	849,011
Capital Grants	0	0	29,791	226,347	29,791	226,347
General Revenues:						
Property Taxes	146,128	143,786	0	0	146,128	143,786
Income Taxes	2,229,741	3,492,597	0	0	2,229,741	3,492,597
Other Local Taxes	69,927	29,181	0	0	69,927	29,181
Grants and Entitlements	132,237	126,978	0	0	132,237	126,978
Oil and Gas Lease	0	749,048	0	0	0	749,048
Investment Earnings	2,168	1,572	0	0	2,168	1,572
Miscellaneous	48,890	20,062	0	1,284	48,890	21,346
Total Revenues	3,080,428	5,576,355	3,882,416	4,129,465	6,962,844	9,705,820
Program Expenses						
General Government	577,697	542,697	0	0	577,697	542,697
Security of Persons and Property	1,779,029	1,671,375	0	0	1,779,029	1,671,375
Public Health	29,256	29,088	0	0	29,256	29,088
Leisure Time Services	259,641	228,992	0	0	259,641	228,992
Community Development	218,465	352,843	0	0	218,465	352,843
Transportation	1,043,107	615,292	0	0	1,043,107	615,292
Interest and Fiscal Charges	6,122	10,127	0	0	6,122	10,127
Enterprise Operations:						
Water	0	0	1,874,900	1,855,269	1,874,900	1,855,269
Sewer	0	0	646,550	593,911	646,550	593,911
Refuse	0	0	502,951	488,210	502,951	488,210
Total Program Expenses	3,913,317	3,450,414	3,024,401	2,937,390	6,937,718	6,387,804
Transfers	(306,454)	(125,000)	306,454	125,000	0	0
Change in Net Position	(1,139,343)	2,000,941	1,164,469	1,317,075	25,126	3,318,016
Net Position Beginning of Year	6,568,799	N/A	8,382,147	N/A	14,950,946	N/A
Net Position End of Year	$ 5,429,456	$ 6,568,799	$ 9,546,616	$ 8,382,147	$ 14,976,072	$ 14,950,946

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of $306,375 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of $332,787. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	Governmental Activities	Business-Type Activities	Total
Total 2015 program expenses under GASB 68	$ 3,913,317	$ 3,024,401	$ 6,937,718
Pension expense under GASB 68	(276,819)	(55,968)	(332,787)
2015 contractually required contribution	246,659	64,396	311,055
Adjusted 2015 program expenses	3,883,157	3,032,829	6,915,986
Total 2014 program expenses under GASB 27	3,450,414	2,937,390	6,387,804
Increase in program expenses not related pension	$ 432,743	$ 95,439	$ 528,182

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. Income tax revenue decreased in 2015 by $1,262,856 due to a change in ownership of the Titanium Metals Corporation which caused delays in their income tax payments.

Governmental revenue is comprised of program revenue and general revenue. General revenues include grants and entitlements, such as local government funds. Governmental activities are primarily funded with the combination of property tax, income tax and intergovernmental revenues. The City monitors its sources of revenues very closely for fluctuations.

Operating grants decreased during 2015 due to the timing of grant awards. In 2014, the City was awarded several large grants from the Ohio Development Services Agency. These grants are nonreimbursable and the entire amount was recognized as revenue in 2014 when they were awarded. Oil and gas lease revenue also decreased due to a one-time payment received during 2014.

Police and fire represent the largest expense of the governmental activities. This expense of $1,779,029 represents 45 percent of the total governmental activities expenses. These two departments operate out of the general fund.

Transportation expense is another large area of expense for the City. The City provides many services to its citizens that include public road salting, leaf and debris pickup, paint striping and alley profiling. These expenses totaled $1,043,107, an increase from 2014. The noncapitalized expenses for the Titanium Way bridge project are included in this function.

The City also maintains a health department (public health services) and a park (leisure time activities) within the City. These areas had expenses of $288,897 in 2015 equaling 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 2015, charges for services of $3,852,625 accounted for 99 percent of the business type revenues. The total expenses for the utilities were $3,024,401, thus leaving an increase in net position of $858,015 (before transfers) for the business-type activities.

The decrease in capital grants is due to the timing of new grants awarded in 2013 to continue the waterline replacement project which was completed in 2014.

The City's Funds

Governmental Funds

Information about the City's governmental funds begins on page 17. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues of $3,819,032 and expenditures of $3,904,038. The funds are monitored consistently with adjustments made throughout the year in budgets to accommodate yearly revenues.

The general fund's net change in fund balance for fiscal year 2015 was a decrease of $211,951. This decrease was primarily the result of the income tax revenue decrease that was caused by a change in ownership of the Titanium Metals Corporation which caused delays in their income tax payments.

The Titanium Way Bridge replacement fund had a net change in fund balance of $73,116. This fund accounts for financial resources and expenditures for the engineering and construction of the bridge replacement.

The street maintenance and repair fund had a decrease in fund balance of $112,949 as expenditures for road salt and employee wages and benefits increased during 2015.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements for the business-type activities, but in more detail.

Total unrestricted net position of the water, sewer, refuse and other enterprise funds at the end of the year amounted to $3,333,038. The total growth in net position of enterprise funds was $1,137,709. This is mainly due to the completion of the waterline replacement project in 2014.

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 2015, 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.

The actual budget basis revenue was $2,876,350, representing a decrease of $133,650 over the final budget estimate of $3,010,000. Most of this difference was attributable to a decrease in actual amounts for income tax revenue versus the amount in the final budget. There were no significant variances from the original to final budget revenue.

Final expenditure appropriations of $2,598,590 were $796,194 lower than original expenditure appropriations with the greatest variance noted in security of persons and property expenditures. Final expenditure appropriations were $445,579 higher than the actual expenditures of $2,153,011, as cost savings were recognized for general government and security of persons and property throughout the year.

There were no significant variances to discuss within other financing sources and uses.

Capital Assets and Debt Administration

Capital Assets

At the end of year 2015, the City had $20,208,913 invested in capital assets. A total of $4,287,323 of this was for governmental activities and $15,921,590 was attributable to business-type activities. Table 3 shows 2015 balances compared with 2014.

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	$ 140,000	$ 140,000	$ 43,904	$ 43,904	$ 183,904	$ 183,904
Work of Art	17,500	17,500	0	0	17,500	17,500
Buildings	885,937	918,108	8,584,241	8,780,861	9,470,178	9,698,969
Land Improvements	196,317	188,473	1,495,076	1,516,250	1,691,393	1,704,723
Equipment	383,782	272,593	1,186,317	1,330,847	1,570,099	1,603,440
Vehicles	868,966	922,168	158,633	180,936	1,027,599	1,103,104
Infrastructure	1,794,821	1,864,637	0	0	1,794,821	1,864,637
Water and Sewer Lines	0	0	4,215,498	4,320,935	4,215,498	4,320,935
Construction in Progress	0	0	237,921	67,629	237,921	67,629
Total	$ 4,287,323	$ 4,323,479	$ 15,921,590	$ 16,241,362	$ 20,208,913	$ 20,564,841

See Note 8 for additional information about the capital assets of the City.

Debt

The outstanding debt for the City as of December 31, 2015 was $10,170,035. See Note 14 for additional details. Table 4 summarizes outstanding debt.

Table 4
Outstanding Debt, at December 31

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Installment Loans	$ 464,317	$ 512,871	$ 0	$ 0	$ 464,317	$ 512,871
OWDA Loans	0	0	9,476,687	9,958,505	9,476,687	9,958,505
OPWC Loans	0	0	188,500	195,000	188,500	195,000
Garbage Packer Loan	0	0	40,531	59,969	40,531	59,969
Total	$ 464,317	$ 512,871	$ 9,705,718	$ 10,213,474	$ 10,170,035	$ 10,726,345

Current Financial Issues

The City had a cash balance of $1,249,215 at December 31, 2015 in the General fund.

The City has a 2 percent wage income tax, which when added together with revenue from grants, enabled the City to complete various capital improvements totaling $265,799 during 2015.

The City sells water to Jefferson County and the revenue from these water sales totaled $1,501,189 in 2015.

In September 2015, the City assumed operations of the Sewage Treatment Plant with increased costs for personal services of $71,256 for the last 4 months of 2015.

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 Lisa Bauman, Auditor of City of Toronto, 416 Clark Street, Toronto, Ohio 43964, telephone 740-537-4505 or email tauditor@brdband.com.

City of Toronto
Jefferson County, Ohio
Statement of Net Position
December 31, 2015

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	$ 2,446,543	$ 3,298,094	$ 5,744,637
Restricted Assets:			
Cash and Cash Equivalents	0	72,837	72,837
Accounts Receivable	52,038	499,358	551,396
Intergovernmental Receivable	1,189,069	0	1,189,069
Taxes Receivable	978,733	0	978,733
Internal Balances	(32,730)	32,730	0
Prepaid Items	26,433	37,507	63,940
Materials and Supplies Inventory	61,345	120,365	181,710
Net Pension Asset (see Note 10)	1,307	1,628	2,935
Non-Depreciable Capital Assets	157,500	281,825	439,325
Depreciable Capital Assets, Net	4,129,823	15,639,765	19,769,588
Total Assets	9,010,061	19,984,109	28,994,170
Deferred Outflows of Resources			
Pension	370,813	91,424	462,237
Liabilities			
Accounts Payable	72,232	45,766	117,998
Accrued Wages	24,113	27,925	52,038
Contracts Payable	0	35,024	35,024
Intergovernmental Payable	46,878	18,461	65,339
Claims Payable	5,387	0	5,387
Customer Deposits	0	72,837	72,837
Long-Term Liabilities:			
Due Within One Year	145,230	837,769	982,999
Due in More Than One Year:			
Net Pension Liability (see Note 10)	2,782,361	504,690	3,287,051
Other Amounts Due in More Than One Year	718,674	8,977,082	9,695,756
Total Liabilities	3,794,875	10,519,554	14,314,429
Deferred Inflows of Resources			
Property Taxes Levied for the Next Year	149,023	0	149,023
Pension	7,520	9,363	16,883
Total Deferred Inflows of Resources	156,543	9,363	165,906
Net Position			
Net Investment in Capital Assets	3,823,006	6,180,848	10,003,854
Restricted for Capital Outlay	1,242,575	0	1,242,575
Restricted for Other Purposes	958,752	0	958,752
Unrestricted	(594,877)	3,365,768	2,770,891
Total Net Position	$ 5,429,456	$ 9,546,616	$ 14,976,072

See accompanying notes to the basic financial statements.

City of Toronto
Jefferson County, Ohio
Statement of Activities
For the Year Ended December 31, 2015

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	$ 577,697	55,914	$ 0	$ 0	$ (521,783)	$ 0	$ (521,783)
Security of Persons and Property	1,779,029	41,848	56,013	0	(1,681,168)	0	(1,681,168)
Public Health	29,256	0	0	0	(29,256)	0	(29,256)
Leisure Time Services	259,641	74,306	9,329	0	(176,006)	0	(176,006)
Community Development	218,465	0	2,268	0	(216,197)	0	(216,197)
Transportation	1,043,107	0	211,659	0	(831,448)	0	(831,448)
Interest and Fiscal Charges	6,122	0	0	0	(6,122)	0	(6,122)
Total Governmental Activities	3,913,317	172,068	279,269	0	(3,461,980)	0	(3,461,980)
Business-Type Activities							
Water	1,874,900	2,604,066	0	29,791	0	758,957	758,957
Sewer	646,550	888,548	0	0	0	241,998	241,998
Refuse	502,951	360,011	0	0	0	(142,940)	(142,940)
Total Business-Type Activities	3,024,401	3,852,625	0	29,791	0	858,015	858,015
Total Primary Government	$ 6,937,718	$ 4,024,693	$ 279,269	$ 29,791	(3,461,980)	858,015	(2,603,965)
General Revenues:							
Property Taxes Levied for:							
General Purposes					108,349	0	108,349
Security of Persons and Property					28,042	0	28,042
Recreation					9,737	0	9,737
Income Taxes Levied for							
General Purposes					2,229,741	0	2,229,741
Other Local Taxes					69,927	0	69,927
Grants and Entitlements not							
Restricted to Specific Programs					132,237	0	132,237
Investment Earnings					2,168	0	2,168
Miscellaneous					48,890	0	48,890
Total General Revenues					2,629,091	0	2,629,091
Transfers					(306,454)	306,454	0
Change in Net Position					(1,139,343)	1,164,469	25,126
Net Position Beginning of Year (Restated, See Note 2V.)					6,568,799	8,382,147	14,950,946
Net Position End of Year					$ 5,429,456	$ 9,546,616	$ 14,976,072

See accompanying notes to the basic financial statements.

City of Toronto
Jefferson County, Ohio
Balance Sheet
Governmental Funds
December 31, 2015

	General	Street Maintenance & Repair	Titanium Way Bridge Replacement	All Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	$ 1,335,433	$ 236,132	$ 111,385	$ 744,962	$ 2,427,912
Intergovernmental Receivable	59,424	102,405	704,573	322,667	1,189,069
Taxes Receivable	909,124	0	0	69,609	978,733
Prepaid Items	20,384	6,049	0	0	26,433
Materials and Supplies Inventory	0	61,345	0	0	61,345
Total Assets	$ 2,324,365	$ 405,931	$ 815,958	$ 1,137,238	$ 4,683,492
Liabilities					
Accounts Payable	$ 10,264	$ 60,714	$ 0	$ 1,254	$ 72,232
Accrued Wages	18,075	6,038	0	0	24,113
Intergovernmental Payable	23,814	3,619	0	19,445	46,878
Total Liabilities	52,153	70,371	0	20,699	143,223
Deferred Inflows of Resources					
Property Taxes Levied for the Next Year	111,539	0	0	37,484	149,023
Unavailable Revenue	491,233	86,673	704,573	322,988	1,605,467
Total Deferred Inflows of Resources	602,772	86,673	704,573	360,472	1,754,490
Fund Balances					
Nonspendable	20,785	67,394	0	0	88,179
Restricted	0	181,493	111,385	329,450	622,328
Committed	87,886	0	0	0	87,886
Assigned	378,070	0	0	426,617	804,687
Unassigned	1,182,699	0	0	0	1,182,699
Total Fund Balances	1,669,440	248,887	111,385	756,067	2,785,779
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 2,324,365	$ 405,931	$ 815,958	$ 1,137,238	$ 4,683,492

See accompanying notes to the basic financial statements.

City of Toronto
Jefferson County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2015

Total Governmental Fund Balances		$ 2,785,779
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		4,287,323
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds:		
Property Taxes	$ 29,114	
Other Local Taxes	19,273	
Income Taxes	420,365	
Intergovernmental	1,136,715	1,605,467
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 position.		32,552
The net pension liability is not due and payable in the current period, and the net pension asset is not available for spending in the current period; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds.		
Net Pension Asset	1,307	
Deferred Outflows - Pension	370,813	
Deferred Inflows - Pension	(7,520)	
Net Pension Liability	(2,782,361)	(2,417,761)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Installment Loans Payable	(464,317)	
Compensated Absences	(399,587)	(863,904)
Net Position of Governmental Activities		$ 5,429,456

See accompanying notes to the basic financial statements.

City of Toronto
Jefferson County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2015

	General	Street Maintenance & Repair	Titanium Way Bridge Replacement	All Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	$ 110,347	$ 0	$ 0	$ 38,736	$ 149,083
Income Taxes	2,707,299	0	0	0	2,707,299
Other Local Taxes	0	0	0	50,654	50,654
Charges for Services	0	0	0	74,306	74,306
Licenses and Permits	57,233	0	0	0	57,233
Fines and Forfeitures	40,528	0	0	0	40,528
Intergovernmental	145,125	202,119	914	340,693	688,851
Interest	2,168	0	8	16	2,192
Other	31,220	4,032	0	13,634	48,886
Total Revenues	3,093,920	206,151	922	518,039	3,819,032
Expenditures					
Current:					
General Government	546,096	0	0	0	546,096
Security of Persons and Property	1,466,516	0	0	238,972	1,705,488
Public Health	24,367	0	0	0	24,367
Leisure Time Services	8,000	0	0	171,835	179,835
Community Development	0	0	0	218,465	218,465
Transportation	96,455	437,576	287,806	44,229	866,066
Capital Outlay	33,797	6,524	0	268,714	309,035
Debt Service:					
Principal Retirement	48,554	0	0	0	48,554
Interest and Fiscal Charges	6,132	0	0	0	6,132
Total Expenditures	2,229,917	444,100	287,806	942,215	3,904,038
Excess of Revenues Over (Under) Expenditures	864,003	(237,949)	(286,884)	(424,176)	(85,006)
Other Financing Sources (Uses)					
Proceeds from Sale of Capital Assets	500	0	0	0	500
Transfers In	0	125,000	360,000	285,000	770,000
Transfers Out	(1,076,454)	0	0	0	(1,076,454)
Total Other Financing Sources (Uses)	(1,075,954)	125,000	360,000	285,000	(305,954)
Net Change in Fund Balance	(211,951)	(112,949)	73,116	(139,176)	(390,960)
Fund Balance Beginning of Year	1,881,391	361,836	38,269	895,243	3,176,739
Fund Balance End of Year	$ 1,669,440	$ 248,887	$ 111,385	$ 756,067	$ 2,785,779

See accompanying notes to the basic financial statements.

City of Toronto
Jefferson County, Ohio
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, 2015

Net Change in Fund Balances - Total Governmental Funds		$ (390,960)
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.		
Capital Asset Additions	$ 226,603	
Current Year Depreciation	(261,331)	(34,728)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		(1,428)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(2,955)	
Other Local Taxes	(315)	
Income Taxes	(457,970)	
Intergovernmental	(277,365)	(738,605)
Repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		48,554
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		246,659
Except for amount reported as deferred inflows/outflows, changes in the net pension asset/liability are reported as pension expense in the statement of activities.		(276,819)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the 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.		23,951
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.		(15,967)
Change in Net Position of Governmental Activities		$ (1,139,343)

See accompanying notes to the basic financial statements.

City of Toronto
Jefferson County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2015

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over (Under)
Revenues				
Property Taxes	$ 116,111	$ 116,515	$ 110,347	$ (6,168)
Income Taxes	2,603,381	2,612,432	2,499,585	(112,847)
Licenses and Permits	62,632	62,850	57,233	(5,617)
Fines and Forfeitures	42,004	42,150	40,528	(1,622)
Intergovernmental	138,885	139,368	135,269	(4,099)
Interest	2,491	2,500	2,168	(332)
Other	34,067	34,185	31,220	(2,965)
Total Revenues	2,999,571	3,010,000	2,876,350	(133,650)
Expenditures				
Current:				
General Government	872,911	773,940	553,610	220,330
Security of Persons and Property	2,191,112	1,553,150	1,389,629	163,521
Public Health	38,421	31,000	24,367	6,633
Leisure Time Services	12,614	8,500	8,000	500
Transportation	140,209	125,000	88,922	36,078
Capital Outlay	53,290	52,000	33,797	18,203
Debt Service:				
Principal Retirement	76,427	48,600	48,554	46
Interest and Fiscal Charges	9,800	6,400	6,132	268
Total Expenditures	3,394,784	2,598,590	2,153,011	445,579
Excess of Revenues Over (Under) Expenditures	(395,213)	411,410	723,339	311,929
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	20,429	0	500	500
Transfers Out	0	(1,146,454)	(1,146,454)	0
Total Other Financing Sources (Uses)	20,429	(1,146,454)	(1,145,954)	500
Net Change in Fund Balance	(374,784)	(735,044)	(422,615)	312,429
Fund Balance Beginning of Year	1,671,830	1,671,830	1,671,830	0
Fund Balance End of Year	$ 1,297,046	$ 936,786	$ 1,249,215	$ 312,429

See accompanying notes to the basic financial statements.

City of Toronto
Jefferson County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Street Maintenance & Repair
For the Year Ended December 31, 2015

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over (Under)
Revenues				
Intergovernmental	$ 199,915	$ 201,000	$ 198,298	$ (2,702)
Other	4,065	4,000	4,032	32
Total Revenues	203,980	205,000	202,330	(2,670)
Expenditures				
Current:				
Transportation	451,358	508,286	421,153	87,133
Capital Outlay	6,992	7,214	6,524	690
Total Expenditures	458,350	515,500	427,677	87,823
Excess of Revenues Over (Under) Expenditures	(254,370)	(310,500)	(225,347)	85,153
Other Financing Sources (Uses)				
Transfers In	126,020	125,000	125,000	0
Net Change in Fund Balance	(128,350)	(185,500)	(100,347)	85,153
Fund Balance Beginning of Year	336,478	336,478	336,478	0
Fund Balance End of Year	$ 208,128	$ 150,978	$ 236,131	$ 85,153

See accompanying notes to the basic financial statements.

City of Toronto
Jefferson County, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2015

	Enterprise Funds					Governmental Activities - Internal Service Fund
	Water	Sewer	Refuse	All Other Enterprise Funds	Total	
Assets						
Current Assets:						
Equity in Pooled Cash and Cash Equivalents	$ 1,616,605	$ 1,486,481	$ 195,008	$ 0	$ 3,298,094	$ 18,631
Accounts Receivable	298,649	141,366	59,343	0	499,358	52,038
Prepaid Items	16,349	9,674	11,484	0	37,507	0
Materials and Supplies Inventory	99,100	21,265	0	0	120,365	0
Total Current Assets	2,030,703	1,658,786	265,835	0	3,955,324	70,669
Non-Current Assets:						
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	0	0	0	72,837	72,837	0
Non-Depreciable Capital Assets	23,904	257,921	0	0	281,825	0
Depreciable Capital Assets, Net	13,651,340	1,810,951	177,474	0	15,639,765	0
Net Pension Asset (see Note 10)	945	228	455	0	1,628	0
Total Non-Current Assets	13,676,189	2,069,100	177,929	72,837	15,996,055	0
Total Assets	15,706,892	3,727,886	443,764	72,837	19,951,379	70,669
Deferred Outflows of Resources						
Pension	53,069	12,783	25,572	0	91,424	0
Liabilities						
Current Liabilities:						
Accounts Payable	29,345	12,492	3,929	0	45,766	0
Accrued Wages	11,106	8,754	8,065	0	27,925	0
Contracts Payable	6,500	28,524	0	0	35,024	0
Intergovernmental Payable	9,426	3,572	5,463	0	18,461	0
Claims Payable	0	0	0	0	0	5,387
Compensated Absences Payable	3,973	2,492	4,286	0	10,751	0
Loans Payable	0	0	19,985	0	19,985	0
OPWC Loans Payable	6,500	0	0	0	6,500	0
OWDA Loans Payable	755,143	45,390	0	0	800,533	0
Total Current Liabilities	821,993	101,224	41,728	0	964,945	5,387
Long-Term Liabilities:						
Compensated Absences Payable - Net of Current Portion	68,573	2,603	27,206	0	98,382	0
Loans Payable - Net of Current Portion	0	0	20,546	0	20,546	0
OPWC Loans Payable - Net of Current Portion	182,000	0	0	0	182,000	0
OWDA Loans Payable - Net of Current Portion	8,374,632	301,522	0	0	8,676,154	0
Customer Deposits	0	0	0	72,837	72,837	0
Net Pension Liability (see Note 10)	292,957	70,570	141,163	0	504,690	0
Total Long-Term Liabilities	8,918,162	374,695	188,915	72,837	9,554,609	0
Total Liabilities	9,740,155	475,919	230,643	72,837	10,519,554	5,387
Deferred Inflows of Resources						
Pension	5,435	1,309	2,619	0	9,363	0
Net Position						
Net Investment in Capital Assets	4,350,469	1,693,436	136,943	0	6,180,848	0
Unrestricted	1,663,902	1,570,005	99,131	0	3,333,038	65,282
Total Net Position	$ 6,014,371	$ 3,263,441	$ 236,074	$ 0	9,513,886	$ 65,282
Some amounts reported for business-type activities in the statement of net position are different because internal service fund assets and liabilities are included with business-type activities					32,730	
Net Position of business-type activities					$ 9,546,616	

See accompanying notes to the basic financial statements.

City of Toronto
Jefferson County, Ohio
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2015

	Enterprise Funds					Governmental Activities - Internal Service Fund
	Water	Sewer	Refuse	All Other Enterprise Funds	Totals	
Operating Revenues						
Charges for Services	$ 2,604,066	$ 888,548	$ 360,011	$ 0	$ 3,852,625	$ 77,792
Operating Expenses						
Personal Services	554,641	313,031	294,715	0	1,162,387	0
Contractual Services	336,453	247,520	180,009	0	763,982	0
Materials and Supplies	240,505	30,417	5,762	0	276,684	0
Claims	0	0	0	0	0	27,082
Depreciation	455,863	60,014	28,569	0	544,446	0
Total Operating Expenses	1,587,462	650,982	509,055	0	2,747,499	27,082
Operating Income (Loss)	1,016,604	237,566	(149,044)	0	1,105,126	50,710
Non-Operating Revenues (Expense)						
Interest	0	0	0	0	0	1
Interest and Fiscal Charges	(298,498)	(3,479)	(1,685)	0	(303,662)	0
Income (Loss) Before Contributions and Transfers	718,106	234,087	(150,729)	0	801,464	50,711
Capital Contributions	29,791	0	0	0	29,791	0
Transfers In	181,454	0	125,000	0	306,454	0
Change in Net Position	929,351	234,087	(25,729)	0	1,137,709	50,711
Net Position Beginning of Year (Restated, See Note 2V)	5,085,020	3,029,354	261,803	0		14,571
Net Position End of Year	$ 6,014,371	$ 3,263,441	$ 236,074	$ 0		$ 65,282
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:					26,760	
Changes in Net Position of Business-Type Activities					$ 1,164,469	

See accompanying notes to the basic financial statements.

City of Toronto
Jefferson County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2015

	Enterprise Funds					Governmental Activities - Internal Service Fund
	Water	Sewer	Refuse	All Other Enterprise Funds	Totals	
Cash Flows from Operating Activities						
Cash Received from Customers	$ 2,634,570	$ 926,013	$ 369,893	$ 0	$ 3,930,476	$ 25,754
Cash Received from Other Operating Receipts	0	0	0	20,300	20,300	0
Cash Payments to Suppliers for Goods and Services	(279,428)	(39,605)	(5,826)	0	(324,859)	0
Cash Payments to Employees for Services and Benefits	(548,079)	(300,783)	(281,290)	0	(1,130,152)	0
Cash Payments for Contractual Services	(337,047)	(247,271)	(179,288)	(20,293)	(783,899)	0
Claims Paid	0	0	0	0	0	(21,695)
Net Cash Provided by (Used for) Operating Activities	1,470,016	338,354	(96,511)	7	1,711,866	4,059
Cash Flows from Noncapital Financing Activities						
Interest	0	0	0	0	0	1
Transfers In	181,454	0	125,000	0	306,454	0
Net Cash Provided by Noncapital Financing Activities	181,454	0	125,000	0	306,454	1
Cash Flows from Capital and Related Financing Activities						
Capital Grants	325,791	0	0	0	325,791	0
Proceeds of OWDA Loans	173,166	144,593	0	0	317,759	0
Acquisition of Capital Assets	(818,183)	(211,150)	0	0	(1,029,333)	0
Principal Payments on Debt	(768,460)	(37,617)	(19,438)	0	(825,515)	0
Interest Payments on Debt	(298,498)	(3,479)	(1,685)	0	(303,662)	0
Net Cash Used for Capital and Related Financing Activities	(1,386,184)	(107,653)	(21,123)	0	(1,514,960)	0
Net Increase in Cash and Cash Equivalents	265,286	230,701	7,366	7	503,360	4,060
Cash and Cash Equivalents Beginning of Year	1,351,319	1,255,780	187,642	72,830	2,867,571	14,571
Cash and Cash Equivalents End of Year	$ 1,616,605	$ 1,486,481	$ 195,008	$ 72,837	$ 3,370,931	$ 18,631
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities						
Operating Income (Loss)	$ 1,016,604	$ 237,566	$ (149,044)	$ 0	$ 1,105,126	$ 50,710
Adjustments:						
Depreciation	455,863	60,014	28,569	0	544,446	0
(Increase) Decrease in Assets and Deferred Outflows:						
Accounts Receivable	30,504	37,465	9,882	0	77,851	(52,038)
Prepaid Items	(735)	(435)	(517)	0	(1,687)	0
Materials and Supplies Inventory	(41,150)	(17,331)	0	0	(58,481)	0
Net Pension Asset	(687)	(166)	(331)	0	(1,184)	0
Deferred Outflows - Pension	(16,257)	(3,915)	(7,834)	0	(28,006)	0
Increase (Decrease) in Liabilities and Deferred Inflows:						
Accounts Payable	2,423	8,827	1,174	0	12,424	0
Accrued Wages	11,106	8,754	8,065	0	27,925	0
Customer Deposits	0	0	0	7	7	0
Compensated Absences Payable	654	2,657	8,041	0	11,352	0
Intergovernmental Payable	(361)	2,015	(323)	0	1,331	0
Claims Payable	0	0	0	0	0	5,387
Deferred Inflows - Pension	5,435	1,309	2,619	0	9,363	0
Net Pension Liability	6,617	1,594	3,188	0	11,399	0
Net Cash Provided by (Used For) Operating Activities	$ 1,470,016	$ 338,354	$ (96,511)	$ 7	$ 1,711,866	$ 4,059

Noncash Capital Financing Activities:
The City purchased $28,524 and $833,183 of capital assets on account in 2015 and 2014, respectively.
The City received $29,791 principal forgiveness for the OWDA waterline project in 2015.

See accompanying notes to the basic financial statements.

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,* No. 39, *Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No. 14,* and No. 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34.*

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The most significant of the City's accounting policies are described below.

A. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net position 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 position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government. The activity of the internal service fund is also eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type.

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

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

B. Fund Accounting

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

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

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

Street Maintenance and Repair Fund **-** The street maintenance and repair fund accounts is used to account for the portion of the State gasoline tax and motor vehicle registration fees designated for maintenance of streets within the City.

Titanium Way Bridge Replacement Fund **-** The Titanium Way Bridge Replacement fund accounts for financial resources and expenditures for the engineering and construction of the bridge replacement which is funded by the Ohio Department of Transportation and the City.

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

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net position, 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 water, sewer and refuse funds are the City's major enterprise funds.

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

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

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

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

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

C. Measurement Focus

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

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

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. The statement of revenues, expenses and changes in fund net position presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position. 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 and proprietary financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, in the recording of deferred outflows/inflows of resources, 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 year in which the resources are measurable and become available. Available means that the resources will be collected within the current year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within thirty days of the 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 year for which the taxes are levied (See Note 5). Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the 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 year-end: income tax, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), fines and forfeitures, interest, and grants and entitlements.

Deferred Inflows of Resources and Deferred Outflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 10.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2015, but which were levied to finance 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, intergovernmental grants and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 10)

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

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

E. Cash and Cash Equivalents

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

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

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the City are presented on the financial statements as “equity in pooled cash and cash equivalents.” Investments with an original maturity of more than three months that are not made from the pool are reported as “investments.” The City has no investments.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2015 amounted to $2,168, which includes $1,575 assigned from other City funds.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2015 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the payment and an expenditure/expense is reported in the year in which services are consumed.

G. Materials and Supplies Inventory

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

H. Restricted Assets

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

I. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position 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 position and in the respective funds.

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

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

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings	25-50 Years	50 Years
Land Improvements	15-50 Years	15-50 Years
Equipment	10-25 Years	10-25 Years
Vehicles	8-40 Years	10-20 Years
Infrastructure	25 Years	50-100 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.

J. Interfund Balances

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

K. Compensated Absences

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

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

L. Accrued Liabilities and Long-term Obligations

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

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

M. Pensions

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

N. Fund Balance

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

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

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

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the City. The City has by resolution authorized the Auditor to assign fund balance. The City may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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

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

O. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is 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.

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

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water, sewer and refuse services and self-insurance programs. 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 non-operating.

Q. 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.

R. 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 2015.

S. 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.

T. Budgetary Data

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

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

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

U. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, of grants or outside contributions of resources restricted to capital acquisition and construction.

V. Implementation of New Accounting Policies and Restatement of Net Position

For the year ended December 31, 2015, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68.*

GASB Statement No. 68 requires recognition of the entire net pension liability and a more comprehensive measure of pension expense for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 68 resulted in the inclusion of net pension liability and pension expense components on the full-accrual financial statements. See below for the effect on net position as previously reported.

GASB Statement No. 71 amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. See below for the effect on net position as previously reported.

	Governmental Activities	Business-Type Activities	Enterprise Water	Enterprise Sewer	Enterprise Refuse
Net Position December 31, 2014	$ 8,956,400	8,811,576	$ 5,334,290	$ 3,089,400	$ 381,916
Adjustments:					
Net Pension Asset	356	444	258	62	124
Net Pension Liability	(2,630,914)	(493,291)	(286,340)	(68,976)	(137,975)
Deferred Outflow - Payments Subsequent to Measurement Date	242,957	63,418	36,812	8,868	17,738
Restated Net Position, January 1, 2015	$ 6,568,799	$ 8,382,147	$ 5,085,020	$ 3,029,354	$ 261,803

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

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 Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the general fund and street maintenance and repair fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).

2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).

3. Some funds are included in the general fund, (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

	General Fund	Street Maintenance & Repair Fund
GAAP Basis	$ (211,951)	$ (112,949)
Net Adjustment for Revenue Accruals	(207,570)	(3,821)
Net Adjustment for Expenditure Accruals	12,367	16,423
Funds Budgeted Elsewhere*	(15,461)	0
Budget Basis	$ (422,615)	$ (100,347)

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

NOTE 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.

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 and STAR Plus);

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.

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 2015, 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 year-end, the carrying amount of the City's deposits was $5,817,474. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures,* as of December 31, 2015, $5,540,679 of the City's bank balance of $5,897,328 was exposed to custodial risk as discussed above, while $356,649 was covered by the Federal Deposit Insurance Corporation.

NOTE 5 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2015 for real and public utility property taxes represents collections of the 2014 taxes.

2015 real property taxes were levied after October 1, 2015 on the assessed value as of January 1, 2015, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2015 real property taxes are collected in and intended to finance 2016.

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 statue permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2015 public utility property taxes which became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2015, was $3.40 per $1,000 of assessed valuation. The assessed values of real property and public utility tangible property upon which 2015 property tax receipts were based are as follows:

Category	Assessed Value
Real Property	$ 50,266,960
Public Utilities - Real	38,540
Public Utilities - Personal	4,027,070
Total Assessed Value	$ 54,332,570

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2015, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2015 operations is offset to deferred inflows of resources – property taxes levied for the next year. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

NOTE 6 - RECEIVABLES

Receivables at December 31, 2015 consisted of taxes, accounts (billings for user charged services including unbilled utility services), and intergovernmental receivables arising from grants and shared revenues. All receivables are deemed collectible in full.

NOTE 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.

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.

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NOTE 8 – CAPITAL ASSETS

A summary of changes in capital assets during 2015 follows:

	Balance 12/31/2014	Additions	Deletions	Balance 12/31/2015
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 140,000	$ 0	$ 0	$ 140,000
Work of Art	17,500	0	0	17,500
Total Capital Assets Not Being Depreciated	157,500	0	0	157,500
Capital Assets, Being Depreciated:				
Buildings	1,488,940	0	0	1,488,940
Land Improvements	1,176,903	39,210	0	1,216,113
Equipment	491,347	150,469	(4,394)	637,422
Vehicles	1,717,323	14,500	0	1,731,823
Infrastructure	2,292,908	22,424	0	2,315,332
Total Capital Assets, Being Depreciated	7,167,421	226,603	(4,394)	7,389,630
Less Accumulated Depreciation:				
Buildings	(570,832)	(32,171)	0	(603,003)
Land Improvements	(988,430)	(31,366)	0	(1,019,796)
Equipment	(218,754)	(37,852)	2,966	(253,640)
Vehicles	(795,155)	(67,702)	0	(862,857)
Infrastructure	(428,271)	(92,240)	0	(520,511)
Total Accumulated Depreciation	(3,001,442)	(261,331) *	2,966	(3,259,807)
Total Capital Assets Being Depreciated, Net	4,165,979	(34,728)	(1,428)	4,129,823
Total Governmental Activities Capital Assets, Net	$ 4,323,479	$ (34,728)	$ (1,428)	$ 4,287,323

*Depreciation expense was charged to governmental functions as follows:

General Government	$ 24,960
Leisure Time Services	46,598
Security of Persons and Property	58,463
Transportation	128,499
Public Health	2,811
Total	$ 261,331

	Balance 12/31/2014	Additions	Deletions	Balance 12/31/2015
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 43,904	$ 0	$ 0	$ 43,904
Construction in Progress	67,629	170,292	0	237,921
Total Capital Assets Not Being Depreciated	111,533	170,292	0	281,825
Capital Assets, Being Depreciated:				
Buildings	11,332,380	30,028	0	11,362,408
Improvements	1,750,000	6,420	0	1,756,420
Equipment	2,596,094	12,300	0	2,608,394
Vehicles	600,756	5,634	0	606,390
Infrastructure				
Water Lines	4,006,520	0	0	4,006,520
Sewer Lines	1,370,546	0	0	1,370,546
Total Capital Assets, Being Depreciated	21,656,296	54,382	0	21,710,678
Less Accumulated Depreciation:				
Buildings	(2,551,519)	(226,648)	0	(2,778,167)
Improvements	(233,750)	(27,594)	0	(261,344)
Equipment	(1,265,247)	(156,830)	0	(1,422,077)
Vehicles	(419,820)	(27,937)	0	(447,757)
Infrastructure				
Water Lines	(854,544)	(80,130)	0	(934,674)
Sewer Lines	(201,587)	(25,307)	0	(226,894)
Total Accumulated Depreciation	(5,526,467)	(544,446)	0	(6,070,913)
Total Capital Assets Being Depreciated, Net	16,129,829	(490,064)	0	15,639,765
Total Business-Type Activities Capital Assets, Net	$ 16,241,362	$ (319,772)	$ 0	$ 15,921,590

NOTE 9 - RISK MANAGEMENT

The Government is exposed to various risks of property and casualty losses, and injuries to employees.

The Government insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Government 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. 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 York. 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, 2015, PEP retained $350,000 for casualty claims and $100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2014 and 2015

Casualty and Property Coverage	2014	2015
Assets	$ 35,402,177	$ 38,307,677
Liabilities	(12,363,257)	(12,759,127)
Net Position	$ 23,038,920	$ 25,548,550

At December 31, 2014 and 2015, respectively, the liabilities above include approximately $11.1 million and $11.5 million of estimated incurred claims payable. The assets above also include approximately $10.8 million and $11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Government's share of these unpaid claims collectible in future years is approximately $81,000.

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 contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

Contributions to PEP	
2013	$ 121,029
2014	122,127
2015	127,877

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

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

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS

Net Pension Asset/Liability

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

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension asset/liability. Resulting adjustments to the net pension asset/liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension asset/liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional and combined plans; therefore, the following disclosure focuses on these two plans.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional and combined plans as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	**Group B** 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	**Group C** Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local	
2015 Statutory Maximum Contribution Rates		
Employer	14.00	%
Employee	10.00	%
2015 Actual Contribution Rates		
Employer:		
Pension	12.00	%
Post-employment Health Care Benefits	2.00	
Total Employer	14.00	%
Employee	10.00	%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was $116,113 for 2015. Of this amount, $15,538 is reported as an intergovernmental payable.

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
2015 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.0 %
Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %
2015 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OPF was $194,942 for 2015. Of this amount $17,907 is reported as an intergovernmental payable.

Pension Assets/Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions The net pension asset/liability for OPERS was measured as of December 31, 2014, and the total pension asset/liability used to calculate the net pension asset/liability was determined by an actuarial valuation as of that date. OPF’s total pension liability was measured as of December 31, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. The City's proportion of the net pension asset/liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS Traditional Plan	OPERS Combined Plan	OPF	Total
Proportionate Share of the Net Pension Asset	$ 0	$ 2,935	$ 0	$ 2,935
Proportionate Share of the Net Pension Liability	$ 910,011	$ 0	$ 2,377,040	$ 3,287,051
Proportion of the Net Pension Asset/Liability	0.00754500%	0.00762400%	0.04588510%	
Pension Expense	$ 98,991	$ 1,926	$ 231,870	$ 332,787

At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Traditional Plan	OPERS Combined Plan	OPF	Total
Deferred Outflows of Resources				
Net difference between projected and actual earnings on pension plan investments	$ 48,555	$ 179	$ 102,448	$ 151,182
City contributions subsequent to the measurement date	112,956	3,157	194,942	311,055
Total Deferred Outflows of Resources	$ 161,511	$ 3,336	$ 297,390	$ 462,237
Deferred Inflows of Resources				
Differences between expected and actual experience	$ 15,987	$ 896	$ 0	$ 16,883

$311,055 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability or addition of the net pension asset in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS Traditional Plan	OPERS Combined Plan	OPF	Total
2016	$ 4,763	$ (62)	$ 25,612	$ 30,313
2017	4,763	(62)	25,612	30,313
2018	10,904	(62)	25,612	36,454
2019	12,138	(63)	25,612	37,687
2020	0	(107)	0	(107)
Thereafter	0	(361)	0	(361)
	$ 32,568	$ (717)	$ 102,448	$ 134,299

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension asset/liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Information	**Traditional Pension Plan**	**Combined Pension Plan**
Wage Inflation	3.75 percent	3.75 percent
Future Salary Increases, including inflation	4.25 percent to 10.05 percent, including wage inflation	4.25 percent to 8.05 percent, including wage inflation
COLA or Ad Hoc COLA	3.00 percent, simple	3.00 percent
Investment Rate of Return	8.00 percent	8.00 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other Investments	18.00	4.59
Total	100.00 %	5.28 %

Discount Rate The discount rate used to measure the total pension asset/liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset/liability.

Sensitivity of the City's Proportionate Share of the Net Pension Asset/Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension asset/liability calculated using the current period discount rate assumption of 8 percent, as well as what the City's proportionate share of the net pension asset/liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension (asset)/liability:			
Traditional Plan	$ 1,674,160	$ 910,011	$ 266,414
Combined Plan	381	(2,935)	(5,566)

Actuarial Assumptions – OPF

OPF's total pension liability as of December 31, 2014 is based on the results of an actuarial valuation date of January 1, 2014, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2014, are presented below:

Valuation Date	January 1, 2014
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11.00 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2014 are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	(0.25) %
Domestic Equity	16.00	4.47
Non-US Equity	16.00	4.47
Core Fixed Income*	20.00	1.62
Global Inflation Protected*	20.00	1.33
High Yield	15.00	3.39
Real Estate	12.00	3.93
Private Markets	8.00	6.98
Timber	5.00	4.92
Master Limited Partnerships	8.00	7.03
Total	120.00 %	

* levered 2x

OPF's Board of Trustees has incorporated the "risk parity" concept into OPF's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability:	$ 3,287,805	$ 2,377,040	$ 1,605,898

<u>NOTE 11: POSTEMPLOYMENT BENEFITS</u>

A. Ohio Public Employees Retirement System

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

OPERS maintains two cost-sharing multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2014 CAFR details.

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml, 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 the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, State and Local employers contributed at a rate of 14.0 percent of earnable salary and Public Safety and Law Enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the

OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5 percent.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2015, 2014, and 2013 were $19,352, $38,670 and $37,467, respectively. For 2015, 87 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2014 and 2013.

B. Ohio Police and Fire Pension Fund

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

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

The Ohio Revised Code allows, but does not mandate, OPF to provide OPEB benefits. Authority for the OPF 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.

OPF 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 OPF, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OPF's website at www.op-f.org.

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contribution allocated to health care was 0.5 percent of covered payroll from January 1, 2015 through December 31, 2015. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OPF, which were allocated to fund post-employment health care benefits, for police and firefighters were $3,129 and $1,618 for the year ended December 31, 2015, $40,861 and $22,087 for the year ended December 31, 2014, and $39,944 and $21,541 for the year ended December 31, 2013. 91 percent has been contributed for police and 90 percent has been contributed for firefighters for 2015. The full amount has been contributed for 2014 and 2013.

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.

Medical, surgical and dental insurance is offered to all employees through a self insurance internal service fund. The City is a member of the Jefferson Health Plan, a public entity risk management, insurance, and claims servicing pool, consisting of cities and other public entities across the state, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the City's behalf. The claims liability of $5,387 reported in the internal service fund at December 31, 2015, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Change in fund's claims liability for 2015 is as follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2015	$ 0	$ 27,082	$ 21,695	$ 5,387

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 cannot be carried over, however, unforeseen circumstances may come into play and the mayor 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 220 days of accumulated sick time provided they have ten years of service with the City. Police are paid one-half of accumulated sick time with no maximum provided they have ten years of service with the City. Upon separation, firefighters are paid for half of all accumulated sick time provided they have ten years of service with the City. As of December 31, 2015, the liability for unpaid compensated absences was $508,721.

NOTE 13 – INTERFUND

The City made the following transfers during 2015:

	Transfers In	Transfers Out
Major Governmental Funds:		
General	$ 0	$ 1,076,454
Street Maintenance and Repair	125,000	0
Titanium Way Bridge Replacement	360,000	0
Nonmajor Governmental Funds:		
Recreation	90,000	0
Police Pension	125,000	0
Fire Pension	70,000	0
Total Governmental Funds	770,000	1,076,454
Enterprise Funds:		
Water	181,454	0
Refuse	125,000	0
Total Enterprise Funds	306,454	0
Total	$ 1,076,454	$ 1,076,454

The General Fund transferred $1,076,454 to various other governmental funds, the water fund and the refuse fund to distribute income tax revenue.

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NOTE 14 - LONG-TERM OBLIGATIONS

Changes in long-term obligations during the year ended December 31, 2015, consisted of the following:

	Restated Outstanding 12/31/2014	Additions	Reductions	Outstanding 12/31/2015	Amounts Due In One Year
Governmental Activities					
Installment Loan-City Building	$ 512,871	$ 0	$ (48,554)	$ 464,317	$ 49,165
Compensated Absences	383,620	31,017	(15,050)	399,587	96,065
Net Pension Liability	2,630,914	151,447	0	2,782,361	0
Total Governmental Activities	$ 3,527,405	$ 182,464	$ (63,604)	$ 3,646,265	$ 145,230
Business-Type Activities					
Water Treatment Plant OWDA Loan	$ 8,807,893	$ 0	$ (677,629)	$ 8,130,264	$ 699,900
Water Treatment OWDA Plant Lagoons	451,535	0	(39,032)	412,503	39,423
Waterline Replacement OWDA Loan	459,141	173,166	(45,299)	587,008	15,820
Combined Sewer Separation OWDA Loan	209,807	0	(12,579)	197,228	12,705
Waste Water Treatment Plant OWDA Loan	30,129	144,593	(25,038)	149,684	32,685
Total OWDA loans	9,958,505	317,759	(799,577)	9,476,687	800,533
Waterline Replacement OPWC Loan	195,000	0	(6,500)	188,500	6,500
Garbage Packer Loan	59,969	0	(19,438)	40,531	19,985
Compensated Absences	97,781	19,615	(8,263)	109,133	10,751
Net Pension Liability	493,291	11,399	0	504,690	0
Total Business-Type Activities	$ 10,804,546	$ 348,773	$ (833,778)	$ 10,319,541	$ 837,769

The installment loan for the City building will be paid from the general fund. In the business-type activities, the OWDA loans and OPWC loan will be paid from revenues derived from charges for services in the water and sewer funds. The garbage packer loan will be paid from the refuse fund. Compensated absences will be paid from the fund from which the employees' salaries are paid. The City pays obligations related to employee compensation from the fund benefitting from their service.

In 2007, the City entered into an installment loan agreement with Consumers National Bank for the purchase of the new City building. The principal amount of the loan was $894,981 and the interest rate is currently 1.25 percent. The loan will mature in December of 2024.

In 2007, the City entered into contractual agreements with the Ohio Water Development Authority (OWDA) to construct a new water treatment plant. As of December 31, 2015, the City had received $13,534,834 from OWDA. In addition to the draw down, the City has incurred capitalized interest of $479,344 as of December 31, 2015. The City began to repay the loan in 2007.

In 2005 the City was awarded a new loan from the Ohio Water Development Authority (OWDA) in the amount of $785,842. The proceeds of this loan are being used to construct water treatment plant lagoons. As of December 31, 2015, the City had received $781,822 from OWDA. In addition to the draw down, the City has incurred capitalized interest of $4,020. The City began to repay this loan in July 2006.

During 2010, the City entered into a contractual agreement with the Ohio Water Development Authority (OWDA) for a loan to begin a project mandated by the U.S. EPA and the Ohio EPA to eliminate sanitary sewer overflows into the Ohio River. As of December 31, 2014, the City had drawn down the full amount of $264,886. In addition to this loan, the City was awarded proceeds of $468,882 as part of the American Recovery and Reinvestment Act (ARRA) and an equal amount of debt was forgiven. The OWDA loan has an interest rate of 1 percent and the City made the first payment in December of 2010. The loan matures on July 1, 2030.

During 2013, the City entered into a contractual agreement with the Ohio Water Development Authority (OWDA) for a loan to begin a waterline replacement project. The total award amount of the loan was $877,906, which includes $260,635 to be forgiven as part of the American Recovery and Reinvestment Act (ARRA). In 2013, the City drew down $328,957, of which $200,498 was forgiven. In 2014, the City drew down an additional $375,784, of which $30,347 was forgiven. In 2015, the City drew down an additional $143,375, of which $29,791 was forgiven. The OWDA loan has an interest rate of 2 percent and the City made the first payment in July of 2014. The loan matures on January 1, 2044.

Additional funding for the waterline project was provided by the Ohio Public Water Commission (OPWC) in the amount of a $195,000 loan with no interest. The City made the first payment in June 2015. The loan matures on January 1, 2044.

During 2013, the City entered into a loan agreement with U.S. Bank for $100,000 for the purpose of purchasing a new garbage packer. The loan agreement is for a period of five years and the interest rate is 2.81 percent. The loan matures on October 28, 2017.

During 2014, the City entered into a contractual agreement with the Ohio Water Development Authority (OWDA) for a loan, in the amount of $202,822 to begin waste water treatment plant improvements. As of December 31, 2015 the City had drawn down $174,467. In addition to the draw down, the City had capitalized interest in the amount of $255. The City will make the first payment on this loan on January 1, 2016. The loan matures on July 1, 2020. This loan is not fully disbursed and there is no amortization schedule available. Therefore, it is not included in the following amortization table.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2015 are as follows:

Governmental Activities		
	Installment Loan-City Building	
Year	Principal	Interest
2016	$ 49,165	$ 5,521
2017	49,783	4,903
2018	50,409	4,278
2019	51,043	3,644
2020	51,684	3,002
2021-2024	212,233	8,426
	$ 464,317	$ 29,774

	Business-Type Activities				
	OWDA Loans		OPWC Loan	Installment Loan - Packer	
Year	Principal	Interest	Principal	Principal	Interest
2016	$ 767,848	$ 277,016	$ 6,500	$ 19,985	$ 1,139
2017	791,691	253,174	6,500	20,546	577
2018	816,303	228,563	6,500	0	0
2019	841,705	203,160	6,500	0	0
2020	867,929	176,938	6,500	0	0
2021-2025	4,763,536	460,791	65,000	0	0
2026-2030	164,765	38,549	65,000	0	0
2031-2035	110,989	26,420	26,000	0	0
2036-2040	122,602	14,807	0	0	0
2041-2044	79,635	2,811	0	0	0
	$ 9,327,003	$ 1,682,229	$ 188,500	$ 40,531	$ 1,716

NOTE 15 – FUND BALANCE

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

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

	General	Street Maintenance & Repair	Titanium Way Bridge Replacement	Other Governmental Funds	Total
Nonspendable for:					
Prepaid Items	$ 20,384	$ 6,049	$ 0	$ 0	$ 26,433
Materials and Supplies Inventory	0	61,345	0	0	61,345
Unclaimed Monies	401	0	0	0	401
Total Nonspendable	20,785	67,394	0	0	88,179
Restricted for:					
Recreation	0	0	0	18,798	18,798
Street Maintenance and City Improvements	0	181,493	0	127,167	308,660
Law Enforcement and Public Safety	0	0	0	59,983	59,983
Titanium Way Bridge Replacement	0	0	111,385	0	111,385
Community Development	0	0	0	123,502	123,502
Total Restricted	0	181,493	111,385	329,450	622,328
Committed for:					
Police and Fire Severence	87,886	0	0	0	87,886
Assigned for:					
Subsequent Year Appropriations	378,070	0	0	0	378,070
Capital Projects	0	0	0	426,617	426,617
Total Assigned	378,070	0	0	426,617	804,687
Unassigned	1,182,699	0	0	0	1,182,699
Total Fund Balance	$ 1,669,440	$ 248,887	$ 111,385	$ 756,067	$ 2,785,779

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 2015, 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, 2015.

B. Litigation

The City of Toronto is party to various legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The City's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

NOTE 18 – SUBSEQUENT EVENTS

In 2016, the City entered into a lease for a fire truck in the amount of $452,026 for a term of 7 years at an interest rate of 2.60 percent that matures in 2023. The City also entered into a lease for a vacuum truck in the amount of $384,502 at an interest rate of 2.60 percent that matures in 2020.

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City of Toronto
Jefferson County, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Asset/Liability
Last Two Years (1)

	2015	2014
Ohio Public Employees' Retirement System (OPERS) - Traditional Plan		
City's Proportion of the Net Pension Liability (Asset)	0.0075450%	0.0075450%
City's Proportionate Share of the Net Pension Liability (Asset)	$ 910,011	$ 889,457
City's Covered-Employee Payroll	$ 925,042	$ 700,923
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	98.38%	126.90%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	86.36%
Ohio Public Employees' Retirement System (OPERS) - Combined Plan		
City's Proportion of the Net Pension Liability (Asset)	0.0076240%	0.0076240%
City's Proportionate Share of the Net Pension Liability (Asset)	$ (2,935)	$ (800)
City's Covered-Employee Payroll	$ 27,867	$ 19,592
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	-10.53%	-4.08%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset	114.83%	104.56%
Ohio Police and Fire Pension Fund (OPF)		
City's Proportion of the Net Pension Liability (Asset)	0.0458851%	0.0458851%
City's Proportionate Share of the Net Pension Liability (Asset)	$ 2,377,040	$ 2,234,748
City's Covered-Employee Payroll	$ 936,300	$ 751,774
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	253.88%	297.26%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.20%	73.00%

(1) Information prior to 2014 is not available.

City of Toronto
Jefferson County, Ohio
Required Supplementary Information
Schedule of City Contributions
Last Ten Years

	2015	2014	2013
Ohio Public Employees' Retirement System (OPERS) - Traditional Plan			
Contractually Required Contribution	$ 112,956	$ 111,005	$ 91,120
Contributions in Relation to the Contractually Required Contribution	(112,956)	(111,005)	(91,120)
Contribution deficiency (excess)	$ 0	$ 0	$ 0
City's covered-employee payroll	$ 941,300	$ 925,042	$ 700,923
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%
Ohio Public Employees' Retirement System (OPERS) - Combined Plan			
Contractually Required Contribution	$ 3,157	$ 3,344	$ 2,547
Contributions in Relation to the Contractually Required Contribution	(3,157)	(3,344)	(2,547)
Contribution deficiency (excess)	$ 0	$ 0	$ 0
City's covered-employee payroll	$ 26,308	$ 27,867	$ 19,592
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%
Ohio Police and Fire Pension Fund (OPF)			
Contractually Required Contribution	$ 194,942	$ 192,026	$ 130,499
Contributions in relation to the contractually required contribution	(194,942)	(192,026)	(130,499)
Contribution deficiency (excess)	$ 0	$ 0	$ 0
City's covered-employee payroll	$ 949,388	$ 936,300	$ 751,774
Contributions as a percentage of covered-employee payroll	20.53%	20.51%	17.36%

(n/a) Information prior to 2013 is not available.

2012	2011	2010	2009	2008	2007	2006
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
$ 127,612	$ 130,619	$ 134,020	$ 132,133	$ 188,544	$ 179,405	$ 110,156
(127,612)	(130,619)	(134,020)	(132,133)	(188,544)	(179,405)	(110,156)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 895,643	$ 922,179	$ 947,346	$ 935,989	$ 1,333,221	$ 1,264,450	$ 829,590
14.25%	14.16%	14.15%	14.12%	14.14%	14.19%	13.28%

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INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Toronto, Jefferson County, (the "City") as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 14, 2017, wherein we qualified our opinion on the capital assets reported within the governmental activities and business type activities, the Water, Sewer and Refuse funds. We also noted the City adopted new accounting guidance in Governmental Accounting Standards Board Statement (GASB) 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2015-001 and 2015-002 to be material weaknesses.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

Dave Yost
Auditor of State
Columbus, Ohio

September 14, 2017

SCHEDULE OF FINDINGS
DECEMBER 31, 2015

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

FINDING NUMBER 2015-001

Material Weakness

Ohio Administrative Code § 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 officer provides, and should consider the degree of automation and other factors. Such records should include capital asset records including such information as original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset depreciation, location, useful life, and tag number. Local governments preparing financial statements using generally accepted accounting principles will want to maintain additional data.

Ohio Administrative Code § 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 should include the maintenance of adequate documentation to support the accuracy and completeness of capital asset records. The City's capital assets are reported on the financial statements at $20,208,913 as of December 31, 2015.

Governmental Accounting Standards Board Implementation Guide 34B (Q.45) states that it is not appropriate to report capital assets that are still in active service as “fully depreciated” if the amounts involved are significant. Instead, management should periodically reevaluate asset lives. If an asset will outlive its expected life, management should increase the asset life. This should be treated as a change in accounting estimate. These changes require allocating the remaining undepreciated life over the new estimate of remaining life.

A review of the City's capital assets identified the following:

- The City does not have a complete capital asset listing and inventory evaluation over all of the capital assets. Therefore, we are unable to rely on the beginning balances. Accordingly, the City's financial statements omit certain capital assets and depreciation expenses in the governmental and business-type activities;
- The City does not have an accounting system in place to identify capital asset purchases, deletions, and depreciation expense and the City does not maintain an identification system for capitalized items;
- The City has not adopted a written policy regarding capital assets;
- Several assets are fully depreciated, some of which do not appear to be in use by the City;
- Salvage values have not been established for any of the City's capital assets; and
- Estimated useful lives for vehicles are up to 40 years.

FINDING NUMBER 2015-001
(Continued)

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 items identified above are the result of the City not having a capital asset policy and complying with the requirements listed in GASB Statement 34. Failure to implement the items listed above will result in a continued modified opinion and could result in adjustments to the financial statements.

The City should conduct a complete physical inventory of its assets and prepare an accurate and complete capital asset listing. The City should then annually conduct a physical inventory of its assets and reconcile with the capital asset listing and remove assets no longer held as inventory. The City should create and approve a comprehensive written policy governing the identification, disposition, and depreciation of general infrastructure required to be reported under Governmental Accounting Standards Board (GASB) Statement No. 34. The policy should also include application and monitoring controls over the purchase, sale, and movement of capital assets within the City and periodic inventory requirements. This policy may 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. If an asset will outlive its expected life, management should increase the asset life and allocate any remaining undepreciated life of similar assets over the new estimated life.

FINDING NUMBER 2015-002

Material Weakness

In order to comply with the requirements of generally accepted accounting principles, the City prepares inventory counts at each department that maintains inventory. Count sheets should include information such as the inventory category, unit price and a total value as of year-end. Information on the count sheets should be properly supported by invoices or other documentation.

While testing 2015 Water Department inventory summaries we identified the following:

- The listing did not include a price per unit and only a total amount is listed per category for each type of materials and supplies on hand at year-end;
- Inquiry over cost per units was an estimate and no invoices were provided supporting the amounts on the listings; and
- When we inquired of the Water Superintendent for additional supporting documentation for 2015, he provided hand written summaries and the amounts were consistent with the amounts on the annual inventory listing.

Without a unit price and number of items per category, we could not recalculate the total amount for each category thereby limiting the ability of the City to have accurate inventory records.

This is the result of the City not having a policy in place over annual inventory counts and records. Failure to prepare complete and accurate inventory counts at or near year-end could result in adjustments to the financial statements and a modified opinion.

FINDING NUMBER 2015-002
(Continued)

To help strengthen controls over city inventory, the water department inventory summaries should list the total number of items by type and an average unit price per item should also be included so that the total value of the inventory type can be recalculated. The City should maintain support for the price per unit for each inventory category included on the listing.

Officials' Response: No responses were received.

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CITY OF TORONTO
JEFFERSON COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015

Finding Number	Finding Summary	Status	Additional Information
2014-001	City has failed to include capital assets and related depreciation for the Water Fund and related business type activities since 2002.	Not Corrected	City will adopt a written policy regarding capital assets. The City will research having a professional appraisal/evaluation performed of their capital assets and will evaluate the cost versus benefit of doing so.

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CITY OF TORONTO

JEFFERSON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 5, 2017

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