



CITY OF TOLEDO
Lincoln County, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2016



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS
436 1st Avenue W | PO Box 1072
Albany, Oregon 97321 | (541) 223-5555

CITY OF TOLEDO
Lincoln County, Oregon

CITY OFFICIALS

June 30, 2016

MAYOR

Billie Jo Smith
1239 SE Pine Street
Toledo, Oregon 97391

CITY COUNCIL

Julie Rockwell
309 N. Main Street
Toledo, Oregon 97391

Jill Lyon - President
829 SE Fir Street
Toledo, Oregon 97391

Jackie Kauffman
316 N Main Street
Toledo, Oregon 97391

Michele Johnson
1343 NW Old Arcadia Road
Toledo, Oregon 97391

Terri Strom
361 Graham Street
Toledo, Oregon 97391

Alma Baxter
631 SE Douglass
Toledo, Oregon 97391

CITY MANAGER

Jay Baughman

CITY RECORDER

Nancy Bryant

CITY TREASURER

Polly Chavarria

CITY ATTORNEY

Mike Adams

CITY OF TOLEDO
Lincoln County, Oregon

TABLE OF CONTENTS

June 30, 2016

Page
Number

INTRODUCTORY SECTION

Title Page	
City Officials	
Table of Contents	

FINANCIAL SECTION

Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-11
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	12-13
Statement of Activities	14
Fund Financial Statements	
Balance Sheet - Governmental Funds.....	15
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Net Position - Proprietary Funds.....	19-20
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds.....	21-22
Statement of Cash Flows - Proprietary Funds.....	23-24
Notes to Basic Financial Statements.....	25-55
Required Supplementary Information	
Schedule of the City's Proportionate Share of the Net Pension Liability	56
Schedule of City Contributions	56
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual -	
General Fund.....	57
Street Fund	58
Other Supplementary Information - Combining and Individual Fund Statements and Schedules	
Combining Balance Sheet - Nonmajor Governmental Funds.....	59
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds.....	60
Combining Statement of Net Position - Nonmajor Enterprise Funds	61

	<u>Page Number</u>
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Nonmajor Enterprise Funds	62
Combining Statement of Cash Flows – Nonmajor Enterprise Funds.....	63
Combining Statement of Net Position – Internal Service Funds.....	64
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Internal Service Funds	65
Combining Statement of Cash Flows – Internal Service Funds	66
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual –	
Forfeiture Revenue Fund	67
Grant Fund.....	68
Stabilization Fund.....	69
City Council Strategic Reserve Fund	70
Revolving Loan Fund	71
Solid Waste Fund	72
911 System Fund	73
General Reserve Fund	74
Library Reserve Fund.....	75
Footpaths and Bicycle Trail Fund.....	76
Street Reserve Fund	77
Debt Service Fund.....	78
Water Construction Fund	89
Building and Property Reserve Fund	80
Schedule of Revenues, Expenses, and Changes in Fund Net Position – Budget and Actual –	
Water Fund	81
Sewer Fund	82
Water Reserve Fund	83
System Development Fund	84
Sewer Reserve Fund	85
Public Works Fund	86
Public Works Equipment Reserve Fund.....	87

**AUDIT COMMENTS AND DISCLOSURES REQUIRED BY FEDERAL AND
STATE REGULATIONS**

Independent Auditor’s Report Required by Oregon State Regulations	88-89
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	90-91

FINANCIAL SECTION



Accuity, LLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Honorable Billie Jo Smith, Mayor
and Members of the City Council
City of Toledo
Toledo, Oregon 97391

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Toledo, Lincoln County, Oregon as of and for the year ended June 30, 2016, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Toledo, Lincoln County, Oregon as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of the City's proportionate share of the net pension liability and City contributions, and the budgetary comparison information on pages 4 through 11 and 56 through 58, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We do not express an opinion or provide any assurance on the management's discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Toledo's basic financial statements as a whole. The combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The aforementioned information is the responsibility of management, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2016 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 of Toledo's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 19, 2016 on our tests of the City's compliance with certain provisions of laws and regulations specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Accuity, LLC

By:  _____
Glen O. Kearns, CPA

Albany, Oregon
December 19, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF TOLEDO
Lincoln County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

As management of the City of Toledo, Lincoln County, Oregon, we offer readers this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016. It should be read in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2016, total net position of the City of Toledo amounted to \$22,032,474. Of this amount, \$14,199,741 was invested in capital assets, net of related debt. The remaining balance included \$3,048,380 restricted for various purposes and \$4,784,353 of unrestricted net position.
- At June 30, 2016, the City's governmental funds reported combined ending fund balances of \$5,459,262.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Toledo's basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, and culture and recreation. The business-type activities of the City include water and sewer services.

The government-wide financial statements can be found on pages 12 through 14 of this report.

CITY OF TOLEDO
Lincoln County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fund Financial Statements

The fund financial statements are designed to demonstrate compliance with finance-related legal requirements overseeing the use of fund accounting. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. All of the funds of the City of Toledo can be divided into two categories: governmental funds and proprietary funds.

□ **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of available resources, as well as on the balances of available resources at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 17 individual governmental funds. Information is presented separately in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Street, and Water Construction Funds, all of which are considered to be major governmental funds. Data from the nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Toledo adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided for each fund individually to demonstrate compliance with their respective budgets.

The basic governmental fund financial statements can be found on pages 15 through 18 of this report.

CITY OF TOLEDO
Lincoln County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

□ **Proprietary Funds**

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City maintains five enterprise funds and two internal service funds.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise funds to account for its water and sewer utility operations.

Internal service funds serve as an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses the internal service funds to account for its public works. Because these services predominantly benefit governmental functions rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 19 through 24 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the financial data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 25 through 55 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which includes the City's proportionate share of the net pension liability and City contributions, as well as budgetary comparison information for the General and Street Funds. This required supplementary information can be found on pages 56 through 58 of this report.

The combining statements referred to earlier, in connection with nonmajor governmental and proprietary funds, are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 59 through 87 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. At June 30, 2016, the City's assets exceeded liabilities by \$22,032,474.

A large portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, and equipment) less any related debt used to acquire those assets that is still outstanding. Although the

CITY OF TOLEDO
Lincoln County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City's Net Position

The City's net position increased by \$570,623 during the current fiscal year. This increase is primarily due to an increase in charges for services. Condensed statement of net position information is shown below.

Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Assets						
Current and other assets	\$ 6,303,160	\$ 6,451,737	\$ 1,745,935	\$ 1,765,543	\$ 8,049,095	\$ 8,217,280
Restricted assets	264,408	205,223	1,210,868	860,511	1,475,276	1,065,734
Net capital assets	8,618,326	8,737,010	14,690,033	14,413,823	23,308,359	23,150,833
Total assets	15,185,894	15,393,970	17,646,836	17,039,877	32,832,730	32,433,847
Deferred Outflows of Resources						
	130,390	67,537	55,882	28,944	186,272	96,481
Liabilities						
Current liabilities	464,999	653,457	437,252	430,320	902,251	1,083,777
Noncurrent liabilities	1,845,602	1,327,500	7,904,164	7,871,025	9,749,766	9,198,525
Total liabilities	2,310,601	1,980,957	8,341,416	8,301,345	10,652,017	10,282,302
Deferred Inflows of Resources						
	234,157	550,323	100,354	235,852	334,511	786,175
Net position						
Net investment in capital assets	7,383,326	7,309,510	6,816,415	6,274,165	14,199,741	13,583,675
Restricted for various purposes	1,837,512	1,597,140	1,210,868	1,080,191	3,048,380	2,677,331
Unrestricted	3,550,688	4,023,577	1,233,665	1,177,268	4,784,353	5,200,845
Total net position	\$ 12,771,526	\$ 12,930,227	\$ 9,260,948	\$ 8,531,624	\$ 22,032,474	\$ 21,461,851

City's Changes in Net Position

The condensed statement of activities information shown on the following page explains changes in net position.

CITY OF TOLEDO
Lincoln County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Program revenues						
Charges for services	\$ 844,319	\$ 578,760	\$ 2,741,074	\$ 2,652,089	\$ 3,585,393	\$ 3,230,849
Operating grants and contributions	9,676	13,439	388	362	10,064	13,801
Capital grants and contributions	598,199	1,173,847	5,695	48,620	603,894	1,222,467
Total program revenues	<u>1,452,194</u>	<u>1,766,046</u>	<u>2,747,157</u>	<u>2,701,071</u>	<u>4,199,351</u>	<u>4,467,117</u>
General revenues						
Property taxes - general	1,611,061	1,692,095	-	-	1,611,061	1,692,095
Property taxes - debt service	180,520	175,584	-	-	180,520	175,584
Franchise fees	1,252,721	1,170,330	-	-	1,252,721	1,170,330
Motor fuel taxes	206,331	200,905	-	-	206,331	200,905
Alcohol/cigarette taxes	54,707	54,773	-	-	54,707	54,773
911 taxes	17,129	16,091	-	-	17,129	16,091
Intergovernmental	51,541	42,663	-	-	51,541	42,663
Investment earnings	35,759	33,811	14,456	8,332	50,215	42,143
Rents and leases	9,600	9,601	8,547	8,547	18,147	18,148
Miscellaneous	52,327	9,846	45,168	6,170	97,495	16,016
Sale of assets	7,500	14,372	-	-	7,500	14,372
Pension credit	-	253,203	-	108,516	-	361,719
Total general revenues	<u>3,479,196</u>	<u>3,673,274</u>	<u>68,171</u>	<u>131,565</u>	<u>3,547,367</u>	<u>3,804,839</u>
Total revenues	<u>4,931,390</u>	<u>5,439,320</u>	<u>2,815,328</u>	<u>2,832,636</u>	<u>7,746,718</u>	<u>8,271,956</u>
Program expenses						
General government	2,179,052	1,884,190	-	-	2,179,052	1,884,190
Public safety	2,382,562	1,889,896	-	-	2,382,562	1,889,896
Highways and streets	280,336	288,842	-	-	280,336	288,842
Culture and recreation	542,773	497,879	-	-	542,773	497,879
Interest on long-term debt	62,753	67,753	-	-	62,753	67,753
Water	-	-	815,498	731,660	815,498	731,660
Sewer	-	-	913,121	724,220	913,121	724,220
Total program expenses	<u>5,447,476</u>	<u>4,628,560</u>	<u>1,728,619</u>	<u>1,455,880</u>	<u>7,176,095</u>	<u>6,084,440</u>
Transfers	<u>357,385</u>	<u>(3,225,261)</u>	<u>(357,385)</u>	<u>3,225,261</u>	<u>-</u>	<u>-</u>
Change in net position	(158,701)	(2,414,501)	729,324	4,602,017	570,623	2,187,516
Net position - beginning	<u>12,930,227</u>	<u>15,344,728</u>	<u>8,531,624</u>	<u>3,929,607</u>	<u>21,461,851</u>	<u>19,274,335</u>
Net position - end of year	<u>\$ 12,771,526</u>	<u>\$ 12,930,227</u>	<u>\$ 9,260,948</u>	<u>\$ 8,531,624</u>	<u>\$ 22,032,474</u>	<u>\$ 21,461,851</u>

CITY OF TOLEDO
Lincoln County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measurement of the City's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined fund balances of \$5,459,262. Of this amount, \$1,346,761 constitutes unassigned fund balance, which is available for spending at the City's discretion.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance of the General Fund was \$1,346,761. This entire amount constitutes unassigned fund balance.

Proprietary Funds

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

Total net position of the proprietary funds amounted to \$9,260,948 at year-end. Of this amount, \$6,816,415 was invested in capital assets, net of related debt. The remaining balance included \$1,210,868 restricted for various purposes and \$1,233,665 of unrestricted net position.

BUDGETARY HIGHLIGHTS

Budget amounts shown in the financial statements reflect the original budget amounts and two approved appropriation transfers.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental activities and business-type activities as of June 30, 2016 amounted to \$8,618,326 and \$14,690,033, net of accumulated depreciation, respectively. This investment in capital assets includes land, buildings and structures, equipment and vehicles, land improvements, and infrastructure. The total depreciation expense related to the City's investment in capital assets for its governmental activities and business-type activities during the current fiscal year was \$620,210 and \$347,348, respectively.

Additional information on the City's capital assets can be found in Note II-D on pages 40 through 42 of this report.

CITY OF TOLEDO
Lincoln County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-Term Liabilities

At the end of the current fiscal year, the City had total debt outstanding for its governmental activities and business-type activities of \$1,235,000 and \$7,873,618, respectively. These amounts are comprised of general obligation bonds, two loans payable, and revenue bonds. The City's total debt decreased by \$360,548 during the current fiscal year, including the liquidation of a litigation payable. Additional information on the City's long-term liabilities can be found in Note II-G on pages 44 through 46, and Note III-D on page 55 of this report.

KEY ECONOMIC FACTORS AND BUDGET INFORMATION FOR THE FUTURE

At the time these financial statements were prepared and audited, the City was aware of the following circumstances that could affect its future financial health:

- The City has only one remaining project to complete the \$6.5-million-dollar construction funded by the 2012 Water Bonds. Refurbishment of a water storage tank on Ammon Road during the spring of 2017 will complete the construction project.
- The City's utility rates increased by 1.25% effective May of 2015, and another 1.25% effective May of 2016. The rate for sale of water to the Seal Rock Water District increased by \$0.16 cents per thousand gallons from \$3.41 per thousand to \$3.57 per thousand, effective January 1, 2016. The Seal Rock rate is expected to drop by \$0.22 to \$3.35 per thousand effective January 1, 2017. The rate is based on the City's actual expenditures, as outlined in the 2012 contract between the City and the District.
- The City's PERS employer contribution rates for the fiscal year 2016 increased from the previous fiscal year. The rates for the period beginning July 1, 2015 through June 30, 2017 represent an increase for Tier1 and Tier 2 members of approximately 2.75%, a decrease of 1% for general OPSRP members, and an increase of 0.37% for OPSRP police and fire members. More than half of the City's employees are now OPSRP members. These rates did not require the City to use funds set aside in the Stabilization Fund. Since the rate is set every two years, the City will not be required to use Stabilization funds in FY 2017.
- Oregon PERS announced the tentative rates for the City for the two-year period from July 1, 2017 through June 30, 2019. The rate for Tier 1 and Tier 2 members is expected to increase by 4.36%, the general OPSRP rate by 2.36%, and the OPSRP for Police and Fire by 3.02%. The City has over \$500,000 in stabilization funds to help minimize the impact of these rate increases.
- Health insurance benefits are continuing to increase above inflation. Rates increased approximately eight percent effective January 1, 2016. The City still qualifies as a small employer, and thus will not have to meet all of the requirements of the Affordable Care Act.
- Interest rates on investments are remaining low, affecting the City's income from investments.

CITY OF TOLEDO
Lincoln County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

- The City adopted a Transportation System Plan and will be looking at funding mechanisms to implement the plan.
- The City owed \$92,500 litigation payable from a mediation agreement reached in 2010. In November, 2015, the City paid the settlement in full.
- In October 2016, the City refinanced its long term debt through the issuance of two refunding bond issues. The new issues substantially lowered the interest rate the City was paying, allowing the City to cut as much as seven years off the end of one of the previous issues.
- The City increased the electrical franchise rate from 4.25% to 5.0% in May of 2016. This increase is expected to generate \$180,000 in additional revenue, with 60% going in to the General Fund and 40% going in to the Street Fund.
- In May of 2016, the City Council set a date of June 30, 2017 for permanent closure of the Toledo Swimming Pool. They further decided that if a community committee can come up with a viable plan by December 31, 2016 to take over the facility, the Council may choose to extend that closure date until December 31, 2017.

All of these factors were considered in preparing the City's budget for fiscal year 2016-2017.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest. Questions concerning any of the information provided in the report or requests for additional information should be addressed to the City Manager at the following address: P.O. Box 220, Toledo, Oregon 97391.

BASIC FINANCIAL STATEMENTS

CITY OF TOLEDO
Lincoln County, Oregon

STATEMENT OF NET POSITION

June 30, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 5,016,369	\$ 1,418,370	\$ 6,434,739
Cash with agent	209,291	-	209,291
Receivables, current portion	183,123	257,805	440,928
Property taxes receivable	166,747	-	166,747
Inventory	-	69,760	69,760
Total current assets	5,575,530	1,745,935	7,321,465
Restricted assets	264,408	1,210,868	1,475,276
Receivables, less current portion	423,154	-	423,154
Housing rehabilitation loans receivable	223,354	-	223,354
Assets held for sale	81,122	-	81,122
Capital assets not being depreciated	791,431	8,759,179	9,550,610
Capital assets being depreciated, net	7,826,895	5,930,854	13,757,749
Total assets	15,185,894	17,646,836	32,832,730
DEFERRED OUTFLOWS OF RESOURCES	130,390	55,882	186,272
LIABILITIES			
Current liabilities			
Accounts payable	139,698	4,954	144,652
Compensated absences	195,489	25,158	220,647
Accrued interest	5,984	90,753	96,737
Deposits payable	18,828	40,247	59,075
Long-term debt, current portion	105,000	276,140	381,140
Total current liabilities	464,999	437,252	902,251
Noncurrent liabilities			
Net pension liability	715,602	306,686	1,022,288
Long-term debt, less current portion	1,130,000	7,597,478	8,727,478
Total noncurrent liabilities	1,845,602	7,904,164	9,749,766
Total liabilities	2,310,601	8,341,416	10,652,017

(Continued)

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

CITY OF TOLEDO
Lincoln County, Oregon

STATEMENT OF NET POSITION

June 30, 2016

(Continued)

	Governmental Activities	Business-Type Activities	Total
DEFERRED INFLOWS OF RESOURCES	234,157	100,354	334,511
NET POSITION			
Net investment in capital assets	\$ 7,383,326	\$ 6,816,415	\$ 14,199,741
Restricted for various purposes	1,837,512	1,210,868	3,048,380
Unrestricted	3,550,688	1,233,665	4,784,353
Total net position	\$ 12,771,526	\$ 9,260,948	\$ 22,032,474

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

CITY OF TOLEDO
Lincoln County, Oregon

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Governmental activities							
General government	\$ 2,179,052	\$ 348,398	\$ 1,800	\$ 598,199	\$ (1,230,655)	\$ -	\$ (1,230,655)
Public safety	2,382,562	256,604	1,500	-	(2,124,458)	-	(2,124,458)
Highways and streets	280,336	102,840	-	-	(177,496)	-	(177,496)
Culture and recreation	542,773	136,477	6,376	-	(399,920)	-	(399,920)
Interest on long-term debt	62,753	-	-	-	(62,753)	-	(62,753)
Total governmental activities	\$ 5,447,476	\$ 844,319	\$ 9,676	\$ 598,199	(3,995,282)	-	(3,995,282)
Business-type activities							
Water	\$ 815,498	\$ 1,687,615	\$ 388	\$ 3,722	-	876,227	876,227
Sewer	913,121	1,053,459	-	1,973	-	142,311	142,311
Total business-type activities	\$ 1,728,619	\$ 2,741,074	\$ 388	\$ 5,695	-	1,018,538	1,018,538
General revenues							
Property taxes - general					1,611,061	-	1,611,061
Property taxes - debt service					180,520	-	180,520
Franchise fees					1,252,721	-	1,252,721
Motor fuel taxes					206,331	-	206,331
Alcohol and cigarette taxes					54,707	-	54,707
911 taxes					17,129	-	17,129
Intergovernmental					51,541	-	51,541
Investment earnings					35,759	14,456	50,215
Rents and leases					9,600	8,547	18,147
Miscellaneous					52,327	45,168	97,495
Sale of assets					7,500	-	7,500
Total general revenues					3,479,196	68,171	3,547,367
Transfers					357,385	(357,385)	-
Change in net position					(158,701)	729,324	570,623
Net position - beginning					12,930,227	8,531,624	21,461,851
Net position - ending					\$ 12,771,526	\$ 9,260,948	\$ 22,032,474

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

CITY OF TOLEDO
Lincoln County, Oregon

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2016

		<u>Special Revenue</u>	<u>Capital Projects</u>		
	General	Street	Water	Nonmajor	Total
	Fund	Fund	Construction	Governmental	Governmental
	Fund	Fund	Fund	Funds	Funds
ASSETS					
Cash and cash equivalents	\$ 1,256,218	\$ 1,389,021	\$ -	\$ 2,505,038	\$ 5,150,277
Cash with agent	15,481	-	193,810	1,536	210,827
Accounts receivable	538,040	63,886	-	4,534	606,460
Property taxes receivable	166,747	-	-	16,612	183,359
Notes receivable	-	-	-	223,354	223,354
	<u>-</u>	<u>-</u>	<u>-</u>	<u>223,354</u>	<u>223,354</u>
Total assets	<u>\$ 1,976,486</u>	<u>\$ 1,452,907</u>	<u>\$ 193,810</u>	<u>\$ 2,751,074</u>	<u>\$ 6,374,277</u>
LIABILITIES					
Accounts payable	\$ 89,103	\$ 45,260	\$ 2,046	\$ 54	\$ 136,463
Deposits payable	18,828	-	-	-	18,828
	<u>107,931</u>	<u>45,260</u>	<u>2,046</u>	<u>54</u>	<u>155,291</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue					
Property taxes	146,112	-	-	14,576	160,688
Notes receivable	-	-	-	223,354	223,354
Court fines	375,682	-	-	-	375,682
	<u>521,794</u>	<u>-</u>	<u>-</u>	<u>237,930</u>	<u>759,724</u>
FUND BALANCES					
Restricted	-	1,407,647	191,764	238,101	1,837,512
Committed	-	-	-	1,855,559	1,855,559
Assigned	-	-	-	419,430	419,430
Unassigned	1,346,761	-	-	-	1,346,761
	<u>1,346,761</u>	<u>1,407,647</u>	<u>191,764</u>	<u>2,513,090</u>	<u>5,459,262</u>
Total fund balances	<u>1,346,761</u>	<u>1,407,647</u>	<u>191,764</u>	<u>2,513,090</u>	<u>5,459,262</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,976,486</u>	<u>\$ 1,452,907</u>	<u>\$ 193,810</u>	<u>\$ 2,751,074</u>	<u>\$ 6,374,277</u>

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

CITY OF TOLEDO
Lincoln County, Oregon

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES

June 30, 2016

Total fund balances		\$	5,459,262
Capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds:			
Cost	14,150,481		
Accumulated depreciation	<u>(6,046,829)</u>		8,103,652
Other long-term assets are not available as current financial resources and are therefore not reported as assets in the governmental funds.			
Housing rehabilitation loans receivable	223,354		
Assets held for sale	<u>81,122</u>		304,476
Property tax revenue is recognized in the net position of governmental activities when the taxes are levied; however, in the governmental fund statements, it is recognized when available to be used for current year operations. Taxes not collected within 60 days of the end of the year are not considered available to pay for current year operations and are therefore not reported as revenue in the governmental funds.			
			160,688
Court fines and fees are recognized as revenue in the net position of governmental activities when the fines are assessed; however, in the governmental fund statements, they are recognized when available to be used for current year operations.			
			375,682
Internal service funds are used by management to charge the costs of public works to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.			
			606,850
Amounts relating to the City's proportionate share of net pension liability or assets for the Oregon Public Retirement System (PERS) are not reported in governmental fund statements. In the governmental fund statements, pension expense is recognized when due. The amounts consist of:			
Deferred outflows of resources relating to pension expense	130,390		
Deferred inflows of resources relating to the return on pension assets	(234,157)		
Net pension asset (liability)	<u>(715,602)</u>		(819,369)
Long-term liabilities are not due or payable in the current period and are therefore not reported in the governmental funds. Interest on long-term debt is not accrued in the governmental funds, but rather, is recognized as an expenditure when due. These liabilities consist of:			
Compensated absences payable	(178,731)		
Accrued interest	(5,984)		
Bonds payable	<u>(1,235,000)</u>		<u>(1,419,715)</u>
Net position of governmental activities		\$	<u>12,771,526</u>

The accompanying notes are an integral part of these financial statements

CITY OF TOLEDO
Lincoln County, Oregon

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2016

	General Fund	Special Revenue Street Fund	Capital Projects Water Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes					
Property	\$ 1,756,172	\$ -	\$ -	\$ 180,026	\$ 1,936,198
Franchise	751,632	501,089	-	-	1,252,721
Motor fuel	-	204,268	-	2,063	206,331
Alcohol	50,105	-	-	-	50,105
Cigarette	4,602	-	-	-	4,602
Privilege	-	-	-	17,129	17,129
Licenses, permits, and fees	134,484	102,840	-	5,426	242,750
Grants and contributions	1,500	-	-	36,039	37,539
Charges for services - recreational fees	136,477	-	-	-	136,477
Intergovernmental charges	256,604	-	570,336	-	826,940
State revenue sharing	51,541	-	-	-	51,541
Fines	55,110	-	-	-	55,110
Investment earnings	7,254	7,574	6,529	13,744	35,101
Rents and leases	9,600	-	-	-	9,600
Miscellaneous	13,062	6,725	-	117,690	137,477
Total revenues	<u>3,228,143</u>	<u>822,496</u>	<u>576,865</u>	<u>372,117</u>	<u>4,999,621</u>
EXPENDITURES					
Current					
General government	1,131,128	-	-	111,857	1,242,985
Public safety	1,812,020	-	-	9,930	1,821,950
Highways and streets	-	99,451	-	29,253	128,704
Culture and recreation	417,553	-	-	-	417,553
Debt service	-	-	-	162,753	162,753
Capital outlay	2,538	240,151	601,013	114,866	958,568
Total expenditures	<u>3,363,239</u>	<u>339,602</u>	<u>601,013</u>	<u>428,659</u>	<u>4,732,513</u>
Excess (deficiency) of revenues over (under) expenditures	(135,096)	482,894	(24,148)	(56,542)	267,108
OTHER FINANCING SOURCES (USES)					
Sale of assets	-	-	-	7,500	7,500
Transfers in	484,625	-	-	266,800	751,425
Transfers out	(236,800)	(277,608)	-	-	(514,408)
Total other financing sources (uses)	<u>247,825</u>	<u>(277,608)</u>	<u>-</u>	<u>274,300</u>	<u>244,517</u>
Net change in fund balances	112,729	205,286	(24,148)	217,758	511,625
Fund balances - beginning	<u>1,234,032</u>	<u>1,202,361</u>	<u>215,912</u>	<u>2,295,332</u>	<u>4,947,637</u>
Fund balances - ending	<u>\$ 1,346,761</u>	<u>\$ 1,407,647</u>	<u>\$ 191,764</u>	<u>\$ 2,513,090</u>	<u>\$ 5,459,262</u>

The accompanying notes are an integral part of these financial statements

CITY OF TOLEDO
Lincoln County, Oregon

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

Net change in fund balances		\$ 511,625
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlay as expenditures; however, in the statement of activities, the costs of these assets are allocated over their estimated useful lives and are reported as depreciation expense.</p>		
Capital outlay expenditures - governmental funds	562,104	
Capital asset disposals, net of related depreciation	(166,626)	
Depreciation expense recorded in the current year	(568,351)	(172,873)
<p>Long-term debt proceeds are reported as other financing sources in the governmental funds. In the statement of net position, however, issuing long-term debt increases liabilities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.</p>		
Litigation paid	92,500	
Debt principal paid	100,000	192,500
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and are therefore not reported as expenditures in the governmental funds:</p>		
Change in compensated absences		(18,121)
<p>Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the statement of activities, property taxes are recognized when levied.</p>		
Change in deferred revenue		(77,069)
<p>Pension expense or credits that do not meet the measurable and available criteria are not recognized as revenue or expense in the current year in governmental funds. In the statement of activities, pension expense or credit is recognized when determined to have been accrued.</p>		
Pension expense		(604,524)
<p>Internal service funds are used by management to charge the costs of public works that benefit the City. These services are consolidated with governmental activities in the statement of activities.</p>		
		9,761
Change in net position		\$ (158,701)

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

CITY OF TOLEDO
Lincoln County, Oregon

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2016

	Business-Type Activities				Governmental
	Enterprise Funds				Activities
	Water	Sewer	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
ASSETS					
Current assets					
Cash and cash equivalents	\$ 211,953	\$ 94,920	\$ 1,111,497	\$ 1,418,370	\$ 112,169
Accounts receivable	156,991	100,814	-	257,805	-
Inventory	<u>64,783</u>	<u>4,977</u>	<u>-</u>	<u>69,760</u>	<u>-</u>
Total current assets	433,727	200,711	1,111,497	1,745,935	112,169
Restricted assets					
Cash and cash equivalents	458,674	-	752,194	1,210,868	-
Capital assets not being depreciated	8,289,151	470,028	-	8,759,179	-
Capital assets being depreciated, net	<u>873,019</u>	<u>5,057,835</u>	<u>-</u>	<u>5,930,854</u>	<u>514,674</u>
Total assets	<u>10,054,571</u>	<u>5,728,574</u>	<u>1,863,691</u>	<u>17,646,836</u>	<u>626,843</u>
DEFERRED OUTFLOWS OF					
RESOURCES					
	<u>27,941</u>	<u>27,941</u>	<u>-</u>	<u>55,882</u>	<u>-</u>
LIABILITIES					
Current liabilities					
Accounts payable	2,755	1,549	650	4,954	3,235
Compensated absences	7,759	17,399	-	25,158	16,758
Accrued interest	20,494	70,259	-	90,753	-
Deposits payable	40,247	-	-	40,247	-
Long-term debt, current portion	<u>190,000</u>	<u>86,140</u>	<u>-</u>	<u>276,140</u>	<u>-</u>
Total current liabilities	261,255	175,347	650	437,252	19,993
Noncurrent liabilities					
Net pension liability	153,343	153,343	-	306,686	-
Long-term debt, less current portion	<u>5,545,655</u>	<u>2,051,823</u>	<u>-</u>	<u>7,597,478</u>	<u>-</u>
Total liabilities	<u>5,960,253</u>	<u>2,380,513</u>	<u>650</u>	<u>8,341,416</u>	<u>19,993</u>

(continued)

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

CITY OF TOLEDO
Lincoln County, Oregon

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS

June 30, 2016

(continued)

	Business-Type Activities			Governmental Activities	
	Enterprise Funds				
	Water	Sewer	Nonmajor Enterprise Funds		Total Enterprise Funds
DEFERRED INFLOWS OF RESOURCES	50,177	50,177	-	100,354	-
NET POSITION					
Net investment in capital assets	3,426,515	3,389,900	-	6,816,415	514,674
Restricted for:					
Debt service	458,674	-	84,789	543,463	-
System improvement	-	-	257,651	257,651	-
System development	-	-	409,754	409,754	-
Unrestricted	186,893	(64,075)	1,110,847	1,233,665	92,176
Total net position	<u>\$ 4,072,082</u>	<u>\$ 3,325,825</u>	<u>\$ 1,863,041</u>	<u>\$ 9,260,948</u>	<u>\$ 606,850</u>

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

CITY OF TOLEDO
Lincoln County, Oregon

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

For the Year Ended June 30, 2016

	Business-Type Activities				Governmental Activities
	Enterprise Funds				
	Water	Sewer	Nonmajor Enterprise Funds	Total Enterprise Funds	
Operating revenues					
Water sales	\$ 1,225,633	\$ -	\$ -	\$ 1,225,633	\$ -
Water sales - Seal Rock	446,285	-	-	446,285	-
Sewer charges	-	908,107	-	908,107	-
Sewer charges pledged - bond payments	-	145,352	-	145,352	-
Fees and charges	15,697	-	-	15,697	762,428
Grants and contributions	388	-	-	388	-
Rents and leases	8,547	-	-	8,547	-
Total operating revenues	<u>1,696,550</u>	<u>1,053,459</u>	<u>-</u>	<u>2,750,009</u>	<u>762,428</u>
Operating expenses					
Cost of sales and services	499,551	503,996	-	1,003,547	661,098
Administration	809	1,689	-	2,498	-
Materials and supplies	-	-	29,381	29,381	-
Depreciation	69,488	277,860	-	347,348	51,859
Total operating expenses	<u>569,848</u>	<u>783,545</u>	<u>29,381</u>	<u>1,382,774</u>	<u>712,957</u>
Operating income (loss)	<u>1,126,702</u>	<u>269,914</u>	<u>(29,381)</u>	<u>1,367,235</u>	<u>49,471</u>
Nonoperating revenues (expenses)					
System development charges	-	-	5,695	5,695	-
Investment earnings	4,489	937	9,030	14,456	663
Miscellaneous	2,134	83	42,951	45,168	675
Interest expense	(239,941)	-	(105,904)	(345,845)	-
Total nonoperating revenues (expenses)	<u>(233,318)</u>	<u>1,020</u>	<u>(48,228)</u>	<u>(280,526)</u>	<u>1,338</u>
Income (loss) before contributions and transfers	893,384	270,934	(77,609)	1,086,709	50,809

(continued)

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

CITY OF TOLEDO
Lincoln County, Oregon

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

For the Year Ended June 30, 2016

(continued)

	Business-Type Activities			Governmental Activities	
	Enterprise Funds				
	Water	Sewer	Nonmajor Enterprise Funds		Total Enterprise Funds
Capital contributions	601,012	83,048	-	684,060	-
Transfers in	22,546	-	555,453	577,999	65,000
Transfers out	(804,282)	(709,568)	(105,594)	(1,619,444)	(106,048)
Change in net position	712,660	(355,586)	372,250	729,324	9,761
Total net position - beginning, as restated	<u>3,359,422</u>	<u>3,681,411</u>	<u>1,490,791</u>	<u>8,531,624</u>	<u>597,089</u>
Total net position - ending	<u>\$ 4,072,082</u>	<u>\$ 3,325,825</u>	<u>\$ 1,863,041</u>	<u>\$ 9,260,948</u>	<u>\$ 606,850</u>

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

CITY OF TOLEDO
Lincoln County, Oregon

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended June 30, 2016

	Business-Type Activities				Governmental Activities
	Enterprise Funds				
	Water	Sewer	Nonmajor Enterprise Funds	Total Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 1,658,643	\$ 1,037,475	\$ -	\$ 2,696,118	\$ 656,380
Receipts from rentals	10,407	-	-	10,407	-
Other receipts	388	-	-	388	-
Payments to employees	(157,044)	(167,566)	-	(324,610)	(582,227)
Payments to suppliers	<u>(209,560)</u>	<u>(195,080)</u>	<u>(28,731)</u>	<u>(620,033)</u>	<u>(78,113)</u>
Net cash provided (used) by operating activities	<u>1,302,834</u>	<u>674,829</u>	<u>(28,731)</u>	<u>1,948,932</u>	<u>(3,960)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Miscellaneous income	<u>2,134</u>	<u>83</u>	<u>59,242</u>	<u>61,459</u>	<u>674</u>
Net cash provided (used) by noncapital financing activities	<u>2,134</u>	<u>83</u>	<u>59,242</u>	<u>61,459</u>	<u>674</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
System development charges	-	-	5,695	5,695	-
Transfers from other funds - capital purposes	-	-	555,453	555,453	65,000
Transfers to other funds - capital purposes	(804,282)	(709,568)	-	(1,513,850)	-
Principal paid on capital debt	(185,000)	-	(83,048)	(268,048)	-
Interest paid on capital debt	(237,933)	-	(105,904)	(343,837)	-
Purchase of capital assets	<u>-</u>	<u>-</u>	<u>(22,546)</u>	<u>(22,546)</u>	<u>(106,048)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,227,215)</u>	<u>(709,568)</u>	<u>349,650</u>	<u>(1,587,133)</u>	<u>(41,048)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Repayment of cash from other funds	-	-	216,037	216,037	-
Interest income	<u>4,489</u>	<u>937</u>	<u>9,030</u>	<u>14,456</u>	<u>664</u>
Net cash provided (used) by investing activities	<u>4,489</u>	<u>937</u>	<u>225,067</u>	<u>230,493</u>	<u>664</u>
Net increase (decrease) in cash and cash equivalents	82,242	(33,719)	605,228	653,751	(43,670)

(Continued)

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

CITY OF TOLEDO
Lincoln County, Oregon

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended June 30, 2016

(Continued)

	Business-Type Activities				Governmental Activities Internal Service Funds
	Enterprise Funds				
	Water	Sewer	Nonmajor Enterprise Funds	Total Enterprise Funds	
Cash and cash equivalents - beginning (including \$458,719 and \$621,472 in water and nonmajor enterprise funds, respectively reported in restricted accounts,)	588,385	128,639	1,258,463	1,975,487	155,839
Cash and cash equivalents - ending (including \$458,674 and \$752,194 in water and nonmajor enterprise funds, respectively reported in restricted accounts,)	<u>\$ 670,627</u>	<u>\$ 94,920</u>	<u>\$ 1,863,691</u>	<u>\$ 2,629,238</u>	<u>\$ 112,169</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 1,126,702	\$ 269,914	\$ (29,381)	\$ 1,367,235	\$ 49,471
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	69,488	277,860	-	347,348	51,859
Capital contributions	-	-	-	-	(106,048)
(Increase) decrease in:					
Receivables	(15,503)	(2,515)	-	(18,018)	-
Inventories	(6,717)	577	-	(6,140)	-
Deferred outflows of resources	(13,469)	(13,469)	-	(26,938)	-
Increase (decrease) in:					
Accounts payable	(6,789)	(4,064)	650	(10,203)	(16)
Compensated absences	4,252	3,516	-	7,768	774
Customer deposits	1,860	-	-	1,860	-
Net pension liability	210,759	210,759	-	421,518	-
Deferred inflows of resources	(67,749)	(67,749)	-	(135,498)	-
Net cash provided (used) by operating activities	<u>\$ 1,302,834</u>	<u>\$ 674,829</u>	<u>\$ (28,731)</u>	<u>\$ 1,948,932</u>	<u>\$ (3,960)</u>
Noncash investing, capital, and financing activities:					
Capital contributions	\$ 623,558	\$ 83,048	\$ -	\$ 706,606	\$ -

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

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statements of activities) report information on all of the activities of the City. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support.

B. Reporting Entity

The City of Toledo was incorporated in 1905 and is situated on a bend of the Yaquina River, surrounded by wooded hills. Toledo is just seven miles inland from the Central Oregon Coast and is the only inland coastal community with a deep-water channel. The historic town cascades over the hillsides to the river. The mission of Toledo's city government is to provide efficient, and necessary public services that protect and enhance the quality of life in Toledo, now and in the future, as determined by citizens, law, and available economic resources. The City provides basic services to citizens within the city limits. Control of the City is vested in its mayor and city council, elected to office by voters within the City.

C. Basis of Presentation - Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities incorporate data from governmental funds, while the business-type activities incorporate data from enterprise funds. Separate financial statements are provided for all governmental and proprietary funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the government's funds. Separate financial statements for each fund category - governmental and proprietary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General Fund - The General Fund is the primary operating fund of the City. It accounts for all financial resources except those required to be accounted for in another fund. The primary source of revenue is property taxes.

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

Special Revenue Fund

Street Fund - The Street Fund accounts for the maintenance, operation, and construction of the City's streets. The primary sources of revenue are state shared highway funds.

Capital Projects Fund

Water Construction Fund - The Water Construction Fund accounts for bond funded projects.

The City reports the following major proprietary funds:

Enterprise Funds

Water Fund - The Water Fund accounts for the resources and expenses related to the supply, treatment, and distribution of water. The primary source of revenue is user fees.

Sewer Fund - The Sewer Fund accounts for the resources and expenses related to the collection and treatment of wastewater. The primary source of revenue is user fees.

Water Reserve Fund - The Water Reserve Fund is used to accumulate funds for future system development costs. The primary source of revenue is transfers.

Additionally, the City reports the following nonmajor funds:

Special Revenue Funds

Forfeiture Revenue Fund - The Forfeiture Revenue Fund accounts for amounts received from government agencies.

Grant Fund - The Grant Fund accounts for financial resources from various grants. The primary use of revenue is expenditures for meeting purposes of the grants.

Stabilization Fund - The Stabilization Fund is used to accumulate funds for future expenditures, including expected increases in PERS contribution rates, insurance costs, and fluctuations in General Fund revenues. The primary source of revenue is transfers.

City Council Strategic Reserve Fund - The City Council Strategic Reserve Fund accounts for income from loan repayments to be used for future expenses at the Council's discretion.

Revolving Loan Fund - The Revolving Loan Fund accounts for the repayment and relending of funds originally obtained through federal programs. The primary source of revenue is loan repayments.

Solid Waste Fund - The Solid Waste Fund is used to accumulate funds dedicated to landfill closure expenses. The primary source of revenue is user fees.

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

911 System Fund – The 911 System Fund accounts for the operation of the 911 call center. The primary source of revenue is payments for services rendered.

General Reserve Fund – The General Reserve Fund is used to accumulate funds for future equipment expenditures. The primary source of revenue is transfers.

Library Reserve Fund – The Library Reserve Fund is used to accumulate funds for future library programs, maintenance, and equipment costs.

Footpaths and Bicycle Trail Fund – The Footpaths and Bicycle Trail Fund accounts for required expenditures of state highway funds dedicated to the development and maintenance of footpaths and bicycle trails. The primary source of revenue is state highway taxes.

Street Reserve Fund – The Street Reserve Fund is used to accumulate funds for future maintenance, operation, and construction of the City's streets. The primary source of revenue is transfers.

Capital Projects Fund

Building and Property Reserve Fund – The Building and Property Reserve Fund is used to accumulate funds for future building and property purchases. The primary source of revenue is transfers committed by the City Council.

Debt Service Fund – The Debt Service Fund accounts for the repayment of the City's long-term debt. The primary source of revenue is property taxes. The primary use of revenue is for the payment of principal and interest due on long-term debt.

Enterprise Funds

System Development Fund – The System Development Fund is used to accumulate funds for future system development costs. The primary sources of revenue are user fees and transfers.

Sewer Reserve Fund – The Sewer Reserve Fund is used to accumulate funds for system development. The primary source of revenue is transfers.

Internal Service Funds

Public Works Fund – The Public Works Fund accounts for general and public works administration primarily provided to the other departments of the City. The primary source of revenue is transfers.

Public Works Equipment Reserve Fund – The Public Works Equipment Reserve Fund is used to accumulate funds for future equipment acquisitions. The primary source of revenue is transfers.

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in the fund financial statements, certain eliminations are made in preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activity column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due.

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measureable and available only when cash is received by the government.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

F. Budgetary Information

The City budgets all funds in accordance with the requirements of state law. Annual appropriated budgets are adopted for the general, special revenue, debt service, enterprise, and internal service funds. All funds are budgeted on the modified accrual basis of accounting.

The City begins its budgeting process by appointing budget committee members. The budget officer prepares a budget, which is reviewed by the budget committee. The budget is then published in proposed form and is presented at public hearings to obtain taxpayer comments and approval from the budget committee. The budget is legally adopted by the city council by resolution prior to the beginning of the City's fiscal year. The council resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total personnel services, materials and services, debt service, capital outlay, and contingency are the levels of control for the funds established by the resolution. The detailed budget document, however, is required to contain more specific detailed information for the aforementioned expenditure categories and management may revise the detailed line item budgets within appropriation categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. Supplemental budgets less than 10% of a fund's original budget may be adopted by the city council at a regular council meeting. A supplemental budget greater than 10% of a fund's original budget requires hearings before the public, publication in newspapers, and approval by the city council. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the city council. During the year, there were no supplemental budgets. The City does not use encumbrances and appropriations lapse at year-end.

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

Budget amounts shown in the financial statements reflect the original budget amounts and two approved appropriation transfers.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

1. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Restricted Assets

Assets whose use is restricted for debt service, facilities improvement and construction, grant projects, or by other agreement are segregated on the Statement of Net Position

3. Investments

State statutes authorize the City to invest in legally issued general obligations of the United States, the agencies and instrumentalities of the United States and the states of Oregon, Washington, Idaho, or California, certain interest-bearing bonds, time deposit open accounts, certificates of deposit, and savings accounts in banks, mutual savings banks, and savings and loan associations that maintain a head office or a branch in this state in the capacity of a bank, mutual savings bank, or savings and loan association, and share accounts and savings accounts in credit unions in the name of, or for the benefit of, a member of the credit union pursuant to a plan of deferred compensation.

4. Accounts Receivable

Receivables are recorded as revenue when earned. No allowance for uncollectible accounts has been established, as management deems all receivables collectible.

5. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds are eliminated in the statement of net position.

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

6. Inventory

Inventory of supplies is valued at cost using the first-in, first-out method. Inventory consists of materials for use in the public works, water, and sewer departments.

7. Capital assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance or repairs that do not add to the value of an asset or materially extend its life are charged to expenditures as incurred and are not capitalized. Major capital outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Equipment and vehicles	5-25
Buildings, structures, and infrastructure	5-40

8. Deferred Outflows/Inflows of Resources (Non-Pension Related)

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement elements, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet.

The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

9. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

10. Fund Balance Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned, fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

11. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The City Council (council) has by resolution authorized the City Administrator to assign fund balance. The council 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.

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The City reports fund equity in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance - amounts that are in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance - amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e. city council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned fund balance - amounts that City intends to use for a specific purpose. Intent can be expressed by city council or by an official or body to which the city council delegates authority.
- Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The City has not formally adopted a minimum fund balance policy.

H. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes and other intentionally dedicated resources are reported as general revenues rather than as program revenues.

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

2. Property Taxes

Property taxes attach as an enforceable lien on real property and are levied as of July 1st. The tax levy is divided into two billings: the first billing (mailed on July 1) is an estimate of the current year's levy based on prior year's taxes; the second billing (mailed on January 1) reflects adjustments to the current year's actual levy. The billings are considered past due 15 days after the respective billing date, at which time the applicable property is subject to lien, and penalties and interest are assessed.

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic remittances of collection to entities levying taxes. Property taxes are levied and become a lien as of July 1 on property values assessed as of June 30. Property taxes are payable in three installments, which are due on November 15, February 15, and May 15.

3. Compensated Absences

Vacation

The City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Sick leave

Accumulated sick leave lapses when employees leave the employ of the City and, upon separation from service, no monetary obligation exists.

4. 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 Oregon Public Employees Retirement Systems (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

5. Proprietary Fund Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenue of the Insurance Fund is charges to other agencies for services provided. Operating expenses for the Insurance Fund includes the cost of services and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

I. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

The City of Toledo maintains a cash and cash equivalents pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the fund financial statements as cash and cash equivalents. Additionally, several funds held separate cash accounts. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

Investments, including amounts held in pooled cash and investments, are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments with a remaining maturity of more than one year at the time of purchase are stated at fair value. Fair value is determined at the quoted market price, if available; otherwise, the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value.

The Oregon State Treasury administers the LGIP. The LGIP is an open-ended, no-load, diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the City's position in the LGIP is the same as the value of the pool shares.

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

Because the pool operates as a demand deposit account, each fund's portion of this pool is classified on the combined balance sheet as cash and cash equivalents; however, Oregon Short-Term Fund investments are disclosed below and classified by custodial credit risk for investments.

The Treasurer makes short-term and long-term investments, which are held separately by several of the State's funds. Other investments are made directly by state agencies rather than by the Treasurer, although only a few agencies are authorized to make such investments and then only for specific programs. The State Treasury's direct investments in short-term securities are limited by portfolio rules established by the Oregon Short-Term Fund Board and the Oregon Investment Council.

A separate financial report for the Oregon Short-Term Fund Board is prepared by the Treasurer in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Copies of the report can be obtained from the Oregon State Treasury, Finance Division, 350 Winter Street NE, Suite 100, Salem, Oregon 97301-3896.

Participants' account balances in the Oregon Short-Term Fund are determined by the amount of participants' deposits, adjusted for withdrawals and distributed interest. Interest is calculated and accrued daily on each participant's account based on the ending account balance and a variable interest rate determined periodically by the Oregon State Treasury. The interest rate approximates the actual yield of the Oregon Short-Term Fund, exclusive of unrealized gains and losses.

Credit Risk

Oregon statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the Local Government Investment Pool. The City has not adopted a formal policy regarding credit risk; however, investments comply with state statutes.

Investments

As of June 30, 2016, the City had the following investments:

	<u>Quality Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
Oregon Local Government Investment Pool	Unrated	-	<u>\$ 7,258,817</u>

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

Interest Rate Risk

The City does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increases in interest rates.

Concentration of Credit Risk

The City does not have a formal policy that places a limit on the amount that may be invested in any one insurer.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of a counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City does not have a policy that limits the amount of investments that can be held by counterparties.

Custodial Credit Risk - Deposits

This is the risk that, in the event of a bank failure, the City's deposits may not be returned. All City deposits not covered by Federal Depository Insurance Corporation (FDIC) insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon, organized in accordance with ORS 295. The PFCP is a shared liability structure for participating bank depositories.

Barring any exceptions, a bank depository is required to pledge collateral valued at a minimum of 10% of their quarter-end public fund deposits if they are considered well capitalized, 25% of their quarter-end public fund deposits if they are considered adequately capitalized, or 110% of their quarter-end public fund deposits if they are considered undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities.

The City holds accounts at Bank of the West and US Bank, for which deposits are insured by the FDIC up to \$250,000 each institution. At June 30, 2016 the City had deposits of \$260,688 insured by the FDIC, and \$32,674 collateralized under the PFCP.

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

Deposits

The City's deposits and investments at June 30, 2016 are as follows:

Cash on hand	\$	300
Checking account		80,686
Checking account - court fines		19,128
Money market accounts		532,753
Total investments		<u>7,258,817</u>
Total deposits and investments	\$	<u><u>7,891,684</u></u>

Cash and investments by fund:

Governmental activities - unrestricted		
General Fund	\$	1,237,390
Street Fund		1,389,021
Nonmajor governmental funds		2,277,789
Internal service funds		<u>112,169</u>
Total governmental activities - unrestricted		<u>5,016,369</u>
Business-type activities - unrestricted		
Water Fund		211,953
Sewer Fund		94,920
Nonmajor enterprise funds		<u>1,111,497</u>
Total business-type activities - unrestricted		<u>1,418,370</u>
Total unrestricted cash and investments		<u>6,434,739</u>
Governmental activities - restricted		
General Fund		18,828
Nonmajor governmental funds		<u>227,249</u>
Total governmental activities - restricted		<u>246,077</u>
Business-type activities - restricted		
Water Fund		458,674
Nonmajor enterprise funds		<u>752,194</u>
Total business-type activities - restricted		<u>1,210,868</u>
Total restricted cash and investments		<u>1,456,945</u>
Total cash and investments	\$	<u><u>7,891,684</u></u>

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

B. Restricted Assets

Restricted assets are for debt service and system development.

Restricted assets

Governmental activities

Cash	\$	246,077
Cash with agent		1,536
Accounts receivable		183
Property taxes receivable		<u>16,612</u>

Total governmental activities		<u>264,408</u>
-------------------------------	--	----------------

Business-type activities

Cash		<u>1,210,868</u>
------	--	------------------

Total restricted assets	\$	<u><u>1,475,276</u></u>
-------------------------	----	-------------------------

C. Accounts Receivable

Receivables as of June 30, 2016 are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Short-term receivables - unrestricted			
Franchise fees	\$ 83,370	\$ -	\$ 83,370
Court fines	18,828	-	18,828
Utilities	-	257,805	257,805
Other	<u>80,925</u>	<u>-</u>	<u>80,925</u>
Total short-term receivables - unrestricted	<u>183,123</u>	<u>257,805</u>	<u>440,928</u>
Long-term receivables			
Court fines	<u>423,154</u>	<u>-</u>	<u>423,154</u>
Total receivables	<u><u>\$ 606,277</u></u>	<u><u>\$ 257,805</u></u>	<u><u>\$ 864,082</u></u>

At June 30, 2016, management determined that no allowance for doubtful accounts was necessary.

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

D. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 726,070	\$ -	\$ -	\$ 726,070
Work in process	162,396	62,397	(159,432)	65,361
Total capital assets not being depreciated	888,466	62,397	(159,432)	791,431
Capital assets being depreciated				
Buildings and structures	3,698,847	-	-	3,698,847
Equipment and vehicles	3,312,683	329,222	(486,367)	3,155,538
Land improvements	1,984,856	22,000	-	2,006,856
Infrastructure	4,757,950	254,533	-	5,012,483
Total capital assets being depreciated	13,754,336	605,755	(486,367)	13,873,724
Less accumulated depreciation for				
Buildings and structures	(1,340,672)	(109,378)	-	(1,450,050)
Equipment and vehicles	(1,955,593)	(253,649)	479,173	(1,730,069)
Land improvements	(959,184)	(71,861)	-	(1,031,045)
Infrastructure	(1,650,343)	(185,322)	-	(1,835,665)
Total accumulated depreciation	(5,905,792)	(620,210)	479,173	(6,046,829)
Total capital assets being depreciated, net	7,848,544	(14,455)	(7,194)	7,826,895
Governmental activities capital assets, net	\$ 8,737,010	\$ 47,942	\$ (166,626)	\$ 8,618,326

(Continued)

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

(Continued)	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 823,714	\$ -	\$ -	\$ 823,714
Work in process	<u>7,323,869</u>	<u>611,596</u>	<u>-</u>	<u>7,935,465</u>
Total capital assets not being depreciated	<u>8,147,583</u>	<u>611,596</u>	<u>-</u>	<u>8,759,179</u>
Capital assets being depreciated				
Buildings and structures	4,859,266	-	-	4,859,266
Equipment and vehicles	841,295	-	(19,326)	821,969
Land improvements	88,978	-	-	88,978
Infrastructure	<u>12,918,376</u>	<u>11,962</u>	<u>-</u>	<u>12,930,338</u>
Total capital assets being depreciated	<u>18,707,915</u>	<u>11,962</u>	<u>(19,326)</u>	<u>18,700,551</u>
Less accumulated depreciation for				
Buildings and structures	(4,473,502)	(23,661)	-	(4,497,163)
Equipment and vehicles	(451,631)	(41,716)	19,326	(474,021)
Land improvements	(33,803)	(4,449)	-	(38,252)
Infrastructure	<u>(7,482,739)</u>	<u>(277,522)</u>	<u>-</u>	<u>(7,760,261)</u>
Total accumulated depreciation	<u>(12,441,675)</u>	<u>(347,348)</u>	<u>19,326</u>	<u>(12,769,697)</u>
Total capital assets being depreciated, net	<u>6,266,240</u>	<u>(335,386)</u>	<u>-</u>	<u>5,930,854</u>
Business-type activities capital assets, net	<u>\$ 14,413,823</u>	<u>\$ 276,210</u>	<u>\$ -</u>	<u>\$ 14,690,033</u>

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

Capital assets are reported on the statement of net position as follows:

	Capital Assets	Accumulated Depreciation	Net Capital Assets
Governmental activities			
Land	\$ 726,070	\$ -	\$ 726,070
Work in process	65,361	-	65,361
Buildings and structures	3,698,847	(1,450,050)	2,248,797
Equipment and vehicles	3,155,538	(1,730,069)	1,425,469
Land improvements	2,006,856	(1,031,045)	975,811
Infrastructure	5,012,483	(1,835,665)	3,176,818
Total governmental activities capital assets	14,665,155	(6,046,829)	8,618,326
Business-type activities			
Land	823,714	-	823,714
Work in process	7,935,465	-	7,935,465
Buildings and structures	4,859,266	(4,497,163)	362,103
Equipment and vehicles	821,969	(474,021)	347,948
Land improvements	88,978	(38,252)	50,726
Infrastructure	12,930,338	(7,760,261)	5,170,077
Total business-type activities capital assets	27,459,730	(12,769,697)	14,690,033
Total capital assets	\$ 42,124,885	\$ (18,816,526)	\$ 23,308,359

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities	
General government	\$ 88,540
Public safety	253,750
Highways and streets	245,253
Culture and recreation	32,667
Total governmental activities	\$ 620,210
Business-type activities	
Water	\$ 69,488
Sewer	277,860
Total business-type activities	\$ 347,348

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

E. Interfund Transactions

Operating transfers are reflected as other financing sources (uses) in the governmental and proprietary funds. Interfund transfers during the year consisted of:

	Transfers in:				Total
	General Fund	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Internal Service Funds	
Transfers out:					
Governmental activities					
General Fund	\$ -	\$ 236,800	\$ -	\$ -	\$ 236,800
Street Fund	81,000	30,000	-	166,608	277,608
Total governmental activities	81,000	266,800	-	166,608	514,408
Business-type activities					
Water Fund	243,700	-	221,292	339,290	804,282
Sewer Fund	159,925	-	334,161	215,482	709,568
Total business-type activities	403,625	-	555,453	554,772	1,513,850
Total	<u>\$ 484,625</u>	<u>\$ 266,800</u>	<u>\$ 555,453</u>	<u>\$ 721,380</u>	<u>\$ 2,028,258</u>

The principal purpose of the interfund transfers in was to transfer funds into reserve funds for future expenses.

F. Compensated Absences

The following is a summary of compensated absences transactions for the year:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities				
Compensated absences	\$ 176,595	\$ 18,894	\$ -	\$ 195,489
Business-type activities				
Compensated absences	\$ 17,390	\$ 7,768	\$ -	\$ 25,158

The General, Public Works, Water, and Sewer Funds have traditionally been used to liquidate compensated absences liabilities.

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

G. Long-Term Liabilities

1. Changes in Long-Term Liabilities

The following is a summary of long-term liabilities transactions for the year:

	Interest Rate	Original Amount	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities							
General obligation bonds							
Series 2005	4.25%- 4.75%	\$ 2,010,000	\$ 1,335,000	\$ -	\$ 100,000	\$ 1,235,000	\$ 105,000
Business-type activities							
Revenue Installment Bonds							
Sewer Bond #1	5%	\$ 2,323,600	\$ 1,946,527	\$ -	\$ 38,099	\$ 1,908,428	\$ 39,998
Sewer Bond #2	4.75%	176,400	146,487	-	2,974	143,513	3,115
LOCAP Series 2012A	4.30%	6,500,000	5,980,000	-	185,000	5,795,000	190,000
Discount - LOCAP Series 2012A	-	(66,850)	(61,353)	-	(2,008)	(59,345)	-
DEQ loan payable	1.09%	190,000	127,997	-	41,975	86,022	43,027
Total business-type activities		<u>\$ 9,123,150</u>	<u>\$ 8,139,658</u>	<u>\$ -</u>	<u>\$ 266,040</u>	<u>\$ 7,873,618</u>	<u>\$ 276,140</u>

2. Interest Expense

Interest expense was charged to function/programs of the City as follows:

Governmental activities	
Interest on long-term debt	<u>\$ 62,753</u>
Business-type activities	
Water	239,941
Sewer	<u>105,904</u>
Total business-type activities	<u>\$ 345,845</u>

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

3. Governmental Activity - General Obligation Bonds Series 2005

General obligation bonds are direct obligations that pledge the full faith and credit of the City and are payable from ad valorem debt service levy proceeds. The City's outstanding general obligation bonds represent funding primarily for building improvement projects. Interest is fixed and ranges between 4.25% and 4.75%. Interest rates increase in accordance with original bond documents. Interest is due semiannually on June 1 and December 1. Principal is due annually on June 1. The Debt Service Fund has traditionally been used to liquidate long-term debt related to the general obligation bonds.

4. Governmental Activity - Future Maturities of Long-Term Liabilities

Year Ending	Bonds	
June 30	Principal	Interest
2017	\$ 105,000	\$ 58,153
2018	115,000	53,323
2019	120,000	48,033
2020	130,000	42,513
2021	135,000	36,338
2022-2025	630,000	76,713
	\$ 1,235,000	\$ 315,073

5. Business-Type Activity - Revenue Installment Sewer Bonds #1 and #2

Revenue installment bonds are direct obligations that pledge the full faith and credit of the City and are payable from sewer utility revenue proceeds. The City's outstanding revenue bonds represent funding primarily for system improvement projects. Principal and interest are due annually on November 6. The Sewer Reserve Fund has traditionally been used to liquidate long-term debt related to the revenue bonds.

6. Business-Type Activity - Revenue Installment Bonds, LOCAP Series 2012A

The City issued Local Oregon Capital Assets Program (LOCAP) Series 2012 bonds on May 24, 2012 in the amount of \$6,500,000 to fund water system improvements. Principal and interest are due June 1 and December 1. Water system revenues are pledged as collateral for the issue. The debt agreement requires that cash be held by an outside party during construction of the project, and that two debt service reserve accounts be maintained: one in the amount of \$423,475 and the second requires deposits of one-twelfth of annual debt service monthly. The Water Reserve Fund will be used to liquidate the debt.

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

7. Business-Type Activity - DEQ Loan Payable

The City obtained a loan from the Department of Environmental Quality Clean Water State Revolving Fund to provide funds for wastewater facilities planning. Upon completion of the project, payments will be due annually for five years.

8. Business-Type Activity - Future Maturities of Long-Term Liabilities

Year Ending June 30	Sewer Bonds		Sewer Loan Payable	
	Principal	Interest	Principal	Interest
2017	\$ 43,113	\$ 102,239	\$ 43,027	\$ 822
2018	45,261	100,091	42,995	354
2019	47,516	97,836	-	-
2020	49,883	95,469	-	-
2021	52,368	92,984	-	-
2022-2026	303,677	423,083	-	-
2027-2031	387,250	339,510	-	-
2032-2036	493,829	232,931	-	-
2037-2041	629,044	96,613	-	-
	<u>\$ 2,051,941</u>	<u>\$ 1,580,756</u>	<u>\$ 86,022</u>	<u>\$ 1,176</u>

Year Ending June 30	Water Bond		Total	
	Principal	Interest	Principal	Interest
2017	\$ 190,000	\$ 232,382	\$ 276,140	\$ 335,443
2018	195,000	226,682	283,256	327,127
2019	200,000	221,808	247,516	319,644
2020	205,000	216,308	254,883	311,777
2021	210,000	210,158	262,368	303,142
2022-2026	1,180,000	931,886	1,483,677	1,354,969
2027-2031	1,435,000	673,624	1,822,250	1,013,134
2032-2036	1,775,000	336,690	2,268,829	569,621
2037-2041	405,000	18,226	1,034,044	114,839
	<u>\$ 5,795,000</u>	<u>\$ 3,067,764</u>	<u>\$ 7,932,963</u>	<u>\$ 4,649,696</u>

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

H. Constraints on Fund Balances

Constraints on fund balances reported on the balance sheet as follows:

	General Fund	Street Fund	Water Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund balances:					
Restricted for:					
Bond projects	\$ -	\$ -	\$ 191,764	\$ -	\$ 191,764
Debt service	-	-	-	32,595	32,595
Street maintenance & improvements	-	1,407,647	-	-	1,407,647
Disaster preparedness	-	-	-	7,097	7,097
Grant projects	-	-	-	129,045	129,045
Housing rehabilitation loans	-	-	-	53,928	53,928
Footpaths & bicycle trails	-	-	-	15,436	15,436
Committed for:					
Parks plan and improvement	-	-	-	13,639	13,639
Arcadia park	-	-	-	15,051	15,051
City hall repairs & equipment	-	-	-	175,463	175,463
Dog park	-	-	-	3,851	3,851
Fire building fund, equipment	-	-	-	231,793	231,793
Library building & equipment	-	-	-	43,380	43,380
Property maintenance building	-	-	-	228,964	228,964
Property maintenance equipment	-	-	-	67,893	67,893
Planning department computers	-	-	-	2,162	2,162
Police building	-	-	-	41,542	41,542
Police vehicles	-	-	-	54,985	54,985
Pool building and equipment	-	-	-	139,631	139,631
Retirement costs	-	-	-	562,588	562,588
Insurance costs	-	-	-	106,071	106,071
Revenue stabilization	-	-	-	168,546	168,546
Assigned to:					
Operating projects	-	-	-	3,902	3,902
Street improvements	-	-	-	135,706	135,706
City Council directed projects	-	-	-	35,836	35,836
Landfill closure costs	-	-	-	172,757	172,757
911 system costs	-	-	-	55,242	55,242
Library costs	-	-	-	15,987	15,987
Unassigned	<u>1,346,761</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,346,761</u>
Total fund balances	<u>\$ 1,346,761</u>	<u>\$ 1,407,647</u>	<u>\$ 191,764</u>	<u>\$ 2,513,090</u>	<u>\$ 5,459,262</u>

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

III. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. There was no significant reduction in insurance coverage from the previous year. There were no insurance settlements exceeding insurance coverage in any of the past three years.

B. Retirement Plans

1. Oregon Public Employees Retirement System

General Information about the Pension Plan

Name of Pension Plan

The Oregon Public Employees Retirement System (PERS) consists of a single cost-sharing multiple-employer defined benefit plan.

Description of Benefit Terms

Plan Benefits – PERS Pension (Chapter 238)

Plan benefits of the System are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A

PERS Pension

The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

Pension Benefits

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

Death Benefits

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- Member was employed by a PERS employer at the time of death
- Member died within 120 days after termination of PERS-covered employment
- Member died as a result of injury sustained while employed in a PERS-covered job, or
- Member was on an official leave of absence from a PERS-covered job at the time of death

Disability Benefits

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for a either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining monthly benefit.

Benefit Changes after Retirement

Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA in fiscal year 2015 and beyond will vary based on the amount of the annual benefit.

OPSRP Pension Program (OPSRP DB)

Pension Benefits

The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.

This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age: police and fire - 1.8 percent is multiplied by the number of years of service and the final average salary.

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

General Service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which the termination becomes effective.

Death Benefits

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

Disability Benefits

A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

Benefit Changes After Retirement

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA in fiscal year 2015 and beyond will vary based on the amount of the annual benefit.

Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans.

Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation, which became effective July 1, 2015. The State of Oregon and certain schools, community colleges, and political subdivisions have made unfunded actuarial liability payments, and their rates have been reduced.

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

Employer contributions for the year ended June 30, 2016 were \$115,370.

Pension Plan Comprehensive Annual Financial Report (CAFR)

Oregon PERS produces an independently audited CAFR which can be found at: http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx

Actuarial Valuations

The employer contribution rates effective July 1, 2015, through June 30, 2017, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an actuarially determined amount for funding a disability benefit component, and (c) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial liabilities being amortized over 16 years.

Actuarial Methods and Assumptions:

Valuation Date	December 31, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll: Tier One/Tier Two UAL (20 year) and OPSRP pension UAL (16 year) amortization periods are closed
Equivalent Single Amortization Period	20 years
Asset Valuation Method	Market Value of Assets
<i>Actuarial Assumptions:</i>	
Inflation Rate	2.75 percent
Investment Rate of Return	7.75 percent
Projected Salary Increases	3.75 percent

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

Mortality	<p>Health retirees and beneficiaries: RP-2000 sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: Mortality rates are a percentage of health retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage of the RP-2000 statistic combined disabled mortality sex-distinct table.</p>
-----------	--

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years.

Discount Rate

The discount rate used to measure the total pension liability/asset was 7.75 percent for the Defined Benefit Pension Plan. 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 contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability or asset.

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

At June 30, 2016, the City reported a liability of \$1,022,288 for its proportionate share of the net pension liability. The net pension liability was measured at June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2015 the City's proportion was 0.01780836%.

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

For the year ended June 30, 2016, the City recognized pension expense of \$980,656. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 55,127	\$ -
Net difference between projected and actual earnings on investments	-	214,295
Changes in proportionate share	15,774	
Differences between employer contributions and employer's proportionate share of system contributions	-	120,216
Total (prior to post-MD contributions)	70,901	334,511
Contributions subsequent to the MD	115,371	-
Total (subsequent to post-MD contributions)	\$ 186,272	\$ 334,511
Net Deferred Outflows/(Inflows) of Resources		\$ (148,239)

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported by the City as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in subsequent years as follows:

Year ended June 30:	Deferred Outflow/(Inflow) of Resources (prior to post- measurement date contributions)
2017	\$ (115,336)
2018	(115,336)
2019	(115,336)
2020	83,496
2021	(1,098)
Total	\$ (263,610)

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a higher discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

City's proportionate share of the net pension liability (asset):

1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
\$ 2,467,254	\$ 1,022,288	\$ (195,439)

Plan Changes Reflected

The Oregon Supreme Court decision in *Moro v. State of Oregon* (issued on April 30, 2015) occurred after the December 31, 2013 valuation date but affected the plan provisions reflected for financial reporting purposes. The *Moro* decision modified the COLA-related changes of Senate Bills 822 and 861, creating a blended COLA for members who earned service both before and after the effective dates of the legislation.

For GASB 67 and GASB 68, the benefits valued in the Total Pension Liability must be in accordance with the benefit terms legally in effect as of the relevant fiscal year-end for the PERS system. Due to the timing of the Supreme Court decision, this means the COLA change due to *Moro* is reflected in the June 30, 2015 Total Pension Liability, but was not reflected in the June 30, 2014 Total Pension Liability. The increase in the Total Pension Liability resulting from the *Moro* decision was measured at June 30, 2015. To reflect the *Moro* decision, the blended COLA based on creditable service before and after the effective dates of the legislation was estimated. This approach is consistent with OAR 459-005-0510, adopted by the PERS Board in September 2015.

Changes Subsequent to the Measurement Date

As described above, GASB 67 and GASB 68 require the Total Pension Liability to be determined based on the benefit terms in effect at the Measurement Date. Any changes to benefit terms that occur after that date are reflected in amounts reported for the subsequent Measurement Date. However, paragraph 80f of GASB 68 requires employers to briefly describe any changes between the Measurement Date and the employer's reporting date that are expected to have a significant effect on the employer's share of the collective Net Pension Liability, along with an estimate of the resulting change, if available.

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

We are not aware of any changes subsequent to the June 30, 2015 Measurement Date that meet this requirement.

C. Commitment and Contingencies

The City of Toledo entered into an agreement with the Port of Toledo to transfer the Public Safety Building that was originally erected in 1978 to the Port. The transfer of the building took place on October 7, 2009. The City of Toledo will retain right of first refusal on the building before the Port can enter into a sale of the building. If the Port of Toledo should enter into a sale of the building within a five-year period after the transfer of the property, the City of Toledo will be entitled to monetary compensation of one-half of the total sales price.

D. Litigation Payable

On December 1, 2010, the City of Toledo, as defendant, reached a settlement through mediation. The plaintiff is to receive a total of \$282,500 in exchange for two lots owned within the city limits. The City's insurance carrier contributed \$67,500. The City's total liability was \$215,000; \$122,500 of which was due and paid on December 15, 2010. The remaining \$92,500 was paid in the 2015-2016 fiscal year.

The following is a summary of litigation payable transactions for the year:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Litigation payable	\$ 92,500	\$ -	\$ 92,500	\$ -

E. Subsequent Events

1. Refunding of Long-term Liabilities

On October 6, 2016, the City issued Series 2016 Full Faith and Credit Refunding Bonds and General Obligation Refunding Bonds in the amount of \$7,790,000. The City refunded a total of \$9,081,940 previously outstanding debt obligations. The Series 2016 bonds were issued in order for the City to obtain a benefit of savings in total debt service requirements.

Management has evaluated subsequent events through December 19, 2016, which was the date that the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULES OF THE CITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY (ASSET) AND CITY CONTRIBUTIONS

OREGON PERS SYSTEM

Schedule of the City's Proportionate Share of the Net Pension Liability (Asset)

	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.01780836%	0.01688662%
City's proportionate share of the net pension liability (asset)	\$ 1,022,288	\$ (382,772)
City's covered-employee payroll	\$ 2,105,514	\$ 2,164,788
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	49%	-18%
Plan fiduciary net position as a percentage of the total pension liability (asset) from audited schedules	91.88%	103.59%

Schedule of City Contributions

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 115,370	\$ 106,343
Contributions in relation to the contractually required contribution	<u>(115,370)</u>	<u>(106,343)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 2,277,517	\$ 2,164,788
Contributions as a percentage of covered-employee payroll	5%	5%

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
				Budget Basis	Adjustments	
REVENUES						
Taxes						
Property	\$ 1,678,000	\$ 1,678,000	\$ 78,172	\$ 1,756,172	\$ -	\$ 1,756,172
Franchise	708,600	708,600	43,032	751,632	-	751,632
Alcohol	48,300	48,300	1,805	50,105	-	50,105
Cigarette	3,500	3,500	1,102	4,602	-	4,602
Licenses, permits, and fees	136,575	136,575	(2,091)	134,484	-	134,484
Grants and contributions	10,000	10,000	(8,500)	1,500	-	1,500
Charges for services - recreational fees	138,815	138,815	(2,338)	136,477	-	136,477
Intergovernmental charges	159,400	159,400	97,204	256,604	-	256,604
State revenue sharing	45,000	45,000	6,541	51,541	-	51,541
Fines	50,000	50,000	5,110	55,110	-	55,110
Investment earnings	6,000	6,000	1,254	7,254	-	7,254
Rents and leases	9,600	9,600	-	9,600	-	9,600
Miscellaneous	10,700	10,700	2,362	13,062	-	13,062
Total revenues	<u>3,004,490</u>	<u>3,004,490</u>	<u>223,653</u>	<u>3,228,143</u>	<u>-</u>	<u>3,228,143</u>
EXPENDITURES						
Current						
General government	654,175	654,175	(62,757)	591,418	-	591,418
Police	1,341,050	1,341,050	(67,818)	1,273,232	(36,500)	1,236,732
Fire	627,350	709,350	(24,062)	685,288	(110,000)	575,288
Property maintenance	294,210	294,210	(18,478)	275,732	(34,500)	241,232
Recreation	250,050	250,050	(60,420)	189,630	(15,000)	174,630
Library	263,460	263,460	(12,999)	250,461	(5,000)	245,461
Municipal court	11,595	11,595	(2,486)	9,109	-	9,109
General services	345,450	345,450	(20,281)	325,169	(35,800)	289,369
Contingency	200,000	118,000	(118,000)	-	-	-
Total expenditures	<u>3,987,340</u>	<u>3,987,340</u>	<u>(387,301)</u>	<u>3,600,039</u>	<u>(236,800)</u>	<u>3,363,239</u>
Excess (deficiency) of revenues over (under) expenditures	(982,850)	(982,850)	610,954	(371,896)	(236,800)	(135,096)
OTHER FINANCING SOURCES (USES)						
Transfers in	484,625	484,625	-	484,625	-	484,625
Transfers out	-	-	-	-	236,800	(236,800)
Total other financing sources (uses)	<u>484,625</u>	<u>484,625</u>	<u>-</u>	<u>484,625</u>	<u>236,800</u>	<u>247,825</u>
Net change in fund balance	(498,225)	(498,225)	610,954	112,729	-	112,729
Fund balance - beginning	<u>1,198,393</u>	<u>1,198,393</u>	<u>35,639</u>	<u>1,234,032</u>	<u>-</u>	<u>1,234,032</u>
Fund balance - ending	<u>\$ 700,168</u>	<u>\$ 700,168</u>	<u>\$ 646,593</u>	<u>\$ 1,346,761</u>	<u>\$ -</u>	<u>\$ 1,346,761</u>

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

STREET FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual	
			Budget Basis	GAAP Basis
REVENUES				
Taxes				
Franchise	\$ 472,800	\$ 28,289	\$ 501,089	\$ 501,089
Motor fuel	179,600	24,668	204,268	204,268
Licenses, permits, and fees	104,200	(1,360)	102,840	102,840
Grants	50,000	(50,000)	-	-
Investment earnings	3,000	4,574	7,574	7,574
Miscellaneous	500	6,225	6,725	6,725
Total revenues	<u>810,100</u>	<u>12,396</u>	<u>822,496</u>	<u>822,496</u>
EXPENDITURES				
Current				
Materials and services	153,500	(54,049)	99,451	99,451
Capital outlay	1,370,915	(1,130,764)	240,151	240,151
Contingency	100,000	(100,000)	-	-
Total expenditures	<u>1,624,415</u>	<u>(1,284,813)</u>	<u>339,602</u>	<u>339,602</u>
Excess (deficiency) of revenues over (under) expenditures	(814,315)	1,297,209	482,894	482,894
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(318,115)</u>	<u>(40,507)</u>	<u>(277,608)</u>	<u>(277,608)</u>
Net change in fund balance	(1,132,430)	1,337,716	205,286	205,286
Fund balance - beginning	<u>1,132,430</u>	<u>69,931</u>	<u>1,202,361</u>	<u>1,202,361</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 1,407,647</u>	<u>\$ 1,407,647</u>	<u>\$ 1,407,647</u>

OTHER SUPPLEMENTARY INFORMATION

COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES

CITY OF TOLEDO
Lincoln County, Oregon

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

June 30, 2016

	Special Revenue Funds					
	Forfeiture Revenue	Grant	Stabilization	City Council Strategic Reserve	Revolving Loan	Solid Waste
ASSETS						
Cash and cash equivalents	\$ 3,902	\$ 129,045	\$ 837,205	\$ 35,836	\$ 53,928	\$ 172,757
Cash with agent	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-
Property taxes receivable	-	-	-	-	-	-
Notes receivable	-	-	-	-	223,354	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>223,354</u>	<u>-</u>
Total assets	<u>\$ 3,902</u>	<u>\$ 129,045</u>	<u>\$ 837,205</u>	<u>\$ 35,836</u>	<u>\$ 277,282</u>	<u>\$ 172,757</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue						
Property taxes	-	-	-	-	-	-
Notes receivable	-	-	-	-	223,354	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>223,354</u>	<u>-</u>
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 223,354</u>	<u>\$ -</u>
FUND BALANCES						
Restricted	-	129,045	-	-	53,928	-
Committed	-	-	837,205	-	-	-
Assigned	3,902	-	-	35,836	-	172,757
	<u>3,902</u>	<u>-</u>	<u>-</u>	<u>35,836</u>	<u>-</u>	<u>172,757</u>
Total fund balances	<u>3,902</u>	<u>129,045</u>	<u>837,205</u>	<u>35,836</u>	<u>53,928</u>	<u>172,757</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,902</u>	<u>\$ 129,045</u>	<u>\$ 837,205</u>	<u>\$ 35,836</u>	<u>\$ 277,282</u>	<u>\$ 172,757</u>

Special Revenue Funds							Total
911 System	General Reserve	Library Reserve	Footpaths and Bicycle Trail	Street Reserve	Building & Property Reserve	Debt Service Fund	Nonmajor Governmental Funds
\$ 50,891	\$ 380,498	\$ 16,041	\$ 15,253	\$ 135,706	\$ 644,953	\$ 29,023	\$ 2,505,038
-	-	-	-	-	-	1,536	1,536
4,351	-	-	183	-	-	-	4,534
-	-	-	-	-	-	16,612	16,612
-	-	-	-	-	-	-	223,354
<u>\$ 55,242</u>	<u>\$ 380,498</u>	<u>\$ 16,041</u>	<u>\$ 15,436</u>	<u>\$ 135,706</u>	<u>\$ 644,953</u>	<u>\$ 47,171</u>	<u>\$ 2,751,074</u>
\$ -	\$ -	\$ 54	\$ -	\$ -	\$ -	\$ -	\$ 54
-	-	-	-	-	-	14,576	14,576
-	-	-	-	-	-	-	223,354
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,576</u>	<u>\$ 237,930</u>
-	7,097	-	15,436	-	-	32,595	238,101
-	373,401	-	-	-	644,953	-	1,855,559
55,242	-	15,987	-	135,706	-	-	419,430
<u>55,242</u>	<u>380,498</u>	<u>15,987</u>	<u>15,436</u>	<u>135,706</u>	<u>644,953</u>	<u>32,595</u>	<u>2,513,090</u>
<u>\$ 55,242</u>	<u>\$ 380,498</u>	<u>\$ 16,041</u>	<u>\$ 15,436</u>	<u>\$ 135,706</u>	<u>\$ 644,953</u>	<u>\$ 47,171</u>	<u>\$ 2,751,074</u>

CITY OF TOLEDO
Lincoln County, Oregon

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2016

	Special Revenue Funds					
	Forfeiture Revenue	Grant	Stabilization	City Council Strategic Reserve	Revolving Loan	Solid Waste
REVENUES						
Taxes						
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Motor fuel	-	-	-	-	-	-
Privilege	-	-	-	-	-	-
Licenses, permits, and fees	-	-	-	-	-	5,426
Grants and contributions	-	29,663	-	-	-	-
Investment earnings	21	626	4,654	162	287	962
Miscellaneous	84	-	17,773	27,915	9,305	-
Total revenues	<u>105</u>	<u>30,289</u>	<u>22,427</u>	<u>28,077</u>	<u>9,592</u>	<u>6,388</u>
EXPENDITURES						
Current						
General Government	-	2,599	10,762	-	-	3,877
Public safety	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	653	-	1,000	-	-
Total expenditures	<u>-</u>	<u>3,252</u>	<u>10,762</u>	<u>1,000</u>	<u>-</u>	<u>3,877</u>
Excess (deficiency) of revenues over (under) expenditures	<u>105</u>	<u>27,037</u>	<u>11,665</u>	<u>27,077</u>	<u>9,592</u>	<u>2,511</u>
OTHER FINANCING SOURCES (USES)						
Sale of assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	105	27,037	11,665	27,077	9,592	2,511
Fund balances - beginning	<u>3,797</u>	<u>102,008</u>	<u>825,540</u>	<u>8,759</u>	<u>44,336</u>	<u>170,246</u>
Fund balances - ending	<u>\$ 3,902</u>	<u>\$ 129,045</u>	<u>\$ 837,205</u>	<u>\$ 35,836</u>	<u>\$ 53,928</u>	<u>\$ 172,757</u>

Special Revenue Funds							Total
911 System	General Reserve	Library Reserve	Footpaths and Bicycle Trail	Street Reserve	Building & Property Reserve	Debt Service Fund	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 180,026	\$ 180,026
-	-	-	2,063	-	-	-	2,063
17,129	-	-	-	-	-	-	17,129
-	-	-	-	-	-	-	5,426
-	-	6,376	-	-	-	-	36,039
436	1,720	87	80	671	3,548	490	13,744
-	55,406	-	-	-	7,207	-	117,690
<u>17,565</u>	<u>57,126</u>	<u>6,463</u>	<u>2,143</u>	<u>671</u>	<u>10,755</u>	<u>180,516</u>	<u>372,117</u>
1,607	-	-	-	512	92,500	-	111,857
-	-	-	-	-	9,930	-	9,930
-	-	4,766	-	-	24,487	-	29,253
-	-	-	-	-	-	162,753	162,753
<u>39,386</u>	<u>73,827</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>114,866</u>
<u>40,993</u>	<u>73,827</u>	<u>4,766</u>	<u>-</u>	<u>512</u>	<u>126,917</u>	<u>162,753</u>	<u>428,659</u>
<u>(23,428)</u>	<u>(16,701)</u>	<u>1,697</u>	<u>2,143</u>	<u>159</u>	<u>(116,162)</u>	<u>17,763</u>	<u>(56,542)</u>
-	7,500	-	-	-	-	-	7,500
-	142,500	-	-	30,000	94,300	-	266,800
-	150,000	-	-	30,000	94,300	-	274,300
(23,428)	133,299	1,697	2,143	30,159	(21,862)	17,763	217,758
<u>78,670</u>	<u>247,199</u>	<u>14,290</u>	<u>13,293</u>	<u>105,547</u>	<u>666,815</u>	<u>14,832</u>	<u>2,295,332</u>
<u>\$ 55,242</u>	<u>\$ 380,498</u>	<u>\$ 15,987</u>	<u>\$ 15,436</u>	<u>\$ 135,706</u>	<u>\$ 644,953</u>	<u>\$ 32,595</u>	<u>\$ 2,513,090</u>

CITY OF TOLEDO
Lincoln County, Oregon

COMBINING STATEMENT OF NET POSITION

NONMAJOR ENTERPRISE FUNDS

June 30, 2016

	<u>Water Reserve Fund</u>	<u>System Development Fund</u>	<u>Sewer Reserve Fund</u>	<u>Total Nonmajor Enterprise Funds</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,111,497	\$ -	\$ -	\$ 1,111,497
Restricted assets				
Cash and cash equivalents	<u>-</u>	<u>409,754</u>	<u>342,440</u>	<u>752,194</u>
Total assets	<u>\$ 1,111,497</u>	<u>\$ 409,754</u>	<u>\$ 342,440</u>	<u>\$ 1,863,691</u>
LIABILITIES				
Accounts payable	<u>650</u>	<u>-</u>	<u>-</u>	<u>650</u>
NET POSITION				
Restricted for:				
Debt service	-	-	84,789	84,789
System improvement	-	-	257,651	257,651
System development	-	409,754	-	409,754
Unrestricted	<u>1,110,847</u>	<u>-</u>	<u>-</u>	<u>1,110,847</u>
Total net position	<u>\$ 1,110,847</u>	<u>\$ 409,754</u>	<u>\$ 342,440</u>	<u>\$ 1,863,041</u>

CITY OF TOLEDO
Lincoln County, Oregon

COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION

NONMAJOR ENTERPRISE FUNDS

For the Year Ended June 30, 2016

	<u>Water Reserve Fund</u>	<u>System Development Fund</u>	<u>Sewer Reserve Fund</u>	<u>Total Nonmajor Enterprise Funds</u>
Operating revenues	\$ -	\$ -	\$ -	\$ -
Operating expenses				
Materials and supplies	<u>5,709</u>	-	<u>23,672</u>	<u>29,381</u>
Operating income (loss)	<u>(5,709)</u>	-	<u>(23,672)</u>	<u>(29,381)</u>
Nonoperating revenues (expenses)				
System development charges	-	5,695	-	5,695
Investment earnings	5,540	2,267	1,223	9,030
Miscellaneous	42,951	-	-	42,951
Interest expense	<u>-</u>	<u>-</u>	<u>(105,904)</u>	<u>(105,904)</u>
Total nonoperating revenues (expenses)	<u>48,491</u>	<u>7,962</u>	<u>(104,681)</u>	<u>(48,228)</u>
Income (loss) before transfers	42,782	7,962	(128,353)	(77,609)
Transfers in	221,292	-	334,161	555,453
Transfers out	<u>(22,546)</u>	<u>-</u>	<u>(83,048)</u>	<u>(105,594)</u>
Change in net position	241,528	7,962	122,760	372,250
Total net position - beginning	<u>869,319</u>	<u>401,792</u>	<u>219,680</u>	<u>1,490,791</u>
Total net position - ending	<u>\$ 1,110,847</u>	<u>\$ 409,754</u>	<u>\$ 342,440</u>	<u>\$ 1,863,041</u>

CITY OF TOLEDO
Lincoln County, Oregon

COMBINING STATEMENT OF CASH FLOWS

NONMAJOR ENTERPRISE FUNDS

For the Year Ended June 30, 2016

	Water Reserve Fund	System Development Fund	Sewer Reserve Fund	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash payments to suppliers	\$ (5,059)	\$ -	\$ (23,672)	\$ (28,731)
Net cash provided (used) by operating activities	<u>(5,059)</u>	<u>-</u>	<u>(23,672)</u>	<u>(28,731)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Miscellaneous income	59,242	-	-	59,242
Net cash provided (used) by noncapital financing activities	<u>59,242</u>	<u>-</u>	<u>-</u>	<u>59,242</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
System development charges	-	5,695	-	5,695
Transfers from other funds for capital purposes	221,292	-	334,161	555,453
Purchase of capital assets	(22,546)	-	-	(22,546)
Principal paid on capital debt	-	-	(83,048)	(83,048)
Interest paid on capital debt	-	-	(105,904)	(105,904)
Net cash provided (used) by capital and related financing activities	<u>198,746</u>	<u>5,695</u>	<u>145,209</u>	<u>349,650</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Repayment of cash from other funds	216,037	-	-	216,037
Interest income	5,540	2,267	1,223	9,030
Net cash provided (used) by investing activities	<u>221,577</u>	<u>2,267</u>	<u>1,223</u>	<u>225,067</u>
Net increase (decrease) in cash and cash equivalents	474,506	7,962	122,760	605,228
Cash and cash equivalents - beginning (including \$401,792, and \$219,680, System Development and Sewer Reserve Funds, respectively, reported in restricted accounts)	<u>636,991</u>	<u>401,792</u>	<u>219,680</u>	<u>1,258,463</u>
Cash and cash equivalents - ending (including \$409,754, and \$342,440, System Development and Sewer Reserve Funds, respectively, reported in restricted accounts)	<u>\$ 1,111,497</u>	<u>\$ 409,754</u>	<u>\$ 342,440</u>	<u>\$ 1,863,691</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (5,709)	\$ -	\$ (23,672)	\$ (29,381)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Increase (decrease) in accounts payable	650	-	-	650
Net cash provided (used) by operating activities	<u>\$ (5,059)</u>	<u>\$ -</u>	<u>\$ (23,672)</u>	<u>\$ (28,731)</u>

CITY OF TOLEDO
Lincoln County, Oregon

COMBINING STATEMENT OF NET POSITION

INTERNAL SERVICE FUNDS

June 30, 2016

	Public Works Fund	Public Works Equipment Reserve Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 3,235	\$ 108,934	\$ 112,169
Capital assets being depreciated, net	514,674	-	514,674
Total assets	517,909	108,934	626,843
LIABILITIES			
Current liabilities			
Accounts payable	3,235	-	3,235
Compensated absences	16,758	-	16,758
Total current liabilities	19,993	-	19,993
NET POSITION			
Net investment in capital assets	514,674	-	514,674
Unrestricted	(16,758)	108,934	92,176
Total net position	\$ 497,916	\$ 108,934	\$ 606,850

CITY OF TOLEDO
Lincoln County, Oregon

COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION

INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2016

	Public Works Fund	Public Works Equipment Reserve Fund	Total
Operating revenues			
Fees and charges	\$ 762,428	\$ -	\$ 762,428
Operating expenses			
Cost of sales and services	657,828	3,270	661,098
Depreciation	51,859	-	51,859
Total operating expenses	709,687	3,270	712,957
Operating income (loss)	52,741	(3,270)	49,471
Nonoperating revenues (expenses)			
Investment earnings	-	663	663
Miscellaneous	675	-	675
Total nonoperating revenues (expenses)	675	663	1,338
Income (loss) before contributions and transfers	53,416	(2,607)	50,809
Transfers in	-	65,000	65,000
Transfers out	-	(106,048)	(106,048)
Change in net position	53,416	(43,655)	9,761
Total net position - beginning	444,500	152,589	597,089
Total net position - ending	\$ 497,916	\$ 108,934	\$ 606,850

CITY OF TOLEDO
Lincoln County, Oregon

COMBINING STATEMENT OF CASH FLOWS

INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2016

	Public Works Fund	Public Works Equipment Reserve Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Charges to other funds	\$ 656,380	\$ -	\$ 656,380
Cash payments to employees	(582,227)	-	(582,227)
Cash payments to suppliers	(74,843)	(3,270)	(78,113)
Net cash provided (used) by operating activities	(690)	(3,270)	(3,960)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Miscellaneous income	674	-	674
Net cash provided (used) by noncapital financing activities	674	-	674
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Transfers (to) from other funds for capital related purchases	-	65,000	65,000
Purchase of capital assets	-	(106,048)	(106,048)
Net cash provided (used) by capital and related financing activities	-	(41,048)	(41,048)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	-	664	664
Net cash provided (used) by investing activities	-	664	664
Net increase (decrease) in cash and cash equivalents	(16)	(43,654)	(43,670)
Cash and cash equivalents - beginning	3,251	152,588	155,839
Cash and cash equivalents - ending	\$ 3,235	\$ 108,934	\$ 112,169
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 52,741	\$ (3,270)	\$ 49,471
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	51,859	-	51,859
Capital contributions	(106,048)	-	(106,048)
Increase (decrease) in:			
Accounts payable	(16)	-	(16)
Compensated absences	774	-	774
Net cash provided (used) by operating activities	\$ (690)	\$ (3,270)	\$ (3,960)
Noncash investing, capital, and financing activities:			
Transfer of capital assets	\$ 6,462	(6,462)	\$ -

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

FORFEITURE REVENUE FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual	
			Budget Basis	GAAP Basis
REVENUES				
Investment earnings	\$ 15	\$ 6	\$ 21	\$ 21
Miscellaneous	<u>1,000</u>	<u>(916)</u>	<u>84</u>	<u>84</u>
Total revenues	<u>1,015</u>	<u>(910)</u>	<u>105</u>	<u>105</u>
EXPENDITURES				
Current				
Materials and services	<u>4,750</u>	<u>(4,750)</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(3,735)	3,840	105	105
Fund balance - beginning	<u>3,735</u>	<u>62</u>	<u>3,797</u>	<u>3,797</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 3,902</u>	<u>\$ 3,902</u>	<u>\$ 3,902</u>

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

GRANT FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	GAAP Basis	
REVENUES					
Grants	\$ 126,100	\$ (96,437)	\$ 29,663	\$ -	\$ 29,663
Investment earnings	500	126	626	-	626
Total revenues	<u>126,600</u>	<u>(96,311)</u>	<u>30,289</u>	<u>-</u>	<u>30,289</u>
EXPENDITURES					
Current					
Materials and services	91,500	(88,901)	2,599	-	2,599
Capital outlay	<u>137,500</u>	<u>(136,847)</u>	<u>653</u>	<u>-</u>	<u>653</u>
Total expenditures	<u>229,000</u>	<u>(225,748)</u>	<u>3,252</u>	<u>-</u>	<u>3,252</u>
Excess (deficiency) of revenues over (under) expenditures	(102,400)	129,437	27,037	-	27,037
Fund balance - beginning	<u>102,400</u>	<u>(392)</u>	<u>102,008</u>	<u>-</u>	<u>102,008</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 129,045</u>	<u>\$ 129,045</u>	<u>\$ -</u>	<u>\$ 129,045</u>

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

STABILIZATION FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	GAAP Basis	
REVENUES					
Investment earnings	\$ 4,000	\$ 654	\$ 4,654	\$ -	\$ 4,654
Miscellaneous	-	17,773	17,773	-	17,773
Total revenues	4,000	18,427	22,427	-	22,427
EXPENDITURES					
Current					
Personnel services	561,380	(561,380)	-	-	-
Materials and services	261,000	(250,238)	10,762	-	10,762
Total expenditures	822,380	(811,618)	10,762	-	10,762
Excess (deficiency) of revenues over (under) expenditures	(818,380)	830,045	11,665	-	11,665
Fund balance - beginning, as restated	818,380	7,160	825,540	-	825,540
Fund balance - ending	\$ -	\$ 837,205	\$ 837,205	\$ -	\$ 837,205

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

CITY COUNCIL STRATEGIC RESERVE FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual	
			Budget Basis	GAAP Basis
REVENUES				
Investment income	\$ 45	\$ 117	\$ 162	\$ 162
Miscellaneous	10,000	17,915	27,915	27,915
Total revenues	10,045	18,032	28,077	28,077
EXPENDITURES				
Current				
Materials and services	10,000	(10,000)	-	-
Capital outlay	8,810	(7,810)	1,000	1,000
Total expenditures	18,810	(17,810)	1,000	1,000
Excess (deficiency) of revenues over (under) expenditures	(8,765)	35,842	27,077	27,077
Fund balance - beginning	8,765	(6)	8,759	8,759
Fund balance - ending	\$ -	\$ 35,836	\$ 35,836	\$ 35,836

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

REVOLVING LOAN FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual	
			Budget Basis	GAAP Basis
REVENUES				
Investment earnings	\$ 200	\$ 87	\$ 287	\$ 287
Miscellaneous	<u>3,750</u>	<u>5,555</u>	<u>9,305</u>	<u>9,305</u>
Total revenues	<u>3,950</u>	<u>5,642</u>	<u>9,592</u>	<u>9,592</u>
EXPENDITURES				
Current				
Materials and services	<u>48,290</u>	<u>(48,290)</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(44,340)	53,932	9,592	9,592
Fund balance - beginning	<u>44,340</u>	<u>(4)</u>	<u>44,336</u>	<u>44,336</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 53,928</u>	<u>\$ 53,928</u>	<u>\$ 53,928</u>

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

SOLID WASTE FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual	
			Budget Basis	GAAP Basis
REVENUES				
Licenses, permits, and fees	\$ 6,500	\$ (1,074)	\$ 5,426	\$ -
Investment earnings	800	162	962	-
Total revenues	<u>7,300</u>	<u>(912)</u>	<u>6,388</u>	<u>-</u>
EXPENDITURES				
Current				
Materials and services	<u>177,600</u>	<u>(173,723)</u>	<u>3,877</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(170,300)	172,811	2,511	-
Fund balance - beginning	<u>170,300</u>	<u>(54)</u>	<u>170,246</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 172,757</u>	<u>\$ 172,757</u>	<u>\$ -</u>

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

911 SYSTEM FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	GAAP Basis	
REVENUES					
Privilege taxes	\$ 16,000	\$ 1,129	\$ 17,129	\$ -	\$ 17,129
Investment earnings	350	86	436	-	436
Total revenues	<u>16,350</u>	<u>1,215</u>	<u>17,565</u>	<u>-</u>	<u>17,565</u>
EXPENDITURES					
Current					
Materials and services	15,000	(13,393)	1,607	-	1,607
Capital outlay	<u>79,780</u>	<u>(40,394)</u>	<u>39,386</u>	<u>-</u>	<u>39,386</u>
Total expenditures	<u>94,780</u>	<u>(53,787)</u>	<u>40,993</u>	<u>-</u>	<u>40,993</u>
Excess (deficiency) of revenues over (under) expenditures	(78,430)	55,002	(23,428)	-	(23,428)
Fund balance - beginning	<u>78,430</u>	<u>240</u>	<u>78,670</u>	<u>-</u>	<u>78,670</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 55,242</u>	<u>\$ 55,242</u>	<u>\$ -</u>	<u>\$ 55,242</u>

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

GENERAL RESERVE FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	GAAP Basis	
REVENUES					
Investment earnings	\$ 1,250	\$ 470	\$ 1,720	\$ -	\$ 1,720
Miscellaneous	-	55,406	55,406	-	55,406
Total revenues	1,250	55,876	57,126	-	57,126
EXPENDITURES					
Capital outlay	393,155	(319,328)	73,827	-	73,827
Excess (deficiency) of revenues over (under) expenditures	(391,905)	375,204	(16,701)	-	(16,701)
OTHER FINANCING SOURCES (USES)					
Gain on sale of assets	-	7,500	7,500	-	7,500
Transfers in	142,500	-	142,500	-	142,500
Transfers out	-	-	-	-	-
Total other financing sources (uses)	142,500	-	142,500	-	150,000
Net change in fund balance	(249,405)	382,704	133,299	-	133,299
Fund balance - beginning	249,405	(2,206)	247,199	-	247,199
Fund balance - ending	\$ -	\$ 380,498	\$ 380,498	\$ -	\$ 380,498

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

LIBRARY RESERVE FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	GAAP Basis	
REVENUES					
Grants	\$ 10,000	\$ (3,624)	\$ 6,376	\$ -	\$ 6,376
Investment earnings	85	2	87	-	87
Total revenues	<u>10,085</u>	<u>(3,622)</u>	<u>6,463</u>	<u>-</u>	<u>6,463</u>
EXPENDITURES					
Current					
Materials and services	15,000	(10,234)	4,766	-	4,766
Capital outlay	<u>11,960</u>	<u>(11,960)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>26,960</u>	<u>(22,194)</u>	<u>4,766</u>	<u>-</u>	<u>4,766</u>
Excess (deficiency) of revenues over (under) expenditures	(16,875)	18,572	1,697	-	1,697
Fund balance - beginning	<u>16,875</u>	<u>(2,585)</u>	<u>14,290</u>	<u>-</u>	<u>14,290</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 15,987</u>	<u>\$ 15,987</u>	<u>\$ -</u>	<u>\$ 15,987</u>

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

FOOTPATHS AND BICYCLE TRAIL FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual	
			Budget Basis	GAAP Basis
REVENUES				
Motor fuel taxes	\$ 1,815	\$ 248	\$ 2,063	\$ 2,063
Investment earnings	65	15	80	80
Total revenues	<u>1,880</u>	<u>263</u>	<u>2,143</u>	<u>2,143</u>
EXPENDITURES				
Capital outlay	<u>14,860</u>	<u>(14,860)</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(12,980)	15,123	2,143	2,143
Fund balance - beginning	<u>12,980</u>	<u>313</u>	<u>13,293</u>	<u>13,293</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 15,436</u>	<u>\$ 15,436</u>	<u>\$ 15,436</u>

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

STREET RESERVE FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual	
			Budget Basis	GAAP Basis
REVENUES				
Investment earnings	\$ 500	\$ 171	\$ 671	\$ 671
EXPENDITURES				
Current				
Materials and services	16,000	(15,488)	512	512
Excess (deficiency) of revenues over (under) expenditures	(15,500)	15,659	159	159
OTHER FINANCING SOURCES (USES)				
Transfers in	30,000	-	30,000	30,000
Net change in fund balance	14,500	15,659	30,159	30,159
Fund balance - beginning	105,500	47	105,547	105,547
Fund balance - ending	<u>\$ 120,000</u>	<u>\$ 15,706</u>	<u>\$ 135,706</u>	<u>\$ 135,706</u>

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

DEBT SERVICE FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual	
			Budget Basis	GAAP Basis
REVENUES				
Property taxes	\$ 172,306	\$ 7,720	\$ 180,026	\$ -
Investment earnings	100	390	490	-
Total revenues	<u>172,406</u>	<u>8,110</u>	<u>180,516</u>	<u>-</u>
EXPENDITURES				
Debt service	<u>162,753</u>	<u>-</u>	<u>162,753</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	9,653	8,110	17,763	-
Fund balance - beginning	<u>347</u>	<u>14,485</u>	<u>14,832</u>	<u>-</u>
Fund balance - ending	<u>\$ 10,000</u>	<u>\$ 22,595</u>	<u>\$ 32,595</u>	<u>\$ -</u>

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

WATER CONSTRUCTION FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Intergovernmental	\$ 200,000	\$ 370,336	\$ 570,336	\$ -	\$ 570,336
Investment earnings	1,800	4,729	6,529	-	6,529
Total revenues	<u>201,800</u>	<u>375,065</u>	<u>576,865</u>	<u>-</u>	<u>576,865</u>
EXPENDITURES					
Capital outlay	<u>1,245,690</u>	<u>(644,677)</u>	<u>601,013</u>	<u>-</u>	<u>601,013</u>
Excess (deficiency) of revenues over (under) expenditures	(1,043,890)	1,019,742	(24,148)	-	(24,148)
Fund balance - beginning	<u>1,043,890</u>	<u>(827,978)</u>	<u>215,912</u>	<u>-</u>	<u>215,912</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 191,764</u>	<u>\$ 191,764</u>	<u>\$ -</u>	<u>\$ 191,764</u>

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

BUILDING & PROPERTY RESERVE FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Investment earnings	\$ 3,000	\$ 548	\$ 3,548	\$ -	\$ 3,548
Miscellaneous	-	7,207	7,207	-	7,207
Total revenues	3,000	7,755	10,755	-	10,755
EXPENDITURES					
Capital outlay	777,045	(650,128)	126,917	-	126,917
Excess (deficiency) of revenues over (under) expenditures	(774,045)	657,883	(116,162)	-	(116,162)
OTHER FINANCING SOURCES (USES)					
Transfers in	94,300	-	94,300	-	94,300
Net change in fund balance	(679,745)	657,883	(21,862)	-	(21,862)
Fund balance - beginning	679,745	(12,930)	666,815	-	666,815
Fund balance - ending	\$ -	\$ 644,953	\$ 644,953	\$ -	\$ 644,953

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
BUDGET AND ACTUAL

WATER FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
Water sales	\$ 1,215,000	\$ 10,633	\$ 1,225,633	\$ -	\$ 1,225,633
Water sales - Seal Rock	375,000	71,285	446,285	-	446,285
Fees and charges	18,500	(2,803)	15,697	-	15,697
Grants and contributions	400	(12)	388	-	388
Rents and leases	9,324	(777)	8,547	-	8,547
Investment earnings	3,000	1,489	4,489	-	4,489
Miscellaneous	4,000	(1,866)	2,134	-	2,134
Total revenues	<u>1,625,224</u>	<u>77,949</u>	<u>1,703,173</u>	<u>-</u>	<u>1,703,173</u>
EXPENSES					
Current					
Water plant	1,100,609	(247,254)	853,355	(207,437)	645,918
Water distribution	1,097,036	(356,611)	740,425	(646,042)	94,383
Depreciation	-	-	-	69,488	69,488
Contingency	140,000	(140,000)	-	-	-
Total expenses	<u>2,337,645</u>	<u>(743,865)</u>	<u>1,593,780</u>	<u>(783,991)</u>	<u>809,789</u>
Excess (deficiency) of revenues over (under) expenses	(712,421)	821,814	109,393	783,991	893,384
OTHER FINANCING SOURCES (USES)					
Capital contributions	-	-	-	601,012	601,012
Transfers in	-	-	-	22,546	22,546
Transfers out	-	-	-	(804,282)	(804,282)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(180,724)</u>	<u>(180,724)</u>
Change in net position	(712,421)	821,814	109,393	603,267	712,660
Net position - beginning	<u>712,421</u>	<u>27,587</u>	<u>740,008</u>	<u>2,619,414</u>	<u>3,359,422</u>
Net position - ending	<u>\$ -</u>	<u>\$ 849,401</u>	<u>\$ 849,401</u>	<u>\$ 3,222,681</u>	<u>\$ 4,072,082</u>

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
 BUDGET AND ACTUAL

SEWER FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
Sewer charges	\$ 919,848	\$ (11,741)	\$ 908,107	\$ -	\$ 908,107
Sewer charges pledged - bond payments	145,352	-	145,352	-	145,352
Investment earnings	450	487	937	-	937
Miscellaneous	500	(417)	83	-	83
Total revenues	<u>1,066,150</u>	<u>(11,671)</u>	<u>1,054,479</u>	<u>-</u>	<u>1,054,479</u>
EXPENSES					
Sewer plant	727,865	(82,670)	645,195	(212,440)	432,755
Sewer collection	472,986	(35,986)	437,000	(364,070)	72,930
Depreciation	-	-	-	277,860	277,860
Contingency	100,000	(100,000)	-	-	-
Total expenses	<u>1,300,851</u>	<u>(218,656)</u>	<u>1,082,195</u>	<u>(298,650)</u>	<u>783,545</u>
Excess (deficiency) of revenues over (under) expenses	(234,701)	206,985	(27,716)	298,650	270,934
OTHER FINANCING SOURCES (USES)					
Capital contributions	-	-	-	83,048	83,048
Transfers out	-	-	-	(709,568)	(709,568)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(626,520)</u>	<u>(626,520)</u>
Change in net position	(234,701)	206,985	(27,716)	(327,870)	(355,586)
Net position - beginning	<u>234,701</u>	<u>(7,822)</u>	<u>226,879</u>	<u>3,454,532</u>	<u>3,681,411</u>
Net position - ending	<u>\$ -</u>	<u>\$ 199,163</u>	<u>\$ 199,163</u>	<u>\$ 3,126,662</u>	<u>\$ 3,325,825</u>

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
BUDGET AND ACTUAL

WATER RESERVE FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
System development charges	\$ 15,000	\$ (15,000)	\$ -	\$ -	\$ -
Investment earnings	4,500	1,040	5,540	-	5,540
Miscellaneous	-	42,951	42,951	-	42,951
Total revenues	<u>19,500</u>	<u>28,991</u>	<u>48,491</u>	<u>-</u>	<u>48,491</u>
EXPENSES					
Current					
Materials and services	125,000	(119,291)	5,709	-	5,709
Capital outlay	<u>977,412</u>	<u>(954,866)</u>	<u>22,546</u>	<u>(22,546)</u>	<u>-</u>
Total expenses	<u>1,102,412</u>	<u>(1,074,157)</u>	<u>28,255</u>	<u>(22,546)</u>	<u>5,709</u>
Excess (deficiency) of revenues over (under) expenses	(1,082,912)	1,103,148	20,236	22,546	42,782
OTHER FINANCING SOURCES (USES)					
Transfers in	221,292	-	221,292	-	221,292
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22,546)</u>	<u>(22,546)</u>
Total other financing sources (uses)	<u>221,292</u>	<u>-</u>	<u>221,292</u>	<u>(22,546)</u>	<u>198,746</u>
Change in net position	(861,620)	1,103,148	241,528	-	241,528
Net position - beginning	<u>861,620</u>	<u>7,699</u>	<u>869,319</u>	<u>-</u>	<u>869,319</u>
Net position - ending	<u>\$ -</u>	<u>\$ 1,110,847</u>	<u>\$ 1,110,847</u>	<u>\$ -</u>	<u>\$ 1,110,847</u>

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
 BUDGET AND ACTUAL

SYSTEM DEVELOPMENT FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	GAAP Basis	
REVENUES					
System development charges	\$ 20,000	\$ (14,305)	\$ 5,695	\$ -	\$ 5,695
Investment earnings	<u>2,000</u>	<u>267</u>	<u>2,267</u>	<u>-</u>	<u>2,267</u>
Total revenues	<u>22,000</u>	<u>(14,038)</u>	<u>7,962</u>	<u>-</u>	<u>7,962</u>
EXPENSES					
Capital outlay	<u>411,450</u>	<u>(411,450)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenses	(389,450)	397,412	7,962	-	7,962
Net position - beginning	<u>389,450</u>	<u>12,342</u>	<u>401,792</u>	<u>-</u>	<u>401,792</u>
Net position - ending	<u>\$ -</u>	<u>\$ 409,754</u>	<u>\$ 409,754</u>	<u>\$ -</u>	<u>\$ 409,754</u>

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
BUDGET AND ACTUAL

SEWER RESERVE FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
Investment earnings	\$ 1,000	\$ 223	\$ 1,223	\$ -	\$ 1,223
EXPENSES					
Current					
Materials and services	40,000	(40,000)	-	-	-
Debt service	377,902	(188,950)	188,952	(83,048)	105,904
Capital outlay	<u>100,104</u>	<u>(76,432)</u>	<u>23,672</u>	<u>-</u>	<u>23,672</u>
Total expenses	<u>518,006</u>	<u>(305,382)</u>	<u>212,624</u>	<u>(83,048)</u>	<u>129,576</u>
Excess (deficiency) of revenues over (under) expenses	(517,006)	305,605	(211,401)	83,048	(128,353)
OTHER FINANCING SOURCES (USES)					
Transfers in	334,161	-	334,161	-	334,161
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(83,048)</u>	<u>(83,048)</u>
Total other financing sources (uses)	<u>334,161</u>	<u>-</u>	<u>334,161</u>	<u>(83,048)</u>	<u>251,113</u>
Change in net position	(182,845)	305,605	122,760	-	122,760
Net position - beginning	<u>182,845</u>	<u>36,835</u>	<u>219,680</u>	<u>-</u>	<u>219,680</u>
Net position - ending	<u>\$ -</u>	<u>\$ 342,440</u>	<u>\$ 342,440</u>	<u>\$ -</u>	<u>\$ 342,440</u>

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
 BUDGET AND ACTUAL

PUBLIC WORKS FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
Charges for services	\$ 840,320	\$ (183,941)	\$ 656,379	\$ 106,049	\$ 762,428
Miscellaneous	25,000	(24,325)	675	-	675
Total revenues	<u>865,320</u>	<u>(208,266)</u>	<u>657,054</u>	<u>106,049</u>	<u>763,103</u>
EXPENSES					
Current					
Personnel services	727,480	(145,253)	582,227	774	583,001
Materials and services	105,340	(30,513)	74,827	-	74,827
Depreciation	-	-	-	51,859	51,859
Contingency	25,000	(25,000)	-	-	-
Total expenses	<u>857,820</u>	<u>(200,766)</u>	<u>657,054</u>	<u>52,633</u>	<u>709,687</u>
Excess (deficiency) of revenues over (under) expenses	7,500	(7,500)	-	53,416	53,416
Net position - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>444,500</u>	<u>444,500</u>
Net position - ending	<u>\$ 7,500</u>	<u>\$ (7,500)</u>	<u>\$ -</u>	<u>\$ 497,916</u>	<u>\$ 497,916</u>

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
 BUDGET AND ACTUAL

PUBLIC WORKS EQUIPMENT RESERVE FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Investment earnings	\$ 750	\$ (87)	\$ 663	\$ -	\$ 663
EXPENSES					
Capital outlay	<u>216,350</u>	<u>(107,032)</u>	<u>109,318</u>	<u>(106,048)</u>	<u>3,270</u>
Excess (deficiency) of revenues over (under) expenses	(215,600)	106,945	(108,655)	106,048	(2,607)
OTHER FINANCING SOURCES (USES)					
Transfers in	65,000	-	65,000	-	65,000
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(106,048)</u>	<u>(106,048)</u>
Total other financing sources (uses)	<u>65,000</u>	<u>-</u>	<u>65,000</u>	<u>(106,048)</u>	<u>(41,048)</u>
Change in net position	(150,600)	106,945	(43,655)	-	(43,655)
Net position - beginning	<u>150,600</u>	<u>1,989</u>	<u>152,589</u>	<u>-</u>	<u>152,589</u>
Net position - ending	<u>\$ -</u>	<u>\$ 108,934</u>	<u>\$ 108,934</u>	<u>\$ -</u>	<u>\$ 108,934</u>

**AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY FEDERAL AND STATE REGULATIONS**



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS**

City Council
City of Toledo
Toledo, Oregon 97391

We have audited the basic financial statements of the City of Toledo as of and for the year ended June 30, 2016, and have issued our report thereon dated December 19, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

Compliance

As part of obtaining reasonable assurance about whether the City of Toledo's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures, which included, but were not limited to, the following:

Deposit of public funds with financial institutions (ORS Chapter 295)

Indebtedness limitations, restrictions, and repayment

Budgets legally required (ORS Chapter 294)

Insurance and fidelity bonds in force or required by law

Programs funded from outside sources

Highway revenues used for public highways, roads, and streets

Authorized investment of surplus funds (ORS Chapter 294)

Public contracts and purchasing (ORS Chapters 279A, 279B, 279C)

In connection with our testing, nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-010-0230 Internal Control

In planning and performing our audit, we considered the City of Toledo's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Toledo's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Toledo's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

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

This report is intended solely for the information and use of the city council and management of the City of Toledo and the Oregon Secretary of State, and is not intended to be, and should not be used by anyone other than these parties.

A handwritten signature in blue ink that reads "Accuity, LLC". The signature is written in a cursive, flowing style.

Accuity, LLC

December 19, 2016



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

City Council
City of Toledo
Toledo, Oregon 97391

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Toledo as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 19, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Toledo's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Toledo's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Toledo's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Toledo's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Accuity, LLC". The signature is stylized and cursive.

Accuity, LLC

Albany, Oregon
December 19, 2016