



CITY OF TOLEDO
Lincoln County, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2017



Accuity, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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Albany, Oregon 97321 | (541) 223-5555

CITY OF TOLEDO
Lincoln County, Oregon

CITY OFFICIALS

June 30, 2017

MAYOR

Billie Jo Smith
1239 SE Pine Street
Toledo, Oregon 97391

CITY COUNCIL

Joshua Smith
543 E. Graham Street
Toledo, Oregon 97391

Deanne Dunlap - President
335 Main 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

William Dalbey
710 N. Bay Road
Toledo, Oregon 97391

CITY MANAGER

Craig Martin

CITY RECORDER

Nancy Bryant

CITY TREASURER

Polly Chavarria

CITY ATTORNEY

Mike Adams

CITY OF TOLEDO
Lincoln County, Oregon

TABLE OF CONTENTS

June 30, 2017

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.....	25-56
Required Supplementary Information	
Schedule of the City's Proportionate Share of the Net Pension Liability	57
Schedule of City Contributions	57
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual –	
General Fund.....	58
Street Fund	59
Other Supplementary Information – Combining and Individual Fund Statements and Schedules	
Combining Balance Sheet – Nonmajor Governmental Funds.....	60
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.....	61
Combining Statement of Net Position – Nonmajor Enterprise Funds	62

	<u>Page Number</u>
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Nonmajor Enterprise Funds	63
Combining Statement of Cash Flows – Nonmajor Enterprise Funds.....	64
Combining Statement of Net Position – Internal Service Funds.....	65
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Internal Service Funds	66
Combining Statement of Cash Flows – Internal Service Funds	67
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual –	
Forfeiture Revenue Fund	68
Grant Fund.....	69
Stabilization Fund	70
City Council Strategic Reserve Fund	71
Revolving Loan Fund	72
Solid Waste Fund	73
911 System Fund	74
General Reserve Fund	75
Library Reserve Fund	76
Footpaths and Bicycle Trail Fund	77
Street Reserve Fund	78
Debt Service Fund	79
Water Construction Fund	80
Building and Property Reserve Fund	81
Schedule of Revenues, Expenses, and Changes in Fund Net Position – Budget and Actual –	
Water Fund	82
Sewer Fund	83
Water Reserve Fund	84
System Development Fund	85
Sewer Reserve Fund	86
Public Works Fund	87
Public Works Equipment Reserve Fund.....	88

AUDIT COMMENTS AND DISCLOSURES REQUIRED BY FEDERAL AND STATE REGULATIONS

Independent Auditor’s Report Required by Oregon State Regulations	89-90
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>	91-92
Schedule of Findings and Responses	93

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, 2017, 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, 2017, 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 57 through 59, 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.

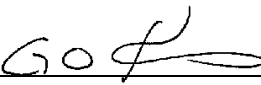
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2018 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 August 15, 2018 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
August 15, 2018

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, 2017. It should be read in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2017, total net position of the City of Toledo amounted to \$22,774,662. Of this amount, \$14,496,637 was invested in capital assets, net of related debt. The remaining balance included \$2,837,064 restricted for various purposes and \$5,440,961 of unrestricted net position.
- At June 30, 2017, the City's governmental funds reported combined ending fund balances of \$6,173,898.

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, Debt Service 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 56 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 57 through 59 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 60 through 88 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, 2017, the City's assets exceeded liabilities by \$22,774,662.

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 \$742,187 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	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Assets						
Current and other assets	\$ 7,089,950	\$ 6,303,161	\$ 2,515,031	\$ 1,745,935	\$ 9,604,981	\$ 8,049,096
Restricted assets	232,173	264,408	453,855	1,210,868	686,028	1,475,276
Net capital assets	<u>8,503,204</u>	<u>8,618,326</u>	<u>14,525,115</u>	<u>14,690,033</u>	<u>23,028,319</u>	<u>23,308,359</u>
Total assets	<u>15,825,327</u>	<u>15,185,895</u>	<u>17,494,001</u>	<u>17,646,836</u>	<u>33,319,328</u>	<u>32,832,731</u>
Deferred Outflows of Resources	<u>895,391</u>	<u>130,390</u>	<u>383,740</u>	<u>55,882</u>	<u>1,279,131</u>	<u>186,272</u>
Liabilities						
Current liabilities	877,809	464,999	135,600	437,252	1,013,409	902,251
Noncurrent liabilities	<u>9,870,887</u>	<u>1,845,602</u>	<u>787,478</u>	<u>7,904,164</u>	<u>10,658,365</u>	<u>9,749,766</u>
Total liabilities	<u>10,748,696</u>	<u>2,310,601</u>	<u>923,078</u>	<u>8,341,416</u>	<u>11,671,774</u>	<u>10,652,017</u>
Deferred Inflows of Resources	<u>106,417</u>	<u>234,157</u>	<u>45,606</u>	<u>100,354</u>	<u>152,023</u>	<u>334,511</u>
Net position						
Net investment in capital assets	14,766	7,383,326	14,481,871	6,816,415	14,496,637	14,199,741
Restricted for various purposes	1,978,212	1,837,512	858,852	1,210,868	2,837,064	3,048,380
Unrestricted	<u>3,872,627</u>	<u>3,550,689</u>	<u>1,568,334</u>	<u>1,233,665</u>	<u>5,440,961</u>	<u>4,784,354</u>
Total net position	<u>\$ 5,865,605</u>	<u>\$ 12,771,528</u>	<u>\$ 16,909,057</u>	<u>\$ 9,260,947</u>	<u>\$ 22,774,662</u>	<u>\$ 22,032,475</u>

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	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Program revenues						
Charges for services	\$ 835,173	\$ 844,319	\$ 2,753,806	\$ 2,741,074	\$ 3,588,979	\$ 3,585,393
Operating grants and contributions	8,791	9,676	563	388	9,354	10,064
Capital grants and contributions	<u>91,027</u>	<u>598,199</u>	<u>39,417</u>	<u>5,695</u>	<u>130,444</u>	<u>603,894</u>
Total program revenues	<u>934,991</u>	<u>1,452,194</u>	<u>2,793,786</u>	<u>2,747,157</u>	<u>3,728,777</u>	<u>4,199,351</u>
General revenues						
Property taxes - general	1,629,316	1,611,061	-	-	1,629,316	1,611,061
Property taxes - debt service	166,638	180,520	-	-	166,638	180,520
Franchise fees	1,538,494	1,252,721	-	-	1,538,494	1,252,721
Motor fuel taxes	208,783	206,331	-	-	208,783	206,331
Alcohol/cigarette taxes	52,933	54,707	-	-	52,933	54,707
911 taxes	13,120	17,129	-	-	13,120	17,129
Intergovernmental	45,110	51,541	-	-	45,110	51,541
Investment earnings	65,732	35,759	27,087	14,456	92,819	50,215
Rents and leases	9,600	9,600	9,324	8,547	18,924	18,147
Miscellaneous	63,749	52,327	1,541	45,168	65,290	97,495
Sale of assets	<u>6,000</u>	<u>7,500</u>	<u>-</u>	<u>-</u>	<u>6,000</u>	<u>7,500</u>
Total general revenues	<u>3,799,475</u>	<u>3,479,196</u>	<u>37,952</u>	<u>68,171</u>	<u>3,837,427</u>	<u>3,547,367</u>
Total revenues	<u>4,734,466</u>	<u>4,931,390</u>	<u>2,831,738</u>	<u>2,815,328</u>	<u>7,566,204</u>	<u>7,746,718</u>
Program expenses						
General government	2,217,591	2,179,052	-	-	2,217,591	2,179,052
Public safety	2,071,990	2,382,562	-	-	2,071,990	2,382,562
Highways and streets	289,764	280,336	-	-	289,764	280,336
Culture and recreation	466,943	542,773	-	-	466,943	542,773
Interest on long-term debt	192,897	62,753	-	-	192,897	62,753
Water	-	-	863,922	815,498	863,922	815,498
Sewer	<u>-</u>	<u>-</u>	<u>720,910</u>	<u>913,121</u>	<u>720,910</u>	<u>913,121</u>
Total program expenses	<u>5,239,185</u>	<u>5,447,476</u>	<u>1,584,832</u>	<u>1,728,619</u>	<u>6,824,017</u>	<u>7,176,095</u>
Transfers	<u>(6,401,204)</u>	<u>357,385</u>	<u>6,401,204</u>	<u>(357,385)</u>	<u>-</u>	<u>-</u>
Change in net position	<u>(6,905,923)</u>	<u>(158,701)</u>	<u>7,648,110</u>	<u>729,324</u>	<u>742,187</u>	<u>570,623</u>
Net position - beginning	<u>12,771,528</u>	<u>12,930,229</u>	<u>9,260,947</u>	<u>8,531,623</u>	<u>22,032,475</u>	<u>21,461,852</u>
Net position - end of year	<u>\$ 5,865,605</u>	<u>\$ 12,771,528</u>	<u>\$ 16,909,057</u>	<u>\$ 9,260,947</u>	<u>\$ 22,774,662</u>	<u>\$ 22,032,475</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 \$6,173,898. Of this amount, \$1,554,875 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 \$1,554,875. 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 \$16,909,057 at year-end. Of this amount, \$14,481,871 was invested in capital assets, net of related debt. The remaining balance included \$858,852 restricted for various purposes and \$1,568,334 of unrestricted net position.

BUDGETARY HIGHLIGHTS

Budget amounts shown in the financial statements reflect the original budget amounts and one approved appropriation transfer.

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, 2017 amounted to \$8,503,204 and \$14,525,115, 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 \$585,619 and \$327,013, 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 \$8,488,438 and \$43,244, respectively. These amounts are comprised of general obligation bonds, a loan payable and bond premiums. The City's total debt decreased by \$576,936 during the current fiscal year, due to a current refunding of all bond issues. 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's electricity franchise rate changed from 4.25% to 5.0%. This along with rate increases and increased consumption is estimated to bring in an additional \$220,000.00 in revenues.
- The revenues received from the Lincoln County Library District are estimated to remain the same as the previous year at \$88,635.
- Revenue from the Toledo Rural Fire Protection District is projected to be down slightly from the previous year at an estimated \$155,000.
- Municipal court fine fees are estimated to increase by \$10,000.00 during the 2017 – 2018 fiscal year.
- The City was able to refinance three separate Bonds into one General Obligation Bond thereby freeing up previously reserved funds for water and sewer revenue bonds. The refinance is also projected to save the City close to \$2.0 million over the life of the new Bond.
- No increases in levels of staffing are proposed in the budget.
- This budget reflects the increase in wages and compensation as the result of recently negotiated Collective Bargaining Agreements and other wage increases approved in the previous year.
- Funds have been reserved to address a wage review for non-represented personnel per previous Council direction.

CITY OF TOLEDO
Lincoln County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

- The Facilities Maintenance Department that was funded separately last year continues to evolve. The 2017-2018 budget reflects the second year of carrying expenditures in the Property Maintenance Department so that the Facilities Maintenance has direct access to the funds.
- The 2017-2018 budget contains funding for the acquisition and initial renovation of a new facility to house the Police and Emergency Dispatch services.

All of these factors were considered in preparing the City's budget for fiscal year 2017-2018.

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, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 5,778,323	\$ 2,205,232	\$ 7,983,555
Cash with agent	183,270	-	183,270
Receivables, current portion	193,612	238,197	431,809
Property taxes receivable	160,976	-	160,976
Inventory	-	71,602	71,602
Total current assets	6,316,181	2,515,031	8,831,212
Restricted assets	232,173	453,855	686,028
Receivables, less current portion	484,196	-	484,196
Housing rehabilitation loans receivable	208,451	-	208,451
Assets held for sale	81,122	-	81,122
Capital assets not being depreciated	742,882	908,082	1,650,964
Capital assets being depreciated, net	7,760,322	13,617,033	21,377,355
Total assets	15,825,327	17,494,001	33,319,328
DEFERRED OUTFLOWS OF RESOURCES	895,391	383,740	1,279,131
LIABILITIES			
Current liabilities			
Accounts payable	125,947	27,897	153,844
Compensated absences	215,960	23,972	239,932
Accrued interest	64,907	-	64,907
Deposits payable	15,995	40,487	56,482
Long-term debt, current portion	455,000	43,244	498,244
Total current liabilities	877,809	135,600	1,013,409
Noncurrent liabilities			
Net pension liability	1,837,449	787,478	2,624,927
Long-term debt, less current portion	8,033,438	-	8,033,438
Total noncurrent liabilities	9,870,887	787,478	10,658,365
Total liabilities	10,748,696	923,078	11,671,774

(Continued)

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

CITY OF TOLEDO
Lincoln County, Oregon

STATEMENT OF NET POSITION

June 30, 2017

(Continued)

	Governmental Activities	Business-Type Activities	Total
DEFERRED INFLOWS OF RESOURCES	<u>106,417</u>	<u>45,606</u>	<u>152,023</u>
NET POSITION			
Net investment in capital assets	\$ 14,766	\$ 14,481,871	\$ 14,496,637
Restricted for various purposes	1,978,212	858,852	2,837,064
Unrestricted	<u>3,872,627</u>	<u>1,568,334</u>	<u>5,440,961</u>
Total net position	<u>\$ 5,865,605</u>	<u>\$ 16,909,057</u>	<u>\$ 22,774,662</u>

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, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Governmental activities							
General government	\$ 2,217,591	\$ 426,555	\$ 1,050	\$ 91,027	\$ (1,698,959)	\$ -	\$ (1,698,959)
Public safety	2,071,990	185,395	1,061	-	(1,885,534)	-	(1,885,534)
Highways and streets	289,764	102,938	-	-	(186,826)	-	(186,826)
Culture and recreation	466,943	120,285	6,680	-	(339,978)	-	(339,978)
Interest on long-term debt	192,897	-	-	-	(192,897)	-	(192,897)
Total governmental activities	<u>\$ 5,239,185</u>	<u>\$ 835,173</u>	<u>\$ 8,791</u>	<u>\$ 91,027</u>	<u>(4,304,194)</u>	<u>-</u>	<u>(4,304,194)</u>
Business-type activities							
Water	\$ 863,922	\$ 1,670,407	\$ 563	\$ 20,858	-	827,906	827,906
Sewer	720,910	1,083,399	-	18,559	-	381,048	381,048
Total business-type activities	<u>\$ 1,584,832</u>	<u>\$ 2,753,806</u>	<u>\$ 563</u>	<u>\$ 39,417</u>	<u>-</u>	<u>1,208,954</u>	<u>1,208,954</u>
General revenues							
Property taxes - general					1,629,316	-	1,629,316
Property taxes - debt service					166,638	-	166,638
Franchise fees					1,538,494	-	1,538,494
Motor fuel taxes					208,783	-	208,783
Alcohol and cigarette taxes					52,933	-	52,933
911 taxes					13,120	-	13,120
Intergovernmental					45,110	-	45,110
Investment earnings					65,732	27,087	92,819
Rents and leases					9,600	9,324	18,924
Miscellaneous					63,749	1,541	65,290
Sale of assets					6,000	-	6,000
Total general revenues					<u>3,799,475</u>	<u>37,952</u>	<u>3,837,427</u>
Transfers					(6,401,204)	6,401,204	-
Change in net position					(6,905,923)	7,648,110	742,187
Net position - beginning					<u>12,771,528</u>	<u>9,260,947</u>	<u>22,032,475</u>
Net position - ending					<u>\$ 5,865,605</u>	<u>\$ 16,909,057</u>	<u>\$ 22,774,662</u>

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

CITY OF TOLEDO
Lincoln County, Oregon
BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2017

		Special Revenue	Capital Projects			
	General Fund	Street Fund	Water Construction Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 1,473,470	\$ 1,530,449	\$ -	\$ 25,857	\$ 2,818,368	\$ 5,848,144
Cash with agent	13,535	-	169,735	9,052	-	192,322
Accounts receivable	599,306	73,041	-	-	5,641	677,988
Property taxes receivable	160,976	-	-	15,092	-	176,068
Notes receivable	-	-	-	-	208,451	208,451
Total assets	<u>\$ 2,247,287</u>	<u>\$ 1,603,490</u>	<u>\$ 169,735</u>	<u>\$ 50,001</u>	<u>\$ 3,032,460</u>	<u>\$ 7,102,973</u>
LIABILITIES						
Accounts payable	\$ 107,370	\$ 12,178	\$ 1,129	\$ -	\$ 1,394	\$ 122,071
Deposits payable	15,995	-	-	-	-	15,995
Total liabilities	<u>123,365</u>	<u>12,178</u>	<u>1,129</u>	<u>-</u>	<u>1,394</u>	<u>138,066</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue						
Property taxes	143,885	-	-	13,511	-	157,396
Notes receivable	-	-	-	-	208,451	208,451
Court fines	425,162	-	-	-	-	425,162
Total deferred inflows of resources	<u>569,047</u>	<u>-</u>	<u>-</u>	<u>13,511</u>	<u>208,451</u>	<u>791,009</u>
FUND BALANCES						
Restricted	-	1,591,312	168,606	36,490	181,804	1,978,212
Committed	-	-	-	-	2,164,534	2,164,534
Assigned	-	-	-	-	476,277	476,277
Unassigned	1,554,875	-	-	-	-	1,554,875
Total fund balances	<u>1,554,875</u>	<u>1,591,312</u>	<u>168,606</u>	<u>36,490</u>	<u>2,822,615</u>	<u>6,173,898</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,247,287</u>	<u>\$ 1,603,490</u>	<u>\$ 169,735</u>	<u>\$ 50,001</u>	<u>\$ 3,032,460</u>	<u>\$ 7,102,973</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, 2017

Total fund balances		\$ 6,173,898
Capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds:		
Cost	14,520,187	
Accumulated depreciation	<u>(6,525,808)</u>	7,994,379
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	208,451	
Assets held for sale	<u>81,122</u>	289,573
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.		157,396
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.		425,162
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.		622,760
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	895,391	
Deferred inflows of resources relating to the return on pension assets	(106,417)	
Net pension asset (liability)	<u>(1,837,449)</u>	(1,048,475)
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	(195,743)	
Accrued interest	(64,907)	
Bonds payable	<u>(8,488,438)</u>	<u>(8,749,088)</u>
Net position of governmental activities		\$ 5,865,605

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, 2017

	General Fund	Special Revenue Street Fund	Capital Projects Water Construction Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Taxes						
Property	\$ 1,790,004	\$ -	\$ -	\$ 153,127	\$ -	\$ 1,943,131
Franchise	923,095	615,399	-	-	-	1,538,494
Motor fuel	-	206,695	-	-	2,088	208,783
Alcohol	48,498	-	-	-	-	48,498
Cigarette	4,435	-	-	-	-	4,435
Privilege	-	-	-	-	13,120	13,120
Licenses, permits, and fees	137,204	102,938	-	-	7,423	247,565
Grants and contributions	1,061	-	-	-	33,474	34,535
Charges for services - recreational fees	120,285	-	-	-	-	120,285
Intergovernmental charges	185,395	-	65,283	-	-	250,678
State revenue sharing	45,110	-	-	-	-	45,110
Fines	88,563	-	-	-	-	88,563
Investment earnings	16,226	14,795	3,765	1,016	28,772	64,574
Rents and leases	9,600	-	-	-	-	9,600
Miscellaneous	30,629	8,080	-	-	37,804	76,513
Total revenues	<u>3,400,105</u>	<u>947,907</u>	<u>69,048</u>	<u>154,143</u>	<u>122,681</u>	<u>4,693,884</u>
EXPENDITURES						
Current						
General government	1,240,930	-	-	-	48,541	1,289,471
Public safety	1,754,778	-	-	-	500	1,755,278
Highways and streets	-	141,813	-	-	6,661	148,474
Culture and recreation	411,283	-	-	-	-	411,283
Debt service	-	-	-	2,318,992	-	2,318,992
Capital outlay	-	363,184	92,206	-	60,260	515,650
Total expenditures	<u>3,406,991</u>	<u>504,997</u>	<u>92,206</u>	<u>2,318,992</u>	<u>115,962</u>	<u>6,439,148</u>
Excess (deficiency) of revenues over (under) expenditures	(6,886)	442,910	(23,158)	(2,164,849)	6,719	(1,745,264)
OTHER FINANCING SOURCES (USES)						
Proceeds of refunding bonds	-	-	-	8,774,286	-	8,774,286
Payment to refunded bond escrow agent	-	-	-	(6,605,544)	-	(6,605,544)
Transfers in	499,500	-	-	-	335,400	834,900
Transfers out	(284,500)	(259,245)	-	-	-	(543,745)
Total other financing sources (uses)	<u>215,000</u>	<u>(259,245)</u>	<u>-</u>	<u>2,168,742</u>	<u>335,400</u>	<u>2,459,897</u>
Net change in fund balances	208,114	183,665	(23,158)	3,893	342,119	714,633
Fund balances - beginning	<u>1,346,761</u>	<u>1,407,647</u>	<u>191,764</u>	<u>32,597</u>	<u>2,480,496</u>	<u>5,459,265</u>
Fund balances - ending	<u>\$ 1,554,875</u>	<u>\$ 1,591,312</u>	<u>\$ 168,606</u>	<u>\$ 36,490</u>	<u>\$ 2,822,615</u>	<u>\$ 6,173,898</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, 2017

Net change in fund balances	\$	714,633
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Amounts reported for governmental activities in the statement of activities are different because:

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.

Capital outlay expenditures - governmental funds	488,923	
Capital asset disposals, net of related depreciation	(65,361)	
Depreciation expense recorded in the current year	<u>(532,835)</u>	(109,273)

The issuance of long-term debt (e.g. bonds, loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

(7,312,361)

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:

Change in compensated absences		(17,012)
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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.

Change in deferred revenue		31,285
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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.

Pension expense		(229,106)
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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.

15,911

Change in net position	\$	<u><u>(6,905,923)</u></u>
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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, 2017

	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	\$ 276,861	\$ 124,326	\$ 1,390,548	\$ 1,791,735	\$ 138,028
Accounts receivable	140,003	98,194	-	238,197	-
Inventory	<u>63,754</u>	<u>7,848</u>	<u>-</u>	<u>71,602</u>	<u>-</u>
Total current assets	480,618	230,368	1,390,548	2,101,534	138,028
Restricted assets					
Cash and cash equivalents	-	-	867,352	867,352	-
Assets held for sale	-	-	-	-	13,862
Capital assets not being depreciated	429,554	478,528	-	908,082	-
Capital assets being depreciated, net	<u>8,749,380</u>	<u>4,867,653</u>	<u>-</u>	<u>13,617,033</u>	<u>494,963</u>
Total assets	<u>9,659,552</u>	<u>5,576,549</u>	<u>2,257,900</u>	<u>17,494,001</u>	<u>646,853</u>
DEFERRED OUTFLOWS OF					
 RESOURCES	<u>191,870</u>	<u>191,870</u>	<u>-</u>	<u>383,740</u>	<u>-</u>
LIABILITIES					
Current liabilities					
Accounts payable	10,823	6,038	11,036	27,897	3,876
Compensated absences	6,014	17,958	-	23,972	20,217
Deposits payable	40,487	-	-	40,487	-
Long-term debt, current portion	<u>-</u>	<u>43,244</u>	<u>-</u>	<u>43,244</u>	<u>-</u>
Total current liabilities	57,324	67,240	11,036	135,600	24,093
Noncurrent liabilities					
Net pension liability	393,739	393,739	-	787,478	-
Long-term debt, less current portion	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>451,063</u>	<u>460,979</u>	<u>11,036</u>	<u>923,078</u>	<u>24,093</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, 2017

(continued)

	Business-Type Activities				Governmental
	Enterprise Funds				Activities
	Water	Sewer	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
DEFERRED INFLOWS OF					
RESOURCES	<u>22,803</u>	<u>22,803</u>	<u>-</u>	<u>45,606</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	9,178,934	5,302,937	-	14,481,871	494,963
Restricted for:					
Debt service	-	-	84,789	84,789	-
System improvement	-	-	320,208	320,208	-
System development	-	-	453,855	453,855	-
Unrestricted	<u>198,622</u>	<u>(18,300)</u>	<u>1,388,012</u>	<u>1,568,334</u>	<u>127,797</u>
Total net position	<u>\$ 9,377,556</u>	<u>\$ 5,284,637</u>	<u>\$ 2,246,864</u>	<u>\$ 16,909,057</u>	<u>\$ 622,760</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, 2017

	Business-Type Activities				Governmental
	Enterprise Funds				Activities
	Water	Sewer	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Operating revenues					
Water sales	\$ 1,265,416	\$ -	\$ -	\$ 1,265,416	\$ -
Water sales - Seal Rock	384,428	-	-	384,428	-
Sewer charges	-	1,083,399	-	1,083,399	-
Fees and charges	20,563	-	-	20,563	616,416
Grants and contributions	563	-	-	563	-
Rents and leases	9,324	-	-	9,324	-
Total operating revenues	<u>1,680,294</u>	<u>1,083,399</u>	<u>-</u>	<u>2,763,693</u>	<u>616,416</u>
Operating expenses					
Cost of sales and services	702,372	354,150	-	1,056,522	563,083
Administration	2,196	2,957	-	5,153	-
Materials and supplies	-	-	88,574	88,574	-
Depreciation	<u>66,955</u>	<u>260,058</u>	<u>-</u>	<u>327,013</u>	<u>52,784</u>
Total operating expenses	<u>771,523</u>	<u>617,165</u>	<u>88,574</u>	<u>1,477,262</u>	<u>615,867</u>
Operating income (loss)	<u>908,771</u>	<u>466,234</u>	<u>(88,574)</u>	<u>1,286,431</u>	<u>549</u>
Nonoperating revenues (expenses)					
System development charges	-	-	39,417	39,417	-
Investment earnings	4,492	1,960	20,634	27,086	1,154
Miscellaneous	1,240	286	16	1,542	2,143
Interest expense	<u>(9,272)</u>	<u>-</u>	<u>(98,298)</u>	<u>(107,570)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(3,540)</u>	<u>2,246</u>	<u>(38,231)</u>	<u>(39,525)</u>	<u>3,297</u>
Income (loss) before contributions and transfers	905,231	468,480	(126,805)	1,246,906	3,846

(continued)

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

Lincoln County, Oregon

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

PROPRIETARY FUNDS

For the Year Ended June 30, 2017

(continued)

	Business-Type Activities				Governmental
	Enterprise Funds				Activities
	Water	Sewer	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Capital contributions	83,719	-	-	83,719	-
Sale of surplus property	-	-	-	-	6,000
Transfers in	5,440,941	2,173,095	679,684	8,293,720	65,000
Transfers out	<u>(1,124,417)</u>	<u>(682,763)</u>	<u>(169,055)</u>	<u>(1,976,235)</u>	<u>(58,935)</u>
Change in net position	5,305,474	1,958,812	383,824	7,648,110	15,911
Total net position - beginning, as restated	<u>4,072,082</u>	<u>3,325,825</u>	<u>1,863,040</u>	<u>9,260,947</u>	<u>606,849</u>
Total net position - ending	<u>\$ 9,377,556</u>	<u>\$ 5,284,637</u>	<u>\$ 2,246,864</u>	<u>\$ 16,909,057</u>	<u>\$ 622,760</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, 2017

	Business-Type Activities				Governmental
	Enterprise Funds				Activities
	Water	Sewer	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM					
OPERATING ACTIVITIES					
Receipts from customers	\$ 1,523,466	\$ 922,090	\$ -	\$ 2,445,556	\$ 569,481
Receipts from rentals	11,424	-	-	11,424	-
Other receipts	563	-	-	563	-
Payments to employees	(17,689)	(21,675)	-	(39,364)	(479,743)
Payments to suppliers	(466,505)	(120,233)	(86,688)	(860,088)	(79,240)
Net cash provided (used) by operating activities	1,051,259	780,182	(86,688)	1,744,753	10,498
CASH FLOWS FROM NONCAPITAL					
FINANCING ACTIVITIES					
Miscellaneous income	1,240	286	-	1,526	2,143
Net cash provided (used) by noncapital financing activities	1,240	286	-	1,526	2,143
CASH FLOWS FROM CAPITAL AND					
RELATED FINANCING ACTIVITIES					
System development charges	-	-	39,417	39,417	-
Transfers from other funds - capital purposes	-	-	679,684	679,684	-
Transfers to other funds - capital purposes	(1,124,417)	(682,763)	-	(1,807,180)	6,065
Payment to refunding bond escrow agent	(317,068)	-	-	(317,068)	-
Sale of surplus property	-	-	-	-	6,000
Principal paid on capital debt	-	-	(90,679)	(90,679)	-
Interest paid on capital debt	(9,272)	-	(98,298)	(107,570)	-
Purchase of capital assets	-	(70,259)	(69,861)	(140,120)	-
Net cash provided (used) by capital and related financing activities	(1,450,757)	(753,022)	460,263	(1,743,516)	12,065
CASH FLOWS FROM					
INVESTING ACTIVITIES					
Repayment of cash from other funds	-	-	-	-	-
Interest income	4,492	1,960	20,634	27,086	1,154
Net cash provided (used) by investing activities	4,492	1,960	20,634	27,086	1,154
Net increase (decrease) in cash and cash equivalents	(393,766)	29,406	394,209	29,849	25,860

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

(Continued)

CITY OF TOLEDO
Lincoln County, Oregon
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2017

(Continued)

(Continued)	Business-Type Activities				Governmental
	Enterprise Funds				Activities
	Water	Sewer	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Cash and cash equivalents - beginning (including \$458,719 and \$752,194 in water and nonmajor enterprise funds, respectively reported in restricted accounts,)	670,627	94,920	1,863,691	2,629,238	112,168
Cash and cash equivalents - ending (including \$867,352 in nonmajor enterprise funds reported in restricted accounts,)	\$ 276,861	\$ 124,326	\$ 2,257,900	\$ 2,659,087	\$ 138,028
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 908,771	\$ 466,234	\$ (88,574)	\$ 1,286,431	\$ 549
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	66,955	260,058	-	327,013	52,784
Capital contributions	-	-	-	-	(46,935)
(Increase) decrease in:					
Receivables	16,988	2,620	-	19,608	-
Inventories	1,029	(2,871)	-	(1,842)	-
Deferred outflows of resources	(163,929)	(163,929)	-	(327,858)	-
Increase (decrease) in:					
Accounts payable	8,068	4,489	1,886	14,443	641
Compensated absences	(1,745)	559	-	(1,186)	3,459
Customer deposits	2,100	-	-	2,100	-
Net pension liability	240,396	240,396	-	480,792	-
Deferred inflows of resources	(27,374)	(27,374)	-	(54,748)	-
Net cash provided (used) by operating activities	\$ 1,051,259	\$ 780,182	\$ (86,688)	\$ 1,744,753	\$ 10,498
Noncash investing, capital, and financing activities:					
Capital contributions	\$ 83,719	\$ -	\$ -	\$ 83,719	\$ -

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, 2017

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, 2017

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.

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.

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.

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

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.

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.

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, 2017

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, 2017

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, 2017

Budget amounts shown in the financial statements reflect the original budget amounts and one approved appropriation transfer.

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, 2017

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, 2017

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, 2017

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, 2017

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, 2017

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. 72, *Fair Value Measurement and Application*, investments with a remaining maturity of more than one year at the time of purchase are stated at fair value.

The District participates in an external investment pool (State of Oregon Local Government Investment Pool). The Pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The State's investment policies are governed by the Oregon Revised Statutes (ORS) and the Oregon Investment Council (OIC).

The State Treasurer is the investment officer for the OIC and is responsible for all funds in the State Treasury.

These funds are invested exercising reasonable care, skill, and caution. Investments in the Pool are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which established diversification percentages and specifies the types and maturities of investments. The

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

portion of the external investment pool which belongs to local government investment participants is reported in an Investment Trust Fund in the State's Comprehensive Annual Financial Report (CAFR). A copy of the State's CAFR may be obtained at the Oregon State Treasury, 350 Winter St. N.E., Salem, Oregon 97310-0840.

Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or price paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based on the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

- Level 1 – Unadjusted quoted prices for identical investments in active markets.
- Level 2 – Observable inputs other than quotes market prices; and,
- Level 3 – Unobservable inputs.

There were no transfers of assets or liabilities among the three levels of the fair value hierarchy for the year ended June 30, 2017.

Fair values of assets measured on a recurring basis at June 30, 2017 are as follows:

	<u>Level 2</u>
Investments	
Oregon Local Government Investment Pool	<u>\$ 7,258,817</u>

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.

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

Investments

As of June 30, 2017, the City had the following investments:

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

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, 2017 the City had deposits of \$250,000 insured by the FDIC, and \$32,516 collateralized under the PFCP.

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

Deposits

The City's deposits and investments at June 30, 2017 are as follows:

Cash on hand	\$ 300
Checking account	55,572
Checking account - court fines	16,295
Money market accounts	1,314,275
Total investments	<u>7,258,817</u>
Total deposits and investments	<u><u>\$ 8,645,259</u></u>

Cash and investments by fund:

Governmental activities - unrestricted	
General Fund	\$ 1,457,475
Street Fund	1,530,449
Nonmajor governmental funds	2,652,371
Internal service funds	<u>138,028</u>
Total governmental activities - unrestricted	<u>5,778,323</u>
Business-type activities - unrestricted	
Water Fund	276,861
Sewer Fund	124,326
Nonmajor enterprise funds	<u>1,804,045</u>
Total business-type activities - unrestricted	<u>2,205,232</u>
Total unrestricted cash and investments	<u>7,983,555</u>
Governmental activities - restricted	
General Fund	15,995
Debt Service Fund	25,857
Nonmajor governmental funds	<u>165,997</u>
Total governmental activities - restricted	<u>207,849</u>
Business-type activities - restricted	
Water Fund	-
Nonmajor enterprise funds	<u>453,855</u>
Total business-type activities - restricted	<u>453,855</u>
Total restricted cash and investments	<u>661,704</u>
Total cash and investments	<u><u>\$ 8,645,259</u></u>

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

B. Restricted Assets

Restricted assets are for debt service and system development.

Restricted assets

Governmental activities

Cash	\$ 207,849
Cash with agent	9,052
Accounts receivable	180
Property taxes receivable	<u>15,092</u>
Total governmental activities	<u>232,173</u>

Business-type activities

Cash	<u>453,855</u>
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C. Accounts Receivable

Receivables as of June 30, 2017 are as follows:

	Governmental Activities	Business-Type Activities	Total
Short-term receivables - unrestricted			
Franchise fees	\$ 64,454	\$ -	\$ 64,454
Court fines	15,995	-	15,995
Utilities	-	238,197	238,197
Other	<u>113,163</u>	<u>-</u>	<u>113,163</u>
Total short-term receivables - unrestricted	<u>193,612</u>	<u>238,197</u>	<u>431,809</u>
Long-term receivables			
Court fines	<u>484,196</u>	<u>-</u>	<u>484,196</u>
Total receivables	<u>\$ 677,808</u>	<u>\$ 238,197</u>	<u>\$ 916,005</u>

At June 30, 2017, management determined that no allowance for doubtful accounts was necessary.

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

D. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 726,070	\$ -	\$ -	\$ 726,070
Work in process	<u>65,361</u>	<u>16,812</u>	<u>(65,361)</u>	<u>16,812</u>
Total capital assets not being depreciated	<u>791,431</u>	<u>16,812</u>	<u>(65,361)</u>	<u>742,882</u>
Capital assets being depreciated				
Buildings and structures	3,698,847	-	(3,308)	3,695,539
Equipment and vehicles	3,155,538	78,599	(90,281)	3,143,856
Land improvements	2,006,856	-	-	2,006,856
Infrastructure	<u>5,012,483</u>	<u>440,447</u>	<u>(13,051)</u>	<u>5,439,879</u>
Total capital assets being depreciated	<u>13,873,724</u>	<u>519,046</u>	<u>(106,640)</u>	<u>14,286,130</u>
Less accumulated depreciation for				
Buildings and structures	(1,450,050)	(109,006)	3,308	(1,555,748)
Equipment and vehicles	(1,730,069)	(196,749)	90,281	(1,836,537)
Land improvements	(1,031,045)	(72,410)	-	(1,103,455)
Infrastructure	<u>(1,835,665)</u>	<u>(207,454)</u>	<u>13,051</u>	<u>(2,030,068)</u>
Total accumulated depreciation	<u>(6,046,829)</u>	<u>(585,619)</u>	<u>106,640</u>	<u>(6,525,808)</u>
Total capital assets being depreciated, net	<u>7,826,895</u>	<u>(66,573)</u>	<u>-</u>	<u>7,760,322</u>
Governmental activities capital assets, net	<u>\$ 8,618,326</u>	<u>\$ (49,761)</u>	<u>\$ (65,361)</u>	<u>\$ 8,503,204</u>

(Continued)

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

(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>7,935,465</u>	<u>73,784</u>	<u>(7,924,881)</u>	<u>84,368</u>
Total capital assets not being depreciated	<u>8,759,179</u>	<u>73,784</u>	<u>(7,924,881)</u>	<u>908,082</u>
Capital assets being depreciated				
Buildings and structures	4,859,266	-	-	4,859,266
Equipment and vehicles	821,969	52,189	-	874,158
Land improvements	88,978	-	-	88,978
Infrastructure	<u>12,930,338</u>	<u>7,961,003</u>	<u>-</u>	<u>20,891,341</u>
Total capital assets being depreciated	<u>18,700,551</u>	<u>8,013,192</u>	<u>-</u>	<u>26,713,743</u>
Less accumulated depreciation for				
Buildings and structures	(4,497,163)	(23,660)	-	(4,520,823)
Equipment and vehicles	(474,021)	(41,305)	-	(515,326)
Land improvements	(38,252)	(3,164)	-	(41,416)
Infrastructure	<u>(7,760,261)</u>	<u>(258,884)</u>	<u>-</u>	<u>(8,019,145)</u>
Total accumulated depreciation	<u>(12,769,697)</u>	<u>(327,013)</u>	<u>-</u>	<u>(13,096,710)</u>
Total capital assets being depreciated, net	<u>5,930,854</u>	<u>7,686,179</u>	<u>-</u>	<u>13,617,033</u>
Business-type activities capital assets, net	<u>\$ 14,690,033</u>	<u>\$ 7,759,963</u>	<u>\$ (7,924,881)</u>	<u>\$ 14,525,115</u>

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

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	16,812	-	16,812
Buildings and structures	3,695,539	(1,555,748)	2,139,791
Equipment and vehicles	3,143,856	(1,836,537)	1,307,319
Land improvements	2,006,856	(1,103,455)	903,401
Infrastructure	<u>5,439,879</u>	<u>(2,030,068)</u>	<u>3,409,811</u>
Total governmental activities capital assets	<u>15,029,012</u>	<u>(6,525,808)</u>	<u>8,503,204</u>
Business-type activities			
Land	823,714	-	823,714
Work in process	84,368	-	84,368
Buildings and structures	4,859,266	(4,520,823)	338,443
Equipment and vehicles	874,158	(515,326)	358,832
Land improvements	88,978	(41,416)	47,562
Infrastructure	<u>20,891,341</u>	<u>(8,019,145)</u>	<u>12,872,196</u>
Total business-type activities capital assets	<u>27,621,825</u>	<u>(13,096,710)</u>	<u>14,525,115</u>
Total capital assets	<u><u>\$ 42,650,837</u></u>	<u><u>\$ (19,622,518)</u></u>	<u><u>\$ 23,028,319</u></u>

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

Governmental activities	
General government	\$ 108,021
Public safety	197,579
Highways and streets	246,495
Culture and recreation	<u>33,524</u>
Total governmental activities	<u><u>\$ 585,619</u></u>
Business-type activities	
Water	\$ 66,955
Sewer	<u>260,058</u>
Total business-type activities	<u><u>\$ 327,013</u></u>

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

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:				
	General Fund	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Internal Service Funds	Total
Transfers out:					
Governmental activities					
General Fund	\$ -	\$ 284,500	\$ -	\$ -	\$ 284,500
Street Fund	83,500	30,000	-	145,745	259,245
Nonmajor governmental funds	-	12,000	-	-	12,000
Total governmental activities	83,500	326,500	-	145,745	555,745
Business-type activities					
Water Fund	255,500	6,900	347,580	300,577	910,557
Sewer Fund	160,500	2,000	332,104	188,159	682,763
Total business-type activities	416,000	8,900	679,684	488,736	1,593,320
Total	\$ 499,500	\$ 335,400	\$ 679,684	\$ 634,481	\$ 2,149,065

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	\$ 195,489	\$ 20,471	\$ -	\$ 215,960
Business-type activities				
Compensated absences	\$ 25,158	\$ -	\$ (1,186)	\$ 23,972

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

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

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	\$ 1,235,000	\$ -	\$ (1,235,000)	\$ -	\$ -
Full Faith and Credit Refunding Bonds, Series 2016	3.00- 4.00%	6,620,000	-	6,620,000	(150,000)	\$ 6,470,000	320,000
General Obligation Refunding Bonds, Series 2016	2.00- 4.00%	1,170,000	-	1,170,000	(115,000)	\$ 1,055,000	135,000
Premium - Refunding Bonds, Series 2016	-	<u>\$ 984,286</u>	<u>\$ -</u>	<u>\$ 984,286</u>	<u>\$ (20,848)</u>	<u>\$ 963,438</u>	<u>\$ -</u>
Total governmental activities		<u>\$ 10,784,286</u>	<u>\$ 1,235,000</u>	<u>\$ 8,774,286</u>	<u>\$ (1,520,848)</u>	<u>\$ 8,488,438</u>	<u>\$ 455,000</u>
Business-type activities							
Revenue Installment Bonds							
Sewer Bond #1	5%	\$ 2,323,600	\$ 1,908,428	\$ -	\$ (1,908,428)	\$ -	\$ -
Sewer Bond #2	4.75%	176,400	143,513	-	(143,513)	-	-
LOCAP Series 2012A	4.30%	6,500,000	5,795,000	-	(5,795,000)	-	-
Discount - LOCAP Series 2012A	-	(66,850)	(59,345)	-	59,345	-	-
DEQ loan payable	1.09%	<u>190,000</u>	<u>86,022</u>	<u>-</u>	<u>(42,778)</u>	<u>43,244</u>	<u>43,244</u>
Total business-type activities		<u>\$ 9,123,150</u>	<u>\$ 7,873,618</u>	<u>\$ -</u>	<u>\$ (7,830,374)</u>	<u>\$ 43,244</u>	<u>\$ 43,244</u>

2. Interest Expense

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

Governmental activities	
Interest on long-term debt	<u>\$ 192,897</u>
Business-type activities	
Water	9,272
Sewer	<u>98,298</u>
Total business-type activities	<u>\$ 107,570</u>

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

3. Advance Refunding

On October 20, 2016, The City issued \$6,620,000 of full faith and credit refunding bonds and \$1,170,000 of general obligation refunding bonds with interest rates of 2% to 4% and annual maturities from April 2017 through June 2024.

The net proceeds of \$8,774,286 (after issuance costs of \$108,990, plus premium of \$984,286) were used to refund various serial bonds with a total principal amount of \$9,081,941 and interest rates of 4.25% to 5%. The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refundable bonds are considered to be defeased, and the related liability for the bonds has been removed from the City's liabilities.

The advance refunding was done in order to reduce debt payments in the long-term. The refunding decreased the City's total debt service payments by approximately \$1.3 million. The transaction resulted in an economic gain (difference between present value of the debt services payments on the old and new debt) of \$155,507.

4. 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.

5. Governmental Activity - Full Faith and Credit Refunding Bonds and General Obligation Refunding Bonds Series 2016

Full faith and credit bonds and 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. As noted above, the City's outstanding full faith and credit bonds and general obligation bonds represent funding primarily for the defeasance of various serial bonds. Interest is fixed and ranges between 2% and 4%. Interest rates increase in accordance with original bond documents. Interest is due semiannually on April 1 and October 1 for the full faith and credit bonds and June 1 and December 1 for the general obligation bonds. Principal is due annually on April 1 and June 1 for the full faith and credit and general obligation bonds, respectively. The Debt Service Fund has traditionally been used to liquidate long-term debt related to the full faith and credit and general obligation bonds.

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

On October 20, 2016, The city issued full faith and credit bonds and general obligation bonds of \$6,620,000 (par value) and \$1,170,000, respectively, with interest rates of 2% to 4% to advance refund the City's general obligation bonds series 2005 and its sewer revenue installment bonds #1 and #2 and LOCAP series 2012A bonds. The Debt Service Fund has traditionally been used to liquidate long-term debt related to the full faith and credit and general obligation bonds.

As a result of the refunding, the City reduced its total debt service requirements by \$178,582, which resulted in an economic gain (difference between present value of the debt services payments on the old and new debt) of \$155,507.

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

Year Ending June 30	Bonds		
	Principal	Interest	Total
2018	\$ 455,000	\$ 279,904	\$ 734,904
2019	465,000	266,800	731,800
2020	485,000	252,850	737,850
2021	500,000	238,300	738,300
2022	515,000	224,800	739,800
2023-2027	2,365,000	818,200	3,183,200
2028-2032	2,465,000	358,800	2,823,800
2033	275,000	11,000	286,000
	<u>\$ 7,525,000</u>	<u>\$ 2,450,654</u>	<u>\$ 9,975,654</u>

7. 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.

8. 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

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

\$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.

9. 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.

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

Year Ending June 30	DEQ Clean Water Loan		
	Principal	Interest	Total
2018	\$ 43,244	\$ 354	\$ 43,598

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

H. Constraints on Fund Balances

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

	General Fund	Street Fund	Debt Service Fund	Water Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund balances:						
Restricted for:						
Bond projects	\$ -	\$ -	\$ -	\$ 168,606	\$ -	\$ 168,606
Debt service	-	-	36,490	-	-	36,490
Street maintenance & improvements	-	1,591,312	-	-	-	1,591,312
Disaster preparedness	-	-	-	-	10,175	10,175
Grant projects	-	-	-	-	96,408	96,408
Housing rehabilitation loans	-	-	-	-	57,520	57,520
Footpaths & bicycle trails	-	-	-	-	17,701	17,701
Committed for:						
Arcadia park	-	-	-	-	25,359	25,359
City hall repairs and equipment	-	-	-	-	218,356	218,356
Dog park	-	-	-	-	3,884	3,884
Fire building fund and equipment	-	-	-	-	328,152	328,152
Footpaths	-	-	-	-	3,037	3,037
Library building & equipment	-	-	-	-	59,094	59,094
Memorial field	-	-	-	-	26,331	26,331
Parks improvement and equipment	-	-	-	-	47,348	47,348
Property maintenance building	-	-	-	-	241,902	241,902
Property maintenance equipment	-	-	-	-	47,058	47,058
Planning department computers	-	-	-	-	2,182	2,182
Police building	-	-	-	-	46,608	46,608
Police vehicles	-	-	-	-	72,172	72,172
Pool building and equipment	-	-	-	-	139,631	139,631
Retirement costs	-	-	-	-	613,903	613,903
Insurance costs	-	-	-	-	119,192	119,192
Revenue stabilization	-	-	-	-	170,325	170,325
Assigned to:						
Operating projects	-	-	-	-	4,041	4,041
City Council directed projects	-	-	-	-	45,239	45,239
Landfill closure costs	-	-	-	-	177,266	177,266
911 system costs	-	-	-	-	66,175	66,175
Library costs	-	-	-	-	16,218	16,218
Street improvements	-	-	-	-	167,338	167,338
Unassigned	<u>1,554,875</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,554,875</u>
Total fund balances	<u>\$ 1,554,875</u>	<u>\$ 1,591,312</u>	<u>\$ 36,490</u>	<u>\$ 168,606</u>	<u>\$ 2,822,615</u>	<u>\$ 6,173,898</u>

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

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, 2017

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 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, 2017

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, 2017

Employer contributions for the year ended June 30, 2017 were \$236,071.

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, 2014
Measurement date	June 30, 2016
Experience Study	2014, published September 2015
Equivalent Single Amortization Period	20 years
<i>Actuarial Assumptions:</i>	
Inflation Rate	2.50 percent (reduced from 2.75%)
Long-term expected rate of return*	7.50 percent (reduced from 7.75%)
Discount rate	7.50 percent (reduced from 7.75%)
Projected salary increase	3.50 percent (reduced from 3.75%)

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

Cost of living adjustment (COLA)	Blend of 2.00% COLA and graded COLA (1.25% / .15%) in accordance with <i>Moro</i> decision; blend based on service.
Mortality	<p>Healthy retirees and beneficiaries: RP-2000 sex-distinct, generational per Scale BB, 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 (70% for males, 95% for females) of the RP-2000 sex-distinct, generational per Scale BB disabled mortality table.</p>

*At its September 25, 2015 meeting, the PERS Board reduced the assumed rate of return on investments from 7.75 percent to 7.50 percent.

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. The methods and assumptions shown above are based on the 2014 Experience Study, which reviewed experience for the four-year period ended on December 31, 2014.

Discount Rate

The discount rate used to measure the total pension liability of the Plan was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the 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.

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

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

At June 30, 2017, the City reported a liability of \$2,624,927 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 June 30, 2016 the City's proportion was 0.01748515%.

For the year ended June 30, 2017, the City recognized pension expense of \$430,547. At June 30, 2017, 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	\$ 86,844	\$ -
Changes of assumptions	559,834	-
Net difference between projected and actual earnings on investments	518,575	-
Changes in proportionate share	12,189	17,239
Differences between employer contributions and employer's proportionate share of system contributions	-	134,784
Total (prior to post-MD contributions)	1,177,442	152,023
Contributions subsequent to the MD	101,689	-
Total (subsequent to post-MD contributions)	\$ 1,279,131	\$ 152,023
Net Deferred Outflows/(Inflows) of Resources		\$ 1,127,108

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, 2018. 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:

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

Year ended June 30:	Deferred Outflow/(Inflow) of Resources (prior to post- measurement date contributions)
2018	\$ 169,903
2019	169,903
2020	365,234
2021	282,439
2022	37,940
Total	<u>\$ 1,025,419</u>

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 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

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

1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
\$ 4,238,382	\$ 2,624,927	\$ 1,276,361

Plan Changes Reflected

We are not aware of any changes subsequent to the June 30, 2016 Measurement Date.

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.

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

D. Subsequent Events

Management has evaluated subsequent events through August 15, 2018, 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>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.01748515%	0.01780836%	0.01688662%
City's proportionate share of the net pension liability (asset)	\$ 2,624,927	\$ 1,022,288	\$ (382,772)
City's covered-employee payroll	\$ 2,039,644	\$ 2,105,514	\$ 2,164,788
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	129%	49%	-18%
Plan fiduciary net position as a percentage of the total pension liability (asset) from audited schedules	80.53%	91.88%	103.59%

Schedule of City Contributions

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 236,071	\$ 115,370	\$ 106,343
Contributions in relation to the contractually required contribution	<u>(236,071)</u>	<u>(115,370)</u>	<u>(106,343)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 2,329,378	\$ 2,277,517	\$ 2,164,788
Contributions as a percentage of covered-employee payroll	10%	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, 2017

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Budget Basis	Actual Adjustments	GAAP Basis
REVENUES						
Taxes						
Property	\$ 1,725,000	\$ 1,725,000	\$ 65,004	\$ 1,790,004	\$ -	\$ 1,790,004
Franchise	822,000	822,000	101,095	923,095	-	923,095
Alcohol	51,800	51,800	(3,302)	48,498	-	48,498
Cigarette	4,150	4,150	285	4,435	-	4,435
Licenses, permits, and fees	134,950	134,950	2,254	137,204	-	137,204
Grants and contributions	10,000	10,000	(8,939)	1,061	-	1,061
Charges for services - recreational fees	135,135	135,135	(14,850)	120,285	-	120,285
Intergovernmental charges	167,500	167,500	17,895	185,395	-	185,395
State revenue sharing	45,000	45,000	110	45,110	-	45,110
Fines	50,000	50,000	38,563	88,563	-	88,563
Investment earnings	6,000	6,000	10,226	16,226	-	16,226
Rents and leases	9,600	9,600	-	9,600	-	9,600
Miscellaneous	11,000	11,000	19,629	30,629	-	30,629
Total revenues	<u>3,172,135</u>	<u>3,172,135</u>	<u>227,970</u>	<u>3,400,105</u>	<u>-</u>	<u>3,400,105</u>
EXPENDITURES						
Current						
General government	661,065	661,065	(24,845)	636,220	-	636,220
Police	1,322,760	1,322,760	(67,004)	1,255,756	(16,500)	1,239,256
Fire	544,150	626,150	(20,628)	605,522	(90,000)	515,522
Property maintenance	461,390	461,390	(50,902)	410,488	(146,000)	264,488
Recreation	192,445	192,445	(33,283)	159,162	-	159,162
Library	261,650	261,650	(9,529)	252,121	-	252,121
Municipal court	15,135	15,135	(1,158)	13,977	-	13,977
General services	396,500	396,500	(38,255)	358,245	(32,000)	326,245
Contingency	282,000	200,000	(200,000)	-	-	-
Total expenditures	<u>4,137,095</u>	<u>4,137,095</u>	<u>(445,604)</u>	<u>3,691,491</u>	<u>(284,500)</u>	<u>3,406,991</u>
Excess (deficiency) of revenues over (under) expenditures	(964,960)	(964,960)	673,574	(291,386)	(284,500)	(6,886)
OTHER FINANCING SOURCES (USES)						
Transfers in	499,500	499,500	-	499,500	-	499,500
Transfers out	-	-	-	-	284,500	(284,500)
Total other financing sources (uses)	<u>499,500</u>	<u>499,500</u>	<u>-</u>	<u>499,500</u>	<u>284,500</u>	<u>215,000</u>
Net change in fund balance	(465,460)	(465,460)	673,574	208,114	-	208,114
Fund balance - beginning	<u>1,185,301</u>	<u>1,185,301</u>	<u>161,460</u>	<u>1,346,761</u>	<u>-</u>	<u>1,346,761</u>
Fund balance - ending	<u>\$ 719,841</u>	<u>\$ 719,841</u>	<u>\$ 835,034</u>	<u>\$ 1,554,875</u>	<u>\$ -</u>	<u>\$ 1,554,875</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, 2017

	Original and Final Budget	Variance with Final Budget Over (Under)	Budget Basis	Actual Adjustments	GAAP Basis
REVENUES					
Taxes					
Franchise	\$ 547,385	\$ 68,014	\$ 615,399	\$ -	\$ 615,399
Motor fuel	198,000	8,695	206,695	-	206,695
Licenses, permits, and fees	102,200	738	102,938	-	102,938
Grants	50,000	(50,000)	-	-	-
Investment earnings	4,000	10,795	14,795	-	14,795
Miscellaneous	500	7,580	8,080	-	8,080
	<u>902,085</u>	<u>45,822</u>	<u>947,907</u>	<u>-</u>	<u>947,907</u>
EXPENDITURES					
Current					
Materials and services	147,435	(5,622)	141,813	-	141,813
Capital outlay	1,581,085	(1,217,901)	363,184	-	363,184
Contingency	125,000	(125,000)	-	-	-
	<u>1,853,520</u>	<u>(1,348,523)</u>	<u>504,997</u>	<u>-</u>	<u>504,997</u>
Excess (deficiency) of revenues over (under) expenditures	(951,435)	1,394,345	442,910	-	442,910
OTHER FINANCING SOURCES (USES)					
Transfers out	(315,855)	(56,610)	(259,245)	-	(259,245)
Net change in fund balance	(1,267,290)	1,450,955	183,665	-	183,665
Fund balance - beginning	1,267,290	140,357	1,407,647	-	1,407,647
Fund balance - ending	<u>\$ -</u>	<u>\$ 1,591,312</u>	<u>\$ 1,591,312</u>	<u>\$ -</u>	<u>\$ 1,591,312</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, 2017

	Special Revenue Funds					
	Forfeiture Revenue	Grant	Stabilization	City Council Strategic Reserve	Revolving Loan	Solid Waste
ASSETS						
Cash and cash equivalents	\$ 4,041	\$ 90,956	\$ 903,995	\$ 45,239	\$ 57,520	\$ 177,919
Accounts receivable	-	5,452	-	-	-	-
Notes receivable	-	-	-	-	208,451	-
Total assets	<u>\$ 4,041</u>	<u>\$ 96,408</u>	<u>\$ 903,995</u>	<u>\$ 45,239</u>	<u>\$ 265,971</u>	<u>\$ 177,919</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ 574	\$ -	\$ -	\$ 653
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue						
Notes receivable	-	-	-	-	208,451	-
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 208,451</u>	<u>\$ -</u>
FUND BALANCES						
Restricted	-	96,408	-	-	57,520	-
Committed	-	-	903,421	-	-	-
Assigned	4,041	-	-	45,239	-	177,266
Total fund balances	<u>4,041</u>	<u>96,408</u>	<u>903,421</u>	<u>45,239</u>	<u>57,520</u>	<u>177,266</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,041</u>	<u>\$ 96,408</u>	<u>\$ 903,995</u>	<u>\$ 45,239</u>	<u>\$ 265,971</u>	<u>\$ 177,919</u>

Special Revenue Funds						Total Nonmajor Governmental Funds
911 System	General Reserve	Library Reserve	Footpaths and Bicycle Trail	Street Reserve	Building & Property Reserve	
\$ 66,175	\$ 501,188	\$ 16,376	\$ 17,521	\$ 167,338	\$ 770,100	\$ 2,818,368
-	-	9	180	-	-	5,641
-	-	-	-	-	-	208,451
<u>\$ 66,175</u>	<u>\$ 501,188</u>	<u>\$ 16,385</u>	<u>\$ 17,701</u>	<u>\$ 167,338</u>	<u>\$ 770,100</u>	<u>\$ 3,032,460</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 167</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,394</u>
-	-	-	-	-	-	208,451
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 208,451</u>
-	10,175	-	17,701	-	-	181,804
-	491,013	-	-	-	770,100	2,164,534
<u>66,175</u>	<u>-</u>	<u>16,218</u>	<u>-</u>	<u>167,338</u>	<u>-</u>	<u>476,277</u>
<u>66,175</u>	<u>501,188</u>	<u>16,218</u>	<u>17,701</u>	<u>167,338</u>	<u>770,100</u>	<u>2,822,615</u>
<u>\$ 66,175</u>	<u>\$ 501,188</u>	<u>\$ 16,385</u>	<u>\$ 17,701</u>	<u>\$ 167,338</u>	<u>\$ 770,100</u>	<u>\$ 3,032,460</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, 2017

	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	-	-	-	-	-	7,423
Grants and contributions	-	26,794	-	-	-	-
Investment earnings	43	1,219	9,441	468	613	1,901
Miscellaneous	95	-	24,794	8,936	2,979	-
	<u>138</u>	<u>28,013</u>	<u>34,235</u>	<u>9,404</u>	<u>3,592</u>	<u>9,324</u>
Total revenues						
EXPENDITURES						
Current						
General Government	-	19,120	12,919	-	-	4,815
Public safety	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Capital outlay	-	41,530	-	-	-	-
	<u>-</u>	<u>60,650</u>	<u>12,919</u>	<u>-</u>	<u>-</u>	<u>4,815</u>
Total expenditures						
Excess (deficiency) of revenues over (under) expenditures	<u>138</u>	<u>(32,637)</u>	<u>21,316</u>	<u>9,404</u>	<u>3,592</u>	<u>4,509</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	44,900	-	-	-
	<u>-</u>	<u>-</u>	<u>44,900</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	138	(32,637)	66,216	9,404	3,592	4,509
Fund balances - beginning	<u>3,903</u>	<u>129,045</u>	<u>837,205</u>	<u>35,835</u>	<u>53,928</u>	<u>172,757</u>
Fund balances - ending	<u>\$ 4,041</u>	<u>\$ 96,408</u>	<u>\$ 903,421</u>	<u>\$ 45,239</u>	<u>\$ 57,520</u>	<u>\$ 177,266</u>

Special Revenue Funds						Total Nonmajor Governmental Funds
911 System	General Reserve	Library Reserve	Footpaths and Bicycle Trail	Street Reserve	Building & Property Reserve	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	2,088	-	-	2,088
13,120	-	-	-	-	-	13,120
-	-	-	-	-	-	7,423
-	-	6,680	-	-	-	33,474
648	4,772	198	177	1,631	7,661	28,772
-	1,000	-	-	-	-	37,804
<u>13,768</u>	<u>5,772</u>	<u>6,878</u>	<u>2,265</u>	<u>1,631</u>	<u>7,661</u>	<u>122,681</u>
1,687	-	-	-	-	10,000	48,541
-	-	-	-	-	500	500
-	-	6,647	-	-	14	6,661
<u>1,148</u>	<u>17,582</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,260</u>
<u>2,835</u>	<u>17,582</u>	<u>6,647</u>	<u>-</u>	<u>-</u>	<u>10,514</u>	<u>115,962</u>
<u>10,933</u>	<u>(11,810)</u>	<u>231</u>	<u>2,265</u>	<u>1,631</u>	<u>(2,853)</u>	<u>6,719</u>
-	132,500	-	-	30,000	128,000	335,400
10,933	120,690	231	2,265	31,631	125,147	342,119
<u>55,242</u>	<u>380,498</u>	<u>15,987</u>	<u>15,436</u>	<u>135,707</u>	<u>644,953</u>	<u>2,480,496</u>
<u>\$ 66,175</u>	<u>\$ 501,188</u>	<u>\$ 16,218</u>	<u>\$ 17,701</u>	<u>\$ 167,338</u>	<u>\$ 770,100</u>	<u>\$ 2,822,615</u>

CITY OF TOLEDO
Lincoln County, Oregon

COMBINING STATEMENT OF NET POSITION

NONMAJOR ENTERPRISE FUNDS

June 30, 2017

	Water Reserve Fund	System Development Fund	Sewer Reserve Fund	Total Nonmajor Enterprise Funds
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,390,548	\$ -	\$ -	\$ 1,390,548
Restricted assets				
Cash and cash equivalents	<u>-</u>	<u>453,855</u>	<u>413,497</u>	<u>867,352</u>
Total assets	<u>\$ 1,390,548</u>	<u>\$ 453,855</u>	<u>\$ 413,497</u>	<u>\$ 2,257,900</u>
LIABILITIES				
Accounts payable	<u>2,536</u>	<u>-</u>	<u>8,500</u>	<u>11,036</u>
NET POSITION				
Restricted for:				
Debt service	-	-	84,789	84,789
System improvement	-	-	320,208	320,208
System development	-	453,855	-	453,855
Unrestricted	<u>1,388,012</u>	<u>-</u>	<u>-</u>	<u>1,388,012</u>
Total net position	<u>\$ 1,388,012</u>	<u>\$ 453,855</u>	<u>\$ 404,997</u>	<u>\$ 2,246,864</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, 2017

	Water Reserve Fund	System Development Fund	Sewer Reserve Fund	Total Nonmajor Enterprise Funds
Operating revenues	\$ -	\$ -	\$ -	\$ -
Operating expenses				
Materials and supplies	<u>83,127</u>	<u>-</u>	<u>5,447</u>	<u>88,574</u>
Operating income (loss)	<u>(83,127)</u>	<u>-</u>	<u>(5,447)</u>	<u>(88,574)</u>
Nonoperating revenues (expenses)				
System development charges	-	39,417	-	39,417
Investment earnings	12,712	4,684	3,238	20,634
Miscellaneous	-	1	15	16
Interest expense	<u>-</u>	<u>-</u>	<u>(98,298)</u>	<u>(98,298)</u>
Total nonoperating revenues (expenses)	<u>12,712</u>	<u>44,102</u>	<u>(95,045)</u>	<u>(38,231)</u>
Income (loss) before transfers	(70,415)	44,102	(100,492)	(126,805)
Transfers in	347,580	-	332,104	679,684
Transfers out	<u>-</u>	<u>-</u>	<u>(169,055)</u>	<u>(169,055)</u>
Change in net position	277,165	44,102	62,557	383,824
Total net position - beginning	<u>1,110,847</u>	<u>409,753</u>	<u>342,440</u>	<u>1,863,040</u>
Total net position - ending	<u><u>\$ 1,388,012</u></u>	<u><u>\$ 453,855</u></u>	<u><u>\$ 404,997</u></u>	<u><u>\$ 2,246,864</u></u>

CITY OF TOLEDO
Lincoln County, Oregon
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2017

	Water Reserve Fund	System Development Fund	Sewer Reserve Fund	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash payments to suppliers	\$ (81,241)	\$ -	\$ (5,447)	\$ (86,688)
Net cash provided (used) by operating activities	<u>(81,241)</u>	<u>-</u>	<u>(5,447)</u>	<u>(86,688)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
System development charges	-	39,417	-	39,417
Transfers from other funds for capital purposes	347,580	-	332,104	679,684
Purchase of capital assets	-	-	(69,861)	(69,861)
Principal paid on capital debt	-	-	(90,679)	(90,679)
Interest paid on capital debt	<u>-</u>	<u>-</u>	<u>(98,298)</u>	<u>(98,298)</u>
Net cash provided (used) by capital and related financing activities	<u>347,580</u>	<u>39,417</u>	<u>73,266</u>	<u>460,263</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Repayment of cash from other funds	-	-	-	-
Interest income	<u>12,712</u>	<u>4,684</u>	<u>3,238</u>	<u>20,634</u>
Net cash provided (used) by investing activities	<u>12,712</u>	<u>4,684</u>	<u>3,238</u>	<u>20,634</u>
Net increase (decrease) in cash and cash equivalents	279,051	44,101	71,057	394,209
Cash and cash equivalents - beginning (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>
Cash and cash equivalents - ending (including \$453,855, and \$413,497, System Development and Sewer Reserve Funds, respectively, reported in restricted accounts)	<u>\$ 1,390,548</u>	<u>\$ 453,855</u>	<u>\$ 413,497</u>	<u>\$ 2,257,900</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (83,127)	\$ -	\$ (5,447)	\$ (88,574)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Increase (decrease) in accounts payable	<u>1,886</u>	<u>-</u>	<u>-</u>	<u>1,886</u>
Net cash provided (used) by operating activities	<u>\$ (81,241)</u>	<u>\$ -</u>	<u>\$ (5,447)</u>	<u>\$ (86,688)</u>
Noncash investing, capital, and financing activities:				
Transfer of capital assets	\$ -	\$ -	\$ (69,861)	\$ (69,861)

CITY OF TOLEDO
Lincoln County, Oregon

COMBINING STATEMENT OF NET POSITION

INTERNAL SERVICE FUNDS

June 30, 2017

	Public Works Fund	Public Works Equipment Reserve Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 3,876	\$ 134,152	\$ 138,028
Capital assets being depreciated, net	<u>508,825</u>	<u>-</u>	<u>508,825</u>
Total assets	<u>512,701</u>	<u>134,152</u>	<u>646,853</u>
LIABILITIES			
Current liabilities			
Accounts payable	3,876	-	3,876
Compensated absences	<u>20,217</u>	<u>-</u>	<u>20,217</u>
Total current liabilities	<u>24,093</u>	<u>-</u>	<u>24,093</u>
NET POSITION			
Net investment in capital assets	508,825	-	508,825
Unrestricted	<u>(20,217)</u>	<u>134,152</u>	<u>113,935</u>
Total net position	<u>\$ 488,608</u>	<u>\$ 134,152</u>	<u>\$ 622,760</u>

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, 2017

	Public Works Fund	Public Works Equipment Reserve Fund	Total
Operating revenues			
Fees and charges	\$ 616,416	\$ -	\$ 616,416
Operating expenses			
Cost of sales and services	563,083	-	563,083
Depreciation	52,784	-	52,784
Total operating expenses	615,867	-	615,867
Operating income (loss)	549	-	549
Nonoperating revenues (expenses)			
Investment earnings	-	1,154	1,154
Miscellaneous	2,143	-	2,143
Total nonoperating revenues (expenses)	2,143	1,154	3,297
Income (loss) before contributions and transfers	2,692	1,154	3,846
Sale of surplus property	-	6,000	6,000
Transfers in	-	65,000	65,000
Transfers out	(12,000)	(46,935)	(58,935)
Change in net position	(9,308)	25,219	15,911
Total net position - beginning	497,916	108,933	606,849
Total net position - ending	\$ 488,608	\$ 134,152	\$ 622,760

CITY OF TOLEDO
Lincoln County, Oregon

COMBINING STATEMENT OF CASH FLOWS

INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2017

	Public Works Fund	Public Works Equipment Reserve Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Charges to other funds	\$ 569,481	\$ -	\$ 569,481
Cash payments to employees	(479,743)	-	(479,743)
Cash payments to suppliers	(79,240)	-	(79,240)
Net cash provided (used) by operating activities	10,498	-	10,498
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Miscellaneous income	2,143	-	2,143
Net cash provided (used) by noncapital financing activities	2,143	-	2,143
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Transfers (to) from other funds for capital related purchases	(12,000)	18,065	6,065
Sale of surplus proeprty	-	6,000	6,000
Net cash provided (used) by capital and related financing activities	(12,000)	24,065	12,065
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	-	1,154	1,154
Net cash provided (used) by investing activities	-	1,154	1,154
Net increase (decrease) in cash and cash equivalents	641	25,219	25,860
Cash and cash equivalents - beginning	3,235	108,933	112,168
Cash and cash equivalents - ending	<u>\$ 3,876</u>	<u>\$ 134,152</u>	<u>\$ 138,028</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 549	\$ -	\$ 549
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	52,784	-	52,784
Capital contributions	(46,935)	-	(46,935)
Increase (decrease) in:			
Accounts payable	641	-	641
Compensated absences	3,459	-	3,459
Net cash provided (used) by operating activities	<u>\$ 10,498</u>	<u>\$ -</u>	<u>\$ 10,498</u>

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, 2017

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Investment earnings	\$ 20	\$ 23	\$ 43	\$ -	\$ 43
Miscellaneous	<u>1,000</u>	<u>(905)</u>	<u>95</u>	<u>-</u>	<u>95</u>
Total revenues	<u>1,020</u>	<u>(882)</u>	<u>138</u>	<u>-</u>	<u>138</u>
EXPENDITURES					
Current					
Materials and services	<u>4,840</u>	<u>(4,840)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(3,820)	3,958	138	-	138
Fund balance - beginning	<u>3,820</u>	<u>83</u>	<u>3,903</u>	<u>-</u>	<u>3,903</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 4,041</u>	<u>\$ 4,041</u>	<u>\$ -</u>	<u>\$ 4,041</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, 2017

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Grants	\$ 118,200	\$ (91,406)	\$ 26,794	\$ -	\$ 26,794
Investment earnings	<u>600</u>	<u>619</u>	<u>1,219</u>	<u>-</u>	<u>1,219</u>
Total revenues	<u>118,800</u>	<u>(90,787)</u>	<u>28,013</u>	<u>-</u>	<u>28,013</u>
EXPENDITURES					
Current					
Materials and services	95,000	(75,880)	19,120	-	19,120
Capital outlay	<u>138,000</u>	<u>(96,470)</u>	<u>41,530</u>	<u>-</u>	<u>41,530</u>
Total expenditures	<u>233,000</u>	<u>(172,350)</u>	<u>60,650</u>	<u>-</u>	<u>60,650</u>
Excess (deficiency) of revenues over (under) expenditures	(114,200)	81,563	(32,637)	-	(32,637)
Fund balance - beginning	<u>114,200</u>	<u>14,845</u>	<u>129,045</u>	<u>-</u>	<u>129,045</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 96,408</u>	<u>\$ 96,408</u>	<u>\$ -</u>	<u>\$ 96,408</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, 2017

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Investment earnings	\$ 5,000	\$ 4,441	\$ 9,441	\$ -	\$ 9,441
Miscellaneous	<u>-</u>	<u>24,794</u>	<u>24,794</u>	<u>-</u>	<u>24,794</u>
Total revenues	<u>5,000</u>	<u>29,235</u>	<u>34,235</u>	<u>-</u>	<u>34,235</u>
EXPENDITURES					
Current					
Personnel services	607,000	(607,000)	-	-	-
Materials and services	<u>281,400</u>	<u>(268,481)</u>	<u>12,919</u>	<u>-</u>	<u>12,919</u>
Total expenditures	<u>888,400</u>	<u>(875,481)</u>	<u>12,919</u>	<u>-</u>	<u>12,919</u>
Excess (deficiency) of revenues over (under) expenditures	(883,400)	904,716	21,316	-	21,316
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>44,900</u>	<u>-</u>	<u>44,900</u>	<u>-</u>	<u>44,900</u>
Net change in fund balance	(838,500)	904,716	66,216	-	66,216
Fund balance - beginning, as restated	<u>838,500</u>	<u>(1,295)</u>	<u>837,205</u>	<u>-</u>	<u>837,205</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 903,421</u>	<u>\$ 903,421</u>	<u>\$ -</u>	<u>\$ 903,421</u>

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, 2017

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Investment income	\$ 200	\$ 268	\$ 468	\$ -	\$ 468
Miscellaneous	<u>10,000</u>	<u>(1,064)</u>	<u>8,936</u>	<u>-</u>	<u>8,936</u>
Total revenues	<u>10,200</u>	<u>(796)</u>	<u>9,404</u>	<u>-</u>	<u>9,404</u>
EXPENDITURES					
Current					
Materials and services	10,000	(10,000)	-	-	-
Capital outlay	<u>35,980</u>	<u>(35,980)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>45,980</u>	<u>(45,980)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(35,780)	45,184	9,404	-	9,404
Fund balance - beginning	<u>35,780</u>	<u>55</u>	<u>35,835</u>	<u>-</u>	<u>35,835</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 45,239</u>	<u>\$ 45,239</u>	<u>\$ -</u>	<u>\$ 45,239</u>

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, 2017

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Investment earnings	\$ 300	\$ 313	\$ 613	\$ -	\$ 613
Miscellaneous	<u>3,750</u>	<u>(771)</u>	<u>2,979</u>	<u>-</u>	<u>2,979</u>
Total revenues	<u>4,050</u>	<u>(458)</u>	<u>3,592</u>	<u>-</u>	<u>3,592</u>
EXPENDITURES					
Current					
Materials and services	<u>57,910</u>	<u>(57,910)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(53,860)	57,452	3,592	-	3,592
Fund balance - beginning	<u>53,860</u>	<u>68</u>	<u>53,928</u>	<u>-</u>	<u>53,928</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 57,520</u>	<u>\$ 57,520</u>	<u>\$ -</u>	<u>\$ 57,520</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, 2017

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Licenses, permits, and fees	\$ 6,000	\$ 1,423	\$ 7,423	\$ -	\$ 7,423
Investment earnings	<u>800</u>	<u>1,101</u>	<u>1,901</u>	<u>-</u>	<u>1,901</u>
Total revenues	<u>6,800</u>	<u>2,524</u>	<u>9,324</u>	<u>-</u>	<u>9,324</u>
EXPENDITURES					
Current					
Materials and services	<u>183,820</u>	<u>(179,005)</u>	<u>4,815</u>	<u>-</u>	<u>4,815</u>
Excess (deficiency) of revenues over (under) expenditures	(177,020)	181,529	4,509	-	4,509
Fund balance - beginning	<u>177,020</u>	<u>(4,263)</u>	<u>172,757</u>	<u>-</u>	<u>172,757</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 177,266</u>	<u>\$ 177,266</u>	<u>\$ -</u>	<u>\$ 177,266</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, 2017

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Privilege taxes	\$ 16,000	\$ (2,880)	\$ 13,120	\$ -	\$ 13,120
Investment earnings	<u>300</u>	<u>348</u>	<u>648</u>	<u>-</u>	<u>648</u>
Total revenues	<u>16,300</u>	<u>(2,532)</u>	<u>13,768</u>	<u>-</u>	<u>13,768</u>
EXPENDITURES					
Current					
Materials and services	15,000	(13,313)	1,687	-	1,687
Capital outlay	<u>56,250</u>	<u>(55,102)</u>	<u>1,148</u>	<u>-</u>	<u>1,148</u>
Total expenditures	<u>71,250</u>	<u>(68,415)</u>	<u>2,835</u>	<u>-</u>	<u>2,835</u>
Excess (deficiency) of revenues over (under) expenditures	(54,950)	65,883	10,933	-	10,933
Fund balance - beginning	<u>54,950</u>	<u>292</u>	<u>55,242</u>	<u>-</u>	<u>55,242</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 66,175</u>	<u>\$ 66,175</u>	<u>\$ -</u>	<u>\$ 66,175</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, 2017

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Investment earnings	\$ 2,500	\$ 2,272	\$ 4,772	\$ -	\$ 4,772
Miscellaneous	<u>-</u>	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Total revenues	<u>2,500</u>	<u>3,272</u>	<u>5,772</u>	<u>-</u>	<u>5,772</u>
EXPENDITURES					
Capital outlay	<u>524,500</u>	<u>(506,918)</u>	<u>17,582</u>	<u>-</u>	<u>17,582</u>
Excess (deficiency) of revenues over (under) expenditures	(522,000)	510,190	(11,810)	-	(11,810)
OTHER FINANCING SOURCES (USES)					
Gain on sale of assets	-	-	-	-	-
Transfers in	135,500	(3,000)	132,500	-	132,500
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>135,500</u>	<u>(3,000)</u>	<u>132,500</u>	<u>-</u>	<u>132,500</u>
Net change in fund balance	(386,500)	507,190	120,690	-	120,690
Fund balance - beginning	<u>386,500</u>	<u>(6,002)</u>	<u>380,498</u>	<u>-</u>	<u>380,498</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 501,188</u>	<u>\$ 501,188</u>	<u>\$ -</u>	<u>\$ 501,188</u>

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, 2017

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Grants	\$ 10,000	\$ (3,320)	\$ 6,680	\$ -	\$ 6,680
Investment earnings	<u>75</u>	<u>123</u>	<u>198</u>	<u>-</u>	<u>198</u>
Total revenues	<u>10,075</u>	<u>(3,197)</u>	<u>6,878</u>	<u>-</u>	<u>6,878</u>
EXPENDITURES					
Current					
Materials and services	22,430	(15,783)	6,647	-	6,647
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>22,430</u>	<u>(15,783)</u>	<u>6,647</u>	<u>-</u>	<u>6,647</u>
Excess (deficiency) of revenues over (under) expenditures	(12,355)	12,586	231	-	231
Fund balance - beginning	<u>12,355</u>	<u>3,632</u>	<u>15,987</u>	<u>-</u>	<u>15,987</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 16,218</u>	<u>\$ 16,218</u>	<u>\$ -</u>	<u>\$ 16,218</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, 2017

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Motor fuel taxes	\$ 2,000	\$ 88	\$ 2,088	\$ -	\$ 2,088
Investment earnings	<u>100</u>	<u>77</u>	<u>177</u>	<u>-</u>	<u>177</u>
Total revenues	<u>2,100</u>	<u>165</u>	<u>2,265</u>	<u>-</u>	<u>2,265</u>
EXPENDITURES					
Capital outlay	<u>17,450</u>	<u>(17,450)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(15,350)	17,615	2,265	-	2,265
Fund balance - beginning	<u>15,350</u>	<u>86</u>	<u>15,436</u>	<u>-</u>	<u>15,436</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 17,701</u>	<u>\$ 17,701</u>	<u>\$ -</u>	<u>\$ 17,701</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, 2017

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Investment earnings	\$ 800	\$ 831	\$ 1,631	\$ -	\$ 1,631
EXPENDITURES					
Current					
Materials and services	166,250	(166,250)	-	-	-
Excess (deficiency) of revenues over (under) expenditures	(165,450)	167,081	1,631	-	1,631
OTHER FINANCING SOURCES (USES)					
Transfers in	30,000	-	30,000	-	30,000
Net change in fund balance	(135,450)	167,081	31,631	-	31,631
Fund balance - beginning	135,450	257	135,707	-	135,707
Fund balance - ending	\$ -	\$ 167,338	\$ 167,338	\$ -	\$ 167,338

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, 2017

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Property taxes	\$ 144,776	\$ 8,351	\$ 153,127	\$ -	\$ 153,127
Investment earnings	150	866	1,016	-	1,016
Total revenues	144,926	9,217	154,143	-	154,143
EXPENDITURES					
Debt service	163,153	(5,092)	158,061	2,160,931	2,318,992
Excess (deficiency) of revenues over (under) expenditures	(18,227)	14,309	(3,918)	(2,160,931)	(2,164,849)
OTHER FINANCING SOURCES (USES)					
Bond proceeds	-	8,774,286	8,774,286	-	8,774,286
Payment to bond escrow agent	-	-	-	(6,605,544)	(6,605,544)
Total other financing sources (uses)	-	8,774,286	8,774,286	(6,605,544)	2,168,742
Net change in fund balance	(18,227)	8,788,595	8,770,368	(8,766,475)	3,893
Fund balance - beginning	28,227	4,370	32,597	-	32,597
Fund balance - ending	\$ 10,000	\$ 8,792,965	\$ 8,802,965	\$ (8,766,475)	\$ 36,490

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, 2017

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Intergovernmental	\$ 200,000	\$ (134,717)	\$ 65,283	\$ -	\$ 65,283
Investment earnings	<u>2,000</u>	<u>1,765</u>	<u>3,765</u>	<u>-</u>	<u>3,765</u>
Total revenues	<u>202,000</u>	<u>(132,952)</u>	<u>69,048</u>	<u>-</u>	<u>69,048</u>
EXPENDITURES					
Capital outlay	<u>422,900</u>	<u>(330,694)</u>	<u>92,206</u>	<u>-</u>	<u>92,206</u>
Excess (deficiency) of revenues over (under) expenditures	(220,900)	197,742	(23,158)	-	(23,158)
Fund balance - beginning	<u>220,900</u>	<u>(29,136)</u>	<u>191,764</u>	<u>-</u>	<u>191,764</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 168,606</u>	<u>\$ 168,606</u>	<u>\$ -</u>	<u>\$ 168,606</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, 2017

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Investment earnings	\$ 4,000	\$ 3,661	\$ 7,661	\$ -	\$ 7,661
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>4,000</u>	<u>3,661</u>	<u>7,661</u>	<u>-</u>	<u>7,661</u>
EXPENDITURES					
Capital outlay	<u>778,100</u>	<u>(767,586)</u>	<u>10,514</u>	<u>-</u>	<u>10,514</u>
Excess (deficiency) of revenues over (under) expenditures	(774,100)	771,247	(2,853)	-	(2,853)
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>125,000</u>	<u>3,000</u>	<u>128,000</u>	<u>-</u>	<u>128,000</u>
Net change in fund balance	(649,100)	774,247	125,147	-	125,147
Fund balance - beginning	<u>649,100</u>	<u>(4,147)</u>	<u>644,953</u>	<u>-</u>	<u>644,953</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 770,100</u>	<u>\$ 770,100</u>	<u>\$ -</u>	<u>\$ 770,100</u>

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, 2017

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Water sales	\$ 1,225,000	\$ 40,416	\$ 1,265,416	\$ -	\$ 1,265,416
Water sales - Seal Rock	430,000	(45,572)	384,428	-	384,428
Fees and charges	18,000	2,563	20,563	-	20,563
Grants and contributions	350	213	563	-	563
Rents and leases	9,324	-	9,324	-	9,324
Investment earnings	3,500	992	4,492	-	4,492
Miscellaneous	4,000	(2,760)	1,240	-	1,240
Total revenues	<u>1,690,174</u>	<u>(4,148)</u>	<u>1,686,026</u>	<u>-</u>	<u>1,686,026</u>
EXPENSES					
Current					
Water plant	1,185,405	(104,917)	1,080,488	(747,432)	333,056
Water distribution	1,137,928	(112,299)	1,025,629	(644,845)	380,784
Depreciation	-	-	-	66,955	66,955
Contingency	140,000	(140,000)	-	-	-
Total expenses	<u>2,463,333</u>	<u>(357,216)</u>	<u>2,106,117</u>	<u>(1,325,322)</u>	<u>780,795</u>
Excess (deficiency) of revenues over (under) expenses	(773,159)	353,068	(420,091)	1,325,322	905,231
OTHER FINANCING SOURCES (USES)					
Capital contributions	-	-	-	83,719	83,719
Transfers in	-	-	-	5,440,941	5,440,941
Transfers out	-	-	-	(1,124,417)	(1,124,417)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,400,243</u>	<u>4,400,243</u>
Change in net position	(773,159)	353,068	(420,091)	5,725,565	5,305,474
Net position - beginning	<u>773,159</u>	<u>76,240</u>	<u>849,399</u>	<u>3,222,683</u>	<u>4,072,082</u>
Net position - ending	<u>\$ -</u>	<u>\$ 429,308</u>	<u>\$ 429,308</u>	<u>\$ 8,948,248</u>	<u>\$ 9,377,556</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, 2017

	Original and Final Budget	Variance with Final Budget Over (Under)	Budget Basis	Actual Adjustments	GAAP Basis
REVENUES					
Sewer charges	\$ 1,065,200	\$ 18,199	\$ 1,083,399	\$ -	\$ 1,083,399
Investment earnings	500	1,460	1,960	-	1,960
Miscellaneous	100	186	286	-	286
Total revenues	<u>1,065,800</u>	<u>19,845</u>	<u>1,085,645</u>	<u>-</u>	<u>1,085,645</u>
EXPENSES					
Sewer plant	680,781	(31,061)	649,720	(291,341)	358,379
Sewer collection	476,028	(65,271)	410,757	(412,029)	(1,272)
Depreciation	-	-	-	260,058	260,058
Contingency	<u>100,000</u>	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>1,256,809</u>	<u>(196,332)</u>	<u>1,060,477</u>	<u>(443,312)</u>	<u>617,165</u>
Excess (deficiency) of revenues over (under) expenses	(191,009)	216,177	25,168	443,312	468,480
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	2,173,095	2,173,095
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(682,763)</u>	<u>(682,763)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,490,332</u>	<u>1,490,332</u>
Change in net position	(191,009)	216,177	25,168	1,933,644	1,958,812
Net position - beginning	<u>191,009</u>	<u>8,153</u>	<u>199,162</u>	<u>3,126,663</u>	<u>3,325,825</u>
Net position - ending	<u>\$ -</u>	<u>\$ 224,330</u>	<u>\$ 224,330</u>	<u>\$ 5,060,307</u>	<u>\$ 5,284,637</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, 2017

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
System development charges	\$ 10,000	\$ (10,000)	\$ -	\$ -	\$ -
Investment earnings	6,500	6,212	12,712	-	12,712
Miscellaneous	-	-	-	-	-
Total revenues	<u>16,500</u>	<u>(3,788)</u>	<u>12,712</u>	<u>-</u>	<u>12,712</u>
EXPENSES					
Current					
Materials and services	125,000	(108,634)	16,366	-	16,366
Capital outlay	<u>1,346,622</u>	<u>(1,279,861)</u>	<u>66,761</u>	<u>-</u>	<u>66,761</u>
Total expenses	<u>1,471,622</u>	<u>(1,388,495)</u>	<u>83,127</u>	<u>-</u>	<u>83,127</u>
Excess (deficiency) of revenues over (under) expenses	(1,455,122)	1,384,707	(70,415)	-	(70,415)
OTHER FINANCING SOURCES (USES)					
Transfers in	347,580	-	347,580	-	347,580
Change in net position	(1,107,542)	1,384,707	277,165	-	277,165
Net position - beginning	<u>1,107,542</u>	<u>3,305</u>	<u>1,110,847</u>	<u>-</u>	<u>1,110,847</u>
Net position - ending	<u>\$ -</u>	<u>\$ 1,388,012</u>	<u>\$ 1,388,012</u>	<u>\$ -</u>	<u>\$ 1,388,012</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, 2017

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
System development charges	\$ 19,000	\$ 20,417	\$ 39,417	\$ -	\$ 39,417
Investment earnings	<u>2,500</u>	<u>2,185</u>	<u>4,685</u>	<u>-</u>	<u>4,685</u>
Total revenues	<u>21,500</u>	<u>22,602</u>	<u>44,102</u>	<u>-</u>	<u>44,102</u>
EXPENSES					
Capital outlay	<u>428,825</u>	<u>(428,825)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenses	(407,325)	451,427	44,102	-	44,102
Net position - beginning	<u>407,325</u>	<u>2,428</u>	<u>409,753</u>	<u>-</u>	<u>409,753</u>
Net position - ending	<u>\$ -</u>	<u>\$ 453,855</u>	<u>\$ 453,855</u>	<u>\$ -</u>	<u>\$ 453,855</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, 2017

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Investment earnings	\$ 1,500	\$ 1,753	\$ 3,253	\$ -	\$ 3,253
EXPENSES					
Current					
Materials and services	40,000	(40,000)	-	-	-
Debt service	377,902	(188,925)	188,977	(90,679)	98,298
Capital outlay	<u>251,141</u>	<u>(167,318)</u>	<u>83,823</u>	<u>(78,376)</u>	<u>5,447</u>
Total expenses	<u>669,043</u>	<u>(396,243)</u>	<u>272,800</u>	<u>(169,055)</u>	<u>103,745</u>
Excess (deficiency) of revenues over (under) expenses	(667,543)	397,996	(269,547)	169,055	(100,492)
OTHER FINANCING SOURCES (USES)					
Transfers in	332,104	-	332,104	-	332,104
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(169,055)</u>	<u>(169,055)</u>
Total other financing sources (uses)	<u>332,104</u>	<u>-</u>	<u>332,104</u>	<u>(169,055)</u>	<u>163,049</u>
Change in net position	(335,439)	397,996	62,557	-	62,557
Net position - beginning	<u>335,439</u>	<u>7,001</u>	<u>342,440</u>	<u>-</u>	<u>342,440</u>
Net position - ending	<u>\$ -</u>	<u>\$ 404,997</u>	<u>\$ 404,997</u>	<u>\$ -</u>	<u>\$ 404,997</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, 2017

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Charges for services	\$ 830,130	\$ (260,649)	\$ 569,481	\$ 46,935	\$ 616,416
Miscellaneous	<u>30,000</u>	<u>(27,857)</u>	<u>2,143</u>	<u>-</u>	<u>2,143</u>
Total revenues	<u>860,130</u>	<u>(288,506)</u>	<u>571,624</u>	<u>46,935</u>	<u>618,559</u>
EXPENSES					
Current					
Personnel services	731,970	(252,227)	479,743	3,459	483,202
Materials and services	86,160	(6,279)	79,881	-	79,881
Depreciation	-	-	-	52,784	52,784
Contingency	<u>30,000</u>	<u>(30,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>848,130</u>	<u>(288,506)</u>	<u>559,624</u>	<u>56,243</u>	<u>615,867</u>
Excess (deficiency) of revenues over (under) expenses	12,000	-	12,000	(9,308)	2,692
OTHER FINANCING SOURCES (USES)					
Transfers out	<u>(12,000)</u>	<u>-</u>	<u>(12,000)</u>	<u>-</u>	<u>(12,000)</u>
Change in net position	-	-	-	(9,308)	(9,308)
Net position - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>497,916</u>	<u>497,916</u>
Net position - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 488,608</u>	<u>\$ 488,608</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, 2017

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Investment earnings	\$ 500	\$ 654	\$ 1,154	\$ -	\$ 1,154
EXPENSES					
Capital outlay	<u>182,415</u>	<u>(135,480)</u>	<u>46,935</u>	<u>(46,935)</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenses	(181,915)	136,134	(45,781)	46,935	1,154
OTHER FINANCING SOURCES (USES)					
Sale of surplus property	-	6,000	6,000	-	6,000
Transfers in	65,000	-	65,000	-	65,000
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(46,935)</u>	<u>(46,935)</u>
Total other financing sources (uses)	<u>65,000</u>	<u>6,000</u>	<u>71,000</u>	<u>(46,935)</u>	<u>24,065</u>
Change in net position	(116,915)	142,134	25,219	-	25,219
Net position - beginning	<u>116,915</u>	<u>(7,982)</u>	<u>108,933</u>	<u>-</u>	<u>108,933</u>
Net position - ending	<u>\$ -</u>	<u>\$ 134,152</u>	<u>\$ 134,152</u>	<u>\$ -</u>	<u>\$ 134,152</u>

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



**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, 2017, and have issued our report thereon dated August 15, 2018. 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 stylized and cursive.

Accuity, LLC

August 15, 2018

**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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 15, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 City of Toledo's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Toledo's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2017-002 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2017-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

City of Toledo, Oregon's Response to Findings

City of Toledo, Oregon's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Toledo, Oregon's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
August 15, 2018

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2017

Finding Number	Findings
2017-001	Adequate segregation of duties in most areas was impractical due to the limited number of employees. The City has, however, developed alternative procedures, which mitigate this condition to some extent.
2017-002	Refunding bond proceeds and related disbursement to escrow bond agent were not recorded in the general ledger.
	Response
2017-001	Management continually evaluates the monitoring and controls established to ensure risks are mitigated.
2017-002	Management has implemented processes and procedures for all revenues to be recognized in the general ledger.