



CITY OF TOLEDO
Lincoln County, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2018



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS
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CITY OF TOLEDO
Lincoln County, Oregon

CITY OFFICIALS

June 30, 2018

MAYOR

Billie Jo Smith
1239 SE Pine Street
Toledo, Oregon 97391

CITY COUNCIL

Joshua Smith
543 E. Graham Street
Toledo, Oregon 97391

Deanne Dunlap
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 – President
361 Graham Street
Toledo, Oregon 97391

William Dalbey
710 N. Bay Road
Toledo, Oregon 97391

CITY MANAGER

Craig Martin

CITY ATTORNEY

Osterlund Law Office

CITY OF TOLEDO
Lincoln County, Oregon

TABLE OF CONTENTS

June 30, 2018

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.....	25-59
Required Supplementary Information	
Schedule of the City's Proportionate Share of the Net Pension Liability	60
Schedule of City Contributions	60
Schedules of Changes in OPEB Liability and Related Ratios - Medical Benefit.....	61
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual –	
General Fund.....	62
Street Fund	63
Stabilization Fund	64
Revolving Loan Fund	65
Other Supplementary Information – Combining and Individual Fund Statements and Schedules	
Combining Balance Sheet – Nonmajor Governmental Funds.....	66

	<u>Page Number</u>
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.....	67
Combining Statement of Net Position – Nonmajor Enterprise Funds	68
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Nonmajor Enterprise Funds	69
Combining Statement of Cash Flows – Nonmajor Enterprise Funds.....	70
Combining Statement of Net Position – Internal Service Funds.....	71
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Internal Service Funds	72
Combining Statement of Cash Flows – Internal Service Funds	73
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual –	
Forfeiture Revenue Fund	74
Grant Fund.....	75
City Council Strategic Reserve Fund	76
Solid Waste Fund	77
911 System Fund	78
General Reserve Fund	79
Library Reserve Fund	80
Footpaths and Bicycle Trail Fund	81
Street Reserve Fund	82
Debt Service Fund.....	83
Water Construction Fund	84
Building and Property Reserve Fund	85
Schedule of Revenues, Expenses, and Changes in Fund Net Position – Budget and Actual –	
Water Fund	86
Sewer Fund	87
Water Reserve Fund	88
System Development Fund	89
Sewer Reserve Fund	90
Public Works Fund	91
Public Works Equipment Reserve Fund.....	92

AUDIT COMMENTS AND DISCLOSURES REQUIRED BY FEDERAL AND STATE REGULATIONS

Independent Auditor’s Report Required by Oregon State Regulations	93-94
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>	95-96
Schedule of Findings and Responses	97

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, 2018, 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, 2018, 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.

Emphasis of Matter – Change in Accounting Principle

As described in the notes to the financial statements, in the year ended June 30, 2018, the City adopted new accounting guidance: GASB Statements No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, No. 85, *Omnibus 2017*, and No. 86, *Certain Debt Extinguishment Issues*. Our opinions are not modified with respect to this matter.

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, OPEB medical liability and City contributions, and the budgetary comparison information on pages 4 through 11 and 60 through 65, 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.

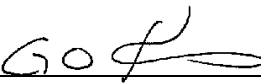
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2019 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 October 14, 2019 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
October 14, 2019

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, 2018. It should be read in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2018, total net position of the City of Toledo amounted to \$22,985,655. Of this amount, \$15,165,412 was invested in capital assets, net of related debt. The remaining balance included \$2,697,448 restricted for various purposes and \$5,122,795 of unrestricted net position.
- At June 30, 2018, the City's governmental funds reported combined ending fund balances of \$6,330,329.

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 59 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 60 through 65 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 66 through 92 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, 2018, the City's assets exceeded liabilities by \$22,985,655.

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 \$355,190 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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Assets						
Current and other assets	\$ 7,410,513	\$ 7,089,950	\$ 2,141,986	\$ 2,515,031	\$ 9,552,499	\$ 9,604,981
Restricted assets	285,542	232,173	477,380	453,855	762,922	686,028
Net capital assets	<u>8,743,295</u>	<u>8,503,204</u>	<u>14,455,555</u>	<u>14,525,115</u>	<u>23,198,850</u>	<u>23,028,319</u>
Total assets	<u>16,439,350</u>	<u>15,825,327</u>	<u>17,074,921</u>	<u>17,494,001</u>	<u>33,514,271</u>	<u>33,319,328</u>
Deferred Outflows of Resources	<u>588,574</u>	<u>895,391</u>	<u>250,764</u>	<u>383,740</u>	<u>839,338</u>	<u>1,279,131</u>
Liabilities						
Current liabilities	885,607	877,809	81,271	135,600	966,878	1,013,409
Noncurrent liabilities	<u>9,420,596</u>	<u>9,971,826</u>	<u>793,782</u>	<u>830,736</u>	<u>10,214,378</u>	<u>10,802,562</u>
Total liabilities	<u>10,306,203</u>	<u>10,849,635</u>	<u>875,053</u>	<u>966,336</u>	<u>11,181,256</u>	<u>11,815,971</u>
Deferred Inflows of Resources	<u>133,334</u>	<u>106,417</u>	<u>53,364</u>	<u>45,606</u>	<u>186,698</u>	<u>152,023</u>
Net position						
Net investment in capital assets	709,857	14,766	14,455,555	14,481,871	15,165,412	14,496,637
Restricted for various purposes	1,900,098	1,978,212	797,350	858,852	2,697,448	2,837,064
Unrestricted	<u>3,978,432</u>	<u>3,771,688</u>	<u>1,144,363</u>	<u>1,525,076</u>	<u>5,122,795</u>	<u>5,296,764</u>
Total net position	<u>\$ 6,588,387</u>	<u>\$ 5,764,666</u>	<u>\$ 16,397,268</u>	<u>\$ 16,865,799</u>	<u>\$ 22,985,655</u>	<u>\$ 22,630,465</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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Program revenues						
Charges for services	\$ 708,076	\$ 835,173	\$ 2,715,578	\$ 2,753,806	\$ 3,423,654	\$ 3,588,979
Operating grants and contributions	22,399	8,791	960	563	23,359	9,354
Capital grants and contributions	15,520	91,027	15,936	39,417	31,456	130,444
Total program revenues	<u>745,995</u>	<u>934,991</u>	<u>2,732,474</u>	<u>2,793,786</u>	<u>3,478,469</u>	<u>3,728,777</u>
General revenues						
Property taxes - general	2,019,825	1,629,316	-	-	2,019,825	1,629,316
Property taxes - debt service	159,256	166,638	-	-	159,256	166,638
Franchise fees	1,629,559	1,538,494	-	-	1,629,559	1,538,494
Motor fuel taxes	185,441	208,783	-	-	185,441	208,783
Alcohol/cigarette taxes	69,718	52,933	-	-	69,718	52,933
911 taxes	22,259	13,120	-	-	22,259	13,120
Intergovernmental	34,729	45,110	-	-	34,729	45,110
Investment earnings	87,902	65,732	60,729	27,087	148,631	92,819
Rents and leases	9,701	9,600	10,719	9,324	20,420	18,924
Miscellaneous	94,557	63,749	23,982	1,541	118,539	65,290
Sale of assets	-	6,000	-	-	-	6,000
Total general revenues	<u>4,312,947</u>	<u>3,799,475</u>	<u>95,430</u>	<u>37,952</u>	<u>4,408,377</u>	<u>3,837,427</u>
Total revenues	<u>5,058,942</u>	<u>4,734,466</u>	<u>2,827,904</u>	<u>2,831,738</u>	<u>7,886,846</u>	<u>7,566,204</u>
Program expenses						
General government	2,213,429	2,217,591	-	-	2,213,429	2,217,591
Public safety	2,393,892	2,071,990	-	-	2,393,892	2,071,990
Highways and streets	299,989	289,764	-	-	299,989	289,764
Culture and recreation	551,084	466,943	-	-	551,084	466,943
Interest on long-term debt	35,050	192,897	-	-	35,050	192,897
Water	-	-	1,117,836	863,922	1,117,836	863,922
Sewer	-	-	920,376	720,910	920,376	720,910
Total program expenses	<u>5,493,444</u>	<u>5,239,185</u>	<u>2,038,212</u>	<u>1,584,832</u>	<u>7,531,656</u>	<u>6,824,017</u>
Transfers	<u>1,258,223</u>	<u>(6,401,204)</u>	<u>(1,258,223)</u>	<u>6,401,204</u>	<u>-</u>	<u>-</u>
Change in net position	823,721	(6,905,923)	(468,531)	7,648,110	355,190	742,187
Net position - beginning	<u>5,764,666</u>	<u>12,670,589</u>	<u>16,865,799</u>	<u>9,217,689</u>	<u>22,630,465</u>	<u>21,888,278</u>
Net position - end of year	<u>\$ 6,588,387</u>	<u>\$ 5,764,666</u>	<u>\$ 16,397,268</u>	<u>\$ 16,865,799</u>	<u>\$ 22,985,655</u>	<u>\$ 22,630,465</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 \$6,330,329. Of this amount, \$1,771,718 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 \$1,771,718. 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 \$16,397,268 at year-end. Of this amount, \$14,455,555 was invested in capital assets, net of related debt. The remaining balance included \$797,350 restricted for various purposes and \$1,144,363 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, 2018 amounted to \$8,743,295 and \$14,455,555, 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 \$575,908 and \$650,491, 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 \$8,033,438 and \$0, respectively. These amounts are comprised of general obligation bonds, and bond premiums. The City's total debt decreased by \$498,244 during the current fiscal year, due to a payments made in accordance with debt agreements. 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 2018 – 2019 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 2018-2019 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 2018-2019 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 2018-2019.

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, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 6,137,130	\$ 1,847,835	\$ 7,984,965
Cash with agent	16,634	-	16,634
Receivables, current portion	237,961	228,224	466,185
Prepays	277	-	277
Property taxes receivable	166,036	-	166,036
Inventory	22,677	65,927	88,604
Total current assets	6,580,715	2,141,986	8,722,701
Restricted assets			
Cash and cash equivalents	216,407	477,380	693,787
Cash with agent	54,203	-	54,203
Property taxes receivable	14,932	-	14,932
Total restricted assets	285,542	477,380	762,922
Receivables, less current portion	540,225	-	540,225
Housing rehabilitation loans receivable	208,451	-	208,451
Assets held for sale	81,122	-	81,122
Capital assets not being depreciated	956,323	840,002	1,796,325
Capital assets being depreciated, net	7,786,972	13,615,553	21,402,525
Total assets	16,439,350	17,074,921	33,514,271
DEFERRED OUTFLOWS OF RESOURCES	588,574	250,764	839,338
LIABILITIES			
Current liabilities			
Accounts payable	197,496	12,369	209,865
Compensated absences	142,209	24,475	166,684
Accrued interest	64,907	-	64,907
Deposits payable	15,995	44,427	60,422
Long-term debt, current portion	465,000	-	465,000
Total current liabilities	885,607	81,271	966,878

(Continued)

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

CITY OF TOLEDO
Lincoln County, Oregon

STATEMENT OF NET POSITION

June 30, 2018

(Continued)

	Governmental Activities	Business-Type Activities	Total
Noncurrent liabilities			
Net pension liability	\$ 1,743,756	\$ 747,324	\$ 2,491,080
OPEB liability	108,402	46,458	154,860
Long-term debt, less current portion	<u>7,568,438</u>	<u>-</u>	<u>7,568,438</u>
Total noncurrent liabilities	<u>9,420,596</u>	<u>793,782</u>	<u>10,214,378</u>
Total liabilities	<u>10,306,203</u>	<u>875,053</u>	<u>11,181,256</u>
DEFERRED INFLOWS OF RESOURCES	<u>133,334</u>	<u>53,364</u>	<u>186,698</u>
NET POSITION			
Net investment in capital assets	\$ 709,857	\$ 14,455,555	\$ 15,165,412
Restricted for various purposes	1,900,098	797,350	2,697,448
Unrestricted	<u>3,978,432</u>	<u>1,144,363</u>	<u>5,122,795</u>
Total net position	<u><u>\$ 6,588,387</u></u>	<u><u>\$ 16,397,268</u></u>	<u><u>\$ 22,985,655</u></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, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Governmental activities							
General government	\$ 2,213,429	\$ 267,999	\$ 150	\$ 15,520	\$ (1,929,760)	\$ -	\$ (1,929,760)
Public safety	2,393,892	229,742	16,595	-	(2,147,555)	-	(2,147,555)
Highways and streets	299,989	103,255	-	-	(196,734)	-	(196,734)
Culture and recreation	551,084	107,080	5,654	-	(438,350)	-	(438,350)
Interest on long-term debt	35,050	-	-	-	(35,050)	-	(35,050)
Total governmental activities	<u>\$ 5,493,444</u>	<u>\$ 708,076</u>	<u>\$ 22,399</u>	<u>\$ 15,520</u>	<u>(4,747,449)</u>	<u>-</u>	<u>(4,747,449)</u>
Business-type activities							
Water	\$ 1,117,836	\$ 1,654,684	\$ 960	\$ 6,836	-	544,644	544,644
Sewer	920,376	1,060,894	-	9,100	-	149,618	149,618
Total business-type activities	<u>\$ 2,038,212</u>	<u>\$ 2,715,578</u>	<u>\$ 960</u>	<u>\$ 15,936</u>	<u>-</u>	<u>694,262</u>	<u>694,262</u>
General revenues							
Property taxes - general					2,019,825	-	2,019,825
Property taxes - debt service					159,256	-	159,256
Franchise fees					1,629,559	-	1,629,559
Motor fuel taxes					185,441	-	185,441
Alcohol and cigarette taxes					69,718	-	69,718
911 taxes					22,259	-	22,259
Intergovernmental					34,729	-	34,729
Investment earnings					87,902	60,729	148,631
Rents and leases					9,701	10,719	20,420
Miscellaneous					94,557	23,982	118,539
Total general revenues					<u>4,312,947</u>	<u>95,430</u>	<u>4,408,377</u>
Transfers					<u>1,258,223</u>	<u>(1,258,223)</u>	<u>-</u>
Change in net position					823,721	(468,531)	355,190
Net position - beginning					<u>5,764,666</u>	<u>16,865,799</u>	<u>22,630,465</u>
Net position - ending					<u>\$ 6,588,387</u>	<u>\$ 16,397,268</u>	<u>\$ 22,985,655</u>

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

CITY OF TOLEDO
Lincoln County, Oregon

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2018

	Special Revenue				Nonmajor	Total
	General	Street	Stabilization	Revolving	Governmental	Governmental
	Fund	Fund	Fund	Loan	Funds	Funds
				Fund		
ASSETS						
Cash and cash equivalents	\$ 1,689,181	\$ 1,565,670	\$ 911,623	\$ 58,465	\$ 1,982,397	\$ 6,207,336
Cash with agent	16,635	-	-	-	1,385	18,020
Accounts receivable	708,678	64,521	-	-	4,987	778,186
Prepays	277	-	-	-	-	277
Property taxes receivable	166,036	-	-	-	14,932	180,968
Notes receivable	-	-	-	208,451	-	208,451
Total assets	<u>\$ 2,580,807</u>	<u>\$ 1,630,191</u>	<u>\$ 911,623</u>	<u>\$ 266,916</u>	<u>\$ 2,003,701</u>	<u>\$ 7,393,238</u>
LIABILITIES						
Accounts payable	\$ 164,774	\$ 176	\$ -	\$ -	\$ 31,209	\$ 196,159
Deposits payable	<u>15,995</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,995</u>
Total liabilities	<u>180,769</u>	<u>176</u>	<u>-</u>	<u>-</u>	<u>31,209</u>	<u>212,154</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue						
Property taxes	155,500	-	-	-	13,984	169,484
Notes receivable	-	-	-	208,451	-	208,451
Court fines	<u>472,820</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>472,820</u>
Total deferred inflows of resources	<u>628,320</u>	<u>-</u>	<u>-</u>	<u>208,451</u>	<u>13,984</u>	<u>850,755</u>
FUND BALANCES						
Restricted	-	1,630,015	-	58,465	211,618	1,900,098
Committed	-	-	911,623	-	1,213,400	2,125,023
Assigned	-	-	-	-	533,490	533,490
Unassigned	<u>1,771,718</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,771,718</u>
Total fund balances	<u>1,771,718</u>	<u>1,630,015</u>	<u>911,623</u>	<u>58,465</u>	<u>1,958,508</u>	<u>6,330,329</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,580,807</u>	<u>\$ 1,630,191</u>	<u>\$ 911,623</u>	<u>\$ 266,916</u>	<u>\$ 2,003,701</u>	<u>\$ 7,393,238</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, 2018

Total fund balances		\$ 6,330,329
Capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds:		
Cost	14,946,466	
Accumulated depreciation	<u>(6,704,562)</u>	8,241,904
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.		169,484
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.		472,820
Inventory is not reported at the fund level		10,717
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.		687,621
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	588,574	
Deferred inflows of resources relating to the return on pension assets	(133,334)	
Net OPEB (liability)	(108,402)	
Net pension asset (liability)	<u>(1,743,756)</u>	(1,396,918)
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	(118,798)	
Accrued interest	(64,907)	
Bonds payable	<u>(8,033,438)</u>	<u>(8,217,143)</u>
Net position of governmental activities		<u><u>\$ 6,588,387</u></u>

The accompanying notes are an integral part of these financial statements

CITY OF TOLEDO
Lincoln County, Oregon

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2018

		Special Revenue				
	General Fund	Street Fund	Stabilization Fund	Revolving Loan Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Taxes						
Property	\$ 2,008,210	\$ -	\$ -	\$ -	\$ 158,783	\$ 2,166,993
Franchise	1,004,216	625,343	-	-	-	1,629,559
Motor fuel	-	183,587	-	-	1,854	185,441
Alcohol	55,109	-	-	-	-	55,109
Cigarette	14,609	-	-	-	-	14,609
Privilege	-	-	-	-	22,259	22,259
Licenses, permits, and fees	106,932	103,255	-	-	6,785	216,972
Grants and contributions	16,595	-	-	-	21,324	37,919
Charges for services - recreational fees	107,080	-	-	-	-	107,080
Intergovernmental charges	229,742	-	-	-	-	229,742
State revenue sharing	34,729	-	-	-	-	34,729
Fines	106,624	-	-	-	-	106,624
Investment earnings	14,228	25,117	15,106	945	30,659	86,055
Rents and leases	9,701	-	-	-	-	9,701
Miscellaneous	30,593	120	29,341	-	33,775	93,829
Total revenues	<u>3,738,368</u>	<u>937,422</u>	<u>44,447</u>	<u>945</u>	<u>275,439</u>	<u>4,996,621</u>
EXPENDITURES						
Current						
General government	1,226,633	-	5,345	-	377,331	1,609,309
Public safety	1,941,592	-	-	-	-	1,941,592
Highways and streets	-	88,143	-	-	-	88,143
Culture and recreation	345,975	-	-	-	154,998	500,973
Debt service	-	-	-	-	170,050	170,050
Capital outlay	-	477,925	-	-	274,168	752,093
Total expenditures	<u>3,514,200</u>	<u>566,068</u>	<u>5,345</u>	<u>-</u>	<u>976,547</u>	<u>5,062,160</u>
Excess (deficiency) of revenues over (under) expenditures	224,168	371,354	39,102	945	(701,108)	(65,539)
OTHER FINANCING SOURCES (USES)						
Transfers in	545,520	-	3,600	-	592,845	1,141,965
Transfers out	(552,845)	(332,651)	(34,500)	-	-	(919,996)
Total other financing sources (uses)	<u>(7,325)</u>	<u>(332,651)</u>	<u>(30,900)</u>	<u>-</u>	<u>592,845</u>	<u>221,969</u>
Net change in fund balances	216,843	38,703	8,202	945	(108,263)	156,430
Fund balances - beginning	1,554,875	1,591,312	903,421	57,520	2,066,771	6,173,899
Fund balances - ending	<u>\$ 1,771,718</u>	<u>\$ 1,630,015</u>	<u>\$ 911,623</u>	<u>\$ 58,465</u>	<u>\$ 1,958,508</u>	<u>\$ 6,330,329</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, 2018

Net change in fund balances	\$	156,430
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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	873,028	
Capital asset disposals, net of related depreciation	(104,409)	
Depreciation expense recorded in the current year	(521,094)	247,525

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.

455,000

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	76,945	
Change in inventory	10,717	87,662

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		59,746
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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		(247,502)
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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.

64,860

Change in net position	\$	823,721
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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, 2018

	Business-Type Activities					Governmental
	Enterprise Funds					Activities
	Water	Sewer	Water Reserve	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
ASSETS						
Current assets						
Cash and cash equivalents	\$ 149,055	\$ 44,583	\$ 1,332,163	\$ -	\$ 1,525,801	\$ 199,018
Accounts receivable	140,801	87,423	-	-	228,224	-
Inventory	59,931	5,996	-	-	65,927	11,960
Total current assets	349,787	138,002	1,332,163	-	1,819,952	210,978
Restricted assets						
Cash and cash equivalents	-	-	-	799,414	799,414	-
Capital assets not being depreciated	429,554	478,528	-	-	908,082	-
Capital assets being depreciated, net	8,823,721	4,723,752	-	-	13,547,473	501,391
Total assets	9,603,062	5,340,282	1,332,163	799,414	17,074,921	712,369
DEFERRED OUTFLOWS OF RESOURCES	125,382	125,382	-	-	250,764	-
LIABILITIES						
Current liabilities						
Accounts payable	4,993	5,313	(1)	2,064	12,369	1,337
Compensated absences	7,083	17,392	-	-	24,475	23,411
Deposits payable	44,427	-	-	-	44,427	-
Total current liabilities	56,503	22,705	(1)	2,064	81,271	24,748
Noncurrent liabilities						
Net pension liability	373,662	373,662	-	-	747,324	-
OPEB liability	23,229	23,229	-	-	46,458	-
Total liabilities	453,394	419,596	(1)	2,064	875,053	24,748

(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, 2018

(continued)

	Business-Type Activities					Governmental
	Enterprise Funds					Activities
	Water	Sewer	Water Reserve	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
DEFERRED INFLOWS OF						
RESOURCES	<u>26,682</u>	<u>26,682</u>	<u>-</u>	<u>-</u>	<u>53,364</u>	<u>-</u>
NET POSITION						
Net investment in capital assets	9,253,275	5,202,280	-	-	14,455,555	501,391
Restricted for:						
Debt service	-	-	-	84,789	84,789	-
System improvement	-	-	-	235,181	235,181	-
System development	-	-	-	477,380	477,380	-
Unrestricted	<u>(4,907)</u>	<u>(182,894)</u>	<u>1,332,164</u>	<u>-</u>	<u>1,144,363</u>	<u>186,230</u>
Total net position	<u>\$ 9,248,368</u>	<u>\$ 5,019,386</u>	<u>\$ 1,332,164</u>	<u>\$ 797,350</u>	<u>\$ 16,397,268</u>	<u>\$ 687,621</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, 2018

	Business-Type Activities				Governmental
	Enterprise Funds				Activities
	Water	Sewer	Water Reserve	Nonmajor Enterprise Funds	Total Enterprise Funds
					Internal Service Funds
Operating revenues					
Water sales	\$ 1,270,583	\$ -	\$ -	\$ -	\$ 1,270,583
Water sales - Seal Rock	370,914	-	-	-	370,914
Sewer charges	-	1,060,894	-	-	1,060,894
Fees and charges	13,252	-	-	-	13,252
Grants and contributions	895	-	-	-	895
Rents and leases	10,719	-	-	-	10,719
Total operating revenues	1,666,363	1,060,894	-	-	2,727,257
Operating expenses					
Cost of sales and services	565,126	510,216	66,827	79,039	1,221,208
Administration	223	1,853	-	-	2,076
Materials and supplies	-	-	-	-	-
Depreciation	384,422	266,069	-	-	650,491
Total operating expenses	949,771	778,138	66,827	79,039	1,873,775
Operating income (loss)	716,592	282,756	(66,827)	(79,039)	853,482

(continued)

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

CITY OF TOLEDO
Lincoln County, Oregon

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

PROPRIETARY FUNDS

For the Year Ended June 30, 2018

(continued)

	Business-Type Activities					Governmental
	Enterprise Funds					Activities
	Water	Sewer	Water Reserve	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Nonoperating revenues (expenses)						
Investment earnings	13,827	16,061	18,928	11,914	60,730	1,849
Miscellaneous	3,833	148	20,000	15,936	39,917	726
Interest expense	<u>(101,238)</u>	<u>-</u>	<u>-</u>	<u>(63,199)</u>	<u>(164,437)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(83,578)</u>	<u>16,209</u>	<u>38,928</u>	<u>(35,349)</u>	<u>(63,790)</u>	<u>2,575</u>
Income (loss) before contributions and transfers	633,014	298,965	(27,899)	(114,388)	789,692	14,715
Transfers in	448,956	167,912	302,059	301,876	1,220,803	74,430
Transfers out	<u>(1,189,528)</u>	<u>(710,499)</u>	<u>(330,008)</u>	<u>(248,991)</u>	<u>(2,479,026)</u>	<u>(24,285)</u>
Change in net position	(107,558)	(243,622)	(55,848)	(61,503)	(468,531)	64,860
Total net position - beginning, as restated	<u>9,355,926</u>	<u>5,263,008</u>	<u>1,388,012</u>	<u>858,853</u>	<u>16,865,799</u>	<u>622,761</u>
Total net position - ending	<u>\$ 9,248,368</u>	<u>\$ 5,019,386</u>	<u>\$ 1,332,164</u>	<u>\$ 797,350</u>	<u>\$ 16,397,268</u>	<u>\$ 687,621</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, 2018

	Business-Type Activities					Governmental
	Enterprise Funds					Activities
	Water	Sewer	Water Reserve	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 1,720,439	\$ 1,138,153	\$ -	\$ -	\$ 2,858,592	\$ 785,057
Receipts from rentals	16,759	-	-	-	16,759	-
Other receipts	895	-	-	-	895	-
Payments to employees	(67,277)	(28,097)	-	-	(95,374)	(616,495)
Payments to suppliers	(274,812)	(259,213)	(69,363)	(85,475)	(1,062,187)	(133,270)
Net cash provided (used) by operating activities	<u>1,396,004</u>	<u>850,843</u>	<u>(69,363)</u>	<u>(85,475)</u>	<u>2,092,009</u>	<u>35,292</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Miscellaneous income	<u>3,833</u>	<u>148</u>	<u>20,000</u>	<u>-</u>	<u>23,981</u>	<u>726</u>
Net cash provided (used) by noncapital financing activities	<u>3,833</u>	<u>148</u>	<u>20,000</u>	<u>-</u>	<u>23,981</u>	<u>726</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
System development charges	-	-	-	15,936	15,936	-
Transfers from other funds - capital purposes	-	-	-	301,876	301,876	-
Transfers to other funds - capital purposes	(1,189,528)	(710,499)	-	-	(1,900,027)	74,430
Sale of surplus property	-	-	-	-	-	(51,306)
Principal paid on capital debt	-	-	-	(126,823)	(126,823)	-
Interest paid on capital debt	(101,238)	-	-	(63,199)	(164,437)	-
Purchase of capital assets	(250,704)	(236,296)	(27,950)	(122,167)	(637,117)	-
Net cash provided (used) by capital and related financing activities	<u>(1,541,470)</u>	<u>(946,795)</u>	<u>(27,950)</u>	<u>5,623</u>	<u>(2,510,592)</u>	<u>23,124</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest income	<u>13,827</u>	<u>16,061</u>	<u>18,928</u>	<u>11,914</u>	<u>60,730</u>	<u>1,849</u>
Net cash provided (used) by investing activities	<u>13,827</u>	<u>16,061</u>	<u>18,928</u>	<u>11,914</u>	<u>60,730</u>	<u>1,849</u>
Net increase (decrease) in cash and cash equivalents	(127,806)	(79,743)	(58,385)	(67,938)	(333,872)	60,991

(Continued)

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

CITY OF TOLEDO
Lincoln County, Oregon
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2018

(Continued)

(Continued)	Business-Type Activities					Governmental Activities Internal Service Funds
	Enterprise Funds					
	Water	Sewer	Water Reserve	Nonmajor Enterprise Funds	Total Enterprise Funds	
Cash and cash equivalents - beginning (including \$458,719 and \$752,194 in water and nonmajor enterprise funds, respectively reported in restricted accounts)	276,861	124,326	1,390,548	867,352	2,659,087	138,027
Cash and cash equivalents - ending (including \$867,352 in nonmajor enterprise funds reported in restricted accounts)	\$ 149,055	\$ 44,583	\$ 1,332,163	\$ 799,414	\$ 2,325,215	\$ 199,018
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 716,592	\$ 282,756	\$ (66,827)	\$ (79,039)	\$ 853,482	\$ 12,140
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation	384,422	266,069	-	-	650,491	54,814
Capital contributions	-	-	-	-	-	(24,285)
(Increase) decrease in:						
Receivables	(798)	10,771	-	-	9,973	-
Inventories	3,823	1,852	-	-	5,675	(8,034)
Deferred outflows of resources	66,488	66,488	-	-	132,976	-
Increase (decrease) in:						
Accounts payable	(5,830)	(725)	(2,536)	(6,436)	(15,527)	(2,537)
Compensated absences	1,069	(566)	-	-	503	3,194
Customer deposits	6,040	-	-	-	6,040	-
Net pension liability	220,319	220,319	-	-	440,638	-
Deferred inflows of resources	3,879	3,879	-	-	7,758	-
Net cash provided (used) by operating activities	\$ 1,396,004	\$ 850,843	\$ (69,363)	\$ (85,475)	\$ 2,092,009	\$ 35,292
Noncash investing, capital, and financing activities:						
Capital contributions	\$ 448,956	\$ 122,167	\$ -	\$ -	\$ 571,123	\$ -
Transfer of capital assets	-	-	(330,008)	(122,167)	(452,175)	-

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, 2018

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, 2018

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.

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.

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.

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.

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.

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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 \$10,000 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, 2018

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 Manager 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, 2018

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, 2018

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, 2018

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 proprietary funds are charges for services provided. Operating expenses for the proprietary funds include 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 City 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, 2018

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, 2018.

Fair values of assets measured on a recurring basis at June 30, 2018 are as follows:

	<u>Level 2</u>
Investments	
Oregon Local Government Investment Pool	<u>\$ 8,629,013</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, 2018

Investments

As of June 30, 2018, the City had the following investments:

	<u>Quality Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
Oregon Local Government Investment Pool	Unrated	-	\$ <u>8,629,013</u>

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, for which deposits are insured by the FDIC up to \$250,000. At June 30, 2018 the City had deposits of \$250,000 insured by the FDIC, and \$29,524 collateralized under the PFCP.

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

Deposits

The City's deposits and investments at June 30, 2018 are as follows:

Cash on hand	\$ 300
Checking account	17,283
Checking account - court fines	32,156
Total investments	<u>8,629,013</u>
Total deposits and investments	<u><u>\$ 8,678,752</u></u>

Cash and investments by fund:

Governmental activities - unrestricted	
General Fund	\$ 1,673,186
Street Fund	1,565,670
Stabilization Fund	911,623
Nonmajor governmental funds	1,787,633
Internal service funds	<u>199,018</u>
Total governmental activities - unrestricted	<u>6,137,130</u>
Business-type activities - unrestricted	
Water Fund	149,055
Sewer Fund	44,583
Water Reserve Fund	1,332,163
Nonmajor enterprise funds	<u>322,034</u>
Total business-type activities - unrestricted	<u>1,847,835</u>
Total unrestricted cash and investments	<u>7,984,965</u>
Governmental activities - restricted	
General Fund	15,995
Revolving Loan Fund	58,465
Nonmajor governmental funds	<u>141,947</u>
Total governmental activities - restricted	<u>216,407</u>
Business-type activities - restricted	
Nonmajor enterprise funds	<u>477,380</u>
Total restricted cash and investments	<u>693,787</u>
Total cash and investments	<u><u>\$ 8,678,752</u></u>

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

B. Restricted Assets

Restricted assets are for debt service, the revolving loan program, and system development.

Accounts Receivable

Receivables as of June 30, 2018 are as follows:

	Governmental Activities	Business-Type Activities	Total
Short-term receivables - unrestricted			
Franchise fees	\$ 139,145	\$ -	\$ 139,145
Court fines	15,995	-	15,995
Utilities	10,485	228,224	238,709
Other	72,336	-	72,336
	<u>237,961</u>	<u>228,224</u>	<u>466,185</u>
Long-term receivables			
Court fines	540,225	-	540,225
	<u>540,225</u>	<u>-</u>	<u>540,225</u>
Total receivables	<u>\$ 778,186</u>	<u>\$ 228,224</u>	<u>\$ 1,006,410</u>

At June 30, 2018, management determined that no allowance for doubtful accounts was necessary.

C. Deferred Inflows/Deferred Outflows

Deferred inflows and outflows of resources summarized on the statement of net position are comprised of the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net pension liability - PERS	\$ 835,878	\$ (177,883)
OPEB liability - medical insurance	3,460	(8,815)
	<u>\$ 839,338</u>	<u>\$ (186,698)</u>

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

D. Capital Assets

Capital asset activity for the year ended June 30, 2018 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>16,812</u>	<u>213,441</u>	<u>-</u>	<u>230,253</u>
Total capital assets not being depreciated	<u>742,882</u>	<u>213,441</u>	<u>-</u>	<u>956,323</u>
Capital assets being depreciated				
Buildings and structures	3,695,539	149,720	(148,205)	3,697,054
Equipment and vehicles	3,143,856	112,610	(316,178)	2,940,288
Land improvements	2,006,856	-	(8,057)	1,998,799
Infrastructure	<u>5,439,879</u>	<u>444,637</u>	<u>(29,123)</u>	<u>5,855,393</u>
Total capital assets being depreciated	<u>14,286,130</u>	<u>706,967</u>	<u>(501,563)</u>	<u>14,491,534</u>
Less accumulated depreciation for				
Buildings and structures	(1,555,748)	(100,676)	113,358	(1,543,066)
Equipment and vehicles	(1,836,537)	(177,719)	246,616	(1,767,640)
Land improvements	(1,103,455)	(72,411)	8,057	(1,167,809)
Infrastructure	<u>(2,030,068)</u>	<u>(225,102)</u>	<u>29,123</u>	<u>(2,226,047)</u>
Total accumulated depreciation	<u>(6,525,808)</u>	<u>(575,908)</u>	<u>397,154</u>	<u>(6,704,562)</u>
Total capital assets being depreciated, net	<u>7,760,322</u>	<u>131,059</u>	<u>(104,409)</u>	<u>7,786,972</u>
Governmental activities capital assets, net	<u>\$ 8,503,204</u>	<u>\$ 344,500</u>	<u>\$ (104,409)</u>	<u>\$ 8,743,295</u>

(Continued)

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

(Continued)	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 823,714	\$ -	\$ -	\$ 823,714
Work in process	<u>84,368</u>	<u>7,788</u>	<u>(75,868)</u>	<u>16,288</u>
Total capital assets not being depreciated	<u>908,082</u>	<u>7,788</u>	<u>(75,868)</u>	<u>840,002</u>
Capital assets being depreciated				
Buildings and structures	4,859,266	-	(12,660)	4,846,606
Equipment and vehicles	874,158	124,410	(147,286)	851,282
Land improvements	88,978	-	(10,998)	77,980
Infrastructure	<u>20,891,341</u>	<u>524,824</u>	<u>(231,026)</u>	<u>21,185,139</u>
Total capital assets being depreciated	<u>26,713,743</u>	<u>649,234</u>	<u>(401,970)</u>	<u>26,961,007</u>
Less accumulated depreciation for				
Buildings and structures	(4,520,823)	(17,532)	12,660	(4,525,695)
Equipment and vehicles	(515,326)	(47,612)	147,063	(415,875)
Land improvements	(41,416)	(2,247)	10,998	(32,665)
Infrastructure	<u>(8,019,145)</u>	<u>(583,100)</u>	<u>231,026</u>	<u>(8,371,219)</u>
Total accumulated depreciation	<u>(13,096,710)</u>	<u>(650,491)</u>	<u>401,747</u>	<u>(13,345,454)</u>
Total capital assets being depreciated, net	<u>13,617,033</u>	<u>(1,257)</u>	<u>(223)</u>	<u>13,615,553</u>
Business-type activities capital assets, net	<u>\$ 14,525,115</u>	<u>\$ 6,531</u>	<u>\$ (76,091)</u>	<u>\$ 14,455,555</u>

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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	230,253	-	230,253
Buildings and structures	3,697,054	(1,543,066)	2,153,988
Equipment and vehicles	2,940,288	(1,767,640)	1,172,648
Land improvements	1,998,799	(1,167,809)	830,990
Infrastructure	<u>5,855,393</u>	<u>(2,226,047)</u>	<u>3,629,346</u>
Total governmental activities capital assets	<u>15,447,857</u>	<u>(6,704,562)</u>	<u>8,743,295</u>
Business-type activities			
Land	823,714	-	823,714
Work in process	16,288	-	16,288
Buildings and structures	4,846,606	(4,525,695)	320,911
Equipment and vehicles	851,282	(415,875)	435,407
Land improvements	77,980	(32,665)	45,315
Infrastructure	<u>21,185,139</u>	<u>(8,371,219)</u>	<u>12,813,920</u>
Total business-type activities capital assets	<u>27,801,009</u>	<u>(13,345,454)</u>	<u>14,455,555</u>
Total capital assets	<u>\$ 43,248,866</u>	<u>\$ (20,050,016)</u>	<u>\$ 23,198,850</u>

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

Governmental activities	
General government	\$ 105,262
Public safety	181,874
Highways and streets	256,828
Culture and recreation	<u>31,944</u>
Total governmental activities	<u>\$ 575,908</u>
Business-type activities	
Water	\$ 384,422
Sewer	<u>266,069</u>
Total business-type activities	<u>\$ 650,491</u>

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

E. Interfund Transactions

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

	Transfers in:							Total
	General Fund	Stabilization Fund	Nonmajor Governmental Funds	Sewer Fund	Water Reseve Fund	Nonmajor Enterprise Funds	Internal Service Funds	
Transfers out:								
Governmental activities								
General Fund	\$ -	\$ -	\$ 552,845	\$ -	\$ -	\$ -	\$ -	\$ 552,845
Street Fund	99,370	-	68,050	-	-	-	165,231	332,651
Stabilization Fund	32,000	-	-	2,500	-	-	-	34,500
Nonmajor governmental funds	-	-	-	-	-	-	-	-
Total governmental activities	<u>131,370</u>	<u>-</u>	<u>620,895</u>	<u>2,500</u>	<u>-</u>	<u>-</u>	<u>165,231</u>	<u>919,996</u>
Business-type activities								
Water Fund	250,750	3,600	21,380	-	302,059	-	375,318	953,107
Sewer Fund	<u>163,400</u>	<u>-</u>	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>301,876</u>	<u>220,223</u>	<u>710,499</u>
Total business-type activities	<u>414,150</u>	<u>3,600</u>	<u>46,380</u>	<u>-</u>	<u>302,059</u>	<u>301,876</u>	<u>595,541</u>	<u>1,663,606</u>
Total	<u>\$ 545,520</u>	<u>\$ 3,600</u>	<u>\$ 667,275</u>	<u>\$ 2,500</u>	<u>\$ 302,059</u>	<u>\$ 301,876</u>	<u>\$ 760,772</u>	<u>\$ 2,583,602</u>

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

F. Compensated Absences

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

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities				
Compensated absences	<u>\$ 215,960</u>	<u>\$ -</u>	<u>\$ (73,751)</u>	<u>\$ 142,209</u>
Business-type activities				
Compensated absences	<u>\$ 23,972</u>	<u>\$ 503</u>	<u>\$ -</u>	<u>\$ 24,475</u>

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

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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							
Full Faith and Credit Refunding Bonds, Series 2016	3.00- 4.00%	\$ 6,620,000	\$ 6,470,000	\$ -	\$ (320,000)	\$ 6,150,000	\$ 330,000
General Obligation Refunding Bonds, Series 2016	2.00- 4.00%	1,170,000	1,055,000	-	(135,000)	\$ 920,000	135,000
Premium - Refunding Bonds, Series 2016	-	<u>\$ 984,286</u>	<u>\$ 963,438</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 963,438</u>	<u>\$ -</u>
Total governmental activities		<u>\$ 8,774,286</u>	<u>\$ 8,488,438</u>	<u>\$ -</u>	<u>\$ (455,000)</u>	<u>\$ 8,033,438</u>	<u>\$ 465,000</u>
Business-type activities							
DEQ loan payable	1.09%	<u>\$ 190,000</u>	<u>\$ 43,244</u>	<u>\$ -</u>	<u>\$ (43,244)</u>	<u>\$ -</u>	<u>\$ -</u>

2. Interest Expense

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

Governmental activities	
Interest on long-term debt	<u>\$ 35,050</u>
Business-type activities	
Water	101,238
Sewer	<u>63,199</u>
Total business-type activities	<u>\$ 164,437</u>

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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 - 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.

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.

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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

Year Ending June 30	Bonds		
	Principal	Interest	Total
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	540,000	204,200	744,200
2024-2028	2,280,000	723,600	3,003,600
2023-2033	<u>2,285,000</u>	<u>260,200</u>	<u>2,545,200</u>
	<u>\$ 7,070,000</u>	<u>\$ 2,170,750</u>	<u>\$ 9,240,750</u>

6. 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. The debt was fully liquidated during the fiscal year.

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

H. Constraints on Fund Balances

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

	General Fund	Street Fund	Revolving Loan Fund	Stabilization Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund balances:						
Restricted for:						
Bond projects	\$ -	\$ -	\$ -	\$ -	\$ 51,816	\$ 51,816
Debt service	-	-	-	-	26,043	26,043
Street maintenance & improvements	-	1,630,015	-	-	-	1,630,015
Disaster preparedness	-	-	-	-	15,021	15,021
Grant projects	-	-	-	-	98,875	98,875
Housing rehabilitation loans	-	-	58,465	-	-	58,465
Footpaths & bicycle trails	-	-	-	-	19,863	19,863
Committed for:						
Arcadia park	-	-	-	-	35,803	35,803
City hall repairs and equipment	-	-	-	-	119,180	119,180
Dog park	-	-	-	-	3,933	3,933
Fire building fund and equipment	-	-	-	-	406,002	406,002
Footpaths	-	-	-	-	6,113	6,113
Library building & equipment	-	-	-	-	72,613	72,613
Memorial field	-	-	-	-	38,448	38,448
Parks improvement and equipment	-	-	-	-	222,080	222,080
Property maintenance building	-	-	-	-	76,101	76,101
Property maintenance equipment	-	-	-	-	103,144	103,144
Planning department computers	-	-	-	-	2,214	2,214
Police vehicles	-	-	-	-	123,138	123,138
Pool building and equipment	-	-	-	-	4,631	4,631
Retirement costs	-	-	-	593,318	-	593,318
Insurance costs	-	-	-	145,721	-	145,721
Revenue stabilization	-	-	-	172,584	-	172,584
Assigned to:						
Operating projects	-	-	-	-	4,107	4,107
City Council directed projects	-	-	-	-	45,983	45,983
Landfill closure costs	-	-	-	-	180,325	180,325
911 system costs	-	-	-	-	80,809	80,809
Library costs	-	-	-	-	12,176	12,176
Street improvements	-	-	-	-	210,090	210,090
Unassigned	<u>1,771,718</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,771,718</u>
Total fund balances	<u>\$ 1,771,718</u>	<u>\$ 1,630,015</u>	<u>\$ 58,465</u>	<u>\$ 911,623</u>	<u>\$ 1,958,508</u>	<u>\$ 6,330,329</u>

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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, 2018

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, in accordance with *Moro* decision.

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, 2018

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, in accordance with *Moro* decision.

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, 2015 actuarial valuation, which became effective July 1, 2017. The State of Oregon and certain schools,

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

community colleges, and political subdivisions have made unfunded actuarial liability payments, and their rates have been reduced.

Employer contributions for the year ended June 30, 2018 were \$291,757.

Pension Plan Comprehensive Annual Financial Report (CAFR)

Oregon PERS produces an independently audited CAFR which can be found at: <https://www.oregon.gov/pers/Documents/Financials/CAFR/2017-CAFR.pdf>. For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Oregon PERS and additions to/deductions from Oregon PERS' fiduciary net position have been determined on the same basis as they are reported by Oregon 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.

Actuarial Valuations

The employer contribution rates effective July 1, 2017, through June 30, 2019, 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, 2015
Measurement Date	June 30, 2017

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

Experience Study	2014, published September 2015
<i>Actuarial Assumptions:</i>	
Actuarial Cost Method	Entry age normal
Inflation Rate	2.50 percent
Long-term Expected Rate of Return	7.50 percent
Discount Rate	7.50 percent
Projected Salary Increases	3.50 percent
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>Health 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>

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 on the 2014 Experience Study, which reviewed experience for the four-year period ended December 31, 2014.

Discount Rate

The discount rate used to measure the total pension liability was 7.50. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption.

These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model. For more information on the Plan's portfolio, assumed asset allocation, and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means, see PERS's audited financial statements at:

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2017-CAFR.pdf>.

Assumed Asset Allocation

<u>Asset Class</u>	<u>Low Range</u>	<u>High Range</u>	<u>OIC Target</u>
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Private Equity	13.5%	21.5%	17.5%
Real Estate	9.5%	15.5%	12.5%
Alternative Equity	0.0%	12.5%	12.5%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			100.0%

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

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

At June 30, 2018, the City reported a liability of \$2,491,080 for its proportionate share of the net pension liability. The net pension liability was measured at June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2017 the City's proportion was 0.01847977%.

For the year ended June 30, 2018, the City recognized pension expense of \$496,817. At June 30, 2018, 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	\$ 120,470	\$ -
Changes of assumptions	454,079	-
Net difference between projected and actual earnings on investments	25,664	-
Changes in proportionate share	75,970	13,230
Differences between employer contributions and employer's proportionate share of system contributions	-	164,653
Total (prior to post-MD contributions)	676,183	177,883
Contributions subsequent to the MD	159,695	-
Total (subsequent to post-MD contributions)	\$ 835,878	\$ 177,883

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 or inflows of resources related to pension will be recognized in pension expense in subsequent years as follows:

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

Year ended June 30:	Deferred Outflow/(Inflow) of Resources (prior to post- measurement date contributions)
2019	\$ 78,051
2020	284,258
2021	195,879
2022	(63,440)
2023	3,551

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the City's proportionate share of the net pension liability 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%)
\$ 4,245,255	\$ 2,491,080	\$ 1,024,265

Changes in Assumptions

The Board reviews the discount rate in odd-numbered years as part of the Board's adoption of actuarial methods and assumptions. That rate is then adopted in an administrative rule at the time the Board sets the new rate. On July 28, 2017, the PERS Board adopted a 7.20% assumed rate. The rule specifies that the adopted assumed rate will be effective for PERS transactions with an effective date of January 1, 2018, consistent with this Board's policy decision from 2013 that the assumed rate will be effective January 1 following the Board's adoption of the rate. A January 1 effective date also provides equitable treatment to all members who retires in a year that a change is adopted, no matter which month they retire. The adopted assumed rate will be aligned with the new actuarial equivalency factors (AEFs), which will allow for a clear effective date for all transactions that involve calculations using both the rate and AEF components.

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

A. Other Post-Employment Benefits (GASB 75) – City Medical Benefit Plan

1. Other Post-Employment Benefit (OPEB) City Medical Benefit Plan (the Plan)

General Information about the OPEB Plan

Name of OPEB Plan

The City provides a single-employer, retiree benefit plan that provides post-employment health, dental, and vision benefits to eligible employees and their spouses. There are active and retired members in the plan. Benefits and eligibility for members are established through various collective bargaining agreements.

Plan Descriptions, Benefit Terms, Eligibility

All employees of the Employer retiring from active service with a pension benefit payable immediately under Oregon PERS.

Retirees and their dependents under age 65 are allowed to continue health care coverages received prior to retirement. Premiums for retirees are tiered and based upon the premium rates available to active employees. The retiree is responsible for any portion of the premiums not paid by the employer.

The implicit employer subsidy is measured as the expected health care cost per retiree and depended, less the gross premiums charged by the insurance carrier for that coverage. The subsidy is only measured for retirees and spouses younger than age 65, at which point such retirees and spouses typically become eligible for Medicare.

Participant Statistics

As of June 30, 2018, there were 40 active participants and 0 retirees in the Medical Benefit plan. The average attained age of active participants is 47.5, and average years of past service is 8.4. The City did not establish an irrevocable trust (or equivalent arrangement) to account for this plan.

Funding Policy

The benefits from this program are paid by the City on a self-pay basis and the required contribution is based on projected pay-as-you-go financing requirements. There is no obligation on the part of the City to fund these benefits in advance.

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

Actuarial Methods and Assumptions:

The City engaged an actuary to perform an evaluation as of June 30, 2018 using age entry normal, level percent of salary Actuarial Cost Method.

The Single Employer Pension Plan liability was determined using the following actuarial assumptions, applied to all periods including the measurement:

Valuation Date	July 1, 2016
Measurement Dates/Fiscal Year Ends	June 30, 2017
<i>Actuarial Assumptions:</i>	
Actuarial Cost Method	Entry age actuarial cost method
Interest Rate for Discounting Future Liabilities	3.58 percent per year, based on all years discounted at municipal bond rate
General Inflation	2.5 percent per year
Salary Scale	Annual salary increases for employees are assumed to be 3.5% annually

Mortality rates were based on the RP=2000 Active/Healthy Annuitant Mortality Table for males and females, as appropriate.

Turnover rates were based on percentages developed for the valuation of benefits under Oregon PERS and vary by years of service. Disability rates were based on percentages developed for the valuation of benefits under Oregon PERS and vary by employee age.

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

Changes in Medical Benefit OPEB Liability

Total OPEB Liability at June 30, 2017, as restated	\$ 144,201
Changes for the year:	
Service cost	17,253
Interest	4,586
Change in assumptions	(10,057)
Experience (gain)/loss	-
Benefit payments	(1,123)
Net changes	10,659
Total OPEB Liability at June 30, 2018	\$ 154,860

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 3,460	\$ -
Changes of assumptions or other inputs	-	(8,815)
Total	\$ 3,460	\$ (8,815)

Amounts reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2018. Other amounts reported by the City as deferred outflows or inflows of resources related to OPEB will be recognized in OPEB expense in subsequent years as follows:

Year ended June 30:	Deferred Outflow/(Inflow) of Resources
2019	\$ (1,242)
2020	(1,242)
2021	(1,242)
2022	(1,242)
2023	(1,242)
Thereafter	(2,605)

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

Sensitivity of the Net OPEB Liability to Changes in Discount and Trend Rates

The following presents the net OPEB liability, calculated using the discount rate of 3.58%, as well as what the liability would be if it was calculated using a discount rate 1-percentage-point lower or 1-percentage-point higher than the current rate:

June 30 Disclosure	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Total OPEB Liability	\$ 169,256	\$ 154,860	\$ 141,658

The following presents the net OPEB liability, calculated using the current trend rate, as well as what the liability would be if it was calculated using a discount rate 1-percentage-point lower or 1-percentage-point higher than the current rate:

June 30 Disclosure	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	\$ 135,633	\$ 154,860	\$ 177,863

C. Commitment and Contingencies

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

D. Subsequent Events

Management has evaluated subsequent events through October 14, 2019, 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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.01847977%	0.01748515%	0.01780836%	0.01688662%
City's proportionate share of the net pension liability (asset)	\$ 2,491,080	\$ 2,624,927	\$ 1,022,288	\$ (382,772)
City's covered-employee payroll	\$ 2,155,822	\$ 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	116%	129%	49%	-18%
Plan fiduciary net position as a percentage of the total pension liability (asset) from audited schedules	83.12%	80.53%	91.88%	103.59%

Schedule of City Contributions

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 291,757	\$ 236,071	\$ 115,370	\$ 106,343
Contributions in relation to the contractually required contribution	<u>(291,757)</u>	<u>(236,071)</u>	<u>(115,370)</u>	<u>(106,343)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 2,368,129	\$ 2,329,378	\$ 2,277,517	\$ 2,164,788
Contributions as a percentage of covered-employee payroll	12%	10%	5%	5%

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULES OF CHANGES IN OTHER POST EMPLOYMENT BENEFITS (OPEB)
LIABILITY AND RELATED RATIOS - MEDICAL BENEFIT

CITY MEDICAL BENEFIT PLAN

Schedule of Changes	2018
Total Medical Benefit Pension Liability, beginning	\$ 144,201
Changes for the year:	
Service Cost	\$ 17,253
Interest	4,586
Change in assumptions	(10,057)
Experience (gain)/loss	-
Benefit Payments	(1,123)
Net changes for the year	10,659
Total Medical Benefit Pension Liability, ending	\$ 154,860
City's covered-employee payroll	\$ 2,368,129
Net Medical Benefit Pension Liability as a Percentage of Covered Payroll	6.54%

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, 2018

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Budget Basis	Actual Adjustments	GAAP Basis
REVENUES						
Taxes						
Property	\$ 1,751,800	\$ 1,751,800	\$ 256,410	\$ 2,008,210	\$ -	\$ 2,008,210
Franchise	947,000	947,000	57,216	1,004,216	-	1,004,216
Alcohol	59,800	59,800	(4,691)	55,109	-	55,109
Cigarette	4,200	4,200	10,409	14,609	-	14,609
Licenses, permits, and fees	134,350	134,350	(27,418)	106,932	-	106,932
Grants and contributions	10,000	10,000	6,595	16,595	-	16,595
Charges for services - recreational fees	116,135	116,135	(9,055)	107,080	-	107,080
Intergovernmental charges	165,000	165,000	64,742	229,742	-	229,742
State revenue sharing	47,000	47,000	(12,271)	34,729	-	34,729
Fines	60,000	60,000	46,624	106,624	-	106,624
Investment earnings	12,000	12,000	2,228	14,228	-	14,228
Rents and leases	9,600	9,600	101	9,701	-	9,701
Miscellaneous	13,500	13,500	17,093	30,593	-	30,593
Total revenues	3,330,385	3,330,385	407,983	3,738,368	-	3,738,368
EXPENDITURES						
Current						
General government	709,405	634,405	(76,487)	557,918	-	557,918
Police	1,376,780	1,401,780	(12,136)	1,389,644	(16,500)	1,373,144
Fire	696,250	736,250	(52,802)	683,448	(115,000)	568,448
Property maintenance	783,500	783,500	(129,388)	654,112	(412,345)	241,767
Recreation	135,450	135,450	(28,306)	107,144	-	107,144
Library	275,155	275,155	(36,324)	238,831	-	238,831
Municipal court	15,420	15,420	(4,993)	10,427	-	10,427
General services	388,415	463,415	(37,894)	425,521	(9,000)	416,521
Contingency	200,000	135,000	(135,000)	-	-	-
Total expenditures	4,580,375	4,580,375	(513,330)	4,067,045	(552,845)	3,514,200
Excess (deficiency) of revenues over (under) expenditures	(1,249,990)	(1,249,990)	921,313	(328,677)	(552,845)	224,168
OTHER FINANCING SOURCES (USES)						
Transfers in	545,520	545,520	-	545,520	-	545,520
Transfers out	-	-	-	-	552,845	(552,845)
Total other financing sources (uses)	545,520	545,520	-	545,520	552,845	(7,325)
Net change in fund balance	(704,470)	(704,470)	921,313	216,843	-	216,843
Fund balance - beginning	1,449,470	1,449,470	105,405	1,554,875	-	1,554,875
Fund balance - ending	\$ 745,000	\$ 745,000	\$ 1,026,718	\$ 1,771,718	\$ -	\$ 1,771,718

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, 2018

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Taxes					
Franchise	\$ 628,000	\$ (2,657)	\$ 625,343	\$ -	\$ 625,343
Motor fuel	199,000	(15,413)	183,587	-	183,587
Licenses, permits, and fees	102,500	755	103,255	-	103,255
Grants	50,000	(50,000)	-	-	-
Investment earnings	10,000	15,117	25,117	-	25,117
Miscellaneous	3,000	(2,880)	120	-	120
Total revenues	<u>992,500</u>	<u>(55,078)</u>	<u>937,422</u>	<u>-</u>	<u>937,422</u>
EXPENDITURES					
Current					
Materials and services	168,635	(80,492)	88,143	-	88,143
Capital outlay	1,944,755	(1,466,830)	477,925	-	477,925
Contingency	125,000	(125,000)	-	-	-
Total expenditures	<u>2,238,390</u>	<u>(1,672,322)</u>	<u>566,068</u>	<u>-</u>	<u>566,068</u>
Excess (deficiency) of revenues over (under) expenditures	(1,245,890)	1,617,244	371,354	-	371,354
OTHER FINANCING SOURCES (USES)					
Transfers out	<u>(364,010)</u>	<u>(31,359)</u>	<u>(332,651)</u>	<u>-</u>	<u>(332,651)</u>
Net change in fund balance	(1,609,900)	1,648,603	38,703	-	38,703
Fund balance - beginning	<u>1,609,900</u>	<u>(18,588)</u>	<u>1,591,312</u>	<u>-</u>	<u>1,591,312</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 1,630,015</u>	<u>\$ 1,630,015</u>	<u>\$ -</u>	<u>\$ 1,630,015</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, 2018

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Investment earnings	\$ 9,000	\$ 6,106	\$ 15,106	\$ -	\$ 15,106
Miscellaneous	<u>10,000</u>	<u>19,341</u>	<u>29,341</u>	<u>-</u>	<u>29,341</u>
Total revenues	<u>19,000</u>	<u>25,447</u>	<u>44,447</u>	<u>-</u>	<u>44,447</u>
EXPENDITURES					
Current					
Personnel services	-	-	-	-	-
Materials and services	<u>892,205</u>	<u>(886,860)</u>	<u>5,345</u>	<u>-</u>	<u>5,345</u>
Total expenditures	<u>892,205</u>	<u>(886,860)</u>	<u>5,345</u>	<u>-</u>	<u>5,345</u>
Excess (deficiency) of revenues over (under) expenditures	(873,205)	912,307	39,102	-	39,102
OTHER FINANCING SOURCES (USES)					
Transfers in	3,600	-	3,600	-	3,600
Transfers out	<u>(34,500)</u>	<u>-</u>	<u>(34,500)</u>	<u>-</u>	<u>(34,500)</u>
Total other financing sources (uses)	<u>(873,205)</u>	<u>912,307</u>	<u>39,102</u>	<u>-</u>	<u>39,102</u>
Net change in fund balance	(904,105)	912,307	8,202	-	8,202
Fund balance - beginning, as restated	<u>904,105</u>	<u>(684)</u>	<u>903,421</u>	<u>-</u>	<u>903,421</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 911,623</u>	<u>\$ 911,623</u>	<u>\$ -</u>	<u>\$ 911,623</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, 2018

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Investment earnings	\$ 600	\$ 345	\$ 945	\$ -	\$ 945
Miscellaneous	<u>3,750</u>	<u>(3,750)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>4,350</u>	<u>(3,405)</u>	<u>945</u>	<u>-</u>	<u>945</u>
EXPENDITURES					
Current					
Materials and services	<u>61,880</u>	<u>(61,880)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(57,530)	58,475	945	-	945
Fund balance - beginning	<u>57,530</u>	<u>(10)</u>	<u>57,520</u>	<u>-</u>	<u>57,520</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 58,465</u>	<u>\$ 58,465</u>	<u>\$ -</u>	<u>\$ 58,465</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, 2018

	Special Revenue Funds					
	Forfeiture Revenue	Grant	911 System	City Council Strategic Reserve	General Reserve	Solid Waste
ASSETS						
Cash and cash equivalents	\$ 4,107	\$ 98,375	\$ 76,322	\$ 45,983	\$ 606,212	\$ 180,325
Accounts receivable	-	500	4,487	-	-	-
Cash with agent	-	-	-	-	-	-
Property taxes receivable	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 4,107</u>	<u>\$ 98,875</u>	<u>\$ 80,809</u>	<u>\$ 45,983</u>	<u>\$ 606,212</u>	<u>\$ 180,325</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 30,209	\$ -
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,209</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue						
Property taxes	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCES						
Restricted	-	98,875	-	-	15,021	-
Committed	-	-	-	-	560,982	-
Assigned	4,107	-	80,809	45,983	-	180,325
	<u>4,107</u>	<u>-</u>	<u>80,809</u>	<u>45,983</u>	<u>-</u>	<u>180,325</u>
Total fund balances	<u>4,107</u>	<u>98,875</u>	<u>80,809</u>	<u>45,983</u>	<u>576,003</u>	<u>180,325</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,107</u>	<u>\$ 98,875</u>	<u>\$ 80,809</u>	<u>\$ 45,983</u>	<u>\$ 606,212</u>	<u>\$ 180,325</u>

Special Revenue Funds			Debt Service Fund	Capital Projects Funds		Total Nonmajor Governmental Funds
Library Reserve	Footpaths and Bicycle Trail	Street Reserve		Water Construction Fund	Building & Property Reserve	
\$ 12,176	\$ 19,862	\$ 210,090	\$ 23,710	\$ 52,817	\$ 652,418	\$ 1,982,397
-	-	-	-	-	-	4,987
-	-	-	1,385	-	-	1,385
-	-	-	14,932	-	-	14,932
<u>\$ 12,176</u>	<u>\$ 19,862</u>	<u>\$ 210,090</u>	<u>\$ 40,027</u>	<u>\$ 52,817</u>	<u>\$ 652,418</u>	<u>\$ 2,003,701</u>
<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,001</u>	<u>\$ -</u>	<u>\$ 31,209</u>
-	-	-	13,984	-	-	13,984
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,984</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,984</u>
-	19,863	-	26,043	51,816	-	211,618
-	-	-	-	-	652,418	1,213,400
12,176	-	210,090	-	-	-	533,490
<u>12,176</u>	<u>19,863</u>	<u>210,090</u>	<u>26,043</u>	<u>51,816</u>	<u>652,418</u>	<u>1,958,508</u>
<u>\$ 12,176</u>	<u>\$ 19,862</u>	<u>\$ 210,090</u>	<u>\$ 40,027</u>	<u>\$ 52,817</u>	<u>\$ 652,418</u>	<u>\$ 2,003,701</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, 2018

	Special Revenue Funds					
	Forfeiture Revenue	Grant	911 System	City Council Strategic Reserve	General Reserve	Solid Waste
REVENUES						
Taxes						
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Motor fuel	-	-	-	-	-	-
Privilege	-	-	22,259	-	-	-
Licenses, permits, and fees	-	-	-	-	-	6,785
Grants and contributions	-	15,670	-	-	-	-
Investment earnings	66	2,841	1,226	744	7,826	2,906
Miscellaneous	-	250	-	-	33,069	-
Total revenues	<u>66</u>	<u>18,761</u>	<u>23,485</u>	<u>744</u>	<u>40,895</u>	<u>9,691</u>
EXPENDITURES						
Current						
General Government	-	1,384	6,153	-	-	6,633
Culture and recreation	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	14,910	2,698	-	136,580	-
Total expenditures	<u>-</u>	<u>16,294</u>	<u>8,851</u>	<u>-</u>	<u>136,580</u>	<u>6,633</u>
Excess (deficiency) of revenues over (under) expenditures	<u>66</u>	<u>2,467</u>	<u>14,634</u>	<u>744</u>	<u>(95,685)</u>	<u>3,058</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	170,500	-
Net change in fund balances	66	2,467	14,634	744	74,815	3,058
Fund balances - beginning	<u>4,041</u>	<u>96,408</u>	<u>66,175</u>	<u>45,239</u>	<u>501,188</u>	<u>177,267</u>
Fund balances - ending	<u>\$ 4,107</u>	<u>\$ 98,875</u>	<u>\$ 80,809</u>	<u>\$ 45,983</u>	<u>\$ 576,003</u>	<u>\$ 180,325</u>

Special Revenue Funds			Debt Service Fund	Capital Projects Funds		Total Nonmajor Governmental Funds
Library Reserve	Footpaths and Bicycle Trail	Street Reserve		Water Construction Fund	Building & Property Reserve	
\$ -	\$ -	\$ -	\$ 158,783	\$ -	\$ -	\$ 158,783
-	1,854	-	-	-	-	1,854
-	-	-	-	-	-	22,259
-	-	-	-	-	-	6,785
5,654	-	-	-	-	-	21,324
249	307	2,752	821	3,190	7,731	30,659
-	-	-	-	-	456	33,775
<u>5,903</u>	<u>2,161</u>	<u>2,752</u>	<u>159,604</u>	<u>3,190</u>	<u>8,187</u>	<u>275,439</u>
-	-	-	-	-	363,161	377,331
9,945	-	-	-	-	145,053	154,998
-	-	-	170,050	-	-	170,050
-	-	-	-	119,980	-	274,168
<u>9,945</u>	<u>-</u>	<u>-</u>	<u>170,050</u>	<u>119,980</u>	<u>508,214</u>	<u>976,547</u>
<u>(4,042)</u>	<u>2,161</u>	<u>2,752</u>	<u>(10,446)</u>	<u>(116,790)</u>	<u>(500,027)</u>	<u>(701,108)</u>
-	-	40,000	-	-	382,345	592,845
(4,042)	2,161	42,752	(10,446)	(116,790)	(117,682)	(108,263)
<u>16,218</u>	<u>17,702</u>	<u>167,338</u>	<u>36,489</u>	<u>168,606</u>	<u>770,100</u>	<u>2,066,771</u>
<u>\$ 12,176</u>	<u>\$ 19,863</u>	<u>\$ 210,090</u>	<u>\$ 26,043</u>	<u>\$ 51,816</u>	<u>\$ 652,418</u>	<u>\$ 1,958,508</u>

CITY OF TOLEDO
Lincoln County, Oregon

COMBINING STATEMENT OF NET POSITION

NONMAJOR ENTERPRISE FUNDS

June 30, 2018

	System Development Fund	Sewer Reserve Fund	Total Nonmajor Enterprise Funds
ASSETS			
Current assets			
Cash and cash equivalents	\$ -	\$ -	\$ -
Restricted assets			
Cash and cash equivalents	<u>477,380</u>	<u>322,034</u>	<u>799,414</u>
Total assets	<u>\$ 477,380</u>	<u>\$ 322,034</u>	<u>\$ 799,414</u>
LIABILITIES			
Accounts payable	<u>-</u>	<u>2,064</u>	<u>2,064</u>
NET POSITION			
Restricted for:			
Debt service	-	84,789	84,789
System improvement	-	235,181	235,181
System development	<u>477,380</u>	<u>-</u>	<u>477,380</u>
Total net position	<u>\$ 477,380</u>	<u>\$ 319,970</u>	<u>\$ 797,350</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, 2018

	System Development Fund	Sewer Reserve Fund	Total Nonmajor Enterprise Funds
Operating revenues	\$ -	\$ -	\$ -
Operating expenses			
Materials and supplies	-	79,039	79,039
Operating income (loss)	-	(79,039)	(79,039)
Nonoperating revenues (expenses)			
System development charges	15,936	-	15,936
Investment earnings	7,589	4,325	11,914
Miscellaneous	-	-	-
Interest expense	-	(63,199)	(63,199)
Total nonoperating revenues (expenses)	23,525	(58,874)	(35,349)
Income (loss) before transfers	23,525	(137,913)	(114,388)
Transfers in	-	301,876	301,876
Transfers out	-	(248,991)	(248,991)
Change in net position	23,525	(85,028)	(61,503)
Total net position - beginning	453,855	404,998	858,853
Total net position - ending	\$ 477,380	\$ 319,970	\$ 797,350

CITY OF TOLEDO
Lincoln County, Oregon
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2018

	System Development Fund	Sewer Reserve Fund	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash payments to suppliers	\$ -	\$ (85,475)	\$ (85,475)
Net cash provided (used) by operating activities	-	(85,475)	(85,475)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
System development charges	15,936	-	15,936
Transfers from other funds for capital purposes	-	301,876	301,876
Purchase of capital assets	-	(122,167)	(122,167)
Principal paid on capital debt	-	(126,823)	(126,823)
Interest paid on capital debt	-	(63,199)	(63,199)
Net cash provided (used) by capital and related financing activities	15,936	(10,313)	5,623
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	7,589	4,325	11,914
Net cash provided (used) by investing activities	7,589	4,325	11,914
Net increase (decrease) in cash and cash equivalents	23,525	(91,463)	(67,938)
Cash and cash equivalents - beginning (including \$453,855, and \$413,497, System Development and Sewer Reserve Funds, respectively, reported in restricted accounts)	453,855	413,497	867,352
Cash and cash equivalents - ending (including \$477,380, and \$322,034, System Development and Sewer Reserve Funds, respectively, reported in restricted accounts)	\$ 477,380	\$ 322,034	\$ 799,414
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ -	\$ (79,039)	\$ (79,039)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Increase (decrease) in accounts payable	-	(6,436)	(6,436)
Net cash provided (used) by operating activities	\$ -	\$ (85,475)	\$ (85,475)
Noncash investing, capital, and financing activities:			
Transfer of capital assets	\$ -	\$ (122,167)	\$ (122,167)

CITY OF TOLEDO
Lincoln County, Oregon

COMBINING STATEMENT OF NET POSITION

INTERNAL SERVICE FUNDS

June 30, 2018

	Public Works Fund	Public Works Equipment Reserve Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 31,766	\$ 167,252	\$ 199,018
Inventory	<u>11,960</u>	<u>-</u>	<u>11,960</u>
Total current assets	<u>43,726</u>	<u>167,252</u>	<u>210,978</u>
Capital assets being depreciated, net	<u>501,391</u>	<u>-</u>	<u>501,391</u>
Total assets	<u>545,117</u>	<u>167,252</u>	<u>712,369</u>
LIABILITIES			
Current liabilities			
Accounts payable	1,142	195	1,337
Compensated absences	<u>23,411</u>	<u>-</u>	<u>23,411</u>
Total current liabilities	<u>24,553</u>	<u>195</u>	<u>24,748</u>
NET POSITION			
Net investment in capital assets	501,391	-	501,391
Unrestricted	<u>19,173</u>	<u>167,057</u>	<u>186,230</u>
Total net position	<u>\$ 520,564</u>	<u>\$ 167,057</u>	<u>\$ 687,621</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, 2018

	Public Works Fund	Public Works Equipment Reserve Fund	Total
Operating revenues			
Fees and charges	\$ 785,057	\$ -	\$ 785,057
Operating expenses			
Cost of sales and services	699,013	19,090	718,103
Depreciation	54,814	-	54,814
Total operating expenses	753,827	19,090	772,917
Operating income (loss)	31,230	(19,090)	12,140
Nonoperating revenues (expenses)			
Investment earnings	-	1,849	1,849
Miscellaneous	726	-	726
Total nonoperating revenues (expenses)	726	1,849	2,575
Income (loss) before contributions and transfers	31,956	(17,241)	14,715
Transfers in	-	74,430	74,430
Transfers out	-	(24,285)	(24,285)
Change in net position	31,956	32,904	64,860
Total net position - beginning	488,608	134,153	622,761
Total net position - ending	\$ 520,564	\$ 167,057	\$ 687,621

CITY OF TOLEDO
Lincoln County, Oregon

COMBINING STATEMENT OF CASH FLOWS

INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2018

	Public Works Fund	Public Works Equipment Reserve Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Charges to other funds	\$ 785,057	\$ -	\$ 785,057
Cash payments to employees	(616,495)	-	(616,495)
Cash payments to suppliers	(114,377)	(18,893)	(133,270)
Net cash provided (used) by operating activities	54,185	(18,893)	35,292
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Miscellaneous income	726	-	726
Net cash provided (used) by noncapital financing activities	726	-	726
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Transfers (to) from other funds for capital related purchases	-	74,430	74,430
Purchase of capital assets	(27,021)	(24,285)	(51,306)
Net cash provided (used) by capital and related financing activities	(27,021)	50,145	23,124
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	-	1,849	1,849
Net cash provided (used) by investing activities	-	1,849	1,849
Net increase (decrease) in cash and cash equivalents	27,890	33,101	60,991
Cash and cash equivalents - beginning	3,876	134,151	138,027
Cash and cash equivalents - ending	\$ 31,766	\$ 167,252	\$ 199,018
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 31,230	\$ (19,090)	\$ 12,140
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	54,814	-	54,814
Change in inventory	(8,034)	-	(8,034)
Capital contributions	(24,285)		(24,285)
Increase (decrease) in:			
Accounts payable	(2,734)	197	(2,537)
Compensated absences	3,194	-	3,194
Net cash provided (used) by operating activities	\$ 54,185	\$ (18,893)	\$ 35,292
Noncash investing, capital, and financing activities:			
Transfer of capital assets	\$ 24,285	(24,285)	\$ -

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, 2018

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Investment earnings	\$ 50	\$ 16	\$ 66	\$ -	\$ 66
Miscellaneous	<u>1,000</u>	<u>(1,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>1,050</u>	<u>(984)</u>	<u>66</u>	<u>-</u>	<u>66</u>
EXPENDITURES					
Current					
Materials and services	<u>5,095</u>	<u>(5,095)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(4,045)	4,111	66	-	66
Fund balance - beginning	<u>4,045</u>	<u>(4)</u>	<u>4,041</u>	<u>-</u>	<u>4,041</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 4,107</u>	<u>\$ 4,107</u>	<u>\$ -</u>	<u>\$ 4,107</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, 2018

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Grants	\$ 117,800	\$ (102,130)	\$ 15,670	\$ -	\$ 15,670
Investment earnings	1,000	1,841	2,841	-	2,841
Miscellaneous	-	250	250	-	250
	<u>118,800</u>	<u>(100,039)</u>	<u>18,761</u>	<u>-</u>	<u>18,761</u>
Total revenues					
EXPENDITURES					
Current					
Materials and services	91,000	(89,616)	1,384	-	1,384
Capital outlay	<u>138,000</u>	<u>(123,090)</u>	<u>14,910</u>	<u>-</u>	<u>14,910</u>
	<u>229,000</u>	<u>(212,706)</u>	<u>16,294</u>	<u>-</u>	<u>16,294</u>
Total expenditures					
Excess (deficiency) of revenues over (under) expenditures	(110,200)	112,667	2,467	-	2,467
Fund balance - beginning	<u>110,200</u>	<u>(13,792)</u>	<u>96,408</u>	<u>-</u>	<u>96,408</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 98,875</u>	<u>\$ 98,875</u>	<u>\$ -</u>	<u>\$ 98,875</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, 2018

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Investment income	\$ 700	\$ 44	\$ 744	\$ -	\$ 744
Miscellaneous	<u>10,000</u>	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>10,700</u>	<u>(9,956)</u>	<u>744</u>	<u>-</u>	<u>744</u>
EXPENDITURES					
Current					
Materials and services	10,000	(10,000)	-	-	-
Capital outlay	<u>46,870</u>	<u>(46,870)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>56,870</u>	<u>(56,870)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(46,170)	46,914	744	-	744
Fund balance - beginning	<u>46,170</u>	<u>(931)</u>	<u>45,239</u>	<u>-</u>	<u>45,239</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 45,983</u>	<u>\$ 45,983</u>	<u>\$ -</u>	<u>\$ 45,983</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, 2018

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Licenses, permits, and fees	\$ 7,000	\$ (215)	\$ 6,785	\$ -	\$ 6,785
Investment earnings	<u>2,000</u>	<u>906</u>	<u>2,906</u>	<u>-</u>	<u>2,906</u>
Total revenues	<u>9,000</u>	<u>691</u>	<u>9,691</u>	<u>-</u>	<u>9,691</u>
EXPENDITURES					
Current					
Materials and services	<u>185,715</u>	<u>(179,082)</u>	<u>6,633</u>	<u>-</u>	<u>6,633</u>
Excess (deficiency) of revenues over (under) expenditures	(176,715)	179,773	3,058	-	3,058
Fund balance - beginning	<u>176,715</u>	<u>552</u>	<u>177,267</u>	<u>-</u>	<u>177,267</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 180,325</u>	<u>\$ 180,325</u>	<u>\$ -</u>	<u>\$ 180,325</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, 2018

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Privilege taxes	\$ 19,750	\$ 2,509	\$ 22,259	\$ -	\$ 22,259
Investment earnings	700	526	1,226	-	1,226
Total revenues	<u>20,450</u>	<u>3,035</u>	<u>23,485</u>	<u>-</u>	<u>23,485</u>
EXPENDITURES					
Current					
Materials and services	15,000	(8,847)	6,153	-	6,153
Capital outlay	<u>76,290</u>	<u>(73,592)</u>	<u>2,698</u>	<u>-</u>	<u>2,698</u>
Total expenditures	<u>91,290</u>	<u>(82,439)</u>	<u>8,851</u>	<u>-</u>	<u>8,851</u>
Excess (deficiency) of revenues over (under) expenditures	(70,840)	85,474	14,634	-	14,634
Fund balance - beginning	<u>70,840</u>	<u>(4,665)</u>	<u>66,175</u>	<u>-</u>	<u>66,175</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 80,809</u>	<u>\$ 80,809</u>	<u>\$ -</u>	<u>\$ 80,809</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, 2018

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Investment earnings	\$ 5,000	\$ 2,826	\$ 7,826	\$ -	\$ 7,826
Miscellaneous	-	33,069	33,069	-	33,069
Total revenues	5,000	35,895	40,895	-	40,895
EXPENDITURES					
Capital outlay	664,500	(527,920)	136,580	-	136,580
Excess (deficiency) of revenues over (under) expenditures	(659,500)	563,815	(95,685)	-	(95,685)
OTHER FINANCING SOURCES (USES)					
Transfers in	170,500	-	170,500	-	170,500
Transfers out	-	-	-	-	-
Total other financing sources (uses)	170,500	-	170,500	-	170,500
Net change in fund balance	(489,000)	563,815	74,815	-	74,815
Fund balance - beginning	489,000	12,188	501,188	-	501,188
Fund balance - ending	\$ -	\$ 576,003	\$ 576,003	\$ -	\$ 576,003

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, 2018

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Grants	\$ 10,000	\$ (4,346)	\$ 5,654	\$ -	\$ 5,654
Investment earnings	<u>175</u>	<u>74</u>	<u>249</u>	<u>-</u>	<u>249</u>
Total revenues	<u>10,175</u>	<u>(4,272)</u>	<u>5,903</u>	<u>-</u>	<u>5,903</u>
EXPENDITURES					
Current					
Materials and services	28,840	(18,895)	9,945	-	9,945
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>28,840</u>	<u>(18,895)</u>	<u>9,945</u>	<u>-</u>	<u>9,945</u>
Excess (deficiency) of revenues over (under) expenditures	(18,665)	14,623	(4,042)	-	(4,042)
Fund balance - beginning	<u>18,665</u>	<u>(2,447)</u>	<u>16,218</u>	<u>-</u>	<u>16,218</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 12,176</u>	<u>\$ 12,176</u>	<u>\$ -</u>	<u>\$ 12,176</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, 2018

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Motor fuel taxes	\$ 2,000	\$ (146)	\$ 1,854	\$ -	\$ 1,854
Investment earnings	<u>200</u>	<u>107</u>	<u>307</u>	<u>-</u>	<u>307</u>
Total revenues	<u>2,200</u>	<u>(39)</u>	<u>2,161</u>	<u>-</u>	<u>2,161</u>
EXPENDITURES					
Capital outlay	<u>19,850</u>	<u>(19,850)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(17,650)	19,811	2,161	-	2,161
Fund balance - beginning	<u>17,650</u>	<u>52</u>	<u>17,702</u>	<u>-</u>	<u>17,702</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 19,863</u>	<u>\$ 19,863</u>	<u>\$ -</u>	<u>\$ 19,863</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, 2018

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Investment earnings	\$ 1,600	\$ 1,152	\$ 2,752	\$ -	\$ 2,752
EXPENDITURES					
Current					
Materials and services	208,810	(208,810)	-	-	-
Excess (deficiency) of revenues over (under) expenditures	(207,210)	209,962	2,752	-	2,752
OTHER FINANCING SOURCES (USES)					
Transfers in	40,000	-	40,000	-	40,000
Net change in fund balance	(167,210)	209,962	42,752	-	42,752
Fund balance - beginning	167,210	128	167,338	-	167,338
Fund balance - ending	\$ -	\$ 210,090	\$ 210,090	\$ -	\$ 210,090

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, 2018

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Property taxes	\$ 160,165	\$ (1,382)	\$ 158,783	\$ -	\$ 158,783
Investment earnings	<u>400</u>	<u>421</u>	<u>821</u>	<u>-</u>	<u>821</u>
Total revenues	<u>160,565</u>	<u>(961)</u>	<u>159,604</u>	<u>-</u>	<u>159,604</u>
EXPENDITURES					
Debt service	<u>170,050</u>	<u>-</u>	<u>170,050</u>	<u>-</u>	<u>170,050</u>
Excess (deficiency) of revenues over (under) expenditures	(9,485)	(961)	(10,446)	-	(10,446)
Net change in fund balance	(9,485)	(961)	(10,446)	-	(10,446)
Fund balance - beginning	<u>19,485</u>	<u>17,004</u>	<u>36,489</u>	<u>-</u>	<u>36,489</u>
Fund balance - ending	<u>\$ 10,000</u>	<u>\$ 16,043</u>	<u>\$ 26,043</u>	<u>\$ -</u>	<u>\$ 26,043</u>

CITY OF TOLEDO
Lincoln County, Oregon

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

WATER CONSTRUCTION FUND

For the Year Ended June 30, 2018

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Intergovernmental	\$ 50,000	\$ (50,000)	\$ -	\$ -	\$ -
Investment earnings	<u>2,000</u>	<u>1,190</u>	<u>3,190</u>	<u>-</u>	<u>3,190</u>
Total revenues	<u>52,000</u>	<u>(48,810)</u>	<u>3,190</u>	<u>-</u>	<u>3,190</u>
EXPENDITURES					
Capital outlay	<u>227,365</u>	<u>(107,385)</u>	<u>119,980</u>	<u>-</u>	<u>119,980</u>
Excess (deficiency) of revenues over (under) expenditures	(175,365)	58,575	(116,790)	-	(116,790)
Fund balance - beginning	<u>175,365</u>	<u>(6,759)</u>	<u>168,606</u>	<u>-</u>	<u>168,606</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 51,816</u>	<u>\$ 51,816</u>	<u>\$ -</u>	<u>\$ 51,816</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, 2018

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Investment earnings	\$ 8,000	\$ (269)	\$ 7,731	\$ -	\$ 7,731
Miscellaneous	<u>-</u>	<u>456</u>	<u>456</u>	<u>-</u>	<u>456</u>
Total revenues	<u>8,000</u>	<u>187</u>	<u>8,187</u>	<u>-</u>	<u>8,187</u>
EXPENDITURES					
Capital outlay	<u>1,141,300</u>	<u>(633,086)</u>	<u>508,214</u>	<u>-</u>	<u>508,214</u>
Excess (deficiency) of revenues over (under) expenditures	(1,133,300)	633,273	(500,027)	-	(500,027)
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>382,345</u>	<u>-</u>	<u>382,345</u>	<u>-</u>	<u>382,345</u>
Net change in fund balance	(750,955)	633,273	(117,682)	-	(117,682)
Fund balance - beginning	<u>750,955</u>	<u>19,145</u>	<u>770,100</u>	<u>-</u>	<u>770,100</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 652,418</u>	<u>\$ 652,418</u>	<u>\$ -</u>	<u>\$ 652,418</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, 2018

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Water sales	\$ 1,265,000	\$ 5,583	\$ 1,270,583	\$ -	\$ 1,270,583
Water sales - Seal Rock	370,000	914	370,914	-	370,914
Fees and charges	17,500	(4,248)	13,252	-	13,252
Grants and contributions	400	495	895	-	895
Rents and leases	10,720	(1)	10,719	-	10,719
Investment earnings	5,000	8,827	13,827	-	13,827
Miscellaneous	3,000	833	3,833	-	3,833
Total revenues	<u>1,671,620</u>	<u>12,403</u>	<u>1,684,023</u>	<u>-</u>	<u>1,684,023</u>
EXPENSES					
Current					
Water plant	1,009,545	(51,879)	957,666	(467,300)	490,366
Water distribution	898,774	(47,298)	851,476	(675,255)	176,221
Depreciation	-	-	-	384,422	384,422
Contingency	140,000	(140,000)	-	-	-
Total expenses	<u>2,048,319</u>	<u>(239,177)</u>	<u>1,809,142</u>	<u>(758,133)</u>	<u>1,051,009</u>
Excess (deficiency) of revenues over (under) expenses	(376,699)	251,580	(125,119)	758,133	633,014
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	448,956	448,956
Transfers out	-	-	-	(1,189,528)	(1,189,528)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(740,572)</u>	<u>(740,572)</u>
Change in net position	(376,699)	251,580	(125,119)	17,561	(107,558)
Net position - beginning	<u>376,699</u>	<u>52,609</u>	<u>429,308</u>	<u>8,926,618</u>	<u>9,355,926</u>
Net position - ending	<u>\$ -</u>	<u>\$ 304,189</u>	<u>\$ 304,189</u>	<u>\$ 8,944,179</u>	<u>\$ 9,248,368</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, 2018

	Original and Final Budget	Variance with Final Budget Over (Under)	Budget Basis	Actual Adjustments	GAAP Basis
REVENUES					
Sewer charges	\$ 1,085,200	\$ (24,306)	\$ 1,060,894	\$ -	\$ 1,060,894
Investment earnings	1,500	14,561	16,061	-	16,061
Miscellaneous	<u>250</u>	<u>(102)</u>	<u>148</u>	<u>-</u>	<u>148</u>
Total revenues	<u>1,086,950</u>	<u>(9,847)</u>	<u>1,077,103</u>	<u>-</u>	<u>1,077,103</u>
EXPENSES					
Sewer plant	694,581	(1,329)	693,252	(287,115)	406,137
Sewer collection	489,300	(13,161)	476,139	(370,207)	105,932
Depreciation	-	-	-	266,069	266,069
Contingency	<u>100,000</u>	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>1,283,881</u>	<u>(114,490)</u>	<u>1,169,391</u>	<u>(391,253)</u>	<u>778,138</u>
Excess (deficiency) of revenues over (under) expenses	(196,931)	104,643	(92,288)	391,253	298,965
OTHER FINANCING SOURCES (USES)					
Transfers in	2,500	-	2,500	165,412	167,912
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(710,499)</u>	<u>(710,499)</u>
Total other financing sources (uses)	<u>2,500</u>	<u>-</u>	<u>2,500</u>	<u>(545,087)</u>	<u>(542,587)</u>
Change in net position	(194,431)	104,643	(89,788)	(153,834)	(243,622)
Net position - beginning	<u>194,431</u>	<u>29,900</u>	<u>224,331</u>	<u>5,038,677</u>	<u>5,263,008</u>
Net position - ending	<u>\$ -</u>	<u>\$ 134,543</u>	<u>\$ 134,543</u>	<u>\$ 4,884,843</u>	<u>\$ 5,019,386</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, 2018

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
System development charges	\$ 50,000	\$ (50,000)	\$ -	\$ -	\$ -
Investment earnings	12,000	6,928	18,928	-	18,928
Miscellaneous	-	20,000	20,000	-	20,000
	<u>62,000</u>	<u>(23,072)</u>	<u>38,928</u>	<u>-</u>	<u>38,928</u>
EXPENSES					
Current					
Materials and services	175,000	(122,866)	52,134	-	52,134
Capital outlay	<u>1,567,489</u>	<u>(1,222,788)</u>	<u>344,701</u>	<u>(330,008)</u>	<u>14,693</u>
	<u>1,742,489</u>	<u>(1,345,654)</u>	<u>396,835</u>	<u>(330,008)</u>	<u>66,827</u>
Excess (deficiency) of revenues over (under) expenses	(1,680,489)	1,322,582	(357,907)	330,008	(27,899)
OTHER FINANCING SOURCES (USES)					
Transfers in	302,059	-	302,059	-	302,059
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(330,008)</u>	<u>(330,008)</u>
	302,059	-	302,059	(330,008)	(27,949)
Change in net position	(1,378,430)	1,322,582	(55,848)	-	(55,848)
Net position - beginning	<u>1,378,430</u>	<u>9,582</u>	<u>1,388,012</u>	<u>-</u>	<u>1,388,012</u>
Net position - ending	<u>\$ -</u>	<u>\$ 1,332,164</u>	<u>\$ 1,332,164</u>	<u>\$ -</u>	<u>\$ 1,332,164</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, 2018

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
System development charges	\$ 20,900	\$ (4,964)	\$ 15,936	\$ -	\$ 15,936
Investment earnings	<u>5,000</u>	<u>2,589</u>	<u>7,589</u>	<u>-</u>	<u>7,589</u>
Total revenues	<u>25,900</u>	<u>(2,375)</u>	<u>23,525</u>	<u>-</u>	<u>23,525</u>
EXPENSES					
Capital outlay	<u>460,850</u>	<u>(460,850)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenses	(434,950)	458,475	23,525	-	23,525
Net position - beginning	<u>434,950</u>	<u>18,905</u>	<u>453,855</u>	<u>-</u>	<u>453,855</u>
Net position - ending	<u>\$ -</u>	<u>\$ 477,380</u>	<u>\$ 477,380</u>	<u>\$ -</u>	<u>\$ 477,380</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, 2018

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Investment earnings	\$ 1,500	\$ 2,825	\$ 4,325	\$ -	\$ 4,325
EXPENSES					
Current					
Materials and services	32,500	(26,142)	6,358	-	6,358
Debt service	191,455	(1,433)	190,022	(126,823)	63,199
Capital outlay	<u>482,702</u>	<u>(287,854)</u>	<u>194,848</u>	<u>(122,167)</u>	<u>72,681</u>
Total expenses	<u>706,657</u>	<u>(315,429)</u>	<u>391,228</u>	<u>(248,990)</u>	<u>142,238</u>
Excess (deficiency) of revenues over (under) expenses	(705,157)	318,254	(386,903)	248,990	(137,913)
OTHER FINANCING SOURCES (USES)					
Transfers in	301,876	-	301,876	-	301,876
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(248,991)</u>	<u>(248,991)</u>
Total other financing sources (uses)	<u>301,876</u>	<u>-</u>	<u>301,876</u>	<u>(248,991)</u>	<u>52,885</u>
Change in net position	(403,281)	318,254	(85,027)	(1)	(85,028)
Net position - beginning	<u>403,281</u>	<u>1,717</u>	<u>404,998</u>	<u>-</u>	<u>404,998</u>
Net position - ending	<u>\$ -</u>	<u>\$ 319,971</u>	<u>\$ 319,971</u>	<u>\$ (1)</u>	<u>\$ 319,970</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, 2018

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Charges for services	\$ 887,045	\$ (127,173)	\$ 759,872	\$ 25,185	\$ 785,057
Miscellaneous	<u>30,000</u>	<u>(29,274)</u>	<u>726</u>	<u>-</u>	<u>726</u>
Total revenues	<u>917,045</u>	<u>(156,447)</u>	<u>760,598</u>	<u>25,185</u>	<u>785,783</u>
EXPENSES					
Current					
Personnel services	765,290	(145,601)	619,689	3,194	622,883
Materials and services	111,755	(1,469)	110,286	(35,054)	75,232
Capital outlay	10,000	(10,000)	-	898	898
Depreciation	-	-	-	54,814	54,814
Contingency	<u>30,000</u>	<u>(30,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>917,045</u>	<u>(187,070)</u>	<u>729,975</u>	<u>23,852</u>	<u>753,827</u>
Excess (deficiency) of revenues over (under) expenses	-	30,623	30,623	1,333	31,956
Net position - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>488,608</u>	<u>488,608</u>
Net position - ending	<u>\$ -</u>	<u>\$ 30,623</u>	<u>\$ 30,623</u>	<u>\$ 489,941</u>	<u>\$ 520,564</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, 2018

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Investment earnings	\$ 1,000	\$ 849	\$ 1,849	\$ -	\$ 1,849
EXPENSES					
Capital outlay	<u>210,205</u>	<u>(166,830)</u>	<u>43,375</u>	<u>(24,285)</u>	<u>19,090</u>
Excess (deficiency) of revenues over (under) expenses	(209,205)	167,679	(41,526)	24,285	(17,241)
OTHER FINANCING SOURCES (USES)					
Transfers in	74,430	-	74,430	-	74,430
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,285)</u>	<u>(24,285)</u>
Total other financing sources (uses)	<u>74,430</u>	<u>-</u>	<u>74,430</u>	<u>(24,285)</u>	<u>50,145</u>
Change in net position	(134,775)	167,679	32,904	-	32,904
Net position - beginning	<u>134,775</u>	<u>(622)</u>	<u>134,153</u>	<u>-</u>	<u>134,153</u>
Net position - ending	<u>\$ -</u>	<u>\$ 167,057</u>	<u>\$ 167,057</u>	<u>\$ -</u>	<u>\$ 167,057</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, 2018, and have issued our report thereon dated October 14, 2019. 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

October 14, 2019



**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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 14, 2019.

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 2018-002 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 the attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as items 2018-001 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
October 14, 2019

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2018

Finding Number	Findings
2018-001	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.
2018-002	During the fiscal year under audit, and the period immediately subsequent to year end, the City lacked accounting discipline in most areas affecting financial reporting. Bank reconciliations were not done in a timely fashion, utility billing reconciliations were not performed, payroll liabilities were materially overstated, franchise fee receivables were materially understated, inventory records were not available in a timely fashion, and capital assets reconciliations were materially misstated as presented for audit.
	Response
2018-001	Management continually evaluates the monitoring and controls established to ensure risks are mitigated.
2018-002	Full-time personnel have been hired and trained to replace the temporary interim finance personnel. It will take some time to bring all processes up to date but once that is accomplished, reconciliation of all accounts within the general ledger will be done on a regular basis. Inventory and capital asset records will be updated in a timely manner.