



**CITY OF TOLEDO**  
Lincoln County, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2019

**CITY OF TOLEDO**  
**Lincoln County, Oregon**

**CITY OFFICIALS**

June 30, 2019

**MAYOR**

**Rod Cross**

931 NE Alder Street  
Toledo, OR 97391

**CITY COUNCIL**

**Joshua Smith**

Council President  
543 E. Graham Street  
Toledo, OR 97391

**Stu Strom**

361 E. Graham Street  
Toledo, OR 97391

**Jackie Kauffman**

316 N Main Street  
Toledo, OR 97391

**Betty Kamikawa**

1267 N Nye Street  
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**Heather Jukich**

395 SE Alder Street  
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**William Dalbey**

710 N. Bay Road  
Toledo, OR 97391

**CITY MANAGER**

Craig Martin

**CITY ATTORNEY**

Osterlund Law Office  
217 S. Main Street  
Toledo, OR 97391

**CITY OF TOLEDO**  
**Lincoln County, Oregon**

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**FINANCIAL SECTION**



## **Independent Auditor's Report**

The Honorable Mayor and  
Members of the City Council  
City of Toledo  
Toledo, Oregon

### **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, Oregon as of and for the year ended June 30, 2019, 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, Oregon as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of the City's proportionate share of the net pension liability, OPEB medical liability and City contributions, and the budgetary comparison information on pages 4 through 11 and 62 through 67, 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

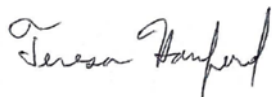
records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and 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 May 5, 2020 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 May 5, 2020 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.



Hanford & Associates, LLC  
West Richland, Washington  
May 5, 2020



## **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, 2019. It should be read in conjunction with the City's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- At June 30, 2019, total net position of the City of Toledo amounted to \$22,352,006. Of this amount, \$15,464,372 was invested in capital assets, net of related debt. The remaining balance included \$3,153,432 restricted for various purposes and \$4,734,202 of unrestricted net position.
- At June 30, 2019, the City's governmental funds reported combined ending net position of \$7,261,188.

**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, Stabilization and Revolving Loan 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 61 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, Street, Stabilization, and Revolving Loan Funds. This required supplementary information can be found on pages 62 through 67 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 68 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, 2019, the City's assets exceeded liabilities by \$22,352,006.

A large portion of the City's net position reflects its investment in capital assets (e.g., land, buildings,

**CITY OF TOLEDO**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

and equipment) less any related debt used to acquire those assets that is still outstanding. Although the 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 \$366,352 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.

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
<b>Assets</b>						
Current and other assets	\$ 7,862,791	\$ 7,410,513	\$ 2,195,494	\$ 2,141,986	\$ 10,058,285	\$ 9,552,499
Restricted assets	299,182	285,542	720,095	477,380	1,019,277	762,922
Net capital assets	8,518,691	8,743,295	13,964,890	14,455,555	22,483,581	23,198,850
Total assets	16,680,664	16,439,350	16,880,479	17,074,921	33,561,143	33,514,271
<b>Deferred Outflows of Resources</b>	580,185	588,574	208,319	250,764	788,504	839,338
<b>Liabilities</b>						
Current liabilities	774,552	885,607	131,317	81,271	905,869	966,878
Noncurrent liabilities	9,106,303	9,420,596	749,810	793,782	9,856,113	10,214,378
Total liabilities	9,880,855	10,306,203	881,127	875,053	10,761,982	11,181,256
<b>Deferred Inflows of Resources</b>	118,805	133,334	116,854	53,364	235,659	186,698
<b>Net position</b>						
Net investment in capital assets	1,499,482	709,857	13,964,890	14,455,555	15,464,372	15,165,412
Restricted for various purposes	2,436,493	1,900,098	716,939	797,350	3,153,432	2,697,448
Unrestricted	3,325,214	3,978,432	1,408,988	1,144,363	4,734,202	5,122,795
Total net position	\$ 7,261,188	\$ 6,588,387	\$ 16,090,817	\$ 16,397,268	\$ 23,352,006	\$ 22,985,655

**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**

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
<b>Program revenues</b>						
Charges for services	\$ 559,118	\$ 708,076	\$ 2,657,789	\$ 2,715,578	\$ 3,216,907	\$ 3,423,654
Operating grants and contributions	24,238	22,399	360	960	24,598	23,359
Capital grants and contributions	-	15,520	-	15,936	-	31,456
Total program revenues	583,356	745,995	2,658,149	2,732,474	3,241,505	3,478,469
<b>General revenues</b>						
Property taxes - general	2,020,891	2,019,825	-	-	2,020,891	2,019,825
Property taxes - debt service	166,547	159,256	-	-	166,547	159,256
Franchise fees	1,390,248	1,629,559	-	-	1,390,248	1,629,559
Motor fuel taxes	275,477	185,441	-	-	275,477	185,441
Alcohol/cigarette taxes	74,670	69,718	-	-	74,670	69,718
911 taxes	13,610	22,259	-	-	13,610	22,259
Intergovernmental	224,017	34,729	-	-	224,017	34,729
Investment earnings	175,614	87,902	63,537	60,729	239,151	148,631
Rents and leases	12,020	9,701	11,184	10,719	23,204	20,420
Miscellaneous	66,196	94,557	46,474	23,982	112,670	118,539
Total general revenues	4,419,290	4,312,947	121,195	95,430	4,540,485	4,408,377
Total revenues	5,002,646	5,058,942	2,779,344	2,827,904	7,781,990	7,886,846
<b>Program expenses</b>						
General government	2,125,802	2,213,429	-	-	2,125,802	2,213,429
Public safety	2,066,079	2,393,892	-	-	2,066,079	2,393,892
Highways and streets	374,814	299,989	-	-	374,814	299,989
Culture and recreation	352,637	551,084	-	-	352,637	551,084
Interest on long-term debt	-	35,050	-	-	-	35,050
Water	-	-	1,425,142	1,117,836	1,425,142	1,117,836
Sewer	-	-	1,071,164	920,376	1,071,164	920,376
Total program expenses	4,919,332	5,493,444	2,496,306	2,038,212	7,415,638	7,531,656
Transfers	589,487	1,258,223	(589,487)	(1,258,223)	-	-
<b>Change in net position</b>	672,801	823,721	(306,449)	(468,531)	366,352	355,190
<b>Net position - beginning</b>	6,588,387	5,764,666	16,397,268	16,865,799	22,985,655	22,630,465
<b>Net position - end of year</b>	\$ 7,261,188	\$ 6,588,387	\$ 16,090,819	\$ 16,397,268	\$ 23,352,007	\$ 22,985,655

**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 \$7117,709,. Of this amount, \$1,955,169 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 \$1,955,169. 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 \$16,090,817 at year-end. Of this amount, \$13,964,890 was invested in capital assets, net of related debt. The remaining balance included \$716,939 restricted for various purposes and \$1,408,988 of unrestricted net position.

**BUDGETARY HIGHLIGHTS**

Budget amounts shown in the financial statements reflect the original budget amounts and final budget amounts.

**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, 2019 amounted to \$8,518,691 and \$13,964,890, 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 \$597,783 and \$656,665, 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 \$7,504,209 and \$0, respectively. These amounts are comprised of general obligation bonds, and bond premiums. The City's total debt decreased by \$529,229 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 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:

**Revenues**

- The City's electricity franchise rate increased from 4.25% to 5.0% in the 2016-2017 fiscal year. This increase along with rate increases and increased electrical consumption is estimated to continue to bring in an additional \$220,000 annually in revenues.
- The revenues received from the Lincoln County Library District are estimated to be down slightly from the previous year at \$84,515.
- Revenue from the Toledo Rural Fire Protection District is projected to be the same as the previous year at an estimated \$155,000.
- State shared Marijuana tax revenue is expected to be received in this budget cycle although the amount the City will receive has yet to be determined.
- Swimming Pool revenue will no longer be received due to the transfer of pool operations to the Greater Toledo Pool and Recreation District.
- The combined unappropriated fund balance is projected to increase by approximately \$1.3 million.

**Expenditures**

- Staffing levels are proposed to see a net reduction of -2.67 FTE due to the elimination of Swimming Pool personnel and the Assistant City Recorder position.
- The Budget includes funding for a 1.0 FTE City Planner position and a 1.0 FTE Treatment Plant Operator Trainee position subject to City Council Approval.
- This budget reflects anticipated increases in wages and compensation as the result of Collective Bargaining Agreements and other projected cost of living wage increases.
- General Fund Contract services has been increased to reflect continued outsourcing of legal services for the City Attorney/Legal services.
- The budget contains funding for professional engineering and architectural services for the initial design and renovation of the Public Safety Building acquired by the City in 2017.
- 

All of these factors were considered in preparing the City's budget for fiscal year 2019-2020.



**CITY OF TOLEDO**  
**Lincoln County, Oregon**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**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, 2019

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 6,857,740	\$ 1,850,440	\$ 8,708,180
Cash with agent	-	-	-
Receivables, current portion	56,050	260,690	316,740
Prepays	-	-	-
Property taxes receivable	235,019	-	235,019
Inventory	16,938	84,364	101,302
	<hr/>	<hr/>	<hr/>
Total current assets	7,165,747	2,195,494	9,361,241
Restricted assets			
Cash and cash equivalents	211,673	720,095	931,768
Cash with agent	76,308	-	76,308
Property taxes receivable	11,201	-	11,201
	<hr/>	<hr/>	<hr/>
Total restricted assets	299,182	720,095	1,019,277
Receivables, less current portion	504,452	-	504,452
Housing rehabilitation loans receivable	192,592	-	192,592
Assets held for sale	-	-	-
Capital assets not being depreciated	1,005,755	840,002	1,845,757
Capital assets being depreciated, net	7,512,936	13,124,888	20,637,824
	<hr/>	<hr/>	<hr/>
Total assets	16,680,664	16,880,479	33,561,143
	<hr/>	<hr/>	<hr/>
DEFERRED OUTFLOWS OF RESOURCES	580,185	208,319	788,504
	<hr/>	<hr/>	<hr/>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	154,614	37,363	191,977
Compensated absences	118,943	39,979	158,922
Accrued interest	-	-	-
Deposits payable	15,995	53,975	69,970
Long-term debt, current portion	485,000	-	485,000
	<hr/>	<hr/>	<hr/>
Total current liabilities	774,552	131,317	905,869
	<hr/>	<hr/>	<hr/>

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

**CITY OF TOLEDO**  
**Lincoln County, Oregon**

STATEMENT OF NET POSITION

June 30, 2019

	Governmental Activities	Business-Type Activities	Total
Noncurrent liabilities			
Net pension liability	1,938,337	696,368	2,634,705
OPEB liability	148,757	53,442	202,199
Long-term debt, less current portion	7,019,209	-	7,019,209
Total noncurrent liabilities	9,106,303	749,810	9,856,113
Total liabilities	9,880,855	881,127	10,761,982
DEFERRED INFLOWS OF RESOURCES	118,805	116,854	235,659
NET POSITION			
Net investment in capital assets	1,499,482	13,964,890	15,464,372
Restricted for various purposes	2,436,493	716,939	3,153,432
Unrestricted	3,325,214	1,408,988	4,734,202
Total net position	\$ 7,261,188	\$ 16,090,817	\$ 23,352,006

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, 2019

	Program Revenues				Net(expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
<b>Functions/Programs</b>							
Governmental activities							
General government	\$ 2,125,802	\$ 244,524	\$ -	\$ -	\$ (1,881,278)	\$ -	\$ (1,881,278)
Public safety	2,066,079	112,426	10,183	-	(1,943,470)	-	(1,943,470)
Highways and streets	374,814	103,822	-	-	(270,992)	-	(270,992)
Culture and recreation	352,637	98,346	14,055	-	(240,236)	-	(240,236)
Total governmental activities	<u>\$ 4,919,332</u>	<u>\$ 559,118</u>	<u>\$ 24,238</u>	<u>\$ -</u>	<u>(4,335,976)</u>	<u>-</u>	<u>(4,335,976)</u>
Business-type activities							
Water	1,425,142	1,671,529	360	-	-	246,747	246,747
Sewer	1,071,164	986,260	-	-	-	(84,904)	(84,904)
Total business-type activities	<u>\$ 2,496,306</u>	<u>\$ 2,657,789</u>	<u>\$ 360</u>	<u>\$ -</u>	<u>-</u>	<u>161,843</u>	<u>161,843</u>
General Revenues							
Property taxes - general					2,020,891	-	2,020,891
Property taxes - debt service					166,547	-	166,547
Franchise fees					1,390,248	-	1,390,248
Motor fuel taxes					275,477	-	275,477
Alcohol and cigarette taxes					74,670	-	74,670
Privilege taxes					13,610	-	13,610
Intergovernmental					224,017	-	224,017
Investment earnings					175,614	63,537	239,151
Rents and leases					12,020	11,184	23,204
Miscellaneous					66,196	46,474	112,670
Total general revenues					<u>4,419,290</u>	<u>121,195</u>	<u>4,540,485</u>
Transfers					<u>589,487</u>	<u>(589,487)</u>	<u>-</u>
Change in net position					672,801	(306,449)	366,352
Net position - beginning					<u>6,588,387</u>	<u>16,397,267</u>	<u>22,985,654</u>
Net position - ending					<u>\$ 7,261,188</u>	<u>\$16,090,818</u>	<u>\$23,352,006</u>

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

**CITY OF TOLEDO**  
**Lincoln County, Oregon**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

June 30, 2019

	General Fund	Street Fund	Stabilization Fund	Revolving Loan Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 1,947,811	\$ 2,175,764	\$ 950,640	\$ 60,313	\$ 2,006,399	\$ 7,140,927
Cash with agent	16,635	-	-	-	1,386	18,021
Accounts receivable	550,564	9,938	-	-	-	560,502
Prepays	-	-	-	-	-	-
Property taxes receivable	223,818	-	-	-	11,201	235,019
Notes receivable	-	-	-	192,592	-	192,592
Total assets	<u>2,738,828</u>	<u>2,185,702</u>	<u>950,640</u>	<u>252,905</u>	<u>2,018,986</u>	<u>8,147,061</u>
<b>LIABILITIES</b>						
Accounts payable	115,916	32,396	-	-	6,302	154,614
Deposits payable	15,995	-	-	-	-	15,995
Total liabilities	<u>131,911</u>	<u>32,396</u>	<u>-</u>	<u>-</u>	<u>6,302</u>	<u>170,609</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue						
Property taxes	178,928	-	-	-	14,403	193,331
Notes receivable	-	-	-	192,592	-	192,592
Court fines	472,820	-	-	-	-	472,820
Total deferred inflows of resources	<u>651,748</u>	<u>-</u>	<u>-</u>	<u>192,592</u>	<u>14,403</u>	<u>858,743</u>
<b>FUND BALANCES</b>						
Restricted	-	2,153,306	-	60,313	222,874	2,436,493
Committed	-	-	950,640	-	1,052,387	2,003,027
Assigned	-	-	-	-	723,020	723,020
Unassigned	1,955,169	-	-	-	-	1,955,169
Total fund balances	<u>1,955,169</u>	<u>2,153,306</u>	<u>950,640</u>	<u>60,313</u>	<u>1,998,281</u>	<u>7,117,709</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,738,828</u>	<u>\$ 2,185,702</u>	<u>\$ 950,640</u>	<u>\$ 252,905</u>	<u>\$ 2,018,986</u>	<u>\$ 8,147,061</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, 2019

Total fund balances		\$ 8,147,061
Capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds:		
Cost	14,815,281	
Accumulated Depreciation	<u>(7,302,345)</u>	7,512,936
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	192,592	
Assets held for sale	<u>-</u>	192,592
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.		
		193,331
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.		
		447,197
Inventory is not reported at the fund level.		
		16,938
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	580,185	
Deferred inflows of resources relating to the return on pension assets	(118,805)	
Net OPEB (liability)	(148,757)	
Net pension asset (liability)	<u>(1,938,337)</u>	<u>(1,625,714)</u>
Long term liabilities are not due or payable in the 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	(118,943)	
Accrued interest	-	
Bonds payable	<u>(7,504,209)</u>	<u>(7,623,152)</u>
Net position of governmental activities		<u>\$ 7,261,188</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, 2019

		Special Revenue				
	General	Street	Stabilization	Revolving	Nonmajor	Total
	Fund	Fund	Fund	Loan	Governmental	Government
				Fund	Funds	Funds
REVENUES						
Taxes						
Property	\$ 2,020,891	\$ -	\$ -	\$ -	\$ 166,547	\$ 2,187,438
Franchise	834,149	556,099	-	-	-	1,390,248
Motor fuel	-	272,722	-	-	2,755	275,477
Alcohol	58,142	-	-	-	-	58,142
Cigarette	16,528	-	-	-	-	16,528
Privilege	-	-	-	-	13,610	13,610
Licenses, permits, and fees	132,956	103,822	-	-	7,746	244,524
Grants and contributions	10,183	-	-	-	14,055	24,238
Charges for services - recreational fees	98,346	-	-	-	-	98,346
Intergovernmental charges	224,017	-	-	-	-	224,017
State revenue sharing	48,861	-	-	-	-	48,861
Fines	63,565	-	-	-	-	63,565
Investment earnings	47,480	42,782	24,910	1,598	58,844	175,614
Rents and leases	12,020	-	-	-	-	12,020
Miscellaneous	29,199	1,440	15,257	250	20,050	66,196
Total revenues	<u>3,596,337</u>	<u>976,865</u>	<u>40,167</u>	<u>1,848</u>	<u>283,607</u>	<u>4,898,824</u>
EXPENDITURES						
Current						
General government	934,118	-	1,150	-	280,148	1,215,416
Public safety	2,066,079	-	-	-	-	2,066,079
Highways and streets	-	374,814	-	-	-	374,814
Culture and recreation	280,648	-	-	-	22,801	303,449
Debt service	-	-	-	-	166,000	166,000
Capital outlay	-	-	-	-	248,386	248,386
Total expenditures	<u>3,280,845</u>	<u>374,814</u>	<u>1,150</u>	<u>-</u>	<u>717,335</u>	<u>4,374,144</u>
Excess (deficiency) of revenues over (under) expenditures	315,492	602,051	39,017	1,848	(433,728)	524,680
OTHER FINANCING SOURCES (USES)						
Transfers in	26,280	-	-	-	292,500	318,780
Transfers out	(175,000)	(78,760)	-	-	-	(253,760)
Total other financing sources (uses)	<u>(148,720)</u>	<u>(78,760)</u>	<u>-</u>	<u>-</u>	<u>292,500</u>	<u>65,020</u>
Net change in fund balances	166,772	523,291	39,017	1,848	(141,228)	589,700
Fund balances - beginning	<u>1,788,397</u>	<u>1,630,015</u>	<u>911,623</u>	<u>58,465</u>	<u>2,139,509</u>	<u>6,528,009</u>
Fund balances - ending	<u>\$ 1,955,169</u>	<u>\$ 2,153,306</u>	<u>\$ 950,640</u>	<u>\$ 60,313</u>	<u>\$ 1,998,281</u>	<u>\$ 7,117,709</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, 2019

Net change in fund balances	\$589,700
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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	248,386	
Capital asset disposals, net of related depreciation	-	
Depreciation expense recorded in the current year	<u>(597,783)</u>	(349,397)

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.

465,000

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	23,266	
Change in inventory	<u>5,739</u>	29,005

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		-
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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		<u>(61,507)</u>
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Change in net position		<u><u>\$672,801</u></u>
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The accompanying notes are an integral part of these financial statements.

**CITY OF TOLEDO**  
**Lincoln County, Oregon**  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS

June 30, 2019

	Business -Type Activities				
	Enterprise Funds				
	Water	Sewer	Water Reserve	Nonmajor Enterprise Funds	Total Enterprise Funds
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 322,317	\$ 27,983	\$ 1,500,140	\$ -	\$ 1,850,440
Accounts receivable	159,783	100,907	-	-	260,690
Inventory	72,854	11,510	-	-	84,364
Total current assets	554,954	140,400	1,500,140	-	2,195,494
Restricted assets					
Cash and cash equivalents	-	-	-	720,095	720,095
Capital assets not being depreciated	353,686	486,316	-	-	840,002
Capital assets being depreciated, net	8,596,270	4,528,618	-	-	13,124,888
Total assets	9,504,910	5,155,334	1,500,140	720,095	16,880,479
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	104,159	104,159	-	-	208,319
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	32,841	1,366	-	3,156	37,363
Compensated absences	16,404	23,575	-	-	39,979
Deposits payable	53,975	-	-	-	53,975
Total current liabilities	103,220	24,941	-	3,156	131,317
Noncurrent liabilities					
Net pension liability	348,184	348,184	-	-	696,368
OPEB liability	26,721	26,721	-	-	53,442
Total liabilities	478,125	399,846	-	3,156	881,127

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, 2019

	Business -Type Activities				
	Enterprise Funds				
	Water	Sewer	Water Reserve	Nonmajor Enterprise Funds	Total Enterprise Funds
<b>DEFERRED INFLOWS OF RESOURCES</b>					
	<u>58,427</u>	<u>58,427</u>	<u>-</u>	<u>-</u>	<u>116,854</u>
<b>NET POSITION</b>					
Net investment in capital assets	8,949,956	5,014,934	-	-	13,964,890
Restricted for:			-		
Debt Service	-	-	-	-	-
System Improvement	-	-	-	188,728	188,728
System Development	-	-	-	528,211	528,211
Unrestricted	<u>122,562</u>	<u>(213,713)</u>	<u>1,500,140</u>	<u>-</u>	<u>1,408,988</u>
Total net position	<u>\$ 9,072,518</u>	<u>\$ 4,801,221</u>	<u>\$ 1,500,140</u>	<u>\$ 716,939</u>	<u>\$ 16,090,817</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, 2019

	Business -Type Activities				
	Enterprise Funds				
	Water	Sewer	Water Reserve	Nonmajor Enterprise Funds	Total Enterprise Funds
Operating revenues					
Water sales	\$ 1,309,419	\$ -	\$ -	\$ -	\$ 1,309,419
Water sales - Seal Rock	342,026	-	-	-	342,026
Sewer charges	-	986,260	-	-	986,260
Fees and charges	20,084	-	-	-	20,084
Grants and contributions	360	-	-	-	360
Rents and leases	11,184	-	-	-	11,184
Total operating revenues	1,683,073	986,260	-	-	2,669,333
Operating expenses					
Cost of sales and services	688,779	708,834	172,905	33,322	1,603,840
Administration	-	-	-	-	-
Materials and supplies	-	-	-	-	-
Depreciation	389,319	267,346	-	-	656,665
Total operating expenses	1,078,098	976,180	172,905	33,322	2,260,505
Operating income (loss)	604,975	10,080	(172,905)	(33,322)	408,828

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, 2019

	Business -Type Activities				
	Enterprise Funds				
	Water	Sewer	Water Reserve	Nonmajor Enterprise Funds	Total Enterprise Funds
Nonoperating revenues (expenses)					
Investment earnings	4,073	1,218	36,402	21,844	63,537
Miscellaneous	4,685	1,772	480	39,537	46,474
Interest expense	(174,139)	(61,662)	-	-	(235,801)
Total nonoperating revenues (expenses)	(165,381)	(58,672)	36,882	61,381	(125,790)
Income (loss) before contributions and transfers	439,594	(48,592)	(136,023)	28,059	283,038
Transfers in	-	-	304,000	10,000	314,000
Transfers out	(615,444)	(169,573)	-	(118,470)	(903,487)
Change in net position	(175,850)	(218,165)	167,977	(80,411)	(306,449)
Total net position - beginning	9,248,368	5,019,386	1,332,163	797,350	16,397,267
Total net position - ending	<u>\$ 9,072,518</u>	<u>\$ 4,801,221</u>	<u>\$ 1,500,140</u>	<u>\$ 716,939</u>	<u>\$ 16,090,818</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, 2019

	Business -Type Activities				
	Enterprise Funds				
	Water	Sewer	Water Reserve	Nonmajor Enterprise Funds	Total Enterprise Funds
<b>CASH FLOWS FROM</b>					
<b>OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 1,632,463	\$ 972,776	\$ -	\$ -	\$ 2,605,239
Receipts from rentals	20,732	-	-	-	20,732
Other receipts	20,444	-	-	-	20,444
Payments to employees	(424,556)	(463,267)	-	-	(887,822)
Payments to suppliers	(208,996)	(217,864)	(172,905)	(32,230)	(631,995)
Net cash provided (used) by operating activities	1,040,087	291,645	(172,905)	(32,230)	1,126,598
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Miscellaneous Income	4,685	1,218	480	1,750	8,133
Net cash provided (used) by noncapital financing activities	4,685	1,218	480	1,750	8,133
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
System development charges	-	-	-	37,787	37,787
Transfers from other funds - capital purposes	-	-	304,000	10,000	314,000
Transfers to other funds - capital purposes	(615,444)	(169,573)	-	-	(785,017)
Sale of surplus property	-	-	-	-	-
Principal paid on capital debt	-	-	-	-	-
Interest paid on capital debt	(174,139)	(61,662)	-	-	(235,801)
Purchase of capital assets	(86,000)	(80,000)	-	(118,470)	(284,470)
Net Cash provided ( used) by capital and related financing activities	(875,583)	(311,235)	304,000	(70,683)	(953,501)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest income	4,073	1,772	36,402	21,844	64,091
Net cash provided (used) by investing activities	4,073	1,772	36,402	21,844	64,091
Net increase (decrease) in cash and cash equivalents	173,262	(16,600)	167,977	(79,319)	245,321

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

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

	Business -Type Activities				
	Enterprise Funds				
	Water	Sewer	Water Reserve	Nonmajor Enterprise Funds	Total Enterprise Funds
Cash and cash equivalents - beginning (including \$799,414 in nonmajor enterprise funds reported in restricted accounts)	149,055	44,583	1,332,163	799,414	2,325,215
Cash and cash equivalents - ending (including \$720,095 in nonmajor enterprise funds reported in restricted accounts)	322,317	27,983	1,500,140	720,095	2,570,536
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>					
Operating Income (loss)	604,975	10,080	(172,905)	(33,322)	408,828
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	389,319	267,346		-	656,665
Capital contributions	-	-		-	-
(Increase) decrease in:					
Receivables	(18,982)	(13,484)		-	(32,466)
Inventories	(12,923)	(5,514)		-	(18,437)
Deferred outflows of resources	21,223	21,223		-	42,445
Increase (decrease) in:					
Accounts payable	27,848	(3,947)		1,092	24,993
Compensated absences	9,321	6,183		-	15,504
Customer deposits	9,548	-		-	9,548
Net pension/OPEB liability	(21,986)	(21,986)		-	(43,972)
Deferred inflows of resources	31,745	31,745		-	63,490
Net cash provided (used) by operating activities	\$ 1,040,087	\$ 291,645	\$ (172,905)	\$ (32,230)	\$ 1,126,598

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, 2019

**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, 2019

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.

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*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.

*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.

*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.

**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.

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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.

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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 measurable 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.

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Budget amounts shown in the financial statements reflect the original budget amounts and final budget amounts.

**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.

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**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.

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**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.



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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.

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**2. Property Taxes**

Property taxes attach as an enforceable lien on real property and are levied as of July 1<sup>st</sup>. 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.

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**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.

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

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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, 2019.

Fair values of assets measured on a recurring basis at June 30, 2019 are as follows:

	<u>Level 2</u>
Investments	
Oregon Local Government Investment Pool	<u>\$ 9,532,118</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.

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Investments

As of June 30, 2019, the City had the following investments:

	<u>Quality Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
Oregon Local Government Investment Pool	Unrated	-	<u>\$ 9,532,118</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, 2019 the City had deposits of \$195,039 insured by the FDIC, and \$0 collateralized under the PFCP.

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Deposits

The City's deposits and investments at June 30, 2019 are as follows:

Cash on hand	\$ 300
Checking account	162,883
Checking account - court fines	32,156
Total investments	<u>9,532,118</u>
 Total deposits and investments	 <u><u>\$ 9,727,457</u></u>

Cash and investments by fund:

Governmental activities - unrestricted	
General Fund	\$ 1,947,811
Street Fund	2,175,764
Stabilization Fund	950,640
Nonmajor governmental funds	<u>1,776,552</u>
 Total governmental activities - unrestricted	 <u>6,850,767</u>
 Business-type activities - unrestricted	
Water Fund	322,317
Sewer Fund	27,983
Water Reserve Fund	1,500,140
Nonmajor enterprise funds	<u>-</u>
 Total business-type activities - unrestricted	 <u>1,850,440</u>
 Total unrestricted cash and investments	 <u>8,701,207</u>
 Governmental activities - restricted	
General Fund	15,995
Revolving Loan Fund	60,313
Nonmajor governmental funds	<u>229,847</u>
 Total governmental activities - restricted	 <u>306,155</u>
 Business-type activities - restricted	
Nonmajor enterprise funds	<u>720,095</u>
 Total restricted cash and investments	 <u>1,026,250</u>
 Total cash and investments	 <u><u>\$ 9,727,457</u></u>

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**B. Restricted Assets**

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

**Accounts Receivable**

Receivables as of June 30, 2019 are as follows:

	Governmental Activities	Business- Type Activities	Total
Short-term receivables - unrestricted			
Franchise fees	\$ 56,050	\$ -	\$ 56,050
Court fines	51,767	-	51,767
Utilities	-	260,690	260,690
Other	208,399	-	208,399
	<u>316,216</u>	<u>260,690</u>	<u>576,906</u>
Total short-term receivables - unrestricted			
	<u>316,216</u>	<u>260,690</u>	<u>576,906</u>
Long-term receivables			
Court fines	504,452	-	504,452
	<u>504,452</u>	<u>-</u>	<u>504,452</u>
Total receivables	<u>\$ 820,668</u>	<u>\$ 260,690</u>	<u>\$ 1,081,358</u>

At June 30, 2019, 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 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	\$ 768,203	\$ 184,845
OPEB liability - medical insurance	20,301	50,814
	<u>\$ 788,504</u>	<u>\$ 235,659</u>

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**D. Capital Assets**

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 726,070	\$ -	\$ -	\$ 726,070
Work in process	230,253	49,432	-	279,685
Total capital assets not being depreciated	956,323	49,432	-	1,005,755
Capital assets being depreciated				
Buildings and structures	3,697,054	13,690		3,710,744
Equipment and vehicles	2,940,288	310,057		3,250,345
Land improvements	1,998,799	-		1,998,799
Infrastructure	5,855,393	-		5,855,393
Total capital assets being depreciated	14,491,534	323,747	-	14,815,281
Less accumulated depreciation for				
Buildings and structures	(1,543,066)	(104,007)	-	(1,647,073)
Equipment and vehicles	(1,767,640)	(176,442)	-	(1,944,082)
Land improvements	(1,167,809)	(72,408)	-	(1,240,217)
Infrastructure	(2,226,047)	(244,926)	-	(2,470,973)
Total accumulated depreciation	(6,704,562)	(597,783)	-	(7,302,345)
Total capital assets being depreciated, net	7,786,972	(274,036)	-	7,512,936
Governmental activities capital assets, net	<u>\$ 8,743,295</u>	<u>\$ (224,604)</u>	<u>\$ -</u>	<u>\$ 8,518,691</u>



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	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 823,714	\$ -	\$ -	\$ 823,714
Work in process	<u>16,288</u>	<u>-</u>	<u>-</u>	<u>16,288</u>
Total capital assets not being depreciated	<u>840,002</u>	<u>-</u>	<u>-</u>	<u>840,002</u>
Capital assets being depreciated				
Buildings and structures	4,846,606	-	-	4,846,606
Equipment and vehicles	851,282	80,000	-	931,282
Land improvements	77,980	-	-	77,980
Infrastructure	<u>21,185,139</u>	<u>86,000</u>	<u>-</u>	<u>21,271,139</u>
Total capital assets being depreciated	<u>26,961,007</u>	<u>166,000</u>	<u>-</u>	<u>27,127,007</u>
Less accumulated depreciation for				
Buildings and structures	(4,525,695)	(17,389)	-	(4,543,084)
Equipment and vehicles	(415,875)	(48,633)	-	(464,508)
Land improvements	(32,665)	(2,249)	-	(34,914)
Infrastructure	<u>(8,371,219)</u>	<u>(588,395)</u>	<u>-</u>	<u>(8,959,614)</u>
Total accumulated depreciation	<u>(13,345,454)</u>	<u>(656,665)</u>	<u>-</u>	<u>(14,002,119)</u>
Total capital assets being depreciated, net	<u>13,615,553</u>	<u>(490,665)</u>	<u>-</u>	<u>13,124,888</u>
Business-type activities capital assets, net	<u><u>\$14,455,555</u></u>	<u><u>\$ (490,665)</u></u>	<u><u>\$ -</u></u>	<u><u>\$13,964,890</u></u>

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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	279,685	-	279,685
Buildings and structures	3,710,744	(1,647,073)	2,063,671
Equipment and vehicles	3,250,345	(1,944,082)	1,306,263
Land improvements	1,998,799	(1,240,217)	758,582
Infrastructure	<u>5,855,393</u>	<u>(2,470,973)</u>	<u>3,384,420</u>
Total governmental activities capital assets	<u>15,821,036</u>	<u>(7,302,345)</u>	<u>8,518,691</u>
Business-type activities			
Land	823,714	-	823,714
Work in process	16,288	-	16,288
Buildings and structures	4,846,606	(4,543,084)	303,522
Equipment and vehicles	931,282	(464,508)	466,774
Land improvements	77,980	(34,914)	43,066
Infrastructure	<u>21,271,139</u>	<u>(8,959,614)</u>	<u>12,311,525</u>
Total business-type activities capital assets	<u>27,967,009</u>	<u>(14,002,119)</u>	<u>13,964,890</u>
Total capital assets	<u>\$ 43,788,045</u>	<u>\$ (21,304,465)</u>	<u>\$ 22,483,580</u>

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

Governmental activities	
General government	\$ 106,659
Public safety	179,884
Highways and streets	279,499
Culture and recreation	<u>31,741</u>
Total governmental activities	<u>597,783</u>
Business-type activities	
Water	389,319
Sewer	<u>267,346</u>
Total business-type activities	<u>\$ 656,665</u>

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**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 Reserve Fund	Nonmajor Enterprise Funds	
Transfers out:							
Governmental activities							
General Fund	\$ -	\$ -	\$ 135,000	\$ -	\$ -	\$ -	\$ 135,000
Street Fund	8,760	-	70,000	-	-	-	78,760
Stabilization Fund	-	-	-	-	-	-	-
Nonmajor governmental funds	-	-	40,000	-	-	-	40,000
Total governmental activities	8,760	-	245,000	-	-	-	253,760
Business-type activities							
Water Fund	8,760	-	22,500	-	304,000	-	335,260
Sewer Fund	8,760	-	22,500	-	-	10,000	41,260
Total business-type activities	17,520	-	45,000	-	304,000	10,000	376,520
Total	\$ 26,280	\$ -	\$ 290,000	\$ -	\$ 304,000	\$ 10,000	\$ 630,280

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	\$ 142,209	\$ -	\$ 23,266	\$ 118,943
Business-type activities				
Compensated absences	\$ 24,475	\$ 15,504	\$ -	\$ 39,979

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

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**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	Reduction	Ending Balance	Due Within One Year
Governmental activities							
Full Faith and Credit Refunding Bonds, Series 2016	3.00-4.00%	\$6,620,000	\$6,150,000	\$ -	\$ (330,000)	\$5,820,000	\$ 340,000
General Obligation Refunding Bonds, Series 2016	2.00-4.00%	1,170,000	920,000	-	(135,000)	785,000	145,000
Premium - Refunding Bonds, Series 2016		984,286	963,438	-	(64,229)	899,209	-
Total governmental activities		<u>\$8,774,286</u>	<u>\$8,033,438</u>	<u>\$ -</u>	<u>\$ (529,229)</u>	<u>\$7,504,209</u>	<u>\$ 485,000</u>

**2. Interest Expense**

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

Governmental activities	
Interest on long-term debt	<u>\$ 31,000</u>
Business-type activities	
Water	174,138
Sewer	<u>61,662</u>
Total business-type activities	<u>\$ 235,800</u>

**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.

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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.

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

<b>Year Ending</b> <b>June 30</b>	<b>Bonds</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	\$ 560,000	\$ 182,600	\$ 742,600
2025-2029	\$2,190,000	\$ 632,400	\$ 2,822,400
2030-2033	\$1,815,000	\$ 168,800	\$ 1,983,800
	<u>\$6,605,000</u>	<u>\$1,903,950</u>	<u>\$ 8,508,950</u>

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**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	\$ -	\$ -	\$ -	\$ -	\$ 55,413	\$ 55,413
Debt service	-	-	-	-	27,275	27,275
Street maintenance & improvements	-	2,153,306	-	-	-	2,153,306
Disaster preparedness	-	-	-	-	15,021	15,021
Grant projects	-	-	-	-	102,004	102,004
Housing rehabilitation loans	-	-	60,313	-	-	60,313
Footpaths & bicycle trails	-	-	-	-	23,161	23,161
Committed for:						
General reserve	-	-	-	-	483,392	483,392
Building & property reserve	-	-	-	-	568,995	568,995
Revenue stabilization	-	-	-	950,640	-	950,640
Assigned to:						
Operating projects	-	-	-	-	4,219	4,219
City Council directed projects	-	-	-	-	47,989	47,989
Landfill closure costs	-	-	-	-	189,184	189,184
911 system costs	-	-	-	-	68,599	68,599
Library costs	-	-	-	-	11,150	11,150
Street improvements	-	-	-	-	248,444	248,444
Public works	-	-	-	-	153,435	153,435
Unassigned	<u>1,955,169</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,955,169</u>
Total fund balances	<u>\$ 1,955,169</u>	<u>\$ 2,153,306</u>	<u>\$ 60,313</u>	<u>\$ 950,640</u>	<u>\$ 1,998,281</u>	<u>\$ 7,117,709</u>

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**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*

Plan Description

Employees of the City of Toledo are provided with pensions through the Oregon Public Employees Retirement System (OPERS) a cost-sharing multiple-employer defined benefit pension plan, the Oregon Legislature has delegated authority to the Public Employees Retirement Board to administer and manage the system. All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A. Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The Pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. OPERS issues a publicly available Comprehensive Annual Financial Report and Actuarial Valuation that can be obtained at <http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>.

Benefits Provided

*Tier One/Tier Two Retirement Benefit ORS Chapter 238*

**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.



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A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

**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:

- the member was employed by a PERS employer at the time of death,
- the member died within 120 days after termination of PERS-covered employment,
- the member died as a result of injury sustained while employed in a PERS-covered job, or
- the 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 the 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 (COLA) changes. The COLA is capped at 2.0 percent.

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*OPSRP Defined Benefit Pension Program (OPSRP DB)*

**Pension Benefits**

The Pension Program (ORS Chapter 238A) 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. 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 OPSRP 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 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. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and \$750 plus 0.15 percent on annual benefits above \$60,000.

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*OPSRP Individual Account Program (OPSRP IAP)*

**Pension Benefits**

The Individual Account Program (IAP) is a defined contribution pension plan. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member 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, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

**Death Benefits**

Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

**Recordkeeping**

OPERS contracts with VOYA Financial to maintain IAP participant records.

**Contributions**

*Employer 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. The rates based on a percentage of payroll, first became effective July 1, 2017. Employer contributions for the year ended June 30, 2019 were \$299,212, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2019 were 31.17 percent for Tier One/Tier Two General Service Member, 31.17 percent for Tier

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One/Tier Two Police and Fire, 21.57 percent for OPSRP Pension Program General Service Members, 26.34 percent for OPSRP Pension Program Police and Fire Members.

*Employee Contributions*

Beginning January 1, 2004, all employee contributions were placed in the OPSRP Individual Account Program (IAP), a defined contribution pension plan established by the Oregon Legislature. Prior to that date, all member contributions were credited to the Defined Benefit Pension Plan. Member contributions are set by statute at 6.0 percent of salary and are remitted by participating employers. The contributions are either deducted from member salaries or paid by the employers on the members behalf. The IAP member accounts represent member contributions made on or after January 1, 2004, plus earnings allocations less disbursements for refunds, death benefits, and retirements.

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

At June 30, 2018, the City reported a liability of \$2,634,706 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016 rolled forward to June 30, 2018. 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 entities, actuarially determined. At June 30, 2018, the City's proportion was 0.01739231 percent, which was decreased from its proportion of 0.00108746 percent, measured as of June 30, 2017.

For the year ended June 30, 2018, the City's recognized pension expense was \$373,146. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 89,625	\$ -
Changes of assumptions	612,564	-
Net difference between projected and actual earnings on investments	-	116,996
Changes in proportion	56,719	99,093
Differences between employer contributions and proportionate share of contributions	-	176,040
Total (prior to post-MD contributions)	758,908	392,129
Contributions subsequent to the MD	9,295	-
Total	<u>\$ 768,203</u>	<u>\$ 392,129</u>

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Deferred outflows of resources in the amount of \$9,295 related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ 240,811
2020	165,880
2021	(65,052)
2022	9,472
2023	15,670
Total	<u>\$ 366,781</u>

Actuarial Assumptions

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2016
Measurement Date	June 30, 2018
Experience Study Report	2016, published July 26, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.50 percent
Long-Term Expected Rate of Return	7.20 percent
Discount Rate	7.20 percent
Projected Salary Increases	3.50 percent overall payroll growth
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and grade COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision, blend based on service.
Mortality	<p><b>Health retirees and beneficiaries:</b> RP-2014 healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p><b>Active Members:</b> RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p><b>Disabled retirees:</b> RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.</p>

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Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2016 Experience Study which reviewed experience for the four-year period ending on December 31, 2016.

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. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. 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.

Asset Class/Strategy	Assumed Asset Allocation		
	Low Range	High Range	Target
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			<u>100.0%</u>

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Asset Class	Target Allocation	Compounded Annual Return (Geometric)
Core Fixed Income	8.00%	3.49%
Short-Term Bonds	8.00%	3.42%
Bank/Leveraged Loans	3.00%	5.09%
High Yield Bonds	1.00%	6.45%
Large/Mid Cap US Equities	15.75%	6.30%
Small Cap US Equities	1.30%	6.69%
Micro Cap US Equities	1.30%	6.80%
Developed Foreign Equities	13.13%	6.71%
Emerging Foreign Equities	4.12%	7.45%
Non-US Small Cap Equities	1.88%	7.01%
Private Equities	17.50%	7.82%
Real Estate (Property)	10.00%	5.51%
Real Estate (REITS)	2.50%	6.37%
Hedge Fund of Funds - Diversified	2.50%	4.09%
Hedge Fund - Event-Driven	0.63%	5.86%
Timber	1.88%	5.62%
Farmland	1.88%	6.15%
Infrastructure	3.75%	6.60%
Commodities	1.88%	3.84%
	<hr/>	
Total	<u>100.00%</u>	
Assumed Inflation - Mean		2.50%

Depletion Date Projection

GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

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The following circumstances justify an alternative evaluation of sufficiency for PERS:

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is our independent actuary's opinion that the detailed depletion date projections outlined in GASB 68 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

Discount Rate

The discount rate used to measure the total pension liability was 7.20 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

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 7.20 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	<u>1% Decrease (6.20%)</u>	<u>Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
City's proportionate share of the net pension liability (asset)	\$ 4,403,091	\$ 2,634,706	\$ 1,175,048



**CITY OF TOLEDO**  
**Lincoln County, Oregon**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2019

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

Changes in Plan Provisions During the Measurement Period

There were no changes during the June 30, 2018 measurement period that require disclosure.

Changes in Plan Provisions Subsequent to Measurement Date

There were no changes subsequent to the June 30, 2018 measurement period that require disclosure.

**CITY OF TOLEDO**  
**Lincoln County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

**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**  
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**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2019

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, 2018
Measurement Dates/Fiscal Year Ends	June 30, 2018
Actuarial Assumptions:	
Actuarial Cost Method	Entry Age Normal
Interest Rate for Discounting Future Liabilities	3.57 percent, based on all years discounted at municipal bond rate
General Inflation	2.5 percent
Salary Scale	3.5 percent

Mortality rates were based on the RP-2014 Healthy Annuitant, sex distinct, mortality tables blended 50/50 blue collar and white collar, set back one year for males. Mortality is projected on a generational basis using the Unisex Social Security Data Scale.

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

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

Changes in Medical Benefit OPEB Liability

Total OPEB Liability at June 30, 2018	\$ 154,860
Changes for the year:	
Service cost	16,422
Interest	6,071
Change in assumptions	(14,600)
Experience (gain)/loss	42,907
Benefit payments	<u>(3,460)</u>
Net changes	47,340
Total OPEB Liability at June 30, 2019	<u><u>\$ 202,200</u></u>

**CITY OF TOLEDO**  
**Lincoln County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

At June 30, 2019, 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	\$ -	\$ 37,406
Changes of assumptions or other inputs	(20,301)	-
Benefit payments	-	13,408
Total	<u>\$ (20,301)</u>	<u>\$ 50,814</u>

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, 2019. 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
2020	\$ 2,387
2021	2,387
2022	2,387
2023	2,387
2024	2,387
Thereafter	5,170

The following presents the net OPEB liability, calculated using the discount rate of 3.57%, 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 (2.57%)	Current Discount Rate (3.57%)	1% Increase (4.57%)
Total OPEB Liability	\$ 215,437	\$ 202,200	\$ 189,901

**CITY OF TOLEDO**  
**Lincoln County, Oregon**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2019

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:

<u>June 30 Disclosure</u>	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 185,723	\$ 202,200	\$ 221,386

**B. 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.

**C. Subsequent Events**

Management has evaluated subsequent events through May 5, 2020, 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)**

	2019	2018	2017	2016	2015
City's proportion of the net pension liability (asset)	0.01739231%	0.01847977%	0.01748515%	0.01780836%	0.01688662%
City's proportionate share of the net pension liability (asset)	\$ 2,634,706	\$ 2,491,080	\$ 2,624,927	\$ 1,022,288	\$ (382,772)
City's covered-employee payroll	\$ 2,368,129	\$ 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	111%	116%	129%	49%	-18%
Plan fiduciary net position as a percentage of the total pension liability (asset) from audited schedules	82.10%	83.12%	80.53%	91.88%	103.59%

**Schedule of City Contributions**

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 9,295	\$ 291,757	\$ 236,071	\$ 115,370	\$ 106,343
Contributions in relation to the contractually required contribution	\$ 9,295	\$ 291,757	\$ 236,071	\$ 115,370	\$ 106,343
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 2,360,010	\$ 2,368,129	\$ 2,329,378	\$ 2,277,517	\$ 2,164,788
Contributions as a percentage of covered-employee payroll	0%	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

	<u>2019</u>	<u>2018</u>
<b>Total Medical Benefit Pension Liability, beginning</b>	\$ 154,860	\$ 144,201
Changes for the year:		
Service cost	16,422	17,253
Interest	6,071	4,586
Change in assumptions	(14,600)	(10,057)
Experience (gain)/loss	42,907	-
Benefit payments	<u>(3,460)</u>	<u>(1,123)</u>
Net changes for the year	<u>47,340</u>	<u>10,659</u>
Total Medical Benefit Pension Liability, ending	202,200	154,860
City's covered-employee payroll	\$ 2,360,010	\$ 2,368,129
Net Medical Benefit Pension Liability as a Percentage of Covered Payroll	8.57%	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, 2019

	Budgeted Amounts			
	Original	Final	Actual	Variance
<b>REVENUES</b>				
Taxes				
Property	\$ 1,822,726	\$ 1,822,726	\$ 2,020,891	\$ (198,165)
Franchise	887,826	\$ 887,826	834,149	53,677
Alcohol	51,534	\$ 51,534	58,142	(6,608)
Cigarette and marijuana	19,479	\$ 19,479	16,528	2,951
Licenses, permits, and fees	133,818	\$ 133,818	132,956	862
Grants and contributions	10,000	\$ 10,000	10,183	(183)
Charges for services	94,303	\$ 94,303	98,346	(4,043)
Intergovernmental charges	180,000	\$ 180,000	224,017	(44,017)
State revenue sharing	47,883	\$ 47,883	48,861	(978)
Fines	66,412	\$ 66,412	63,565	2,847
Investment earnings	11,826	\$ 11,826	47,480	(35,654)
Rents and leases	7,800	\$ 7,800	12,020	(4,220)
Miscellaneous	12,000	12,000	29,199	(17,199)
Total revenues	3,345,607	3,345,607	3,596,337	(250,730)
<b>EXPENDITURES</b>				
Current				
General government	626,068	626,068	508,436	117,632
Police	1,432,580	1,432,580	1,445,317	(12,737)
Fire	644,022	644,022	589,478	54,544
Property maintenance	325,439	325,439	150,576	174,863
Recreation	-	-	1,434	(1,434)
Library	252,568	252,568	279,214	(26,646)
Municipal court	34,744	34,744	31,284	3,460
General services	379,689	379,689	309,488	70,201
Contingency	202,232	202,232	-	202,232
Total expenditures	3,897,342	3,897,342	3,315,227	582,115
Excess (deficiency) of revenues over (under) expenditures	(551,735)	(551,735)	281,110	(832,845)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	26,280	26,280	26,280	-
Transfers out	(180,000)	(180,000)	(175,000)	(5,000)
Total other financing sources (uses)	(153,720)	(153,720)	(148,720)	(5,000)
Net change in fund balances	(705,455)	(705,455)	132,390	(837,845)
Fund balances - beginning	1,271,656	1,271,656	1,788,397	(516,741)
Fund balances - ending	\$ 566,201	\$ 566,201	\$ 1,920,787	\$ (1,354,586)

**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, 2019

	Budgeted Amounts			
	Original	Final	Actual	Variance
<b>REVENUES</b>				
Taxes				
Franchise	\$ 557,024	\$ 557,024	\$ 556,099	\$ 925
Motor fuel	194,982	194,982	272,722	(77,740)
Licenses, permits, and fees	102,846	102,846	103,822	(976)
Grants	50,000	50,000	-	50,000
Investment earnings	10,000	10,000	42,782	(32,782)
Miscellaneous	4,961	4,961	1,440	3,521
Total revenues	919,813	919,813	976,865	(57,052)
<b>EXPENDITURES</b>				
Current				
Materials and services	436,282	436,282	374,814	61,468
Capital outlay	1,639,275	1,639,275	-	1,639,275
Contingency	71,224	71,224	-	71,224
Total expenditures	2,146,781	2,146,781	374,814	1,771,967
Excess (deficiency) of revenues over (under) expenditures	(1,226,968)	(1,226,968)	602,051	(1,829,019)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	(78,760)	(78,760)	(78,760)	-
Total other financing sources (uses)	(78,760)	(78,760)	(78,760)	-
Net change in fund balances	(1,305,728)	(1,305,728)	523,291	(1,829,019)
Fund balances - beginning	1,305,643	1,305,643	1,630,015	(324,372)
Fund balances - ending	\$ (85)	\$ (85)	\$ 2,153,306	\$ (2,153,391)

**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, 2019

	Budgeted Amounts			
	Original	Final	Actual	Variance
<b>REVENUES</b>				
Investment earnings	\$ 9,000	\$ 9,000	\$ 24,910	\$ (15,910)
Miscellaneous	<u>10,000</u>	<u>10,000</u>	<u>15,257</u>	<u>(5,257)</u>
Total revenues	<u>19,000</u>	<u>19,000</u>	<u>40,167</u>	<u>(21,167)</u>
<b>EXPENDITURES</b>				
Current				
Personnel services	-	-	-	-
Materials and services	<u>904,520</u>	<u>904,520</u>	<u>1,150</u>	<u>903,370</u>
Total expenditures	<u>904,520</u>	<u>904,520</u>	<u>1,150</u>	<u>903,370</u>
Excess (deficiency) of revenues over (under) expenditures	(885,520)	(885,520)	39,017	(924,537)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(885,520)	(885,520)	39,017	(924,537)
Fund balances - beginning	<u>885,520</u>	<u>885,520</u>	<u>911,623</u>	<u>(26,103)</u>
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 950,640</u></u>	<u><u>\$ (950,640)</u></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, 2019

	Budgeted Amounts			
	Original	Final	Actual	Variance
REVENUES				
Investment earnings	\$ 450	\$ 450	\$ 1,598	\$ (1,148)
Miscellaneous	<u>3,000</u>	<u>3,000</u>	<u>250</u>	<u>2,750</u>
Total revenues	<u>3,450</u>	<u>3,450</u>	<u>1,848</u>	<u>1,602</u>
EXPENDITURES				
Current				
Materials and services	<u>64,419</u>	<u>64,419</u>	<u>-</u>	<u>64,419</u>
Excess (deficiency) of revenues over (under) expenditures	(60,969)	(60,969)	1,848	(62,817)
Fund balances - beginning	<u>60,969</u>	<u>60,969</u>	<u>58,465</u>	<u>2,504</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,313</u>	<u>\$ (60,313)</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, 2019

	Special Revenue Funds					
	Forfeiture Revenue	Grant	911 System	City Council Strategic Reserve	General Reserve	Solid Waste
ASSETS						
Cash and cash equivalents	\$ 4,219	\$ 102,213	\$ 71,899	\$ 47,989	\$ 498,413	\$ 189,184
Accounts receivable	-	-	-	-	-	-
Cash with agent	-	-	-	-	-	-
Property taxes receivable	-	-	-	-	-	-
Total assets	<u>4,219</u>	<u>102,213</u>	<u>71,899</u>	<u>47,989</u>	<u>498,413</u>	<u>189,184</u>
LIABILITIES						
Accounts payable	-	209	3,300	-	-	-
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue						
Property taxes	-	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-	-
FUND BALANCES						
Restricted	-	102,004	-	-	15,021	-
Committed	-	-	-	-	483,392	-
Assigned	<u>4,219</u>	-	<u>68,599</u>	<u>47,989</u>	-	<u>189,184</u>
Total fund balances	<u>4,219</u>	<u>102,004</u>	<u>68,599</u>	<u>47,989</u>	<u>498,413</u>	<u>189,184</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,219</u>	<u>\$ 102,213</u>	<u>\$ 71,899</u>	<u>\$ 47,989</u>	<u>\$ 498,413</u>	<u>\$ 189,184</u>

Special Revenue Funds					Capital Projects Funds		Total Nonmajor Governmental Funds
Library Reserve	Footpaths and Bicycle Trail	Street Reserve	Public Works Reserve	Debt Service Fund	Water Construction Fund	Building & Property Reserve	
\$ 11,150	\$ 23,161	\$ 248,444	\$ 155,733	\$ 29,091	\$ 55,413	\$ 569,490	\$ 2,006,399
-	-	-	-	-	-	-	-
-	-	-	-	1,386	-	-	1,386
-	-	-	-	11,201	-	-	11,201
<u>11,150</u>	<u>23,161</u>	<u>248,444</u>	<u>155,733</u>	<u>41,678</u>	<u>55,413</u>	<u>569,490</u>	<u>2,018,986</u>
-	-	-	2,298	-	-	495	6,302
-	-	-	-	14,403	-	-	14,403
-	-	-	-	14,403	-	-	14,403
-	23,161	-	-	27,275	55,413	-	222,874
-	-	-	-	-	-	568,995	1,052,387
<u>11,150</u>	<u>-</u>	<u>248,444</u>	<u>153,435</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>723,020</u>
<u>11,150</u>	<u>23,161</u>	<u>248,444</u>	<u>153,435</u>	<u>27,275</u>	<u>55,413</u>	<u>568,995</u>	<u>1,998,281</u>
<u>\$ 11,150</u>	<u>\$ 23,161</u>	<u>\$ 248,444</u>	<u>\$ 155,733</u>	<u>\$ 41,678</u>	<u>\$ 55,413</u>	<u>\$ 569,490</u>	<u>\$ 2,018,986</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, 2019

	Special Revenue Funds					
	Forfeiture Revenue	Grant	911 System	City Council Strategic Reserve	General Reserve	Solid Waste
REVENUES						
Taxes						
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Motor fuel	-	-	-	-	-	-
Privilege	-	-	13,610	-	-	-
Licenses, permits, and fees	-	-	-	-	-	7,746
Grants and contributions	-	-	-	-	-	-
Investment earnings	112	2,688	-	1,256	16,565	4,927
Miscellaneous	-	5,100	2,085	750	12,115	-
Total revenues	<u>112</u>	<u>7,788</u>	<u>15,695</u>	<u>2,006</u>	<u>28,680</u>	<u>12,673</u>
EXPENDITURES						
Current						
General Government	-	4,659	27,905	-	243,770	3,814
Culture and recreation	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>4,659</u>	<u>27,905</u>	<u>-</u>	<u>243,770</u>	<u>3,814</u>
Excess (deficiency) of revenues over (under) expenditures	<u>112</u>	<u>3,129</u>	<u>(12,210)</u>	<u>2,006</u>	<u>(215,090)</u>	<u>8,859</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	137,500	
Net change in fund balances	112	3,129	(12,210)	2,006	(77,590)	8,859
Fund balances - beginning	<u>4,107</u>	<u>98,875</u>	<u>80,809</u>	<u>45,983</u>	<u>576,003</u>	<u>180,325</u>
Fund balances - ending	<u>\$ 4,219</u>	<u>\$ 102,004</u>	<u>\$ 68,599</u>	<u>\$ 47,989</u>	<u>\$ 498,413</u>	<u>\$ 189,184</u>



Special Revenue Funds					Capital Projects Funds		Total Nonmajor Governmental Funds
Library Reserve	Footpaths and Bicycle Trail	Street Reserve	Public Works Reserve	Debt Service Fund	Water Construction Fund	Building & Property Reserve	
\$ -	\$ -	\$ -	\$ -	\$ 166,547	\$ -	\$ -	\$ 166,547
-	2,755	-	-	-	-	-	2,755
-	-	-	-	-	-	-	13,610
-	-	-	-	-	-	-	7,746
14,055	-	-	-	-	-	-	14,055
333	543	5,741	4,570	685	3,597	17,827	58,844
-	-	-	-	-	-	-	20,050
<u>14,388</u>	<u>3,298</u>	<u>5,741</u>	<u>4,570</u>	<u>167,232</u>	<u>3,597</u>	<u>17,827</u>	<u>283,607</u>
-	-	-	-	-	-	-	280,148
15,414	-	7,387	-	-	-	-	22,801
-	-	-	-	166,000	-	-	166,000
-	-	-	109,636	-	-	138,750	248,386
<u>15,414</u>	<u>-</u>	<u>7,387</u>	<u>109,636</u>	<u>166,000</u>	<u>-</u>	<u>138,750</u>	<u>717,335</u>
<u>(1,026)</u>	<u>3,298</u>	<u>(1,646)</u>	<u>(105,066)</u>	<u>1,232</u>	<u>3,597</u>	<u>(120,923)</u>	<u>(433,728)</u>
-	-	40,000	77,500	-	-	37,500	292,500
(1,026)	3,298	38,354	(27,566)	1,232	3,597	(83,423)	(141,228)
<u>12,176</u>	<u>19,863</u>	<u>210,090</u>	<u>181,001</u>	<u>26,043</u>	<u>51,816</u>	<u>652,418</u>	<u>2,139,509</u>
<u>\$ 11,150</u>	<u>\$ 23,161</u>	<u>\$ 248,444</u>	<u>\$ 153,435</u>	<u>\$ 27,275</u>	<u>\$ 55,413</u>	<u>\$ 568,995</u>	<u>\$ 1,998,281</u>

**CITY OF TOLEDO**  
**Lincoln County, Oregon**

COMBINING STATEMENT OF NET POSITION

NONMAJOR ENTERPRISE FUNDS

June 30, 2019

	System Development Fund	Sewer Reserve Fund	Total Nonmajor Enterprise Funds
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ -	\$ -	\$ -
Restricted assets			
Cash and cash equivalents	<u>528,211</u>	<u>191,884</u>	<u>720,095</u>
Total assets	<u><u>528,211</u></u>	<u><u>191,884</u></u>	<u><u>720,095</u></u>
<b>LIABILITIES</b>			
Accounts payable	-	3,156	3,156
<b>NET POSITION</b>			
Restricted for:			
System improvement	-	188,728	188,728
System development	<u>528,211</u>	<u>-</u>	<u>528,211</u>
Total net position	<u><u>\$ 528,211</u></u>	<u><u>\$ 188,728</u></u>	<u><u>\$ 716,939</u></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, 2019

	System Development Fund	Sewer Reserve Fund	Total Nonmajor Enterprise
Operating revenues	\$ -	\$ -	\$ -
Operating expenses			
Materials and supplies	-	33,322	33,322
Operating income (loss)	-	(33,322)	(33,322)
Nonoperating revenues (expenses)			
System development charges	37,787	-	37,787
Investment earnings	13,044	8,800	21,844
Miscellaneous	-	1,750	1,750
Total nonoperating revenues (expenses)	50,831	10,550	61,381
Income (loss) before transfers	50,831	(22,772)	28,059
Transfers in	-	10,000	10,000
Transfers out	-	(118,470)	(118,470)
Change in net position	50,831	(131,242)	(80,411)
Total net position - beginning	477,380	319,970	797,350
Total net position - ending	\$ 528,211	\$ 188,728	\$ 716,939

**CITY OF TOLEDO**  
**Lincoln County, Oregon**

**COMBINING STATEMENT OF CASH FLOWS**

**NONMAJOR ENTERPRISE FUNDS**

For the Year Ended June 30, 2019

	System Development Fund	Sewer Reserve Fund	Total Nonmajor Enterprise
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash payments to suppliers	\$ -	\$ (32,230)	\$ (32,230)
Net cash provided (used) by operating activities	-	(32,230)	(32,230)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
System development charges	37,787	-	37,787
Transfers from other funds for capital purposes	-	10,000	10,000
Purchases of capital assets	-	(118,470)	(118,470)
Miscellaneous	-	1,750	1,750
Net cash provided (used) by capital and related financing activities	37,787	(106,720)	(68,933)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income	13,044	8,800	21,844
Net cash provided (used) by investing activities	13,044	8,800	21,844
Net increase (decrease) in cash and cash equivalents	50,831	(130,150)	(79,319)
Cash and cash equivalents - beginning (including \$477,380, and \$322,034, System Development and Sewer Reserve Funds, respectively, reported in restricted accounts)	477,380	322,034	799,414
Cash and cash equivalents - ending (including \$528,211, and \$191,884, System Development and Sewer Reserve Funds, respectively, reported in restricted accounts)	<u>\$ 528,211</u>	<u>\$ 191,884</u>	<u>\$ 720,095</u>
			-
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ -	\$ (33,322)	\$ (33,322)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Increase (decrease) in accounts payable	-	1,092	1,092
Net cash provided (used) by operating activities	<u>\$ -</u>	<u>\$ (32,230)</u>	<u>\$ (32,230)</u>

**CITY OF TOLEDO**  
**Lincoln County, Oregon**

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

FORFEITURE REVENUE FUND

For the Year Ended June 30, 2019

	Budgeted Amounts			
	Original	Final	Actual	Variance
REVENUES				
Investment earnings	\$ 40	\$ 40	\$ 112	\$ (72)
Miscellaneous	<u>100</u>	<u>100</u>	<u>-</u>	<u>100</u>
Total revenues	<u>140</u>	<u>140</u>	<u>112</u>	<u>28</u>
EXPENDITURES				
Current				
Materials and services	<u>4,280</u>	<u>4,280</u>	<u>-</u>	<u>4,280</u>
Total expenditures	<u>4,280</u>	<u>4,280</u>	<u>-</u>	<u>4,280</u>
Excess (deficiency) of revenues over (under) expenditures	(4,140)	(4,140)	112	(4,252)
Fund balances - beginning	<u>4,140</u>	<u>4,140</u>	<u>4,107</u>	<u>33</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,219</u>	<u>\$ (4,219)</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, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Grants	\$ 5,000	\$ 5,000	\$ -	\$ 5,000
Investment earnings	1,000	1,000	2,688	(1,688)
Miscellaneous	<u>1,000</u>	<u>1,000</u>	<u>5,100</u>	<u>(4,100)</u>
Total revenues	<u>7,000</u>	<u>7,000</u>	<u>7,788</u>	<u>(788)</u>
EXPENDITURES				
Current				
Materials and services	55,058	55,058	4,659	50,399
Capital outlay	<u>38,000</u>	<u>38,000</u>	<u>-</u>	<u>38,000</u>
Total expenditures	<u>93,058</u>	<u>93,058</u>	<u>4,659</u>	<u>88,399</u>
Excess (deficiency) of revenues over (under) expenditures	(86,058)	(86,058)	3,129	(89,187)
Fund balances - beginning	<u>86,058</u>	<u>86,058</u>	<u>98,875</u>	<u>(12,817)</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 102,004</u>	<u>\$ (102,004)</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, 2019

	Budgeted Amounts			
	Original	Final	Actual	Variance
REVENUES				
Investment earnings	\$ 700	\$ 700	\$ 1,256	\$ (556)
Miscellaneous	<u>10,000</u>	<u>10,000</u>	<u>750</u>	<u>9,250</u>
Total revenues	<u>10,700</u>	<u>10,700</u>	<u>2,006</u>	<u>8,694</u>
EXPENDITURES				
Current				
Materials and services	10,700	10,700	-	10,700
Capital outlay	<u>45,939</u>	<u>45,939</u>	<u>-</u>	<u>45,939</u>
Total expenditures	<u>56,639</u>	<u>56,639</u>	<u>-</u>	<u>56,639</u>
Excess (deficiency) of revenues over (under) expenditures	(45,939)	(45,939)	2,006	(47,945)
Fund balances - beginning	<u>45,939</u>	<u>45,939</u>	<u>45,983</u>	<u>(44)</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,989</u>	<u>\$ (47,989)</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, 2019

	Budgeted Amounts			
	Original	Final	Actual	Variance
REVENUES				
Licenses, permits, and fees	\$ 7,000	\$ 7,000	\$ 7,746	\$ (746)
Investment earnings	<u>1,500</u>	<u>1,500</u>	<u>4,927</u>	<u>(3,427)</u>
Total revenues	<u>8,500</u>	<u>8,500</u>	<u>12,673</u>	<u>(4,173)</u>
EXPENDITURES				
Current				
Materials and services	<u>184,766</u>	<u>184,766</u>	<u>3,814</u>	<u>180,952</u>
Excess (deficiency) of revenues over (under) expenditures	(176,266)	(176,266)	8,859	(185,125)
Fund balances - beginning	<u>176,266</u>	<u>176,266</u>	<u>180,325</u>	<u>(4,059)</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 189,184</u>	<u>\$ (189,184)</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, 2019

	Budgeted Amounts			
	Original	Final	Actual	Variance
REVENUES				
Privilege taxes	\$ 15,000	\$ 15,000	\$ 13,610	\$ 1,390
Investment earnings	500	500	2,085	(1,585)
Total revenues	<u>15,500</u>	<u>15,500</u>	<u>15,695</u>	<u>(195)</u>
EXPENDITURES				
Current				
Materials and services	15,000	15,000	27,905	(12,905)
Capital outlay	<u>72,761</u>	<u>72,761</u>	<u>-</u>	<u>72,761</u>
Total expenditures	<u>87,761</u>	<u>87,761</u>	<u>27,905</u>	<u>59,856</u>
Excess (deficiency) of revenues over (under) expenditures	(72,261)	(72,261)	(12,210)	(60,051)
Fund balances - beginning	<u>71,761</u>	<u>71,761</u>	<u>80,809</u>	<u>(9,048)</u>
Fund balances - ending	<u>\$ (500)</u>	<u>\$ (500)</u>	<u>\$ 68,599</u>	<u>\$ (69,099)</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, 2019

	<u>Budgeted Amounts</u>			
	Original	Final	Actual	Variance
<b>REVENUES</b>				
Investment earnings	\$ 5,000	\$ 5,000	\$ 16,565	\$ (11,565)
Miscellaneous	<u>-</u>	<u>-</u>	<u>12,115</u>	<u>(12,115)</u>
Total revenues	<u>5,000</u>	<u>5,000</u>	<u>28,680</u>	<u>(23,680)</u>
<b>EXPENDITURES</b>				
Capital outlay	<u>489,687</u>	<u>489,687</u>	<u>243,770</u>	<u>245,917</u>
Excess (deficiency) of revenues over (under) expenditures	(484,687)	(484,687)	(215,090)	(269,597)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	137,500	137,500	137,500	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	137,500	137,500	137,500	-
Net change in fund balance	(347,187)	(347,187)	(77,590)	(269,597)
Fund balances - beginning	<u>347,187</u>	<u>347,187</u>	<u>576,002</u>	<u>(228,815)</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 498,412</u>	<u>\$ (498,412)</u>

**CITY OF TOLEDO**  
**Lincoln County, Oregon**

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

LIBRARY RESERVE FUND

For the Year Ended June 30, 2019

	Budgeted Amounts			
	Original	Final	Actual	Variance
REVENUES				
Grants	\$ 10,000	\$ 10,000	\$ 14,055	\$ (4,055)
Investment earnings	<u>150</u>	<u>150</u>	<u>333</u>	<u>(183)</u>
Total revenues	<u>10,150</u>	<u>10,150</u>	<u>14,388</u>	<u>(4,238)</u>
EXPENDITURES				
Current				
Materials and services	16,452	16,452	15,414	1,038
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>16,452</u>	<u>16,452</u>	<u>15,414</u>	<u>1,038</u>
Excess (deficiency) of revenues over (under) expenditures	(6,302)	(6,302)	(1,026)	(5,276)
Fund balances - beginning	<u>6,392</u>	<u>6,392</u>	<u>12,176</u>	<u>(5,784)</u>
Fund balances - ending	<u>\$ 90</u>	<u>\$ 90</u>	<u>\$ 11,150</u>	<u>\$ (11,060)</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, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Motor fuel taxes	\$ 2,000	\$ 2,000	\$ 2,755	\$ (755)
Investment earnings	<u>200</u>	<u>200</u>	<u>543</u>	<u>(343)</u>
Total revenues	<u>2,200</u>	<u>2,200</u>	<u>3,298</u>	<u>(1,098)</u>
EXPENDITURES				
Capital outlay	<u>20,100</u>	<u>20,100</u>	<u>-</u>	<u>20,100</u>
Excess (deficiency) of revenues over (under) expenditures	(17,900)	(17,900)	3,298	(21,198)
Fund balances - beginning	<u>17,900</u>	<u>17,900</u>	<u>19,862</u>	<u>(1,962)</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,160</u>	<u>\$ (23,160)</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, 2019

	Budgeted Amounts			
	Original	Final	Actual	Variance
<b>REVENUES</b>				
Investment earnings	\$ 1,151	\$ 1,151	\$ 5,741	\$ (4,590)
Total revenues	<u>1,151</u>	<u>1,151</u>	<u>5,741</u>	<u>(4,590)</u>
<b>EXPENDITURES</b>				
Current				
Materials and services	<u>250,088</u>	<u>250,088</u>	<u>7,387</u>	<u>242,701</u>
Excess (deficiency) of revenues over (under) expenditures	(248,937)	(248,937)	(1,646)	(247,291)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	40,000	40,000	40,000	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	40,000	40,000	40,000	-
Net change in fund balance	(208,937)	(208,937)	38,354	(247,291)
Fund balances - beginning	<u>208,937</u>	<u>208,937</u>	<u>210,090</u>	<u>(1,153)</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 248,444</u>	<u>\$ (248,444)</u>

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**CITY OF TOLEDO**  
**Lincoln County, Oregon**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
PUBLIC WORKS EQUIPMENT RESERVE FUND

For the Year Ended June 30, 2019

	Budgeted Amounts			
	Original	Final	Actual	Variance
<b>REVENUES</b>				
Investment earnings	\$ 1,000	\$ 1,000	\$ 4,570	\$ (3,570)
<b>EXPENSES</b>				
Capital outlay	<u>254,502</u>	<u>254,502</u>	<u>109,636</u>	<u>144,866</u>
Excess (deficiency) of revenues over (under) expenses	(253,502)	(253,502)	(105,066)	(148,436)
Other financing sources (uses)				
Transfers in	77,500	77,500	77,500	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	77,500	77,500	77,500	-
Change in net position	(176,002)	(176,002)	(27,566)	(148,436)
Net position - beginning	<u>176,002</u>	<u>176,002</u>	<u>181,001</u>	<u>(4,999)</u>
Net position - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 153,435</u>	<u>\$ (153,435)</u>

**CITY OF TOLEDO**  
**Lincoln County, Oregon**

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

DEBT SERVICE FUND

For the Year Ended June 30, 2019

	Budgeted Amounts			
	Original	Final	Actual	Variance
<b>REVENUES</b>				
Property taxes	\$ 161,000	\$ 161,000	\$ 169,206	\$ (8,206)
Investment earnings	<u>400</u>	<u>\$ 400</u>	<u>685</u>	<u>(285)</u>
Total revenues	<u>161,400</u>	<u>161,400</u>	<u>169,891</u>	<u>(8,491)</u>
<b>EXPENDITURES</b>				
Current				
Debt service	<u>166,000</u>	<u>166,000</u>	<u>166,000</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(4,600)	(4,600)	3,891	(8,491)
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond proceeds	-	-	-	-
Payment to bond escrow agent	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	(4,600)	(4,600)	3,891	(8,491)
Fund balances - beginning	<u>9,350</u>	<u>9,350</u>	<u>26,044</u>	<u>(16,694)</u>
Fund balances - ending	<u>\$ 4,750</u>	<u>\$ 4,750</u>	<u>\$ 29,935</u>	<u>\$ (25,185)</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, 2019

	<u>Budgeted Amounts</u>			
	Original	Final	Actual	Variance
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Investment earnings	<u>-</u>	<u>-</u>	<u>3,597</u>	<u>(3,597)</u>
Total revenues	<u>-</u>	<u>-</u>	<u>3,597</u>	<u>(3,597)</u>
EXPENDITURES				
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	3,597	(3,597)
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>51,817</u>	<u>(51,817)</u>
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 55,414</u></u>	<u><u>\$ (55,414)</u></u>



**CITY OF TOLEDO**  
**Lincoln County, Oregon**

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

BUILDING AND PROPERTY RESERVE FUND

For the Year Ended June 30, 2019

	Budgeted Amounts			
	Original	Final	Actual	Variance
<b>REVENUES</b>				
Investment earnings	\$ 8,000	\$ 8,000	\$ 17,827	\$ (9,827)
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>8,000</u>	<u>8,000</u>	<u>17,827</u>	<u>(9,827)</u>
<b>EXPENDITURES</b>				
Capital outlay	<u>579,680</u>	<u>579,680</u>	<u>138,750</u>	<u>440,930</u>
Excess (deficiency) of revenues over (under) expenditures	(571,680)	(571,680)	(120,923)	(450,757)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	37,500	37,500	37,500	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	37,500	37,500	37,500	-
Net change in fund balance	(534,180)	(534,180)	(83,423)	(450,757)
Fund balances - beginning	<u>534,180</u>	<u>534,180</u>	<u>652,418</u>	<u>(118,238)</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 568,995</u>	<u>\$ (568,995)</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, 2019

	Budgeted Amounts			
	Original	Final	Actual	Variance
<b>REVENUES</b>				
Water Sales	\$ 1,262,585	\$ 1,262,585	\$ 1,309,419	\$ (46,834)
Water Sales - Seal Rock	385,000	385,000	342,026	42,974
Fees and Charges	12,500	12,500	20,084	(7,584)
Grants and Contributions	400	400	360	40
Rents and Leases	10,000	10,000	11,184	(1,184)
Investment earnings	4,300	4,300	4,073	227
Miscellaneous	3,000	3,000	4,685	(1,685)
Total revenues	<u>1,677,785</u>	<u>1,677,785</u>	<u>1,691,831</u>	<u>(14,046)</u>
<b>EXPENSES</b>				
Current				
Water plant	681,453	681,453	636,511	44,942
Water distribution	610,230	610,230	556,112	54,118
Contingency	305,971	305,971	-	305,971
Total expenses	<u>1,597,654</u>	<u>1,597,654</u>	<u>1,192,623</u>	<u>405,031</u>
Excess (deficiency) of revenues over (under) expenditures	80,131	80,131	499,208	(419,077)
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital contributions	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(335,260)	(335,260)	(335,260)	-
Total other financing sources (uses)	<u>(335,260)</u>	<u>(335,260)</u>	<u>(335,260)</u>	<u>-</u>
Change in net position	(255,129)	(255,129)	163,948	(419,077)
Total net position - beginning	<u>255,581</u>	<u>255,581</u>	<u>304,189</u>	<u>(48,608)</u>
Total net position - ending	<u>\$ 452</u>	<u>\$ 452</u>	<u>\$ 468,137</u>	<u>\$ (467,685)</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, 2019

	Budgeted Amounts			
	Original	Final	Actual	Variance
<b>REVENUES</b>				
Sewer charges	\$ 1,080,000	\$ 1,080,000	\$ 983,270	\$ 96,730
Investment earnings	1,200	1,200	1,218	(18)
DEQ loan/grant funds	1,500,000	1,500,000	1,218	1,498,782
Miscellaneous	150	150	554	(404)
Total revenues	<u>2,581,350</u>	<u>2,581,350</u>	<u>986,260</u>	<u>1,595,090</u>
<b>EXPENSES</b>				
Sewer plant	562,568	562,568	551,192	11,376
Sewer collection	549,305	549,305	385,599	163,706
Contingency	44,115	44,115	-	44,115
Total expenses	<u>1,155,988</u>	<u>1,155,988</u>	<u>936,791</u>	<u>219,197</u>
Excess (deficiency) of revenues over (under) expenditures	1,425,362	1,425,362	49,469	1,375,893
Other financing sources (uses)	-	-	-	-
Capital contributions	-	-	-	-
Transfers in	-	-	-	-
Transfers out	<u>(1,583,760)</u>	<u>(1,583,760)</u>	<u>(43,680)</u>	<u>(1,540,080)</u>
Total other financing sources (uses)	<u>(1,583,760)</u>	<u>(1,583,760)</u>	<u>(43,680)</u>	<u>(1,540,080)</u>
Change in net position	(158,398)	(158,398)	5,789	(164,187)
Total net position - beginning	<u>158,398</u>	<u>158,398</u>	<u>134,543</u>	<u>23,855</u>
Total net position - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 140,332</u>	<u>\$ (140,332)</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, 2019

	Budgeted Amounts			
	Original	Final	Actual	Variance
<b>REVENUES</b>				
System development charges	\$ -	\$ -	\$ -	\$ -
Investment earnings	9,126	9,126	36,402	(27,276)
Miscellaneous	-	-	480	(480)
Total revenues	9,126	9,126	36,882	(27,756)
<b>EXPENSES</b>				
Current				
Materials and services	225,000	225,000	172,905	52,095
Capital outlay	1,275,454	1,275,454	-	1,275,454
Total expenses	1,500,454	1,500,454	172,905	1,327,549
Excess (deficiency) of revenues over (under) expenditures	(1,491,328)	(1,491,328)	(136,023)	(1,355,305)
Other financing sources (uses)				-
Transfers in	304,000	304,000	304,000	-
Transfers out	-	-	-	-
Total other financing sources (uses)	304,000	304,000	304,000	-
Change in net position	(1,187,328)	(1,187,328)	167,977	(1,355,305)
Total net position - beginning	1,187,328	1,187,328	1,332,163	(144,835)
Total net position - ending	\$ -	\$ -	\$ 1,500,140	\$ (1,500,140)

**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, 2019

	Budgeted Amounts			
	Original	Final	Actual	Variance
<b>REVENUES</b>				
System development charges	\$ 18,400	\$ 18,400	\$ 37,787	\$ (19,387)
Investment earnings	<u>4,000</u>	<u>4,000</u>	<u>13,044</u>	<u>(9,044)</u>
Total revenues	22,400	22,400	50,831	(28,431)
<b>EXPENSES</b>				
Capital outlay	492,840	492,840	-	492,840
Excess (deficiency) of revenues over (under) expenses	(470,440)	(470,440)	50,831	(521,271)
Net position - beginning	<u>470,440</u>	<u>470,440</u>	<u>477,380</u>	<u>(6,940)</u>
Net position - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 528,211</u>	<u>\$ (528,211)</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, 2019

	Budgeted Amounts			
	Original	Final	Actual	Variance
<b>REVENUES</b>				
Investment earnings	\$ 2,231	\$ 2,231	\$ 8,800	\$ (6,569)
Miscellaneous	-	-	1,750	(1,750)
Total revenues	2,231	2,231	10,550	(8,319)
<b>EXPENSES</b>				
Current				
Materials and services	1,515,732	1,515,732	33,322	1,482,410
Debt service	-	-	-	-
Capital outlay	160,000	160,000	118,470	41,530
Total expenses	1,675,732	1,675,732	151,792	1,523,940
Excess (deficiency) of revenues over (under) expenses	(1,673,501)	(1,673,501)	(141,242)	(1,532,259)
Other financing sources (uses)				
Transfers in	1,550,000	1,550,000	10,000	1,540,000
Transfers out	-	-	-	-
Total other financing sources (uses)	1,550,000	1,550,000	10,000	1,540,000
Change in net position	(123,501)	(123,501)	(131,242)	7,741
Net position - beginning	123,501	123,501	319,970	(196,469)
Net position - ending	\$ -	\$ -	\$ 188,728	\$ (188,728)

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



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

The Honorable Mayor and  
Members of the City Council  
City of Toledo  
Toledo, Oregon

We have audited the basic financial statements of the City of Toledo as of and for the year ended June 30, 2019 and have issued our report thereon dated May 5, 2020. 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.

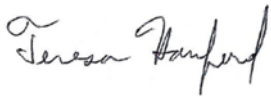


## **OAR 162-010-0230 Internal Control**

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

We did note certain matters that we reported as finding 2019-01 in the Schedule of Findings and Responses.

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 black ink, appearing to read "Teresa Hanford". The signature is written in a cursive, flowing style.

Hanford & Associates, LLC  
West Richland, Washington  
May 5, 2020



**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**

The Honorable Mayor and  
Members of the City Council  
City of Toledo  
Toledo, Oregon

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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 5, 2020.

**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.

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 2019-001 to be a significant deficiency.

### **Compliance and Other Matters**

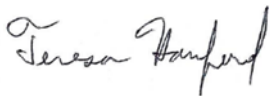
As part of obtaining reasonable assurance about whether City of Toledo's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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*.

### **Responses 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.



Hanford & Associates, LLC  
West Richland, Washington  
May 5, 2020

**CITY OF TOLEDO**  
**Lincoln County, Oregon**

**SCHEDULE OF FINDINGS AND RESPONSES**

June 30, 2019

**Findings – Financial Statement Audit**

**Significant Deficiency in Internal Control Over Financial Reporting**

**2019-01 Preparation of Financial Statements**

**Criteria:**

A complete system of internal control contemplates an adequate system for preparing the financial statements.

**Condition:**

The City of Toledo has elected not to have an internal control system designed to provide for the preparation of the financial statements and related footnotes being audited. As auditors, we were requested to draft the financial statements and the accompanying notes.

**Cause:**

Due to cost and other consideration, the City of Toledo requested we draft the financial statements and related footnotes. This is common for small cities, who often do not have the staff or resources to prepare their own financial statements.

**Effect:**

The control deficiency could result in a misstatement to the financial statements that would not be prevented or detected.

**Recommendation:**

This circumstance is not unusual. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

**Management's Response:**

The City doesn't have the staff or resources to prepare its own financial statements, therefore we will rely on the auditors to prepare them.



## **City of Toledo FY2019 Audit Recommendations**

### **Timely Preparation and Approval of Meeting Minutes**

When planning the audit, we noted there were several instances where written meeting minutes had not been prepared. While the City maintains audio files of the minutes on its website, we noted multiple instances where only the agenda was available for review.

The Council reviews and approves minutes from prior meetings in its Council meetings. We noted one instance where minutes were approved six months after the meeting occurred. We are unsure whether Council members review the audio files prior to approving the minutes, but it is unlikely that Council members will remember everything that occurred in a meeting six months ago accurately.

We recommend the City ensure draft meeting minutes are prepared within a month of the original meeting and presented to Council for timely review and approval.