

CITY OF TOLEDO

NOTES TO FINANCIAL STATEMENTS

FOR YEAR ENDED DECEMBER 31, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Toledo was incorporated on September 6, 1892 and operates under the laws of the State of Washington applicable to a Code City with a Mayor-Council form of government. The City of Toledo is a general-purpose government and provides building permits, street improvements, and general administrative services. In addition the city owns and operates a water system and wastewater treatment system.

The City of Toledo reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting Systems* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The Schedule of Liabilities is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

GOVERNMENTAL FUND TYPES

General (Current Expense) Fund (001)

This fund is the primary operating fund of the government. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Special Revenue Funds (100-199)

These funds account for specific revenues sources that are restricted or committed to expenditure for specified purposes of the government.

Fund 101 – Street fund

This fund accounts for revenues and expenditures related to the operation, maintenance, and improvement of the City of Toledo's public streets and transportation infrastructure. It is primarily funded through motor vehicle fuel tax distributions and other state-shared revenues. Expenditures include street repairs, signage, snow and ice control, and support for public works personnel and equipment.

Fund 105 – Criminal Justice fund

This fund supports the enhancement of public safety services in the City of Toledo. Revenues are primarily from state criminal justice distributions and may also include grants or other law enforcement-related sources. Expenditures are used to support police services, including salaries, equipment, training, and operational costs that improve law enforcement and crime prevention within the city.

Fund 110 – Hotel Motel tax fund

This fund receives revenue from the local lodging tax collected from transient accommodations within Toledo. These funds are restricted for use in tourism promotion and activities that enhance tourism-related facilities. Expenditures typically support community events, marketing, tourism-related infrastructure, and partnerships with local organizations to encourage economic development through increased visitor engagement.

Capital Project Funds (300 – 399)

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

Fund 301 - City Hall building Fund

This fund accounts for financial resources dedicated to capital improvements, repairs, or construction related to the Toledo City Hall building. Revenues may include transfers, grants, or allocated reserves. Expenditures support long-term facility investments that enhance public service delivery and administrative operations.

Fund 302 – Municipal Capital Improvement Fund

This fund is used for citywide capital improvement projects that do not fall under a specific departmental fund. It supports the acquisition, upgrade, or construction of municipal

infrastructure and facilities such as public works buildings, technology upgrades, and community assets. Funding sources include interfund transfers, grants, and other capital allocations.

Fund 304 – Police Car Fund

This fund accounts for capital expenditures related to the purchase or replacement of police vehicles for the Toledo Police Department. Revenues may include grants, forfeiture funds, or designated transfers. The fund ensures that law enforcement vehicles are maintained and updated to support safe and effective operations.

340 – City Street Fund

This fund supports large-scale capital street projects within the City of Toledo. It is used for the construction, reconstruction, and major upgrades of public streets, sidewalks, and related infrastructure. Funding sources may include Transportation Improvement Board (TIB) grants, federal aid, and other restricted transportation-related revenues.

PROPRIETARY FUND TYPES:

Enterprise Funds (400-499)

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others.

Fund 401 – Water and Sewer Fund

This fund accounts for the ongoing operations, maintenance, and administration of the City of Toledo's water distribution and wastewater collection systems. Revenues are generated through utility service charges to residents and businesses. Expenditures include utility billing, system repairs, testing, and day-to-day operations necessary to provide clean water and wastewater services.

Fund 408 - Water/Sewer Truck and Equipment Fund

This fund supports the acquisition, replacement, and maintenance of vehicles and specialized equipment used in the operation of Toledo's water and sewer utilities. It is funded through interfund transfers and equipment reserves. The fund ensures that utility staff are equipped with reliable tools and vehicles necessary to maintain infrastructure and respond to emergencies.

Fund 410 - Water/Sewer Capital Improvement Fund

Private-Purpose Trust Funds

These funds report resources held in trust by the City of Toledo where both the principal and income are intended to benefit specific individuals, private organizations, or other governments, rather than the City itself. These funds are not used to support City operations and are managed in accordance with trust agreements or legal requirements.

Fund 631 – Custodial Fund

This fund accounts for assets the City holds temporarily in a custodial capacity for external parties, such as other governments, agencies, or individuals. The City of Toledo collects and disburses these funds without deriving financial benefit. Typical transactions may include pass-through payments, refundable deposits, or collections made on behalf of other entities.

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received, and expenditures are recognized when paid.

In accordance with state law the City of Toledo also recognizes expenditure paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Cash and Investments

For further information see Note 4.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 20 days and is payable upon separation or retirement. Sick leave may be accumulated up to 480 hours. Upon separation or retirement employees do not receive payment for unused sick leave. Payments are recognized as expenditure when paid.

F. Liabilities

See Note 6 for Long Term Liabilities.

G. Leases and Subscription Based Information Technology Arrangements (SBITA)s

During the year ended 2022, the city adopted guidance for the presentation and disclosure of leases, as required by the BARS Manual. This requirement resulted in the addition of a lease liability on the Schedule of Liabilities.

The City leases a Sharp copier from De Lage Landen Financial for \$155.19 per month under 5-year lease agreements that can be cancelled with 90-days' notice and severe penalties.

H. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by government. When expenditures that meet restrictions are incurred, the city intends to use the most restricted resources first.

Restrictions and commitments of Ending Cash and Investments consist of \$648.87.

NOTE 2 – ACCOUNTING CHANGES AND ERROR CORRECTION

In 2023 during our audit, we were asked to make audit adjustments due to cash being understated in 2023. I have opened a few help desk tickets in regard to this, case number # 95528. My exit interview was December 16th, and the adjustments I was asked to make for the 2023 fiscal year are as follows:

388 in my 001 Fund for	985\$
388 in my 304 Fund for	704\$
388 in my 110 Fund for	1,24\$
388 in my 302 Fund for	63\$
388 in my 101 Fund for	57,903\$
388 in my 340 Fund for	2,095\$
388 in my 401 Fund for	40,034\$

I had provided bank statements and a list of outstanding checks but was told this adjustment needed to be made. The total amount of understated cash was 101,800\$ for the year ending in 2023.

After the audit exit interview and at end of the month I was able to close out 2024. When I ran my final reports I was understated exactly the 101,800\$ I had explained during the audit process that I had done some accounting updates during the 2023 year to our investment account because we had discovered interest had been allocated incorrectly,

the bars I used for the GL were incorrect, I had used 30851 number which only changed the beginning balance, this caused the error in where the funds should have been. I was incorrect in the way I did my transfers. At that time, I was told in the audit that, that wasn't the issue with the funds and the adjustment needed to be made.

After closing out my year 2024 I realized the closing audit for 2023 was incorrect, again due to my mistake in transfers so I opened a case. I spoke with our Audit lead and a help desk representative and was told to reverse the adjustments with a 588 in 2024. I have still able to balance every month with only the 101,800 amounts. I believe the understated cash was due to outstanding checks. I was able to go back to 2023 and balance out my year end with my bank statements and outstanding checks with a correct ending balance.

I sent an email to Jade, our Audit lead on January 9th, 2024. My email is as follows:

"I tired to reconcile end of 2024, so I could make sure I had a better grasp on the GL and accounts knowing they should mirror each other. I used the 388 number to correct the cash from 2023, and reconciled it into my accounts and we put 2023 away.

Sched 6 is very accurate except you can see that the very bottom shows 102784.79 in unreconciled variances. 900 of that is the adjustment is in transit deposit or it's the adjustment from 2022 we did of 857\$ with 388. But once you remove that you end up with 101885 which is just about the amount we adjusted for 2023 (101908)

The other attachment is my ending numbers for 2024

My Cash from my main account minus investments is 390,241 after looking at credits and deposits. If you look at the cash and investment report which reflects the 388 adjustments, we made for 2023 it shows my cash should be 492953.

So (492952-390241)-900 in transit = 101,811

I believe this goes back to the LGIP transfers we did. I sent you the reports that showed we used a 308 and a 508 in our software which would have put it through in the GL as beginning balance and end balance, and because I wasn't aware hoe the 2 played together, I didn't catch it when I submitted my 2023 report. But again, this is about the amount of transfers I sent you a few days before the audit closed. I'm certain that's the issue for 2023"

I will send the attachments that are referenced in email along with notes.

NOTE 3 – BUDGET COMPLIANCE

The City of Toledo adopts an annual appropriated budget for all funds except the 631 Trust fund. These budgets are appropriated at the fund level except the general (current expense) fund, where

the budget is adopted at the department level. The budget constitutes the legal authority for expenditure at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budgets were as follows:

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund:	713,089.87	697,095.24	\$ 15,994.63
City Street Fund	38,305.00	28,454.94	\$ 9,850.06
Criminal Justice Fund	20,000.00	19,992.92	7.08
Hotel Motel Tax Fund	700.00	688.52	\$ 11.48
City Hall Building Fund	-	-	\$ -
Police Car Reserve Fund	9,350.00	9,343.60	\$ 6.40
Water And Sewer Fund	462,029.51	443,232.96	\$ 18,796.55
W/S Capital Improvement Fund - Department	194,150.00	193,830.05	319.95
TOTAL	\$ 1,437,624.38	1,392,638.23	44,986.15

The city adopts budgets for Kemp Olson Park, these funds are not reported separately on the financial statements, but in the general fund.

Budgeted amounts are authorized to be transferred between departments within any Fund; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City of Toledo's legislative body.

NOTE 4 – DEPOSIT AND INVESTMENTS

Investments are reported at amortized cost. Deposits and investments by type at December 31, 2024, are as follows:

Type of Investment	City's own deposits and investments ending cash	Deposits and investments held by the City as custodian for other local governments, individuals, or private organizations	Total
Bank deposits	\$318,635.46	\$649	\$319,284.46
Local Government Investment Pool	\$1,306,528.29		\$1,306,528.29
Total	\$1,625,812.75		\$1,625,812.75

It is the City of Toledo's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

Investments in the State Local Government Investment Pool (LGIP)

The City of Toledo is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with Chapter 43.250 RCW. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at www.tre.wa.gov.

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation (FDIC), and/or the Washington Public Deposit Protection Commission (WPDPC).

NOTE 5 – LEASES

During the year ending 2024, the City adopted guidance for the presentation and disclosure of leases, as required by the BARS Manual. This requirement resulted in the addition of a lease liability on the Schedule of Liabilities.

The City leases a Sharp copier from De Lage Landen Financial for \$155.19 per month under 5-year lease agreements that can be cancelled with 90-days' notice and severe penalties.

Year ended December 31	Total
2024	\$1,552
2025	\$1,862
2026-2028	\$4,501

NOTE 6 – LONG TERM LIABILITIES

The following table provides details of the outstanding debt of the city and summarizes the cities debt transactions for year ended December 31, 2024

The debt service requirements for general obligation bonds, revenue bonds and public works loans, including both principal and interest, are as follows:

PWTF 2011	Principal	Interest	Total
2025-2029	\$584,221.89	\$ 21,908.32	\$ 606,130.21
2030-2034	\$584,221.85	\$ 14,605.57	\$ 598,827.52
2035-2039	\$584,222.00	\$ 7,302.77	\$ 591,524.77
2040-2024	\$233,688.79	\$ 876.32	\$ 234,565.11
TOTALS	\$1,986,354.67	\$44,692.98	\$2,031,047.61

Compensated Absences

During the year ended December 31, 2024, the following changes occurred in compensated absences:

	Beginning Balance 01/01/2024	Additions	Reductions	Ending Balance 12/31/2024
Compensated Absences*	\$ 13,839.00	\$ 9,619.00	\$ 8,917.00	\$ 14,541.00

NOTE 7 – PENSION PLANS

Substantially all Toledo full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans.

Public Employees' Retirement System (PERS)
Law Enforcement Officers' Retirement System (LEOFF)

The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Also, the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

LEOFF Plan 2

The City of Toledo also participates in the LEOFF Plan 2. The Legislature, by means of a special funding arrangement, appropriates money from the state general fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

At June 30, 2024 (the measurement date of the plans, the city of Toledo proportionate share of the collective net pension liabilities, as reported on the Schedule 9, was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$ 5,854.00	0.000978	\$ 17,377.00
PSERS 2	\$ 12,613.00	0.001281	\$ (42,229.00)
LEOFF 2	\$ 5,177.66	0.002113	\$ (60,091.00)

NOTE 8 – PROPERTY TAX

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed after the end of each month.

Property tax revenues are recognized when cash is received by the City. Delinquent taxes are considered fully collectible because a lien affixes to the property after taxes are levied.

The City's regular levy for the year 2024 was 0.941732222992 per \$1,000 on an assessed valuation of \$83,552,334 for a total regular levy of \$78,676.32.

Washington State Constitution and Washington State law, RCW 84.55.010, limit the rate.

NOTE 9 – RISK MANAGEMENT

The City of Toledo is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989, when 32 municipalities in the State of Washington joined by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2024, 110 entities participate in the AWC RMSA pool.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages, with the exception of pollution liability, are on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime,

general liability, automobile liability, police liability, public officials' liability, employee fidelity and faithful performance, pollution liability, cyber liability, and equipment breakdown insurance coverage. Equipment breakdown is included with the property insurance carrier. Pollution and cyber liability coverages are stand-alone policies which the AWC RMSA procures for its members. The AWC RMSA allows members with airports to group purchase airport liability coverage, and members with drones to group purchase property and liability coverage.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. All members in the AWC RMSA have \$15 million in both per occurrence and aggregate liability limits. AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$500,000, per occurrence. \$9.5 million in excess liability coverage limits is provided through an excess liability policy purchased from National League of Cities Mutual Insurance Company (NLC MIC). The \$5 million in excess liability coverage limits above the first layer of excess coverage is purchased from StarStone Specialty Insurance Company. Since AWC RMSA is a cooperative program, there is joint liability among the participating members. The property reinsurance coverage is purchased through NLC MIC and excess property coverage is purchased through a shared and layered program led by AIG Specialty Insurance Company and CHUBB. In 2024, AWC RMSA carried a retention of \$300,000, NLC MIC reinsures up to \$3 million, the shared and layered program led by AIG Specialty Insurance Company provides excess insurance up to \$50 million, and CHUBB provides the remaining limits up to a total of \$250 million. All commercial policies have been purchased through the pool's Broker of Record, Aon.

Members contract to remain in the AWC RMSA pool for a minimum of one year and must give a one-year notice before terminating participation. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were signatory to the Interlocal Governmental Agreement.

The AWC RMSA establishes a loss fund for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

In accordance with WAC 200.100.02023, the AWC RMSA is governed by a board of directors, which is comprised of elected officials of participating members.

NOTE 10 – HEALTH AND WELLNESS

The City of Toledo is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or

join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust. As of December 31, 2023, 264 cities/towns/non-city entities participate and have enrollment in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members.

In April 2020, the Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims experience data in order to receive a quote for medical coverage. Outside of this, the AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members.

The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, Willamette Dental Group, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-city entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2023, the AWC Trust HCP purchased medical stop loss insurance for Regence/Asuris and Kaiser plans at an Individual Stop Loss (ISL) of \$2 million through United States Fire Insurance Company. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC Trust HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the AWC Trust HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the AWC Trust HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the AWC Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The AWC Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in the report for the fiscal year ending December 31, 2018. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.