



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Toledo

For the period January 1, 2022 through December 31, 2023

Published December 30, 2024

Report No. 1036408



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**Office of the Washington State Auditor
Pat McCarthy**

December 30, 2024

Mayor and City Council
City of Toledo
Toledo, Washington

Report on Financial Statements

Please find attached our report on the City of Toledo's financial statements.

We are issuing this report in order to provide information on the City's financial activities and condition.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

Americans with Disabilities

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SCHEDULE OF AUDIT FINDINGS AND RESPONSES

City of Toledo January 1, 2022 through December 31, 2023

2023-001 The City did not have adequate internal controls for ensuring accurate reporting of its financial statements.

Background

State and federal agencies, the City Council and the public rely on information included in the financial statements and reports to make decisions. Management is responsible for designing and following internal controls that provide reasonable assurance the City's financial reporting is reliable and the financial statements and notes to the financial statements are accurate.

The City prepares its financial statements in accordance with the cash-basis accounting method prescribed in the State Auditor's Office's *Budgeting, Accounting and Reporting System* (BARS) Manual.

Our audit found deficiencies in internal controls over accounting and financial reporting that affected the City's ability to produce reliable financial statements. *Government Auditing Standards* require the State Auditor's Office to communicate material weaknesses as a finding.

Description of Condition

We found the following deficiencies in internal controls that represent a material weakness. The City did not have:

- A process to retain adequate supporting documentation for reconciling items between the bank statements and the financial statements
- An adequate review process over its financial reporting to ensure the information was accurate, complete and in compliance with BARS Manual guidance

Cause of Condition

The City recently experienced significant staff turnover. The City did not dedicate adequate resources to train new employees and to establish adequate oversight procedures to compensate for new employees' lack of experience.

Effect of Condition

Inaccurate financial reports limit access to financial information used by City officials, the public, state and federal agencies, and other interested parties. Additionally, these internal control deficiencies resulted in material misstatements in the City's financial statements.

We noted the following errors in the financial statements. The City:

- Did not have support or explanations for differences we identified between the financial statements and bank statements for fiscal years 2022 and 2023 as follows:
 - Beginning cash of \$1,438 and \$91,112, respectively
 - Revenues of \$80,123 and \$33,063, respectively
 - Expenditures of \$81,864 and \$85,403, respectively
 - Ending cash of \$1,513 for fiscal year 2022 only
- Overstated pension liability by \$5,085,785 and \$7,679,543 for fiscal years 2022 and 2023, respectively

We also identified multiple less significant errors in the City's financial statements. The City correct all significant errors noted above.

Recommendation

We recommend the City ensure it:

- Maintains adequate support in its general ledger for amounts reported in its financial statements
- Performs a secondary review over the financial statements during the financial preparation process that ensures financials statements and notes to the financial statements agree to the underlying accounting records and supporting documentation, and meet reporting standards

City's Response

City of Toledo Response to Audit Findings for Fiscal Years 2022-2023

The City of Toledo acknowledges the audit findings and the discrepancies identified in our financial reporting for the fiscal years 2022 and 2023. These findings highlight specific issues related to accounting software limitations, gaps in internal controls, and the impact of significant staff turnover during the audit period. Below, we provide responses to the key issues and outline the corrective actions we have taken.

Responses to Specific Findings

1. Lack of Support for Financial Statement Differences

The audit identified unexplained differences between financial statements and bank statements for the following:

- ***Beginning cash balances:*** \$1,438 (2022) and \$91,112 (2023)
- ***Revenues:*** \$80,123 (2022) and \$33,063 (2023)
- ***Expenditures:*** \$195,401 (2022) and \$85,403 (2023)
- ***Ending cash:*** \$85,403 (2022 only)

Response:

After a thorough review of the identified discrepancies, we determined that the primary root cause stemmed from incomplete updates in our accounting software. Specifically, balances from 2021 were not updated in the system after the 2019–2021 audit, resulting in a cascading effect on the beginning and ending balances for 2022 and 2023. As I was not part of that audit or the City's operations during that period, I was unaware that these balances needed to be updated but do take full responsibility.

These discrepancies have since been addressed and corrected for 2022. As a result, the starting balances for 2022 now align with actual reconciled amounts. We will move into 2023 items once we can confirm our 2022 numbers, and a few discrepancies that we have identified have been verified, primarily a transfer the SAO shows as a revenue in the amount of 77,703 which would change our ending numbers for 2022, this has not yet been verified so we are holding off until further confirmation from SAO.

Note:

During the review, it was noted that \$77,703 was reported as an revenue (code 385) for 2022. This amount was a transfer a transfer in, we are working to confirm and update this classification, which will further adjust the expenditure and revenue figures for the audit period of 2022.

Additionally, the discrepancies in revenue and expenditure reporting can be attributed to a critical issue within our accounting software and our lack of review before final submission:

- **Internal Transfers Not Reflected in the General Ledger (GL):** *Internal transfers that were accurately entered into the Visions software did not pull into the GL or the reports generated by the system. As a result, revenues and expenditures in the reports were significantly understated.*
- **Software Reporting Errors:** *While the financial data entered into our system was correct, the reports created by the software gave a false sense of accuracy. At the time, we believed the information provided in the system's reports to be complete and accurate. It was only during subsequent review that this reporting issue became evident.*
- **Software Vendor Confirmation:** *Visions, our financial software provider, has since confirmed that the issue was on their end and not a result of errors made by the City's accounting team. The system's failure to include internal transfers in the GL caused the significant discrepancies noted in the audit findings.*
 - **Note from Visions as follows:** *Rachel I reviewed your revenue report vs schedule 01, there are transfers that are rolled up into one fund, that could cause the data to not pull into schedule 01. I recommend posting transfers separately, so it is easier to review. If you have transfers that are withing the rollup into another fund, State Merge is needed in the notes on the barcode line items*

While it was ultimately our responsibility to verify the accuracy of the reports, we relied on the software to function as intended and believed it was generating accurate financial statements.

- *These discrepancies have since been addressed and corrected for 2022. As a result, the starting balances for 2023 should now align more accurately with actual reconciled amounts.*
- *We have implemented a double-review process for all reconciliations to ensure that future balances are accurate and properly documented.*

Moving forward, we will place a stronger emphasis on thoroughly verifying our reports before submission to the SAO. Ensuring the accuracy of the Schedule 1 report is ultimately our responsibility, and we recognize that our lack of diligence in this final review contributed to the error. We are committed to improving this process to prevent similar issues in the future.

Overstatement of Pension Liabilities

Pension liabilities were overstated by \$5,067,405 (2022) and \$2,542,386 (2023) due to a typographical error and oversight in our use of the Department of Retirement's cash pension spreadsheet. Specifically, the error occurred when inputting data into Excel, where a number was unintentionally formatted as a percentage. This formatting issue caused the spreadsheet to calculate incorrect figures, which were subsequently included in the financial reports.

While the spreadsheet calculation error was unintentional, it was an oversight on our part not to catch and correct this mistake during the review process.

Corrective Actions:

- The City has implemented a dual-review process to ensure that all spreadsheet inputs and outputs are verified before being included in financial reports.*
- We will engage in an external reviewer with expertise in SAO reporting to validate all reports before submission.*

This corrective action plan ensures that pension liability calculations will be accurate and thoroughly reviewed moving forward.

Key Causes and Challenges

1. Staff Turnover:

City Hall was left without employees for several weeks at the end of 2022, leaving a significant gap in institutional knowledge and financial processes. When new staff, including myself, were brought on in 2023, we faced the challenge of reorganizing the office and learning the financial software without adequate documentation of prior procedures.

2. Accounting Software Limitations:

Many discrepancies arose from the financial software not properly integrating or reporting data entered into the system. This included issues with transfers and balances not being reflected accurately in the GL and reports.

3. Delayed Training:

Although the City invested in training for the Visions software, this did not occur until mid-2023, after much of the work for the audit period had already been completed.

Corrective Actions Taken

The following measures have been implemented as of 2024 to address these findings and prevent similar issues in the future:

1. Enhanced Reconciliation Processes:

- All bank reconciliations and financial statements now undergo a dual-review process.*
- Final reconciliations are reviewed and approved by the Mayor and a Council member monthly.*

2. Software Optimization:

- We have worked closely with Visions to address reporting issues and have implemented cross-verification processes to ensure all financial data is accurately reflected in the GL and submitted reports.*

3. Staff Training:

- Ongoing training is provided to staff to ensure they remain up-to-date on financial processes and reporting requirements, including changes to the BARS Manual.*

4. Policy and Procedure Development:

- Formalized, written procedures for reconciliations, reporting, and reviews have been established to ensure consistent practices and mitigate the risk of errors.*

5. Independent Oversight:

- Third-party reviewers with expertise in SAO reporting will be engaged annually to verify the accuracy and compliance of financial reports.*
-

The City of Toledo takes full responsibility for the issues identified in this audit. We are confident that the measures now in place will ensure accurate financial reporting and effective internal controls as we move forward. These actions reflect our commitment to maintaining transparency and accountability in all aspects of our financial management.

Auditor's Remarks

We appreciate the steps the City is taking to resolve this issue. We will review the corrective action taken during our next audit.

Applicable Laws and Regulations

Government Auditing Standards, July 2018 Revision, paragraphs 6.40 and 6.41 establish reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud, and noncompliance with provisions of laws, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.

RCW 43.09.200 Local government accounting – Uniform system of accounting, requires the state auditor to prescribe the system of accounting and reporting for all local governments.

Budgeting, Accounting and Reporting System (BARS) Manual, 3.1.3, Internal Control, requires each local government to establish and maintain an effective system of internal controls that provides reasonable assurance that the government will achieve its objectives.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

City of Toledo January 1, 2022 through December 31, 2023

This schedule presents the status of findings reported in prior audit periods.

Audit Period: January 1, 2019 through December 31, 2021	Report Ref. No.: 1032929	Finding Ref. No.: 2021-001
Finding Caption: The City did not have adequate internal controls for ensuring accurate reporting of its financial statements.		
Background: State and federal agencies, the City Council, and the public rely on information included in the financial statements and reports to make decisions. Management is responsible for designing and following internal controls that provide reasonable assurance the City's financial reporting is reliable and the financial statements and notes to the financial statements are accurate. The City prepares its financial statements in accordance with the cash basis accounting method prescribed in the State Auditor's Office's Budgeting, Accounting and Reporting System (BARS) Manual. Our audit found deficiencies in internal controls over accounting and financial reporting that affected the City's ability to produce reliable financial statements. Government Auditing Standards requires the State Auditor's Office to communicate significant deficiencies as a finding.		
Status of Corrective Action: (check one) <input checked="checked" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
Corrective Action Taken: <i>Retention of General Ledger Reports: We have established a process to ensure that all transactions are recorded and supported within our electronic accounting system, thus maintaining a thorough audit trail for all amounts reported in the City's financial statements. This approach enhances transparency and ensures that our financial reporting is both accurate and complete</i> <i>Independent Financial Review Process: To ensure compliance with the BARS Manual and to improve the accuracy of our financial reports, we are instituting an independent review</i>		

process. This will be carried out by a qualified individual with expertise in the BARS Manual requirements. Additionally, we routinely utilize the resources available through the Municipal Research and Services Center (MRSC) to ensure that our practices align with the most current regulations and best practices. As part of this initiative, the City Council and the Mayor now perform a monthly review of all bills and financial reports to ensure proper allocation of funds and strengthen oversight

Training and Professional Development: Our Clerk-Treasurer has attended multiple BARS training sessions and is committed to ongoing learning and development in this area. This continuous expansion of knowledge is crucial to ensuring that our financial practices remain compliant with state standards. We are also implementing additional training to support backup staff, ensuring the resilience of our financial oversight even during transitions. Enhanced Collaboration and Communication: We are reinforcing communication across all City departments to ensure that everyone involved in financial management is aligned in maintaining accurate records. To support this, we are reviewing and updating our policies to better define responsibilities and expectations, ensuring that the City's financial processes operate efficiently and in compliance with state guidelines. This has been done though the sched 1

INDEPENDENT AUDITOR'S REPORT

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

City of Toledo January 1, 2022 through December 31, 2023

Mayor and City Council
City of Toledo
Toledo, Washington

We have audited, 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, the financial statements of the City of Toledo, as of and for the years ended December 31, 2022 and 2023, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated December 20, 2024.

We issued an unmodified opinion on the fair presentation of the City's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the City using accounting practices prescribed by state law and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described above 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 were not identified.

However, we identified certain deficiencies in internal control, as described in the accompanying Schedule of Audit Findings and Responses as Finding 2023-001, that we consider to be material weaknesses.

REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

CITY'S RESPONSE TO FINDINGS

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying Schedule of Audit Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

December 20, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Toledo January 1, 2022 through December 31, 2023

Mayor and City Council
City of Toledo
Toledo, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the City of Toledo, as of and for the years ended December 31, 2022 and 2023, and the related notes to the financial statements, as listed in the financial section of our report.

Unmodified Opinion on the Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the City has prepared these financial statements to meet the financial reporting requirements of state law and accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) Manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of the City of Toledo, and its changes in cash and investments, for the years ended December 31, 2022 and 2023, on the basis of accounting described in Note 1.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion, they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Toledo, as of December 31, 2022 and 2023, or the changes in financial position or cash flows thereof for the years then ended, because of the significance of the matter discussed below.

Basis for Unmodified and Adverse Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit unmodified and adverse opinions.

Matter Giving Rise to Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. As described in Note 1 of the financial statements, the financial statements are prepared by the City in accordance with state law using accounting practices prescribed by the BARS Manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of state law and the BARS Manual described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for 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 fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The Schedules of Liabilities are presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other

records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 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 financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2024 on our consideration of the City's internal control over financial reporting and on the 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 effectiveness of the City's 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's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

December 20, 2024

FINANCIAL SECTION

City of Toledo January 1, 2022 through December 31, 2023

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2023
Fund Resources and Uses Arising from Cash Transactions – 2022
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2023
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2022
Notes to Financial Statements – 2023
Notes to Financial Statements – 2022

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2023
Schedule of Liabilities – 2022

City of Toledo
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2023

		Total for All Funds (Memo Only)	001 Current Expense	101 City Street Fund	105 Criminal Justice Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	1,496,469	380,759	141,254	79,507
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	398,580	351,967	20,566	17,727
320	Licenses and Permits	7,686	7,686	-	-
330	Intergovernmental Revenues	253,828	15,319	143,799	1,963
340	Charges for Goods and Services	481,082	31,925	-	-
350	Fines and Penalties	5,082	4,137	-	-
360	Miscellaneous Revenues	258,656	41,438	3,412	10,938
Total Revenues:		1,404,914	452,472	167,777	30,628
Expenditures					
510	General Government	257,674	128,465	125,998	-
520	Public Safety	205,783	205,783	-	-
530	Utilities	412,417	-	-	-
540	Transportation	39,845	-	39,845	-
550	Natural/Economic Environment	134,986	134,986	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	16,039	16,039	-	-
Total Expenditures:		1,066,744	485,273	165,843	-
Excess (Deficiency) Revenues over Expenditures:		338,170	(32,801)	1,934	30,628
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	57,302	20,000	-	-
385	Special or Extraordinary Items	120,866	120,866	-	-
381, 382, 389, 395, 398	Other Resources	4,871	660	-	-
Total Other Increases in Fund Resources:		183,039	141,526	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	183,856	12,663	-	-
591-593, 599	Debt Service	132,903	1,135	-	-
597	Transfers-Out	57,302	27,948	-	20,000
585	Special or Extraordinary Items	(1,297)	917	-	-
581, 582, 589	Other Uses	(20,467)	(20,467)	-	-
Total Other Decreases in Fund Resources:		352,297	22,196	-	20,000
Increase (Decrease) in Cash and Investments:		168,912	86,529	1,934	10,628
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	1,665,351	467,200	143,340	90,136
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		1,665,351	467,200	143,340	90,136

The accompanying notes are an integral part of this statement.

City of Toledo
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2023

		110 Hotel Motel Tax fund	301 City Hall Building Fund	302 Municipal Capital Improve Fund	304 Police Car Reserve Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	220	43,725	52,129	26,357
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	344	-	7,807	169
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	515	664	4,642
Total Revenues:		344	515	8,471	4,811
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		344	515	8,471	4,811
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	5,870	-	9,600
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	5,870	-	9,600
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	61
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	9,354
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	-	-	9,415
Increase (Decrease) in Cash and Investments:		344	6,385	8,471	4,996
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	344	50,111	60,662	31,414
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		344	50,111	60,662	31,414

The accompanying notes are an integral part of this statement.

City of Toledo
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2023

		340 City Street Construction Fund	401 Water And Sewer Fund
Beginning Cash and Investments			
308	Beginning Cash and Investments	-	772,518
388 / 588	Net Adjustments	-	-
Revenues			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	2,095	90,652
340	Charges for Goods and Services	-	449,157
350	Fines and Penalties	-	945
360	Miscellaneous Revenues	-	197,047
Total Revenues:		2,095	737,801
Expenditures			
510	General Government	-	3,211
520	Public Safety	-	-
530	Utilities	-	412,417
540	Transportation	-	-
550	Natural/Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:		-	415,628
Excess (Deficiency) Revenues over Expenditures:		2,095	322,173
Other Increases in Fund Resources			
391-393, 596	Debt Proceeds	-	-
397	Transfers-In	-	21,832
385	Special or Extraordinary Items	-	-
381, 382, 389, 395, 398	Other Resources	-	4,211
Total Other Increases in Fund Resources:		-	26,043
Other Decreases in Fund Resources			
594-595	Capital Expenditures	-	171,132
591-593, 599	Debt Service	-	131,768
597	Transfers-Out	-	-
585	Special or Extraordinary Items	-	(2,214)
581, 582, 589	Other Uses	-	-
Total Other Decreases in Fund Resources:		-	300,686
Increase (Decrease) in Cash and Investments:		2,095	47,530
Ending Cash and Investments			
50821	Nonspendable	-	-
50831	Restricted	-	-
50841	Committed	-	-
50851	Assigned	2,095	820,049
50891	Unassigned	-	-
Total Ending Cash and Investments		2,095	820,049

The accompanying notes are an integral part of this statement.

City of Toledo
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

		Total for All Funds (Memo Only)	001 Current Expense	101 City Street Fund	105 Criminal Justice Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	1,256,518	316,027	113,042	58,561
388 / 588	Net Adjustments	1,438	1,438	-	-
Revenues					
310	Taxes	424,862	366,966	27,959	16,108
320	Licenses and Permits	7,242	7,242	-	-
330	Intergovernmental Revenues	375,497	122,927	35,952	1,847
340	Charges for Goods and Services	478,839	32,327	-	-
350	Fines and Penalties	4,507	3,277	-	-
360	Miscellaneous Revenues	260,220	32,559	1,118	-
Total Revenues:		1,551,167	565,298	65,029	17,955
Expenditures					
510	General Government	91,967	91,967	-	-
520	Public Safety	246,548	246,545	3	-
530	Utilities	443,348	-	-	-
540	Transportation	37,061	-	37,061	-
550	Natural/Economic Environment	45,293	45,293	-	-
560	Social Services	500	500	-	-
570	Culture and Recreation	10,021	10,021	-	-
Total Expenditures:		874,738	394,326	37,064	-
Excess (Deficiency) Revenues over Expenditures:		676,429	170,972	27,965	17,955
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	203,598	20,000	-	-
385	Special or Extraordinary Items	18,928	18,510	418	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		222,526	38,510	418	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	359,152	26,459	-	-
591-593, 599	Debt Service	212,329	63	-	-
597	Transfers-Out	173,549	113,851	375	20,000
585	Special or Extraordinary Items	5,724	4,645	-	-
581, 582, 589	Other Uses	85	85	-	-
Total Other Decreases in Fund Resources:		750,839	145,103	375	20,000
Increase (Decrease) in Cash and Investments:		148,116	64,379	28,008	(2,045)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	1,405,374	381,096	141,052	56,515
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		1,405,374	381,096	141,052	56,515

The accompanying notes are an integral part of this statement.

City of Toledo
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

		110 Hotel Motel Tax Fund	301 City Hall Building Fund	302 Municipal Capital Improve Fund	304 Police Car Reserve Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	-	20,044	38,164	26,026
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	220	-	13,609	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	-	246	44,247
Total Revenues:		220	-	13,855	44,247
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		220	-	13,855	44,247
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	1,650	-	48,727
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	1,650	-	48,727
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	7,520	-	36,820
591-593, 599	Debt Service	-	-	-	46,500
597	Transfers-Out	-	-	-	9,323
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	7,520	-	92,643
Increase (Decrease) in Cash and Investments:		220	(5,870)	13,855	331
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	220	14,174	52,019	26,357
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		220	14,174	52,019	26,357

The accompanying notes are an integral part of this statement.

City of Toledo
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

		340 City Street Construction Fund	401 Water And Sewer Fund
Beginning Cash and Investments			
308	Beginning Cash and Investments	-	684,654
388 / 588	Net Adjustments	-	-
Revenues			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	7,130	207,641
340	Charges for Goods and Services	-	446,512
350	Fines and Penalties	-	1,230
360	Miscellaneous Revenues	-	182,050
Total Revenues:		7,130	837,433
Expenditures			
510	General Government	-	-
520	Public Safety	-	-
530	Utilities	-	443,348
540	Transportation	-	-
550	Natural/Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:		-	443,348
Excess (Deficiency) Revenues over Expenditures:		7,130	394,085
Other Increases in Fund Resources			
391-393, 596	Debt Proceeds	-	-
397	Transfers-In	375	132,846
385	Special or Extraordinary Items	-	-
381, 382, 389, 395, 398	Other Resources	-	-
Total Other Increases in Fund Resources:		375	132,846
Other Decreases in Fund Resources			
594-595	Capital Expenditures	7,505	280,848
591-593, 599	Debt Service	-	165,766
597	Transfers-Out	-	30,000
585	Special or Extraordinary Items	-	1,079
581, 582, 589	Other Uses	-	-
Total Other Decreases in Fund Resources:		7,505	477,693
Increase (Decrease) in Cash and Investments:		-	49,238
Ending Cash and Investments			
50821	Nonspendable	-	-
50831	Restricted	-	-
50841	Committed	-	-
50851	Assigned	-	733,941
50891	Unassigned	-	-
Total Ending Cash and Investments		-	733,941

The accompanying notes are an integral part of this statement.

City of Toledo
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2023

		<u>Custodial</u>
308	Beginning Cash and Investments	970
388 & 588	Net Adjustments	-
310-390	Additions	4,263
510-590	Deductions	<u>5,061</u>
	Net Increase (Decrease) in Cash and Investments:	(798)
508	Ending Cash and Investments	516

The accompanying notes are an integral part of this statement.

City of Toledo
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

		<u>Custodial</u>
308	Beginning Cash and Investments	1,121
388 & 588	Net Adjustments	-
310-390	Additions	19,474
510-590	Deductions	<u>19,735</u>
	Net Increase (Decrease) in Cash and Investments:	(261)
508	Ending Cash and Investments	970

The accompanying notes are an integral part of this statement.

CITY OF TOLEDO

NOTES TO FINANCIAL STATEMENTS

FOR YEAR ENDED DECEMBER 31, 2023

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 police protection, street improvements, and general administrative services. In addition the city owns and operates a water system and waste water 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 expenditures for specified purposes of the government.

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.

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 FUND TYPES:

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

Private-Purpose Trust Funds

These funds report all trust arrangements under which principal and income benefit individuals, private organizations or other governments.

Custodial Funds 631

These Funds are used to account assets that the government holds on behalf of others in a custodial capacity.

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 expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

c. Cash and Investments

See Note 2 – Deposits and Investments

d. Capital Assets – Construction commitments

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 accrual 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 expenditures when paid.

f. Long-Term Debt

See Note 3 – Long-Term Debt

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits and Investments

Investments are reported at amortized cost. Deposits and investments by type at December 31, 2023 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	\$624,596.96		\$624,596.96
Local Government Investment Pool	\$1,040,629.04		\$1,040,629.04
Total	\$1,665,226		\$1,665,226

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.

NOTE 3 – LONG-TERM DEBT

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the city and summarizes the city's debt transactions for the year ended December 31, 2023.

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

PWTF 2011	Principal	Interest	Total
2024	\$116,844.37	\$5,257.99	\$122,102.36
2025-2041	\$1,986,354.65	\$44,692.98	\$2,031,047.63
TOTALS	\$2,103,199.02	\$49,950.97	\$2,153,149.99

NOTE 4 – 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 budget is adopted at the department level. The budget constitutes the legal authority for expenditures 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/Dept	Final Appropriated Amount	Actual Expenditures	Variances
General Fund:			
General Govt	176,661.00	184,960.32	-8,299.32
Police Dept	251,938.00	215,220.81	36,717.19
Total General Fund	428,599.00	400,181.13	28,417.87
City Street Fund	156,989.00	165,844.00	-8,855.00
Police Car Reserve Fund	9,354.00	9,415.00	-61.00
Criminal Justice Fund	20,000.00	20,000.00	0.00
City Street Const Fund	0.00	0.00	0.00
City Hall Building Fund	5,000.00	0.00	5,000.00
Water/Sewer Truck & Equi	14,000.00	1,852.84	12,147.16
Water/Sewer Fund	452,227.00	461,709.87	-9,482.87
Water/Sewer CI Fund	287,349.00	281,121.28	6,227.72
Totals	1,373,518.00	1,340,124.12	61,811.75

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 5 – COVID-19 PANDEMIC

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

The City of Toledo, Washington, strategically utilized the allocated American Rescue Plan Act (ARPA) funds to address significant lost revenue and critical infrastructure needs resulting from the COVID-19 pandemic. This approach not only stabilized our municipal financial health but also enhanced operational efficiency and security within the city. ARPA funds were instrumental in offsetting revenue shortfalls across various city operations. The funding ensured that public safety and health services were not compromised, with resources directed to support our facilities, emergency response services, and public health measures. ARPA funds helped avoid layoffs of city staff, ensuring that the quality and delivery of municipal services remained uninterrupted. By stabilizing the city's financial situation and supporting local economic activities, the funds indirectly helped maintain the economic base of Toledo, crucial for our long-term recovery and resilience.

NOTE 6 – INTERFUND LOANS

The following table displays interfund loan activity during 2023:

Ordinance 765 2021 Dodge Charger

Borrowing Fund	Lending Fund	Balance 01/01/2023	New Loans	Repayments	Balance 12/31/2023
304	410	18,676.93	0.00	9353.87	9343.60
	Totals				9343.60

NOTE 7 - LEASES

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.

NOTE 8 – PENSION PLANS

A. State Sponsored 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, a department within the primary government of the State of Washington, issues a publicly available Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information for each plan.

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

The DRS ACFR 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, 2023 (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	Allocations %	Liability (Asset)
PERS 1	\$7,668	0.001125%	\$25,688
PERS 2/3	\$12,767	0.001452%	(\$59,518)
LEOFF 2	\$3,007.59	0.001332%	(\$31,960)

NOTE 9 – 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 2023 was 0.941732222992 per \$1,000 on an assessed valuation of \$83,436,643 for a total regular levy of \$78,574.98.

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

Note 10 – Risk Management

Association of Washington Cities Risk Management Service Agency (AWC RMSA)

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, 2023, 106 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, and is reinsured by National League of Cities Mutual Insurance Company (NLC MIC) for the additional \$500,000. \$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 Hallmark 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 AIG Specialty Insurance Company and CHUBB. In 2023, AWC RMSA carried a retention of \$300,000, NLC MIC reinsures up to \$3 million, 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.

CITY OF TOLEDO

NOTES TO FINANCIAL STATEMENTS

FOR YEAR ENDED DECEMBER 31, 2022

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 police protection, street improvements, and general administrative services. In addition the City owns and operates a water system and waste water 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:

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- All funds are presented, rather than a focus on major funds.
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- 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 expenditures for specified purposes of the government.

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.

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 FUND TYPES:

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

Private-Purpose Trust Funds

These funds report all trust arrangements under which principal and income benefit individuals, private organizations or other governments.

Custodial Funds 631

These Funds are used to account assets that the government holds on behalf of others in a custodial capacity.

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 expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

c. Cash and Investments – See Note 4 - Deposits and Investments

d. Capital Assets – Construction commitments

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 accrual may be accumulated up to 160 hours 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 expenditures when paid.

f. Liabilities

See Note 6 – Long-Term Debt

NOTE 2 – BUDGET COMPLIANCE

The City of Toledo adopts an annual appropriated budget for the all funds except the 631 Trust fund. These budgets are appropriated at the fund level except the general (current expense) fund, where budget is adopted at the department level. The budget constitutes the legal authority for expenditures 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/Dept	Final Appropriated Amount	Actual Expenditures	Variances
General Fund:			
General Govt	139,902.00	275,890.94	-135,988.94
Police Dept	272,556.00	262,223.94	10,332.06
Total General Fund	412,458.00	538,114.88	-125,656.88
City Street Fund	44,353.00	37,437.33	6,915.67
Police Car Reserve Fund	61,071.00	92,643.15	-31,572.15
Criminal Justice Fund	20,000.00	20,000.00	0.00
City Street Const Fund	0.00	7,504.75	-7,504.75
City Hall Building Fund	2,000.00	7,520.32	-5,520.32
Water/Sewer Truck & Equip	500.00	52.32	447.68
Water/Sewer Fund	434,261.00	456,584.70	-22,323.70
Water/Sewer CI Fund	605,703.00	474,609.09	131,093.91
Municipal CI	0.00	0.00	0.00
Totals	1,580,346.00	1,634,466.54	-54,120.54

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 3 – COVID 19 PANDEMIC

In February 2020, the Governor of the State of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

NOTE 4 – DEPOSITS AND INVESTMENTS

It is the City of Toledo's policy to invest all temporary cash surpluses if reasonable with interest rates and fees charged. The interest on these investments is prorated to the various funds

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

Investments are reported at cost/original. Investments by type at December 31, 2022 are as follows:

Type of Investment	City's own deposits and investments	Deposits and investments held by the City as custodian for other local governments, individuals, or private organizations	Total
Bank deposits	\$655,022.00		\$655,022.00
Local Government Investment Pool	\$750,386.00		\$750,386.00
Total	\$1,405,408		\$1,405,408

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.

City of Toledo
2022

NOTE 5 – INTERFUND LOANS

The following table displays interfund loan activity during 2022:

Borrowing Fund	Lending Fund	Balance 01/01/2021	New Loans	Repayments	Balance 12/31/2022
304	410	0	30,000	30,000	0.00
304	410	28,000	0	9,353.87	18,676.93
	Totals	28,000	30,000	39,353.87	18,676.93

NOTE 6 - LONG TERM DEBT

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the city and summarizes the city's debt transactions for the year ended December 31, 2022.

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
2023	\$116,844.38	\$5,550.11	\$122,394.49
2024	\$116,844.37	\$5,257.99	\$122,102.36
2025-2041	\$1,986,354.65	\$44,692.98	\$2,031,047.63
TOTALS	\$2,220,043.40	\$55,501.08	\$2,275,545.48

DOE 2003	Principal	Interest	Total
2023	\$9,265.79	\$103.21	\$9,162.58
2024	\$0	\$0	\$0
TOTALS	\$9,265.79	\$103.21	\$9,162.58

Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the legislative body. When expenditures that meet restrictions are incurred, the city intends to use reserved resources first before using unreserved amounts.

NOTE 7 - LEASES

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.

NOTE 8 - 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.

At June 30, 2022 (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	Allocations %	Liability (Asset)
PERS 1	\$11,308.19	0.001845	\$51,372

PERS 2/3	\$19,289.89	0.002401	(89,048)
LEOFF 2	\$6,520.30	0.003419	(85,580)

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.

NOTE 9 - 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 2022 was 1.174752067579 per \$1,000 on an assessed valuation of \$66,224,195 for a total regular levy of \$77,797.01.

NOTE 10 – Risk Management

Association of Washington Cities Risk Management Service Agency (AWC RMSA)

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, 2022, 106 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. For the first \$1 million in liability limits, AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$500,000, per occurrence, and is reinsured by National League of Cities Mutual Insurance Company (NLC MIC) for the additional \$500,000. The \$9 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 Hallmark Specialty Insurance Company. Since AWC RMSA is a cooperative program, there is joint liability among the participating members. The reinsurance coverage is purchased through NLC MIC and excess property coverage is purchased through AIG Specialty Insurance Company and CHUBB. In 2022, AWC RMSA carried a retention of \$200,000, NLC MIC reinsures up to \$3 million, 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 11 - Health and Wellness

Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP)

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, 2022, 262 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 2022, the AWC Trust HCP purchased medical stop loss insurance for Regence/Asuris and Kaiser plans at an Individual Stop Loss (ISL) of \$1.5 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.

City of Toledo
Schedule of Liabilities
For the Year Ended December 31, 2023

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.81	PWTF 2011	10/31/2041	2,220,044	-	116,844	2,103,200
263.81	Dept of Eco 2003	10/31/2023	9,162	-	9,162	-
Total General Obligation Debt/Liabilities:			2,229,206	-	126,006	2,103,200
Revenue and Other (non G.O.) Debt/Liabilities						
264.30	Pension Liabilities	12/31/2023	51,372	-	25,684	25,688
259.12	GO Office Vacation	12/31/2023	2,410	5,175	1,364	6,221
259.12	PW Vacation	12/31/2023	7,362	7,104	6,848	7,618
Total Revenue and Other (non G.O.) Debt/Liabilities:			61,144	12,279	33,896	39,527
Total Liabilities:			2,290,350	12,279	159,902	2,142,727

City of Toledo
Schedule of Liabilities
For the Year Ended December 31, 2022

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.81	PWTF 2011	10/31/2041	2,336,888	-	116,844	2,220,044
263.81	PWTF 2003	10/1/2022	33,416	-	33,416	-
263.81	DOE 2003	10/31/2023	18,188	-	9,266	8,922
263.51	Copier Lease 2018	12/1/2022	1,530	-	1,530	-
Total General Obligation Debt/Liabilities:			2,390,022	-	161,056	2,228,966
Revenue and Other (non G.O.) Debt/Liabilities						
264.30	Pension Liability		18,380	32,992	-	51,372
259.12	GO Vacation Accruals		11,506	7,182	16,278	2,410
259.12	401 Vacation Accruals		9,553	19,717	21,908	7,362
Total Revenue and Other (non G.O.) Debt/Liabilities:			39,439	59,891	38,186	61,144
Total Liabilities:			2,429,461	59,891	199,242	2,290,110

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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