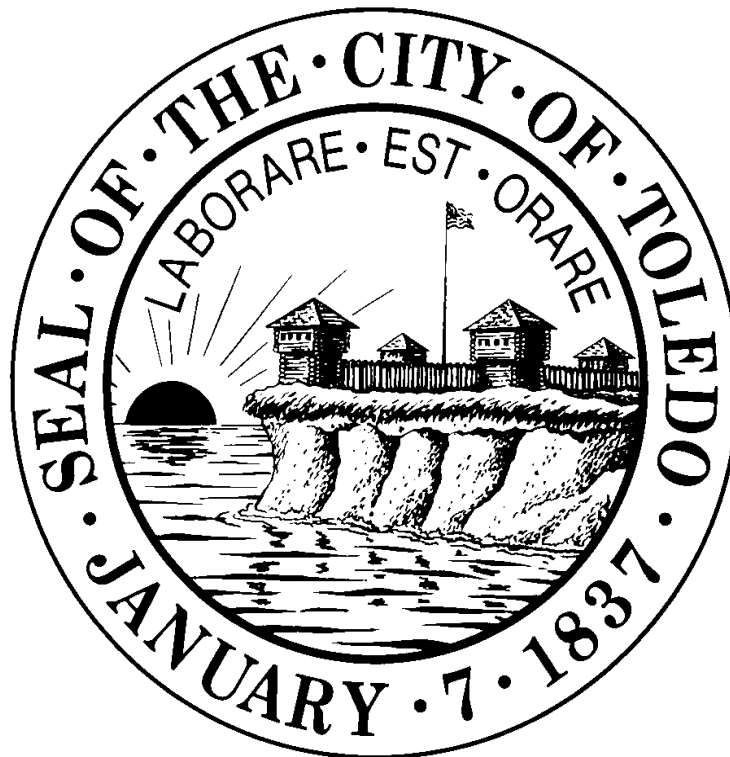


CITY OF TOLEDO, OHIO

2011

Annual Information Statement

in connection with Bonds and Notes of the City of Toledo



In addition to providing information on an annual basis, the City of Toledo intends that this Annual Information Statement be used, together with information to be provided by the City specifically for that purpose, in connection with the original offering and issuance by the City of its bonds and notes.

Questions regarding information contained in this Annual Information Statement should be directed to:

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The date of this Annual Information Statement is August 31, 2011.

REGARDING THIS ANNUAL INFORMATION STATEMENT

The information and expressions of opinion in this Annual Information Statement are subject to change without notice. Neither the delivery of this Annual Information Statement nor any sale made under it shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the City since its date.

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INTRODUCTORY STATEMENT

This “Annual Information Statement in connection with Bonds and Notes of the City of Toledo” (the Annual Statement) has been prepared by the City of Toledo, Ohio (the City), to provide, as of its date, financial and other information and operating data relating to the City. The City also intends that this Annual Statement be used in conjunction with specific offering information to be provided by the City in connection with the original issuance and sale by the City of issues of bonds or notes, which offering information, taken together with this Annual Statement, would serve as the Official Statement for each of those issues.

The City acknowledges various “disclosure” rules, proposals and interpretations relating to public securities, including those of the Securities and Exchange Commission (SEC), and certain continuing disclosure agreements entered into by the City that require the provision and dissemination of annual financial information and operating data and timely notification of certain “material” events. The City has prepared and circulated to interested persons an annual information statement such as this in each year since 1979 and has furnished copies of each such statement (including this Annual Statement) and, as they have become available, its audited basic financial statements for each Fiscal Year to each nationally recognized municipal securities information repository (NRMSIR) designated from time to time by the SEC and the Ohio state information depository (SID). In accordance with 2008 amendments to SEC Rule 15c2-12 (the Rule), annual information and operating data and “material” event filings on and after July 1, 2009, have been and are to be made in electronic format with the Municipal Securities Rulemaking Board (the MSRB), as the sole remaining NRMSIR, through its Electronic Municipal Market Access (EMMA) system. The City will furnish copies of this Annual Statement and its subsequent annual information statements and material event notices with the MSRB through the EMMA system. The City will also continue to file those statements and notices with the SID pursuant to continuing disclosure agreements entered into prior to July 1, 2009. As requested by the SID, those SID filings will also be made through the EMMA system, the MSRB and the SID having agreed that the SID will have access to such filings. The City also intends, and has agreed and will agree as and when required, to take further steps that may be necessary to comply or permit compliance with applicable lawful disclosure requirements relating to City financings, including those required to permit municipal securities dealers purchasing bonds and notes of the City to comply with applicable SEC rules and regulations.

All financial and other information in this Annual Statement has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historical information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future.

This Annual Statement should be considered in its entirety and no one subject considered less important than another by reason of location in the text. Reference should be made to laws, reports or documents referred to for more complete information regarding their contents.

References to provisions of Ohio law or of the Ohio Constitution or of the Charter of the City (the Charter) are references to those current provisions. Those provisions may be amended, repealed or supplemented.

As used in this Annual Statement,

- “Council” means the Council of the City.
- “County” means Lucas County, Ohio.
- “County Auditor” means the Auditor of the County.
- “Debt charges” means principal (including any mandatory redemption payments) of and interest and any redemption premium on the obligations referred to; debt charges may also be referred to as “debt service.”

- “Fiscal Year” means the 12-month period ending December 31, and reference to a particular Fiscal Year (such as “Fiscal Year 2010”) means the Fiscal Year ending on December 31 in that year.
- “State” or “Ohio” means the State of Ohio.
- “State Budget Act” means Amended Substitute House Bill No. 153, passed by the Ohio General Assembly and signed by the Governor on June 30, 2011, providing State appropriations for its 2012-2013 biennium (beginning July 1, 2011 through June 30, 2013) and enacting other statutory provisions.

THE CITY

General Information

The City is located in (and is the county seat of) Lucas County in northwestern Ohio, approximately 75 miles east of the Ohio-Indiana border. The City covers an area of 84 square miles and borders on Lake Erie to the east and the State of Michigan to the north.

The City’s 2010 population of 287,208 made it the fourth largest city in Ohio and the 62nd largest in the United States. The City is the central city for the Toledo Metropolitan Statistical Area (Toledo MSA), comprised of the Ohio counties of Lucas, Fulton, Ottawa and Wood and the 79th largest of 400 metropolitan statistical areas (MSAs) and combined statistical areas (CSAs) in the United States. (Rankings based on 2000 Census figures.)

The City and the County are in the center of a trade area comprised of 14 counties in northwestern Ohio and southeastern Michigan with a total population of approximately 1.25 million and lie in the central portion of a triangle formed by the cities of Chicago, Detroit and Cleveland. Other major metropolitan centers located within 250 miles of the City include the cities of Cincinnati, Columbus, Dayton and Akron, Ohio; Pittsburgh, Pennsylvania; Indianapolis, Indiana; and Windsor, Ontario.

Land use in the City, broken down by percent of assessed valuation, is: Residential (67.54%), Commercial (28.34%), Industrial (4.09%) and Agricultural (.03%). Source: County Auditor.

The City is served by diversified transportation facilities, including: five Interstate Highways; 11 State and U.S. Highways; four rail systems; its own Toledo Express Airport, a commercial airport with scheduled flights for four airlines; Detroit Metropolitan Airport; and two general aviation airports. The Toledo Area Regional Transit Authority provides mass transit bus service in the City and surrounding areas, and the Toledo-Lucas County Port Authority (the Port Authority) provides cargo facilities for ships using the Port of Toledo at the mouth of the Maumee River and operates the City’s commercial and general aviation airports under a long-term lease with the City. See **Transportation**.

The City and the County are provided with banking and financial services by 11 local commercial banks and savings and loan associations and local offices of 16 banks and savings and loan associations having principal offices elsewhere.

Four acute care hospitals are located within the City: The Toledo Hospital (794 beds); St. Vincent Mercy Medical Center (568 beds); The University of Toledo Medical Center (184 beds) and St. Anne’s Mercy Community Hospital (128 beds).

Two daily newspapers serve the City. The City is within the broadcast area of 16 radio stations, 15 of which are located in the City, and six television stations. Multichannel cable television service, including educational, governmental and public access channels, is available in the City and surrounding communities.

Many cultural and recreational opportunities are available in the City and the County. The Toledo Museum of Art, located within the City, is a privately endowed, nonprofit institution noted for the

quality of its permanent collection and art education programs, as well as for its displays of traveling exhibits. Since 2000, the Museum has completed a major renovation and restoration of its existing facilities, a new sculpture garden and a new 57,600-square-foot Glass Pavilion, celebrating the City's role as the Glass City.

The Valentine Theater, an historic theater located in the Downtown area of the City, hosts a variety of musical, dance and theatrical productions by the Toledo Symphony, the Toledo Ballet, the Toledo Opera, the Toledo Jazz Society and the Toledo Repertoire Theater, as well as culturally and ethnically diverse traveling shows and attractions. The Valentine, renovated in the 1990s, contains a 900-seat auditorium, three rehearsal halls and administrative offices.

The Stranahan Theater, built in 1969, is a 2,424-seat concert hall located in the southwestern area of the City near the City of Maumee. It is used for approximately 170 events a year, including Broadway shows.

Library services throughout the County are provided by the Toledo-Lucas County Public Library (the Library), a separate entity governed by a seven-member Board of Trustees, of whom four are appointed by the County and three by the judges of the County Court of Common Pleas. The Library provides services through its Main Library in the Downtown area of the City and 18 branch libraries throughout the County. It has the third largest public library collection in the State with over 2.3 million books and an annual circulation of over 6 million.

The Toledo Zoo, located within the City and owned and operated by the Toledo Zoological Society, a nonprofit organization, has received national attention for its exhibitions. The Zoo is funded, in part, by a five-year, 0.85-mill tax levy for operations and a ten-year, 1.0-mill levy for capital improvements, each approved by County voters in 2006.

The City owns and operates 145 parks covering 2,368 acres, and the Metropolitan Park District of the Toledo Area operates ten parks covering 10,965 acres in the County. The State's Maumee Bay State Park, a 1,860-acre park featuring both Lake Erie and inland lake beaches, a links-style public golf course and a resort and conference center, is located within eight miles of the City. Sailing, boating and fishing are common activities on Lake Erie and the Maumee River, which flows through the City.

A total of 18 private and public golf courses are located in the County. One of those courses, Inverness Country Club, periodically hosts major USGA and PGA Championships, including the 2011 U.S. Senior Open. An LPGA tournament is held in the area annually.

The City is the home of the Toledo Mud Hens, a Class AAA professional baseball team whose parent club is the Detroit Tigers. In 2002, a 10,000-seat County-owned baseball stadium for the Mud Hens opened in the Warehouse District of the Downtown area of the City. The stadium's design is architecturally compatible with other buildings in that District. Its \$41 million cost was paid from proceeds of a \$5.4 million grant from the State, \$26 million of revenue bonds issued by the County, moneys raised from the sale of loges and premium seating, and other available funds of the County.

In 2009, the County completed construction of a new \$105 million multipurpose arena in the Downtown area of the City that is serving as the home of the Toledo Walleye, a Class AA professional hockey team, and a new venue for concerts and other activities. See **Economic and Community Development Activities – Public Projects**.

City Government

The City operates under and is governed by its Charter, which was first adopted by the voters in 1914 and has been and may be amended by the voters from time to time. The City is also subject to certain general laws applicable to all cities. Under the Ohio Constitution the City may exercise all powers of local self-government, and police powers to the extent not in conflict with applicable general laws.

Legislative authority in the City is vested in a twelve-member Council. Six members of the Council are elected at-large and six from districts, all for overlapping four-year terms. The Council is authorized to enact ordinances and resolutions relating to City services, tax levies, appropriating and borrowing money, licensing and regulating businesses and trades and other municipal activities. The Council also has authority to fix the compensation of City officers and employees. The Council elects one of its members to serve as the President of Council, its presiding officer.

The City's chief executive and administrative officer is the Mayor, who is elected by the voters to that office for a four-year term. The Mayor has authority to hire certain assistants and, subject to Council approval, to appoint the directors of all City departments, the commissioners of all City divisions, the members of all City boards and commissions and, with the additional approval of the applicable board or commission, the chief administrative officers of agencies under their jurisdiction. The Mayor is responsible for preparing a detailed annual budget estimate, keeping the Council advised of the financial condition and needs of the City, and, generally, exercising all other executive and administrative powers and performing such duties as are conferred by the Charter or by State law on mayors or municipal chief executive officers.

The Mayor has authority to introduce ordinances, resolutions and other matters before the Council, to take part in the discussion of all matters coming before the Council, to vote on legislation before the Council if necessary to break a tie vote and to veto any legislation passed by the Council. Vetoes may be overridden by a three-fourths vote of all members of the Council.

The Director of Finance is appointed by the Mayor, subject to Council approval, and, as the City's chief fiscal officer, is responsible for the debt and cash management functions of the City, overseeing budget preparation and supervising the collection and administration of the City's income tax, the collection of other revenues, the accounting for financial transactions, and other support services. See **Financial Matters – Introduction**.

The Director of Law is appointed by the Mayor, subject to Council approval, and his duties include prosecuting and defending lawsuits for and on behalf of the City, serving as Police Prosecutor, preparing contracts and written instruments with which the City is concerned, advising all department directors, City officers and the Council with respect to official City matters and performing those duties imposed on city attorneys by statute.

The Council, acting pursuant to the written request of the Mayor, has authority, by a two-thirds vote of its members, to change, abolish, combine and rearrange the departments and divisions of the City government and combine and distribute the functions and duties thereof. In 2007, the City's Departments of Police and Fire/Rescue were placed under the supervision of a single director.

The members of Council, eight of whom are Democrats, three of whom are Republicans, and one of whom is an Independent are as follows:

	<u>Name</u>	<u>Years of Service As of August 31, 2011</u>	<u>Occupation in Private Life</u>
At-Large	Phillip Copeland (D)	6 years	Union Administrator
At-Large	Joe McNamara (D)	4 years	Attorney
At-Large	George Sarantou (R)	9 years	Financial Advisor
At-Large	Rob Ludeman (R)	1¾ years(a)	Realtor
At-Large	Steven Steel (D)	2 years	College Professor
At-Large	Adam Martinez (D)	1¾ years	Civic Leader
District 1	Wilma Brown (D)(b)	13 years	Retired
District 2	D. Michael Collins (I)	3 years	College Professor
District 3	Mike Craig (D)	5 years	Civic Leader
District 4	Paula Hicks-Hudson (D)(c)	8 months	Attorney
District 5	Tom Waniewski (R)	3 years	Development Director
District 6	Lindsay Webb (D)	3 years	Coordinator, Nonprofit Corporation

- (a) Mr. Ludeman previously served on Council for 14 years until 2007 when he was barred from running again by term limits.
- (b) Ms. Brown has been elected by her colleagues on the Council to serve as President of Council for 2011.
- (c) Ms. Hicks-Hudson was appointed in January 2011 to replace Michael Ashford who resigned because he was elected to the 48th House District seat in the Ohio General Assembly.

The current terms of all members of Council elected at-large expire on December 31, 2013, and those of all members of Council elected from Districts expire on December 31, 2011.

Current members of the City administration and executive management team with significant responsibility for City financial and related legal matters include the following:

Mayor – Michael P. Bell

Mayor Bell serves as the 55th mayor of the City. He served the City previously as a member of the City's Department of Fire and Rescue for ten years (from 1980 to 1990) and as Chief of that Department for 16 years (from 1990 through 2006). In 2007, Mayor Bell was appointed State Fire Marshal by former Ohio Governor Ted Strickland. Mayor Bell grew up in North Toledo and attended Spring Elementary School, Woodward High School and The University of Toledo. He graduated from The University of Toledo with a degree in education and a business concentration. Mayor Bell has served his community through countless civic organizations, volunteering his time and serving on the boards of the Boys and Girls Club, The American Red Cross, Bethany House, The American Liver Foundation, the Old Newsboys Goodfellows (where he served as President), Easter Seals, the Boy Scouts of America and the Salvation Army. Mayor Bell has also been an active supporter of the American Cancer Society and the Toledo Symphony. He is a member of the International Association of Fire Chiefs and received the President's Award for his efforts with diversity.

Deputy Mayor – Operations – Stephen J. Herwat

Mr. Herwat was appointed by the Mayor as the City's Deputy Mayor – Operations in January 2010. In this capacity Mr. Herwat is responsible for departments providing city services in all areas except public safety, human resources, neighborhoods, affirmative action and economic development. Mr. Herwat previously was employed by the City in a variety of engineering and administrative capacities for 31 years prior to retiring in 2006. Positions he formerly held with the City include Professional Engineer for public works design projects, Manager of the Division of Traffic Engineering, Commissioner of Building Inspection and Director of the Toledo-Lucas County Plan Commissions. Prior to joining the Bell Administration he also served as the Interim Vice President of Transportation for the Toledo Metropolitan Area Council of Governments and then formed Herwat and Associates, LLC, a firm specializing in municipal engineering, planning, land use and zoning codes. Mr. Herwat is a graduate of the University of Toledo with degrees as a Bachelor of Science in Civil Engineering, Master of Public Administration and Juris Doctor. Mr. Herwat is a Registered Professional Engineer in Ohio and is licensed by the Supreme Court of Ohio as an Attorney.

Deputy Mayor – External Affairs – Thomas S. Crothers

Mr. Crothers was appointed by the Mayor as the City's Deputy Mayor – External Affairs in March, 2011. Mr. Crothers had served as the City's Director of Public Utilities from January 2010 through February, 2011. Prior to that, Mr. Crothers served as Executive Director of the Downtown Toledo Improvement District, a not-for-profit economic development corporation for four years. Mr. Crothers also served the City for five years in various positions, including service as the Mayor's Executive Officer and Director of Natural Resources (from 1994 to 1996) and as Deputy Director of Economic and Community Development, Director of Finance and the Mayor's Chief of Staff from 2003 to 2006. Mr. Crothers holds a Bachelor of Business Administration degree in management from The University of Toledo. Between 1996 and 2003, Mr. Crothers worked for FirstEnergy Corp. as a national sales executive.

Director of Finance – Patrick A. McLean

Mr. McLean was appointed by the Mayor as the City's Director of Finance in January 2010. Previously, he served for one and one-half years as Chief Financial Officer for the Ohio Attorney General with responsibility for the management of a \$225 million annual budget and guiding the decentralization of the internal budget for the more than 70 internal cost centers; Associate Vice Chancellor for Affordability and Efficiency with the Ohio Board of Regents for two years; Chief of Staff and Budget Director in the Ohio Senate for nine years; and advisor to city mayors in Cincinnati and Ypsilanti, Michigan for a total of two years. Mr. McLean's experience includes the development of state agency budgets; the passage of state budgets; the development and oversight of program budgets; work as a lobbyist on federal budget issues; and the development, implementation and oversight of grant budgets. Mr. McLean earned his B.A. in Political Science from the University of Dayton and his M.A. in Political Science from Miami University. He has a Certificate from New York University in Nonprofit Management and Fundraising. He served as an adjunct faculty member at New York University after developing a course for the Heyman Center for Philanthropy titled "Working Effectively with Elected Officials". He has also served as an adjunct faculty member at Wilmington (Ohio) College and Monroe County (Michigan) Community College. Mr. McLean is a member of the Government Finance Officers Association, Financial Executives International and serves on the team of Weidner, Inc, an Austin, Texas-based government efficiency consulting firm. He also has been active in numerous leadership roles in community organizations, including, among others, service as the Chair of the Community Refugee and Immigration Services, a central Ohio agency providing resettlement to hundreds of refugees each year, and as a member of the Board of Trustees of Washtenaw Community College in Ann Arbor, Michigan.

Director of Law – Adam W. Loukx

Mr. Loukx was appointed by the Mayor as the City's Director of Law in January 2010. Prior to his appointment to that position, he served as a civil litigator in the City's Law Department from 1999 through 2006, as the City's General Counsel from 2007 through June 2008 and as the City's Acting Director of Law from June 2008 through December 2009. Mr. Loukx earned a Bachelor of Arts degree

from The Ohio State University and his Juris Doctorate degree from Capital University Law School. He is admitted to practice in Ohio, the United States District Courts for the Northern and Southern Districts of Ohio, the United States Court of Appeals for the Sixth Appellate District and the United States Supreme Court. Prior to joining the City's Law Department, Mr. Loukx was an associate in a firm specializing in civil defense litigation.

Director of Public Utilities – David E. Welch

Mr. Welch was appointed by the Mayor as the City's Director of Public Utilities in March 2011. Prior to this appointment, Mr. Welch served the City in a number of other positions, including Director of Public Service (from January 2010 through March 2011), Commissioner of Streets, Bridges & Harbor for four years, Public Utilities' Commissioner of Field Operations for one year, Commissioner of Solid Waste for four years and Manager of Solid Waste for two years. Mr. Welch began his career with the City as Supervisor of Environmental Health with the Toledo-Lucas County Health Department. Mr. Welch earned a Bachelor of Arts degree in biology from the University of Toledo. He also served the community as a member of the Board of Education of the Toledo City School District for eight years.

City Treasurer – Clarence Coleman

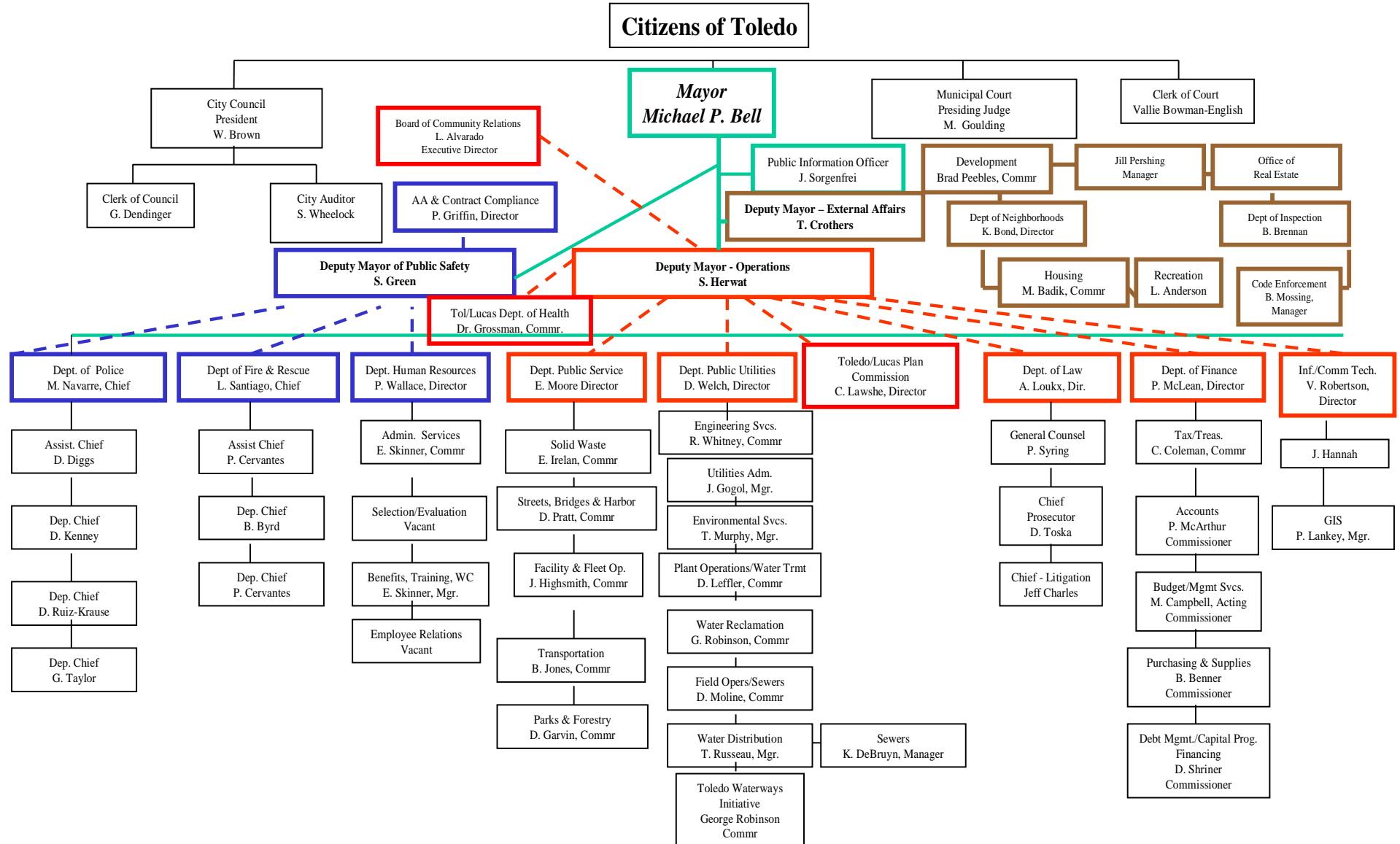
Mr. Coleman has served as the City's Commissioner of Taxation and Treasury (City Treasurer) since March 2005. Prior to his appointment as City Treasurer, Mr. Coleman held a number of positions in the Department of Finance's Division of Taxation and Treasury during the period from 1993 through 2005, including service as Tax Administrator. Mr. Coleman holds a Bachelor of Business Administration degree with a major in Accounting from The University of Toledo. Mr. Coleman has been a Certified Public Accountant licensed by the State since 1987. He is a member of the Northwest Ohio Tax Commissioners Association. Mr. Coleman is also actively involved on the income tax committee for the Ohio Municipal League.

City Auditor – D. Scott Wheelock

Mr. Wheelock was appointed as the City Auditor by the City Council in February 2006. Prior to this appointment, Mr. Wheelock served as the City's Assistant City Auditor for nearly six years. He has over twenty years of experience in a broad range of finance and accounting positions in private industry. Mr. Wheelock holds Bachelor of Science in Business Administration and Master of Accountancy degrees from Bowling Green State University and a Juris Doctor degree from The University of Toledo. He is a Certified Public Accountant and an attorney licensed in the State of Ohio.

A copy of the City's organizational chart is set forth on the following page.

City of Toledo Executive Management Team



Employees

The City had 2,665 full-time and part-time employees as of August 29, 2011. The City also employs, from time to time, temporary workers on a contract basis for specific projects. A statewide public employee collective bargaining law applies generally to public employee relations and collective bargaining.

Full-time employees are represented by the following bargaining units:

<u>Bargaining Unit</u>	<u>Approximate Number of Employees</u>	<u>Labor Agreement Duration</u>
Ohio Council 8 of the American Federation of State, County and Municipal Employees (AFSCME), Local 7	759	June 30, 2011 ^(a)
Ohio Council 8 of AFSCME, Local 7, Communications Operators	76	June 30, 2011 ^(a)
Toledo Police Patrolmen's Association	419	December 31, 2011
International Association of Fire Fighters, Local 92	495	December 31, 2011
International Brotherhood of Teamsters, Local 20	99	December 31, 2012
Ohio Council 8 of AFSCME, Local 2058	233	May 31, 2012
Ohio Council 8 of AFSCME, Local 2058, Communications Operators	18	^(b)
Toledo Police Command Officers Association	136	December 31, 2011
United Auto Workers, Local 12	5	December 31, 2011
Ohio Council 8 of AFSCME, Local 3411 (Clerk of Court – Deputy Clerk)	72	December 31, 2012
Toledo Fire Chief's Association	20	December 31, 2011

(a) Negotiations for a new agreement are ongoing.

(b) The City is negotiating an initial agreement with this bargaining unit.

The remaining 333 full-time City employees hold non-union positions in the civil service classified exempt classification or have not formed a bargaining unit or are not authorized to form or join a bargaining unit because they are persons holding elective office or are confidential or management-level employees (exempt personnel).

Generally, the terms of salaries, wages and other economic benefits for City employees have been the products of negotiations with representatives of the City employees or the named bargaining units. The most recently negotiated three-year contracts with its bargaining units called for employees to receive no wage increases in the first two years of their contracts and increases ranging from 2% to 3.5% in the final year, together with agreements for employees to participate in costs of their health care coverage.

Since January 2010, the City has adopted an unprecedented approach to labor management relationships made necessary by reductions in the City's General Fund revenues. The results include

implemented terms and conditions of employment, legally justified unilateral contract changes, and a general avoidance of layoffs.

In September 2010, after bargaining through impasse, the City implemented terms and conditions of employment for International Brotherhood of Teamsters, Local 20. Provisions included, *inter alia*, inclusion of the Teamsters' bargaining unit in the City's health care plan, at a significant cost-savings for the City, a reduction in the portion of the employees' share of their pension contributions "picked up" and paid by the City, and an accident-avoidance incentive plan that has yielded savings in damaged property costs and contained wages to an actual performance incentive. The Teamsters' attempt to thwart implementation of these measures resulted in a State Employment Relations Board ("SERB") finding in the City's favor. As described under **Other Utilities – Solid Waste Collection and Disposal**, the City and County subsequently agreed that, commencing August 15, 2011, the Lucas County Solid Waste Management District, working through a private waste hauler, would assume responsibility for solid waste collection and recycling in the City, which has enabled the City to cease providing those services entirely and thereby to achieve a significant cost-savings. Approximately 65 members of the Teamsters bargaining unit were reassigned to other vacant City positions (some of whom have joined other bargaining units) or voluntarily left the City's employ.

In 2010, the City imposed unilateral changes in its then existing contracts with six of the collective bargaining units based on the City Council's finding, determination and declaration that such changes were required by "exigent circumstances", specifically significant reductions in City revenues that were unanticipated at the times the parties entered into the contracts. Subsequently, the City and all of the other bargaining units (except Teamsters Local 20, which was in negotiations at the time) negotiated and entered into memoranda of understanding providing the concessions and cost-savings the City required. The Toledo Police Command Officers' Association (TPCOA) was the only bargaining unit to seek legal redress based on the exigent circumstances declaration. In April 2011, SERB dismissed with prejudice the TPCOA's unfair labor practice charge filed against the City, finding that the City did not violate the law when it unilaterally altered the health care and pension provisions of the TPCOA's collective bargaining agreement. The savings realized for the City were in excess of \$1,000,000. Pursuant to a recommendation by the City administration, on May 31, 2011, the Council voted to rescind its "exigent circumstances" declaration effective immediately and reinstate the terms of its prior contract with the TPCOA. Under those terms, the City will resume payment of the 10% employee share of pension payments for TPCOA members and increase its share of the cost of their health care coverage retroactively to ay 13, 2011. The City estimates these adjustments will increase its costs by approximately \$702,000 in 2011. The TPCOA is continuing to press its charge in Lucas County Common Pleas Court in an attempt to recover amounts not paid to its members as a result of the declaration.

As indicated in the table above, the City's current contracts with seven of its bargaining units either have expired or will expire in 2011. The City and AFSCME Local 7's two bargaining units have reached impasses in their negotiations for new contracts and have proceeded to fact-finding. In a report issued with respect to the negotiations between the City and the 759-member AFSCME Local 7 bargaining unit on August 24, 2011 following a hearing, a fact-finder recommended, among other matters, that the members of that unit receive no increase in wages for 2012 and 2013, increase their contributions for health care coverage from 5% to as much as 15%, and increase their pension contributions to 7% of compensation over the next three years. It also provided for a wage reopener contingent on attainment of certain levels of economic indicators. In a subsequent vote, the members of that bargaining unit rejected the report. The City administration has submitted to the City Council legislation to unilaterally implement the terms of that report. A fact-finding hearing with respect to the negotiations between the City and the 76-member AFSCME Local 7 bargaining unit representing communications operators is scheduled for September 14.

Negotiations with the Toledo Police Patrolmen's Association, the TPCOA, the Toledo Fire Chief's Association, the International Association of Firefighters, Local 92, and other bargaining units will commence in Fall of 2011. The outcome of all of these negotiations cannot be predicted at this time, and generally, the existing collective bargaining agreements will remain in effect until new contracts are negotiated and agreed upon or imposed.

In addition to negotiations on the contracts expiring in 2011, the City is negotiating an initial contract with a new 16-member bargaining unit, Ohio Council 8 of AFSCME, Local 2058,

Communications Operators, and has declined a request of a separate Ohio Council 8 of AFSCME, Local 2058 bargaining unit to re-open its contract with the City in order to provide a 1.5% wage increase retroactive to January 1, 2011.

Senate Bill No. 5 (S.B. 5) was enacted by the General Assembly and signed by the Governor in March 2011, to take effect on July 1, 2011. Opponents of the legislation have filed a referendum petition with the Ohio Secretary of State to submit S.B. 5 to the electors for approval or rejection at the election on November 8, 2011. The Secretary of State has certified as to the sufficiency of that petition, and, therefore, if the referendum approves S.B. 5, it would then become effective. S.B. 5 impacts numerous aspects of public employment, affecting all public sector employers and employees. S.B. 5, among other things, (1) makes significant changes in the State's civil service law, including those affecting fire and police supervisors and declassifying certain employees, (2) expands public employers' ability to control bargaining issues, benefits, layoffs, leaves and compensation, (3) limits employer contributions to health care benefits and pensions, (4) creates a new dispute resolution procedure for bargaining impasses giving public employers (and, in some cases, voters) the ultimate authority to resolve negotiation disputes and (5) prohibits all public employees from striking. See **Retirement Obligations**.

In the judgment of the City, its employee relations are currently fair.

Economic and Community Development Activities

Industry and Commerce

The City, in concert with the County, the Port Authority, the Toledo Regional Growth Partnership and the State, has been active in promoting industrial and commercial development in the City and the Toledo MSA, providing financing information, marketing programs and, in some cases, infrastructure improvements, grants and other incentives designed to encourage economic development and the creation and retention of jobs. Among the notable results from those activities in recent years have been the following.

Recent Development Activity

In May and August 2011, General Motors Co. announced that it would be making two major investments in its GM Powertrain Division's Alexis Road transmission plant in the City: a \$204 million investment to prepare the plant for production of fuel-efficient eight-speed transmissions for upcoming projects and \$83 million to upgrade that plant's assembly line for front-wheel drive six-speed transmissions. These are the third and fourth major investments General Motors has made in that plant in the past five years. In 2007, GM completed a major capital improvement project at the plant to prepare it for the production of a new six-speed, rear-wheel drive automatic transmission. The plant improvements in that project included \$100 million for a 400,000-square-foot expansion and renovation of existing facilities and \$363 million for new machinery, equipment and special tooling. Thereafter, it invested an additional \$332 million at that plant to prepare it for production of a new six-speed front-wheel drive automatic transmission. Those transmissions are now being used in a variety of GM vehicles. The State and the City provided certain grants and tax incentives to General Motors in connection with these projects.

In 2011, the City, in cooperation with the Toledo-Lucas County Port Authority, secured the purchase and grant funding to remediate a brownfield site that was the location of a former Jeep manufacturing plant. This project will make available 125 acres suitable for future industrial development. The site is located near Chrysler's Toledo North Plant and South Plant manufacturing complex, with ready access to Interstate Highways and other important transportation facilities.

In 2011, Penn National Gaming, Inc. began construction of the \$250 million "Hollywood Casino Toledo" on a remediated brownfield site in the City, as authorized by an amendment to the Ohio Constitution approved by the voters on November 3, 2009. The facility, which is located adjacent to I-75 at the Miami Street exit is projected to open the first quarter 2012. The 125,000-square-foot facility will feature up to 3,000 slot machines, 80 game tables and 20 poker tables, a 2,500-parking-space garage, as well as food and beverage outlets and an entertainment lounge. Penn National and its affiliates operate sixteen gaming

facilities in seven states and the Province of Ontario in Canada and several race tracks. Penn National has estimated that 1,000 temporary jobs will be created during the ongoing construction of the facility and a substantial number of permanent jobs will be created upon its completion. Under the provisions of the Constitutional amendment, the gross revenues of the casino are to be taxed at a rate of 33%, with the proceeds distributed to local governments. The City estimates that it will receive approximately \$10.3 million annually from that tax after operations begin. In addition, the City will collect local income taxes from the casino employees and receive a share of the ad valorem property taxes on the new facility.

In March 2011, Dashing Pacific Group, LLC purchased from the City for \$2.15 million approximately six acres of commercial property along the east bank of the Maumee River known as “The Docks”. Dashing Pacific plans to redevelop the restaurant and entertainment complex on that property and has commenced work on renovations for that purpose. In July 2011, Dashing Pacific Group, LLC purchased from the City for \$3.8 million an additional 69 acres in the adjacent Marina District on which it plans an estimated \$200 to \$300 million redevelopment project expected to include retail, office and multi-family residential elements. The purchase agreement between the City and Dashing Pacific also provides Dashing Pacific a two-year option to purchase an additional 22.75 acres at \$55,000 per acre and an option for the City to repurchase the property at \$55,000 an acre if its is not developed within five years.

The City’s sales of these properties for such redevelopment are a part of a City initiative led by Mayor Bell to promote foreign relationships beneficial to the Toledo region and particularly to attract investors from various parts of the world.

In 2010, Norfolk Southern Railway secured the funding and required permits to begin construction of a \$12.76 million project to improve facilities at its intermodal transportation yard in the City, known as “Airline Junction”. The City has secured a \$6.5 million ARRA grant and a \$2.5 million loan (convertible to a grant if budget and job creation targets are met) from the Ohio Department of Development to provide a portion of the financing for the project. Norfolk Southern is providing \$4.0 million toward the project. Construction has begun and expected to be completed late 2012. The project is estimated to result in the creation of in excess of 800 jobs and additional industrial development in the Toledo MSA. Norfolk Southern operates the most extensive intermodal network in the eastern United States and is North America’s largest rail carrier of metals and automotive products.

In 2008, the City and the State reached agreement with HCR Manor Care to maintain and expand its headquarters in downtown Toledo. The project has resulted in the retention of approximately 700 positions and created over 75 new positions within the headquarters building and additional leased space. As part of this project, HCR Manor Care acquired ownership of its headquarters building.

In 2007, Chrysler LLC (now Chrysler Group LLC), one of the largest manufacturing employers in the City, completed the second major expansion and improvement project at the Toledo North and Toledo South Plant complex in the City to be undertaken since 1997. The initial project, completed in early 2001, involved the renovation and expansion of the Plant into a 1.1-million-square-foot manufacturing facility, part of an estimated \$1.2 billion capital program in the City begun by DaimlerChrysler in 1997. The second project, undertaken in cooperation with three of its suppliers, involved the construction of a \$900 million, three-million-square-foot manufacturing complex adjacent to the Toledo North Plant. The suppliers were provided approximately one-third of the cost of the complex in return for receiving 14-year supply contracts. The City, the State and the Port Authority all provided substantial incentives and assistance in connection with these projects. See **City Debt and Other Long-Term Obligations – Economic Development Obligations** for information concerning City obligations incurred in support of the two projects.

In 2007, Mercy Health Partners completed a \$90 million renovation and construction project at its St. Vincent Mercy Medical Center in central Toledo. The Medical Center is Mercy Medical Partners’ largest facility. The project included construction of a four-story, \$45 million Heart Center Pavilion and \$45 million in renovations in the main hospital building. The expansion resulted in the creation of more than 60 permanent jobs at the Center.

The ProMedica Health System is implementing a comprehensive plan to replace, renovate and expand facilities on its Toledo Hospital medical center campus in two phases over a five- to ten-year period that began in 2005. The first phase, a \$200 million expansion, included operating rooms, diagnostic areas,

intensive care units and patient rooms. The second phase, opened in 2007, included a 10-story 500,000-square-foot tower that houses the clinical areas of the Toledo Hospital and Toledo Children's Hospital, including the surgical intensive care unit, adult intermediate care units, newborn intensive care unit (NICU), general pediatrics and pediatric hematology/oncology.

Port Authority

The Port Authority's economic development efforts, which are directed to enhancing cooperation between the public sector and the private business community on a regional basis, include serving as regional administrator of certain loan programs. Through the Port Authority's four economic development financing programs, approximately 300 projects have been financed for more than \$1 billion since 1988. These projects have helped create or retain approximately 15,500 jobs.

Public Projects

The Toledo City School District is engaged in the final phases of a ten-year program of replacing and/or renovating all of its classroom facilities in cooperation with the Ohio School Facilities Commission (OSFC). The Master Plan for that Classroom Facilities Project now calls for (i) the construction of 26 new elementary schools, five new K-8 schools, seven new middle schools and four new high schools, (ii) the expansion of one elementary school to convert it to a K-8 school and (iii) the renovation of one high school. The construction of 20 of the new elementary schools, seven of the new middle schools, two of the new K-8 schools and three of the new high schools has already been completed. The District and the OSFC estimate that the Classroom Facilities Project will cost \$645,461,143, with the District providing \$148,456,063 for the local share of the Project costs (23%), and the OSFC providing the remaining \$497,005,080 of those costs (77%). The District expects that the Classroom Facilities Project will be completed in December 2011.

In addition to the Classroom Facilities Project, the School District has also been undertaking the construction, renovation, remodeling, expansion, furnishing, equipping and improvement of certain other School District buildings and facilities and the acquisition, improvement and equipping of real estate (the School Site and Facilities Project) that is necessary but not within the scope of the Master Plan for the Classroom Facilities Project.

The School Site and Facilities Project includes the acquisition and improvement of sites for classroom and other District buildings and facilities and the construction, renovation, remodeling, expansion, furnishing and equipping of auditoriums, stadiums and other facilities that are not included in the Classroom Facilities Project. The estimated cost of the School Site and Facilities Project is \$60,602,000. The District expects that the School Site and Facilities Project will be completed in December 2012.

The new and renovated facilities included in the Projects are to be state-of-the-art learning centers for students, with spacious classrooms with colorful furnishings, modern safety and security systems, the latest wireless technologies and numerous other amenities.

In 2009, the County completed construction of a new \$105 million arena, now known as the Huntington Center, in the Downtown area of the City near the County's SeaGate Convention Centre and Fifth Third Field. The Huntington Center is being used for more than 100 events each year, including concerts and such athletic events as minor league hockey games, and to attract visitors and promote additional development in the Downtown area. The construction of the Huntington Center was financed from a variety of sources, including grants from the State and other governmental entities, revenues from naming rights and premium seating and proceeds of County securities.

In 2008, the University of Toledo completed a \$30 million renovation of Savage Arena, the University's basketball and athletic complex, and a \$27 million renovation of its Memorial Field House building, which now houses 54 state-of-the-art classrooms, 70 faculty offices, a three-story central atrium, a 250-seat auditorium, and an educational incubator to develop innovative teaching methods. In 2009, the University completed construction of a new \$15.4 million facility for its College of Business and began construction of a \$25 million facility for its College of Pharmacy.

In 2007, the State completed construction of a new bridge for the Interstate 280 crossing of the Maumee River at a cost of approximately \$200 million. That bridge, a six-lane, cable-stayed structure with a signature design, is located near the Downtown area of the City. In 2008, the City completed a \$40 million project for the improvement of its Martin Luther King Bridge over the Maumee River that joins the Marina District with the Downtown area of the City.

The City also is undertaking major water and sanitary sewer system improvement projects. See **Water System** and **Sewer System**.

Housing

The City has engaged in a number of activities to promote the development and renovation of housing units in its Downtown area and other neighborhoods in the City. As part of those activities, the City issued bonds for four separate projects between 1995 and 1998, including \$23.4 million of general obligation bonds and \$11.5 million of housing revenue bonds, the proceeds of which were loaned to developers and used, together with equity raised from the syndication of low-income housing tax credits and historic tax credits, to renovate the former LaSalle's Department Store (the LaSalle Apartments), the former Commodore Perry Hotel (the Commodore Perry Apartments), the former Hillcrest Hotel (the Hillcrest Apartments) and four buildings near the Toledo Museum of Art (the Museum Place Apartments) into a total of approximately 450 residential living units together with related commercial space. The City considered these projects to be important for the enhancement of housing available in its Downtown and Uptown areas and the area near the Toledo Art Museum, and it provided certain additional subsidies for each project.

While each of the four projects was financed in part with the proceeds of general obligation bonds, the loan agreements with the developers contemplated that the project owners would make loan payments to the City sufficient to pay the debt service on those bonds. The owner of the Commodore Perry Apartments and the Hillcrest Apartments fell behind in those payments and payments of debt service on revenue obligations issued to provide additional financing for that project, which was subsequently foreclosed upon and sold at sheriff's sale. The owners of the Museum Place Apartments have also fallen behind in their loan payments to the City. As a result, through the end of 2010 the City had made an aggregate of \$10.015 million in debt service payments (\$1.15 million for Fiscal Year 2010) on the general obligation bonds for which it has not been reimbursed, and the City expects that it will be required to pay substantial portions of the debt service on those bonds from certain City funds available for the purpose in 2010 and beyond. The City has set aside approximately \$1.01 million for such payments in its General Fund operating budget for Fiscal Year 2011.

With the residential components of all of the four projects completed, they have served as a catalyst for market-rate housing projects in the Downtown area and other nearby neighborhoods. The Bartley Lofts, the Ottawa, the River West Townhouses and the One Hundred South Huron Condominiums projects have been completed, adding over 140 market-rate condominium units in the Downtown area and the Warehouse District. Nearly 65 other new market-rate rental units have been completed in the Downtown area and nearby Uptown and Warehouse District areas, and 336 apartments in the same areas have been substantially renovated in recent years.

In 2011, the Downtown area has seen a significant increase in market rate living accommodations. Two major projects in total would create 200 new upscale apartments. The Triangle Building located at the corner of Lafayette and Erie Streets began final construction in April and is expected to introduce 75 units into the market before the end of the year. The Lansing, Michigan-based developer Karp & Associates projects the projects renovation costs will total \$6.0 million. Another major housing project, the Berdan Building, is located at the corner of Erie and Washington Streets. The Berdan Building would when restored and renovated create 123 market rate units. The Cleveland, Ohio developer Landmark Re-Management anticipates restoration and construction costs to total approximately \$15 million.

In addition to the major projects identified above, the City has assisted with a number of other housing development projects in recent years. Those projects include multifamily housing developments financed with low income housing tax credits and federal grants as well as private funding. The City's Department of Neighborhoods administers the Community Development Block Grant (CDBG) and HOME

programs and coordinates the City's community development activities. The CDBG and HOME programs, funded by HUD, are designed to carry out a range of activities for neighborhood revitalization, economic development, human services and housing. The City's CDBG entitlement for the program year July 1, 2011 through June 30, 2021 is \$7 million, with the City receiving an allocation of approximately \$2.3 million in HOME funding. Previously, the City was awarded an additional \$2.1 million of CDBG Stimulus funds for 2008 and \$10.2 million of Neighborhood Stabilization Program II funds in 2009. The City also has been awarded a \$3.5 million of Neighborhood Stabilization Program III contract, \$10.1 million in Neighborhood Stabilization Program II moneys and \$12.27 million in Neighborhood Stabilization Program I funds from HUD to acquire, rehabilitate or demolish vacant foreclosed properties.

Education

The Toledo City School District is the principal school system in the City and the fourth largest school system in the State. See also **Overlapping Governmental Entities**. It serves approximately 25,100 pupils in 59 elementary, junior high and senior high schools and specialized learning centers. The Board of Education of the School District administers an annual operating budget of approximately \$338.1 million. The Board currently receives approximately 31% of its funding from local sources, including taxes, tuition and interest income, and approximately 69% of its funding from State sources and less than 1% from federal sources. The District is engaged in the final phases of a major classroom facilities improvement program pursuant to which all of the District's school facilities are to be renovated or replaced. See **Public Projects**.

The University of Toledo is a State university located in the City that traces its origins to 1872. The University has an enrollment of approximately 22,398, making it the fifth largest of 13 State universities. The University and its Medical Center together have approximately 6,000 employees and a combined annual operating budget in excess of \$796 million, the third largest of public university operating budgets in the State. The University's eleven colleges attract students from a broad region with a selection of more than 5,000 course offerings in 250 graduate and undergraduate programs. The University's research program includes activities of the Polymer Institute (which develops and tests new classes of plastics and polymers); the Wright Center for Photovoltaics Innovation and Commercialization, the University's Clean Energy Alliance of Ohio, a clean energy and alternative energy incubator; the Ritter Astrophysics Research Center; and the Center for Drug Design and Development affiliated with the University's College of Pharmacy, as well as medical, urban and regional policy and planning, transportation, geographic information and applied geographics and environmental remediation and sustainability research activities. Areas particularly successful in attracting external funding in recent years include photovoltaics and alternative energy systems research; plant biotechnology; environmental research; manufacturing and structural materials; cellular biology; and science and math education. The University was awarded research grants in 2010 totaling more than \$86 million. The University's Health Science Campus is the home of a medical college in which approximately 687 students were enrolled in M.D. and graduate medical residency and fellowship programs in Fall 2010. The University of Toledo Medical Center and many of the University's health science research and education programs. See **Recent Development Activity - Public Projects** for information concerning recently completed, ongoing and upcoming capital facilities projects.

Within commuting distance of the City are another State university, Bowling Green State University, and a private college, Lourdes College. In recent years, Bowling Green State University has had a student enrollment of approximately 18,000, and Lourdes College an enrollment of approximately 2,100. In addition, in 2010, over 22,000 students were enrolled in four two-year community colleges located within 35 miles of the City.

Economic and Demographic Information

Population

The City is and has been the most populous municipality in the counties comprising the Toledo MSA. According to Census figures the City's population comprised 54.0% of the total for those counties in 1980, 50.9% in 1990, 47.6% in 2000 and 44.1% in 2010.

As was the case in a number of midwestern metropolitan areas, the populations of the City and the County decreased by 9.2% and 3.0%, respectively, from 2000 to 2010. During the same period, the overall population in the Toledo MSA decreased by 1.2%, as the populations of neighboring Wood, Fulton and Ottawa counties increased 3.7%, 1.5% and 1.1%, respectively.

The populations of the City and the County in the last five Censuses were:

<u>Year</u>	<u>City</u>	<u>County</u>
1970	383,062	483,551
1980	354,635	471,741
1990	332,943	462,361
2000	313,619	455,054
2010	287,208	441,815

Source: U.S. Bureau of the Census.

The populations of Wood, Fulton, Ottawa and Lucas counties, the counties now comprising the Toledo MSA, in the last five Censuses were:

<u>County</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>
Wood	89,722	107,372	113,269	121,065	125,488
Fulton	33,070	37,751	38,498	42,084	42,698
Lucas	483,551	471,741	462,361	455,054	441,815
Ottawa	<u>37,099</u>	<u>40,076</u>	<u>40,029</u>	<u>40,985</u>	<u>41,428</u>
Total MSA ^(a)	<u>643,442</u>	<u>656,940</u>	<u>654,157</u>	<u>659,188</u>	<u>651,429</u>

(a) Current MSA. The Toledo MSA was redefined in 2003 to include Ottawa County.

Source: U.S. Bureau of the Census.

Industry and Major Employers

The City and the Toledo MSA have diverse economies in both their manufacturing and their increasingly important service sectors. Within the Toledo MSA are manufacturers of automobiles and automotive parts, glass, wood products, grain and food products, petroleum, chemicals, machinery, tools, rubber products, plastics and die castings. Among the largest service sector employers in the Toledo MSA are health care providers, public higher educational institutions, local governments, public utilities, freight and transportation companies, financial institutions and retailers.

Owens-Corning, a 2010 Fortune 500 corporation, has its headquarters in the City, and two other of the 2010 Fortune 500 corporations, Dana Holding Corporation and Owens-Illinois, Inc., have their corporate headquarters in the Toledo MSA.

The following private and public employers have the largest work forces in the Toledo MSA:

<u>Employer</u>	<u>Nature of Activity or Enterprise</u>	<u>Approximate Number of Employees Engaged in</u>	
		<u>Manufacturing Activity(a)</u>	<u>Nonmanufacturing Activity(a)</u>
ProMedica Health System	Health care		11,708
The University of Toledo	University and Medical Center		6,240(b)
Mercy Health Partners	Health care		5,551
United Parcel Service	Postal service and package delivery		4,500
Toledo City School District	Education		3,400(c)
Lucas County	Government		3,322
Wal-Mart	Retail sales		2,756
The City	Government		2,744
Bowling Green State University	University		2,378
HCR Manor Care	Health care services		2,315
State of Ohio	Government		2,249(d)
Sauder Woodworking Co.	Furniture, cabinets	2,100	
Meijer's	Retail grocery		2,027
Libbey, Inc.	Glass manufacturer	1,825	
The Kroger Company	Retail grocery		1,815
Chrysler Holdings – Assembly Complex	Automotive manufacturer	1,763(c)	
General Motors Corp./GM Powertrain Division	Automotive manufacturer	1,692	
St. Charles Hospital of Oregon Ohio, Inc.	Health care		1,681
St. Luke's Hospital	Hospital		1,558
One Source Management of The South Ltd	Management consulting services		1,500
Toledo Edison Company	Electric utility		1,410(d)
Wood County	Government		1,200
First Solar LLC	Solar cell manufacturer	1,100	
Washington Local School District	Education		1,100
Cooper-Standard Automotive Inc.	Auto parts manufacturing	1,090	
Faurecia Automotive Holdings Inc	Auto parts manufacturing	1,000	
Owens-Corning	Building materials & reinforcements		1,000
Owens Technical College	Education		1,000
Toledo Building Services Co Inc	Building maintenance services		940
The Andersons	Grain storage/processing/retail		920
Toledo Molding & Die, Inc.	Plastics manufacturer	905	
Walgreens Distribution Center	Distribution		850(d)
Ford Motor Company	Automotive manufacturer	817	
Dana Holding Corporation	Automotive and industrial components		800
Sylvania City School District	Education		800
Chrysler Holdings - Machining Plant/Perrysburg	Automotive manufacturer	798(c)	
BAX Global International	Air freight services		700(e)
Brush Wellman, Inc.	Beryllium manufacturer	700	
YMCA of Greater Toledo	Nonprofit organization		669(d)
United Collections	Customer service		655(d)
Johnson Controls	Industrial equipment	626	
Fifth Third Bank	Financial institution		615
TNS	Market research		614
Bennett Enterprises	Motor inns and restaurants		605
BP Oil Co.	Petroleum refiner	600(d)	
CSX Corp.	Transportation		600(d)
Home Depot	Retail		600
International Automotive Components	Automotive manufacturer	600	
Lowe's Home Improvement	Retail		600
Owens-Illinois, Inc.	Glass manufacturer		600(f)
Seaway Food Town Inc	Grocery store		591
The Huntington National Bank	Financial institution		560(g)
Target	Retail		525
Norplas, Inc.	Assemblies manufacturer	505(d)	
Blade Communications	Newspaper publisher		500
Continental Secret Service Bureau	Security service		500(d)
KeyBank National Association	Financial institution		500(d)
Medical Mutual of Ohio	Insurance company		500
Toledo Clinic, Inc.	Medical clinic		500
Wood County Hospital	Medical facility		500
Fulton County Health Center	Health care		451
Anthony Wayne Local School District	Education		450
Toledo Zoological Society	Zoo		450
Maritz Research	Public opinion research		443
FedEx Ground	Parcel and mail service		400

(a) As of April 2011, except as otherwise noted.

(b) As reported by the employer of November 2010, information for 2011 not yet available.

(c) As reported by the employer as of April 2011.

(d) As of April 2010, according to the Toledo Regional Growth Partnership, information for 2011 not yet available.

(e) Includes part-time and full-time employees. As described below under this heading, BAX Global International has announced its intention to cease its operations in the MSA on September 1, 2011.

(f) While this corporation engages in manufacturing activity, its employees in the Toledo MSA are primarily executives, office workers and researchers. In certain federal and State statistical data they may be reported as manufacturing employees by virtue of the corporation's activity.

(g) As of April 2009, according to the Toledo Regional Growth Partnership, information for 2010 and 2011 not yet available.

Sources: Dun & Bradstreet reports and the Toledo Regional Growth Partnership, except as otherwise noted.

The ProMedica Health System and Mercy Health Partners, which operate health care systems, are two of the three largest employers in the Toledo MSA. These systems have been aggressively expanding and improving their facilities and property holdings within the City. See **Economic and Community Development Activities – Industry and Commerce – Recent Development Activity**.

The University of Toledo (including its Medical Center) is the second largest employer in the Toledo MSA. Both the University's Main Campus and its Medical Campus are located within the City. In addition to the training and education provided to students, the research programs at the University result in and support the creation of new medical and high-technology enterprises. See **Education**. Office and industrial parks for such enterprises are located near both campuses.

Chrysler Group LLC is one of the largest manufacturing employers in the Toledo MSA. According to newspaper accounts, prior to entering bankruptcy on April 30, 2009, Chrysler LLC (predecessor to Chrysler Group LLC) had approximately 1,700 employees at its Toledo North Plant and Toledo South Plant complex in the City and approximately 1,300 employees at its Toledo Machine Plant in nearby Perrysburg Township; all of those employees were laid off when Chrysler entered bankruptcy. The bankruptcy court allowed the transfer of most of Chrysler's assets to Chrysler Group LLC. Since emerging from bankruptcy, Chrysler Group LLC has restarted operations, cut costs and increased sales by improving most of its Jeep, Chrysler, Dodge and Ram lines of vehicles. Chrysler now employs approximately 1,763 workers at its Toledo North Plant and Toledo South Plant complex, where it produces Jeep Wranglers and Libertys and Dodge Nitros, and 798 at its Toledo Machine Plant in nearby Perrysburg. Chrysler's Wrangler assembly operation in the Toledo Plant complex has been named as the most productive auto assembly plant by *Harbour Report* for the past two years. Approximately 1,710 additional workers are now employed at the Supplier Park adjacent to the Toledo complex. After announcing a \$116 million net profit in the first quarter of 2011, Chrysler Group LLC repaid \$7.6 billion in government loans from the United States Treasury and Canada, using proceeds from a bond issue and private bank loans and an additional \$1.3 billion investment by Fiat S.p.A. Fiat S.p.A. also has agreed to purchase the U.S. Treasury's remaining 6% equity interest in Chrysler Group LLC and upon completion of that purchase will own approximately 52% of the company's shares.

General Motors' Powertrain Division manufactures and assembles transmissions at a 1.68-million-square-foot facility located on 185 acres in the City. According to newspaper reports, that facility has been repeatedly recognized by *Harbour Report* as the most productive powertrain plant in North America. In the last five years, GM has completed two major projects to renovate and expand the plant to prepare it as a site for production of a new six-speed, front-wheel and rear-wheel drive automatic transmissions. The rear-wheel transmissions are used in light trucks and sport utility vehicles. The front-wheel drive transmissions are to be used in five small, fuel-efficient vehicles, including the new Chevrolet Cruze. GM recently announced an additional expansion of the plant for production of fuel-efficient eight-speed transmissions and an upgrading of its assembly line for front-wheel drive six-speed transmissions. See **Economic and Community Development Activities – Recent Development Activities**. GM has reported that it currently employs 1,692 workers at the plant and expects to hire approximately 280 additional workers upon completion of its latest announced expansion.

Dana Holding Corp., a manufacturer of motor vehicle parts, employs approximately 23,000 worldwide, including 800 in the Toledo MSA. Dana's operations in the Toledo MSA have included its headquarters and a division office and research and development center for its Automotive Systems Group completed in 2005. In 2008, Dana Holding Corp. sold its former headquarters facility in the City and relocated its headquarters to a company-owned technology center in adjacent Maumee, Ohio. In 2010, the company consolidated its heavy vehicle products operations into a newly acquired facility adjacent to its headquarters and relocated a portion of the 175 workers in that unit from two other states to the new facility and headquarters.

The City, the County and the Toledo MSA have become a center for research, development and commercialization of advanced solar energy technologies, building on glass-making expertise and thin-film and nanomaterials research and development efforts for photovoltaic applications, attracting coverage from *The Economist*, *The Wall Street Journal* and *Newsweek* and attention from investors around the world. With more than \$48 million in grants from the Ohio Department of Development, federal agencies, industrial partners and other universities, The University of Toledo has established a Center for Photovoltaics

Innovation and Commercialization. Through its Third Frontier Program, the State has also provided direct grants to small companies in the region to stimulate the growth of this new industrial cluster.

The Toledo Regional Growth Partnership has estimated that more than 5,000 jobs in solar energy have been created in the Toledo MSA over the last six years. The only North American manufacturing facility for publicly traded First Solar Inc., now the world's largest manufacturer of solar photovoltaic panels, is located in the Toledo MSA in the City of Perrysburg, just south of the City. In 2010, First Solar completed a 500,000-square-foot addition to that facility and raised its employment at the facility to 1,100. That facility continues to serve as First Solar's primary hub for engineering, research and development.

In 2007, Xunlight Corporation, a technology spin-off started by a University professor, began the development, marketing, and production of thin-film photovoltaic panels on flexible substrates that convert sunlight into electricity. Xunlight, which is located in the City, has received more than \$40 million in venture capital investment from private investors and a \$4.97 million grant from the State through its Third Frontier program to support new fabrication and manufacturing technologies. Xunlight currently employs 60 workers at its manufacturing facility in the MSA.

The Andersons, Inc., based in the City of Maumee just south of the City, is considered by many to be a national alternative energy leader, with a diverse business of grain, fertilizers, general stores, a rail car business, and ethanol production for alternative energy fuel.

The Toledo MSA serves as a major transportation center, and significant employment is provided by transportation industry employers. See **Transportation**. Among those employers has been BAX Global International, which has operated an air cargo distribution hub facility at Toledo Express Airport. However, BAX Global International, which now employs approximately 700 part-time and full-time workers at that hub facility, announced on July 22, 2011, that it intended to cease operations at that facility on September 1, 2011, as a part of its determination to withdraw from the domestic air cargo business in the United States and cancel the leases on its fleet of planes. The Port Authority has announced that it has assembled a team of professionals to search for new tenants for the hub facility.

The City's economy, historically associated with the glass and automotive industries, has become increasingly diversified. The Toledo MSA remains the home of four of the nation's largest glass manufacturing companies, Owens-Illinois, Inc., Owens-Corning, Pilkington North America, Inc., and Libbey, Inc., earning the City the title of the "Glass Capital of the World," and Chrysler Group LLC, General Motors Company and Dana Holding Corporation also continue to be major employers in the Toledo MSA. The Toledo MSA is also one of the larger oil refining centers between Chicago and the eastern seaboard, with BP Oil Co. and Sun Refining and Marketing each operating a major refinery in the MSA. However, as is shown in the tables that follow, in recent years, private service industries and governmental employers have provided more than three-fourths of the total employment in the Toledo MSA and more than 70% of total payrolls in the County.

The following table indicates the division of labor between different industrial classifications in the Toledo MSA for the years 2006 through 2010 and July 2010 and July 2011.

TOLEDO MSA EMPLOYMENT BY INDUSTRY^(a)
(In Thousands)

Industries	<u>2006^(b)</u>	<u>2007^(c)</u>	<u>2008^(c)</u>	<u>2009^(c)</u>	<u>2010^(d)</u>	<u>2010^(d)</u> ^{July}	<u>2011^(e)</u>
Service Providing							
Transportation and Utilities	29.2	29.8	29.4	25.4	24.6	25.0	24.9
Wholesale and Retail Trade	48.7	48.4	48.0	44.6	43.7	41.6	41.3
Finance, Insurance and Real Estate	13.2	12.8	12.3	11.5	11.1	11.2	11.1
Services	124.5	122.4	121.2	118.7	120.5	124.6	128.9
Government	<u>50.7</u>	<u>50.4</u>	<u>50.2</u>	<u>49.7</u>	<u>48.7</u>	<u>43.1</u>	<u>43.6</u>
Total Service Providing	266.3	263.8	261.1	249.9	248.6	245.5	249.8
Goods Producing							
Manufacturing							
Durable Goods	36.6	34.5	31.3	24.5	26.2	26.5	28.1
Nondurable Goods	13.9	13.4	12.8	11.5	11.4	11.5	11.3
Total Manufacturing	50.5	47.9	44.1	36.0	37.6	38.0	39.4
Construction	15.6	14.9	13.6	11.8	10.9	12.1	12.7
Mining	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
Total Goods Producing	66.0	62.8	57.7	47.8	48.6	50.1	52.1
Total Employment	<u>332.3</u>	<u>326.6</u>	<u>318.9</u>	<u>297.7</u>	<u>297.1</u>	<u>295.6</u>	<u>301.9</u>

* Not Available.

(a) Subtotals may not add to totals because of rounding or exclusion of minor groups.

(b) Revised to 2007 benchmarks.

(c) Revised to 2008 benchmarks.

(d) Revised to 2010 benchmarks.

(e) Preliminary.

Source: Ohio Department of Job and Family Services.

The table below shows the payrolls of employers in the County during the years from 2000 through 2010, broken down by type of employment.

TOTAL PAYROLL FOR COUNTY EMPLOYERS(a)
(In Thousands of Dollars)

	Agriculture Forestry and Fishing	Mining and Quarrying	Construc- tion	Manufac- turing	Transporta- tion and Utilities	Wholesale and Retail Trade	Insurance Finance and Real Estate	Services	State and Local Govern- ment	Total All Industries(b)
2000	8,129	5,940	488,526	1,785,766	278,107	1,021,254	358,120	2,673,652	974,706	7,594,199
2001	8,171	5,501	492,296	1,624,518	291,908	1,015,349	373,377	2,758,221	1,092,299	7,661,640
2002	8,306	4,998	442,735	1,655,851	283,863	995,274	384,137	2,794,138	1,143,524	7,712,826
2003	8,519	4,992	441,773	1,628,728	279,651	1,006,961	404,626	2,917,296	1,168,930	7,861,474
2004	8,718	4,749	465,588	1,564,873	304,606	1,005,000	422,709	3,035,119	1,188,614	7,999,976
2005	8,788	5,007	484,603	1,549,486	325,398	993,961	497,055	3,168,397	1,154,209	8,186,904
2006	8,377	3,965	502,725	1,557,093	351,840	993,569	439,567	3,378,770	1,148,001	8,383,907
2007	8,734	4,129	518,305	1,439,294	373,889	1,014,292	454,272	3,458,693	1,163,704	8,435,313
2008	8,698	4,349	478,226	1,242,660	368,595	985,859	417,880	3,468,612	1,212,355	8,187,234
2009	8,599	9,163	434,516	1,108,349	298,361	903,015	402,088	3,388,809	1,259,703	7,812,603
2010(c)	7,748	7,718	390,085	1,168,548	287,850	909,075	399,236	3,463,752	1,240,514	7,874,526

(a) As reported under Ohio Unemployment Compensation Law.

(b) This total, expressed in thousands, may not equal the sum of the industries listed because of the exclusion of minor industrial divisions and those with fewer than three employees.

(c) Preliminary.

Source: Ohio Department of Job and Family Services.

Employment

The following table shows comparative average employment and unemployment statistics for the indicated periods.

Year(a)	Employed in			Unemployment Rate				
	City	County	MSA	City	County	MSA	State	U.S.
2006	135,400	210,900	318,400	6.7%	6.2%	6.0%	5.4%	4.6%
2007	132,800	207,800	314,800	7.3	6.7	6.4	5.6	4.6
2008	129,600	203,400	308,300	8.9	8.2	7.9	6.6	5.8
2009	127,900	195,600	291,400	12.6	12.1	12.1	10.1	9.3
2010	127,700	195,100	290,800	11.8	11.3	11.3	10.1	9.6
2011								
Jan.	126,300	193,000	287,600	11.3	10.9	11.4	10.1	9.8
Feb.	127,900	195,400	291,300	10.7	10.5	10.9	9.8	9.5
Mar.	128,800	196,900	293,400	10.0	9.7	10.1	9.0	9.2
Apr.	129,800	198,400	295,600	9.7	9.3	9.4	8.4	8.7
May	130,200	199,000	296,500	9.9	9.5	9.3	8.5	8.7
June	129,500	197,900	295,000	11.2	10.5	10.2	9.2	9.3
July	129,900	198,500	295,800	11.1	10.5	10.2	9.2	9.3

(a) Not seasonally adjusted.

Source: Ohio Department of Job and Family Services.

Income and Spending

The following table sets forth indicators of per capita income and median family income in selected counties of the State, the State and the United States.

INCOME INDICATORS

	<u>OHIO COUNTIES</u>								<u>OHIO</u>	<u>U.S.</u>
	<u>Lucas</u>	<u>Cuyahoga</u>	<u>Franklin</u>	<u>Hamilton</u>	<u>Mahoning</u>	<u>Montgomery</u>	<u>Stark</u>	<u>Summit</u>		
2009 Per Capita										
Personal Income	\$21,813	\$24,812	\$26,272	\$27,538	\$24,273	\$24,155	\$22,883	\$25,531	\$24,178	\$26,409
2009 Median Family										
Income	\$52,175	\$55,405	\$60,060	\$62,674	\$53,801	\$53,638	\$53,995	\$60,845	\$57,360	\$61,082

Source: U.S. Census Bureau Selected Source Characteristics in the United States 2009.

The following shows the average federal adjusted gross income for all residents of the respective school districts overlapping the City who filed Ohio personal income tax returns for calendar year 2009 and for all such residents in all Ohio school districts.

<u>School District of Residence(a)</u>	<u>Average Amount</u>
Ottawa Hills Local School District	\$146,589
Springfield Local School District	59,401
Sylvania City School District	73,113
Toledo City School District	34,950
Washington Local School District	38,854
All Ohio School Districts	58,564

(a) See **Overlapping Governmental Entities** for information as to the portions of the respective school districts that overlap the City.

Source: Ohio Department of Taxation.

Home Values and Housing Units

The following is Census information concerning housing in the City, with comparative County and State statistics:

	<u>2009 Median Value of Owner-Occupied Homes(a)</u>	<u>Constructed Prior to 1940(a)</u>	<u>Number of Housing Units</u>		<u>% Change</u>
			<u>2000</u>	<u>2010(b)</u>	
City	\$ 92,900	35.1%	139,880	138,039	-1.33%
County	115,200	27.5	196,259	202,630	+3.25
State	134,600	22.0	4,783,051	5,127,508	+7.20

(a) Source: U.S. Census Bureau Selected Source Characteristics in the United States 2009.

(b) Source: U.S. Census Bureau American Fact Finder 2010 Census Redistricting Data (Public Law 94-171) Summary File.

Building Permits

The number and value of all building permits (including commercial, industrial and public, and both remodeling and new construction) issued in the City in recent years were:

<u>Year</u>	<u>Number</u>	<u>Value</u>
2006	6,492	\$276,745,766
2007	5,537	146,513,742
2008	5,055	196,577,972
2009	4,260	138,152,653
2010	2,346	272,192,387 ^(a)

(a) Amount includes approximately \$158 million attributable to permits for a new casino and its parking garage. See **Economic and Community Development Activities - Industry and Commerce**.

Source: City Inspection Division.

Transportation

The City and the surrounding areas are served by a broad-based transportation system, including well-developed ground, air and water transportation facilities.

Ground Transportation

The Ohio Turnpike (Interstate 80/90) and Interstates 75, 280 and 475, complemented by six State routes and five U.S. highways, provide the City with direct east-west interstate highway access to such cities as Cleveland, Chicago, Boston, New York, Pittsburgh and Philadelphia and direct north-south access to such cities as Detroit, Cincinnati and Atlanta. The City is also a major rail center. Four rail systems utilize more than 1,200 miles of track within the City.

Twenty-six trucking firms have operations within the City and an additional four local cartage firms serve the area.

Amtrak provides passenger rail service for the City along an east-west route serving such other cities as Chicago, Cleveland, Boston and New York. Additional daily interstate passenger service is provided by four privately owned bus lines.

The Toledo Area Regional Transit Authority (TARTA), a separate political subdivision, provides local bus service in the City and surrounding areas. TARTA is funded in part by property taxes levied on the entire service area, now comprised of the City and eight surrounding cities, villages and townships, which currently provide approximately \$15.2 million annually for operation and improvement of the system. One of the TARTA tax levies, a 1.0-mill levy first approved in 1971, renewed in 1980 and 1999, replaced in 2000 and renewed in 2010, will expire at the end of 2020 unless renewed or replaced, and the other, a 1.5-mill levy first approved in 1988 and replaced in 1997 and again in 2007, will expire in 2017 unless renewed or replaced. TARTA ridership over the past five years has been as follows:

<u>Year</u>	<u>Number of Passengers</u>
2006	4,614,412
2007	4,609,701
2008	4,622,229
2009	4,075,250
2010	3,952,992

Total 2010 TARTA revenues from fares, tax levies, charters, federal grants and various other sources were \$30,400,000.

Airports

The City is served by four airports. Commercial airline traffic is provided through the City's Toledo Express Airport and Detroit Metropolitan Airport. Toledo Express Airport is a regional airport located approximately 15 miles southwest of the City, and Detroit Metropolitan Airport is located approximately 45 miles north. The City is also served by two smaller, general aviation airports, including the City's Metcalf Field, which is located approximately five miles south of the City.

The City owns two airports, Toledo Express Airport and Metcalf Field, both of which are leased to the Port Authority. Under the terms of the lease, which runs through February 11, 2027, the Port Authority is required to administer the maintenance, operations and development of the City airports, and to account separately for revenues, expenses and other matters related to the airports.

Toledo Express Airport is served by four commercial airlines, which now offer approximately 10 scheduled flights each day; however, the number of passengers enplaning has decreased significantly in recent years. BAX Global International, a major air cargo carrier, which has operated a hub facility at the Airport and has had approximately 21 scheduled flights to and from the Airport each weeknight, announced on July 22, 2011, that it would cease those operations on September 1, 2011. See **Industry and Major Employers**. The Port Authority has announced that it has assembled a team of professionals to negotiate a lease termination agreement with BAX and to search for new tenants for the hub facility. The Airport remains a base for the Ohio Air National Guard and the principal general aviation airfield in northwest Ohio. The following is selected historical information pertaining to activity at the Airport:

<u>Year</u>	<u>Passengers Enplaning</u>	<u>Cargo (pounds)</u>	<u>(Landings/Takeoffs)</u>		
			<u>Military Operations</u>	<u>Commercial Carrier</u>	<u>General</u>
2006	189,434	779,510,646	3,804	9,791	51,362
2007	166,544	797,943,059	3,572	9,664	47,041
2008	125,981	781,629,273	4,692	9,739	40,000
2009	91,903	532,392,166	5,372	9,492	32,162
2010	87,873	561,839,209	6,448	9,407	32,442

Substantial areas on the south side of Toledo Express Airport are included in a foreign trade zone (which permits customs duty to be deferred on imported goods stored in the zone) or in a community reinvestment area designated by the County (which permits certain property tax incentives for construction projects).

The City's Metcalf Field, located in Wood County near interchanges on Interstate 75 and the Ohio Turnpike, provides an aircraft charter service, flight instruction and facilities for fueling, maintenance and storage of private aircraft. Toledo Suburban Airport, located within 10 miles of the City in Ottawa Lake, Michigan, is the other general aviation airport serving the City.

Seaport

The Maumee River, which flows through the City, is the largest river emptying into the Great Lakes. The Port Authority was originally formed by the City and the County in 1955 to develop and enlarge the Port of Toledo at the mouth of that River. As required by its authorizing legislation, the Port Authority has adopted a plan for the Port of Toledo designating port-related uses to be made of various properties within the Seaport.

The Port Authority owns a general cargo transshipment facility known as Facility No. 1, located on a 135-acre site at the mouth of the Maumee River and partly within the City. Facility No. 1 includes over 500,000 square feet of transit sheds, 4,000 feet of dock, six fully revolving rolling stock gantry cranes, two of which are heavy lift cranes, a 15,000,000-gallon bulk liquid storage terminal, a dry bulk handling and storage facility and additional storage and fabrication areas within the Seaport. Facility No. 1 is part of a foreign trade zone.

The Port Authority also owns approximately 505 acres of land adjacent to Facility No. 1 on which facilities for the transshipment of coal are located. The coal handling operation is the largest on the Great Lakes. Adjacent to that site are additional facilities for the transshipment of iron ore.

In addition, the Port Authority owns one of two remaining shipyards on the lower Great Lakes and leases for operation the only dry dock for ships in the lower portion of the Great Lakes with facilities to berth vessels up to 800 feet long.

Within the Port of Toledo, there are also privately owned grain storage facilities, petroleum docks and other general and bulk cargo facilities. The Port of Toledo also includes small boat marinas and waterfront recreational areas.

The table below sets forth certain indicators of the vessel traffic and cargo handled at Port Authority facilities from 2002 through 2010.

PORT AUTHORITY VESSEL AND CARGO STATISTICS 2002-2010

	<u>Vessel Traffic</u>		<u>Net Tons of Cargo Handled</u>				
	<u>Foreign(a)</u>	<u>Total</u>	<u>Total Receipts and Shipments</u>	<u>Coal</u>	<u>Iron Ore</u>	<u>Grain</u>	<u>All Overseas</u>
2002	59	653	10,852,377	4,344,428	2,774,006	1,295,419	1,115,008
2003	38	561	9,794,135	3,399,684	3,042,570	1,326,135	992,186
2004	51	606	9,387,319	2,736,362	2,925,456	1,601,054	881,347
2005	48	661	10,727,255	3,312,913	3,935,180	1,367,651	1,032,728
2006	81	692	11,390,945	2,874,565	3,810,167	2,139,097	1,862,668
2007	38	701	12,265,212	3,235,173	5,053,615	1,618,571	1,962,114
2008	22	591	10,996,448	3,187,288	4,683,166	755,110	1,042,997
2009	9	534	10,033,829	3,604,821	2,863,414	1,442,165	659,140
2010	22	576	10,859,635	3,870,761	3,098,887	1,112,819	644,239

(a) Foreign vessels do not include Canadian vessels, except those in overseas trade.

City Facilities

The City's facilities include office and administration buildings, parks and recreation buildings and facilities, maintenance and storage facilities, streets and bridges, covered walkways and tunnels, and the City's sanitary sewer, storm water drainage and waterworks system facilities. See also **Water System – Facilities** and **Sewer System – Facilities**.

The City owns the 1,025-space Vistula Parking Facility, the 667-space Port Lawrence Parking Facility and the 1,031-space Superior Street Parking Facility, all located in the Downtown area of the City. The City's parking facilities and 1,025 surface parking spaces are operated by a nonprofit parking authority under a management agreement with the City. The City receives an annual payment from the parking authority based on net parking fees and rentals after operating and maintenance expenses to pay the lease financing payments and debt service charges on leases entered into and obligations incurred by the City for those facilities. The City and the Port Authority are currently negotiating agreements pursuant to which the City would sell its parking facilities to the Port Authority and grant a public parking franchise to the Port Authority enabling the Port Authority to operate parking meters in a portion of the City for a period of approximately 22 years. The agreements have yet to be finalized, but it is currently contemplated that the City would receive lump-sum upfront payments for the parking facilities and the franchise and certain additional ongoing fees for the franchise.

The City now leases from the Ohio Building Authority approximately 35% of the rentable space in the 22-story One Government Center office building in which many City administrative offices are located. The State and the County lease the remaining rentable space in the Government Center. The City's lease will expire in 2013.

The City also leases 42,000 square feet of office and customer service space in the Downtown area of the City for its Department of Public Utilities and 25,000 square feet of office space for its engineering staff. See **Long-Term Financial Obligations Other than Bonds and Notes – Lease Agreements**.

Water System

Facilities

The City owns and operates a waterworks system (the Water System) as a self-supporting enterprise that in 2010 produced an average of 73.13 million gallons of water per day for approximately 130,546 residential, commercial/institutional and industrial customers in the City and certain surrounding areas. The City estimates that approximately 500,000 people are served by the Water System. Water is drawn from Lake Erie, treated at the City's water treatment plant and then distributed through approximately 1,165 miles of transmission lines. The estimated replacement cost of the Water System is approximately \$875 million. The Water System is operated by the Division of Water of the City's Department of Public Utilities. That Division presently employs approximately 240 persons.

The City believes that its water treatment and distribution facilities have been appropriately maintained, but, like other facilities of their age, now require and will require significant repairs, replacements and improvements to remain in satisfactory operating condition. The City maintains reserves to pay the costs of replacing portions of the Water System as necessary and of constructing certain improvements and extensions. The Water System is in compliance with current federal and State requirements, and the City believes that the System will not require material improvements in the future to meet the most recently proposed new federal safe drinking water standards. At December 31, 2010, unencumbered cash basis available reserves amounted to \$3.9 million for replacements and \$100,000 for improvements and extensions, compared to \$17.3 million for replacements and \$100,000 for improvements and extensions at December 31, 2009. The City has spent an average of approximately \$15.9 million annually for replacements, improvements and extensions for the Water System over the past 10 years, and expects to spend approximately \$26.9 million (including borrowed funds) for those purposes in 2011. The City has retained a consulting engineering firm experienced in waterworks system facilities design and rate analysis to provide an independent evaluation of the Water System's infrastructure needs and recommendations as to the priority of improvements to be made and necessary rate increases.

For the period from 2011 through 2015, the City expects to complete up to an additional \$74.9 million of capital improvement projects for the Water System. While the City is actively pursuing State and federal grants, the City expects many of these improvements to be funded with the proceeds of revenue bonds and OWDA loans. The City expects to borrow for these projects as needed through 2014. See **Future Financings**.

Service Area and Users

In 2010, the Water System sold approximately 142.5 million cubic feet of treated water to Monroe County (Michigan), 132.2 million cubic feet of treated water to the City of Perrysburg for resale to and use by water customers in Wood County, approximately 99.5 million cubic feet of treated water to the City of Maumee and 97.5 million cubic feet to the City of Sylvania for resale to and use by water customers in Maumee and Sylvania and 72 million cubic feet of treated water to Fulton County. Sun Oil Refining & Marketing Co. was the System's largest private user by volume in 2010 and the only user whose volume usage exceeded 3% of total volume in that year. The following table shows the aggregate volume of water purchased by direct customers within the City and by bulk purchasers for use or distribution outside the City.

User Volume (in thousands of cubic feet)

<u>Description</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Inside – Direct	1,813,760	1,700,694	1,594,340	1,511,462	1,604,003
Outside – Direct	752,409	590,075	573,656	516,048	519,723
Outside – Bulk	<u>801,275</u>	<u>641,502</u>	<u>613,004</u>	<u>556,312</u>	<u>592,562</u>
Total	3,367,444	2,932,271	2,781,000	2,583,822	2,716,288

Over the past five years, residential usage has accounted for approximately 44% of total usage, commercial usage for 17%, industrial usage for 18%, and bulk and meter usage for 21%. The user volume for each category of user for the years 2006 through 2010 was as follows:

User Volume (in thousands of cubic feet)

<u>Description</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Residential	1,481,675	1,290,199	1,228,981	1,186,655	1,154,939
Commercial	572,466	498,486	477,063	420,690	411,513
Industrial	606,140	527,809	501,725	403,325	557,274
Other (Bulk & Hydrant Meters)	<u>707,163</u>	<u>615,777</u>	<u>573,231</u>	<u>573,152</u>	<u>592,562</u>
Total	3,367,444	2,932,271	2,781,000	2,583,822	2,716,288

Water Rates

The City's water user rates are set at a level sufficient to provide funds for costs of operating, maintaining and providing necessary replacements and improvements for the System and for debt service requirements on outstanding revenue bonds issued and Ohio Public Works Commission loans obtained for improvements to the System.

The Council has authority to increase water rates as may be necessary. Current water rates are expected to generate approximately \$39.1 million from metered sales in Fiscal Year 2011. Minimum charges are imposed according to meter size and graduated rates for amounts used are in effect for customers inside the City and outside the City. Individual customers outside the City pay rates that are 1.5 to 2.25 times the rate paid inside the City. The minimum monthly rate for customers inside the City who use 2,000 cubic feet or less is \$22.44. Single service residential customers, 65 years of age or older, or permanently disabled at any age, and having a total annual income of not more than that established by the Lucas County Homestead Exemption Program, receive a 25% discount if they are furnished 2,000 cubic feet of water or less per quarter. In February, 2011, the Council enacted a 9% rate increase effective March 18, 2011 and annual rate increases of 9% effective on January 1 in each year from 2012 through 2014. Those increases were required, in part, to pay costs of the scheduled capital improvement projects and related debt service. The City now anticipates that further increases in rates may be required to enable the City to address certain additional Water System infrastructure needs beyond those previously scheduled. See **Water System – Facilities**.

As of December 31, 2010, Water System accounts totaling \$3.5 million were delinquent for more than 30 days, \$2.8 million of which were delinquent for more than 90 days. The Water System's collection rate for 2010 was 98.8%.

Operating Results

The following summarizes operating results of the Water System in recent Fiscal Years, presented in accordance with generally accepted accounting principles as applicable to governments.

	(in thousands of dollars)					
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010(a)</u>
Operating revenues:						
Charges for services	37,009	34,790	38,627	37,921	35,813	42,199
Other revenue	317	0	0	149	100	288
Total operating revenues	37,326	34,790	38,627	38,070	35,913	42,487
Operating expenses:						
Personal services	10,849	10,863	11,457	11,478	11,135	12,415
Contractual services	10,196	7,974	9,560	7,924	7,872	7,400
Materials and supplies	3,835	4,685	5,253	4,869	5,498(b)	5,653
Utilities	2,644	2,482	2,746	2,801	2,342	2,581
Depreciation and amortization	3,671	3,856	4,878	5,000	5,438	4,802
Total operating expenses	31,195	29,860	33,894	32,072	32,285	32,851
Operating income (loss)	6,131	4,930	4,733	5,998	3,628	9,636
Nonoperating revenues (expenses):						
Interest revenue	1,628	3,718	2,998	1,942	349	195
Interest expense and fiscal charges	(3,174)	(4,757)	(4,494)	(4,079)	(4,271)	(6,287)
Other revenues (expenses)	921	0	(198)	(556)	25	(7)
Total nonoperating revenues (expenses)	(625)	(1,039)	(1,694)	(2,693)	(3,897)	(6,099)
Income before operating transfers	5,506	3,891	3,039	3,305	(269)	3,537
Net Operating transfers in (out)	(13)	(313)	(88)	(88)	(90)	(13)
Net Income	5,493	3,578	2,951	3,217	(359)	3,524
Retained earnings at beginning of year	128,656	134,149	137,727	140,676(c)	143,893	143,534
Retained earnings, end of year	134,149	137,727	140,678	143,893	143,534	147,058

(a) Unaudited.

(b) This amount was subsequently adjusted to \$5,384 after audit to accurately reflect the timing of certain expenses that were actually incurred in 2010.

(c) Reflects adjustment for rounding.

Outstanding Water System Revenue Bonds and Other Obligations

The City has outstanding an aggregate principal amount of \$69,745,000 of Waterworks System Revenue Bonds (the Water Bonds), issued to pay costs of improvements to the treatment and distribution facilities of the Water System. The Water Bonds are special obligations that have been secured by a pledge of and a lien on certain funds and net revenues of the System, all as provided in the trust indenture securing the Water Bonds. All debt service payments on the Water Bonds are to be made from System revenues after payment of operating and maintenance expenses of the System. The City's annual debt service requirements on the Water Bonds are as follows:

<u>Year</u>	<u>Debt Service</u>	<u>Year</u>	<u>Debt Service</u>
2011	\$8,339,761.26	2021	\$3,345,356.26
2012	8,348,136.26	2022	3,343,031.26
2013	8,354,106.26	2023	3,345,000.00
2014	8,348,981.26	2024	3,341,656.26
2015	8,313,881.26	2025	3,258,000.00
2016	8,291,781.26	2026	3,257,750.00
2017	6,660,531.26	2027	3,256,250.00
2018	3,347,831.26	2028	3,258,250.00
2019	3,340,181.26	2029	2,293,250.00
2020	3,342,943.76	2030	2,294,250.00

The City also has \$13,050,437 of outstanding loans from the Ohio Water Development Authority and the Ohio Public Works Commission payable from revenues of the Water System after provision for costs of operating and maintaining the System and for the payment of debt service on the Water Bonds has been made. See **Long-Term Financial Obligations Other than Bonds and Notes – Ohio Water Development Authority Loans** and **– Ohio Public Works Commission Issue 2 Loans**.

The following provides summary information concerning Water System revenues and expenses in recent Fiscal Years, presented on an accrual basis, together with certain information as to net revenues available for debt service on the Water Bonds and the debt service coverage ratio on the Water Bonds:

	(in thousands of dollars)					
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009(a)</u>	<u>2010(b)</u>
Operating Revenues	37,326	34,790	38,627	38,070	35,913	42,487
Nonoperating Revenues	1,628	3,718	2,998	1,942	349	195
Total Revenues	38,954	38,508	41,625	40,012	36,262	42,682
Total Operating Expenses (net of interest and depreciation)	27,524	26,004	29,016	27,072	26,847	28,049
Net Revenues available for Debt Service	11,430	12,504	12,609	12,940	9,415	14,633
Total Debt Service on Bonds	6,630	8,891	8,913	8,891	8,657	8,903
Debt Service Coverage Ratio on Outstanding Bonds	1.72	1.41	1.41	1.46	1.09	1.64

(a) Amounts do not reflect a \$114 post-audit adjustment to total operating expenses made to accurately reflect the timing of expenses for certain materials and supplies that were actually incurred in 2010 rather than 2009. Actual 2009 total operating expenses were \$26,733, which resulted in an actual 2009 Debt Service Coverage Ratio on Outstanding Bonds of 1.10.

(b) Unaudited.

Sewer System

Facilities

The City owns and operates a sanitary sewage collection and treatment system (the Sewer System) as a self-supporting enterprise that in 2010 collected and treated approximately 67.8 million gallons of wastewater per day from approximately 108,064 residential, commercial, institutional and industrial customers in the City and approximately 10,212 such customers outside of the City. The City estimates that approximately 320,000 people are served by the Sewer System. Wastewater is collected by 960 miles of local and interceptor sanitary sewers owned by the City. The local sewers serving 80% of the City's sewer

area carry only sanitary sewage while the remaining 20% are combined sewers that carry sanitary sewage and, in wet weather, storm water. The local sewers flow into interceptor sewers that carry the wastewater to the City's treatment plant for treatment. The City's Waste Water Treatment Plant (WWTP) is unique in that it includes a traditional plant providing secondary treatment and a Wet Weather Treatment Facility (WWTF) providing equivalent primary treatment. The traditional plant is sized for an average daily flow of 102 MGD and is capable of treating combined flows upwards of 195 MGD while providing complete secondary treatment that includes phosphorous and ammonia removal. The wet weather facility has a firm capacity of 185 MGD and can treat maximum wet weather flow of 232 MGD. The WWTF is utilized once flows exceed the design parameters of the traditional plant. Treated effluent is discharged from the plant to the Maumee River, and the residual sludge is removed by truck and used or sold as a soil enrichment substance to enhance the quality of topsoil or as fill for land reclamation projects or is deposited in a landfill. The estimated replacement cost of the Sewer System is \$1.3 billion.

The City believes that its Sewer System collection and treatment facilities have been appropriately maintained and, while requiring the ongoing repairs, replacements and improvements commonly needed for sewer system facilities as they age, are in satisfactory operating condition. The City maintains reserves to pay the cost of replacing portions of the System as necessary and of constructing certain extensions and improvements. At December 31, 2010, its unencumbered cash basis reserves amounted to \$8.9 million for replacements and \$100,000 for improvements and extensions, compared to \$15.5 million for replacements and \$100,000 for improvements and extensions at December 31, 2009. The City has spent an average of approximately \$31.1 million for replacements, extensions and improvements for the Sewer System annually over the past 10 years, and expects to spend up to \$33.0 million (including loan and bond funds) for those purposes in 2011.

The City's NPDES permit to operate its wastewater treatment plant was issued by the Ohio EPA on March 18, 2011. The permit requires certain reports, tests, and studies regarding combined sewer overflows and treatment plant bypasses to identify future corrective actions which may be needed. The State has accepted the City's SSO corrective action program and incorporated it into an administrative order issued by the Director of Ohio EPA in 1999. Corrective action began prior to the order and is continuing.

From 1991 until 2002, the City was involved in litigation in which the United States and the State sought injunctive relief and civil penalties against the City under the Clean Water Act for alleged discharges of pollutants from the wastewater treatment plant in violation of permit limitations. In 2002, the parties entered into a consent decree (the Consent Decree) providing a comprehensive settlement that involved the City's payment of certain civil penalties and undertaking of certain major capital projects and remedial actions. Under the terms of that Consent Decree, the City has been required to (i) pay a \$500,000 fine, (ii) construct a supplemental environmental project expected to cost approximately \$1 million, and (iii) make improvements to its wastewater treatment plant and sanitary sewerage system over six years and improvements to eliminate combined sewer overflows over fifteen years. The City's consulting engineer estimates that total cost of these improvements could potentially exceed \$521 million. Pursuant to a provision of the Charter, the voters of the City approved, at a special election on July 9, 2002, by a vote of 78.7% to 21.3%, the ordinance approving the Consent Decree and the major improvements that may be required.

Since 2003, the City has spent approximately \$293.0 million on capital improvement and replacement projects for the Sewer System. The City expects to spend up to \$33.0 million on replacement and improvement projects in 2011 and \$229.8 million in the period from 2011 through 2015. See **Future Financings**. Consent Decree projects to date have been funded with approximately \$17.2 million of State and federal grants, \$177.6 million of State loans and \$18.1 million cash.

Service Area and Users

The Sewer System supplies wastewater collection and treatment service to approximately 108,064 residential, commercial/institutional and industrial users in the City, and is the sole provider of such service in the City.

The user volume by each category of users for the years 2006 through 2010 was as follows:

<u>User Volume (in thousand cubic feet)</u>					
<u>Category</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Residential	893,916	887,639	884,762	863,286	836,701
Commercial	332,193	344,741	308,678	277,465	248,565
Industrial	413,738	387,139	407,117	299,448	287,862
Governmental	<u>13,450</u>	<u>15,865</u>	<u>15,377</u>	<u>14,197</u>	<u>19,637</u>
Total	1,653,297	1,635,384	1,615,934	1,454,396	1,392,765

Sewer Rates

The City's sewer user rates are set so as to provide sufficient funds for operating, maintaining and providing replacements and improvements for the Sewer System and for debt service requirements on outstanding revenue bonds and on loans from the Ohio Water Development Authority and the Ohio Public Works Commission for improvements.

The Council has authority to increase sewer rates as may be necessary. Current sewer rates are expected to generate approximately \$63.9 million in charges for services in Fiscal Year 2011. Individual customers are billed based on their water meter size, and special rates are imposed for metered industrial and nonindustrial users.

In February 2011, the Council enacted a 3% rate increase effective March 18, 2011 and annual rate increases of 3% effective on January 1 in each year from 2012 through 2014, together with fixed quarterly surcharges of \$15.82 (for regular users) and \$11.87 (for users eligible for homestead exemptions) during the same period. Those increases were required, in part, to pay costs of the scheduled capital improvement projects and related debt service. See **Sewer System – Facilities**.

The Council passed an ordinance in 1985 establishing an Industrial Pretreatment Program under which industrial customers pay a surcharge for discharges to the Sewer System exceeding defined levels. As of January 1, 2010, 32 users of the Sewer System were being assessed that surcharge. The City anticipates that the surcharges will produce approximately \$1.4 million in additional annual revenue for the next five years.

As of December 31, 2010, Sewer System accounts totaling \$6.9 million were delinquent for more than 30 days, \$5.6 million of which were delinquent for more than 90 days. The Sewer System's collection rate for 2010 was 98.2%.

Operating Results

The following summarizes operating results of the Sewer System in recent Fiscal Years, presented in accordance with generally accepted accounting principles as applicable to governments.

	(in thousands of dollars)					
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010(a)</u>
Operating revenues:						
Charges for services	43,551	44,377	48,901	53,938	54,094	57,010
Other revenue	0	0	0	2,126	95	344
Total operating revenues	43,551	44,377	48,901	56,064	54,189	57,354
Operating expenses:						
Personal services	12,492	13,488	14,552	15,162	14,451	16,827
Contractual services	9,988	10,731	11,076	9,712	10,424	10,837
Materials and supplies	1,696	1,988	1,818	2,074	2,297	2,880
Utilities	3,162	3,427	3,921	4,369	3,438	3,192
Depreciation and amortization	9,290	9,421	9,581	9,603	8,202	15,348
Total operating expenses	36,628	39,055	40,948	40,920	38,812	49,084
Operating income (loss)	6,923	5,322	7,953	15,144	15,377	8,270
Nonoperating revenues (expenses):						
Capital grants and contributions	0	3,388	0	0	0	4,171
Interest revenue	729	1,261	1,874	1,137	122	206
Interest expense and fiscal charges	(4,589)	(3,643)	(6,381)	(9,564)	(10,632)	(7,804)
Other revenues (expenses)	3,086	0	1,514	120	(530)	0
Total nonoperating revenues (expenses)	(774)	1,006	(2,993)	(8,307)	(11,040)	(3,427)
Income before operating transfers	6,149	6,328	4,960	6,837	4,337	4,843
Net Operating transfers in (out)	51	587	145	(271)	(168)	(16)
Net Income	6,200	6,915	5,105	6,566	4,169	4,827
Retained earnings at beginning of year	203,441	209,641	216,556	221,661	228,226(b)	232,395
Retained earnings, end of year	209,641	216,556	221,661	228,227	232,395	237,222

(a) Unaudited.

(b) Reflects adjustment for rounding.

Outstanding Sewer System Revenue Bonds and Other Obligations

The City has outstanding an aggregate principal amount of \$30,215,000 of Sewer System Revenue Bonds (the Sewer Bonds), issued to pay costs of improvements to the collection and treatment facilities of the Sewer System. The Sewer Bonds are special obligations that have been secured by a pledge of and a lien on certain funds and net revenues of the Sewer System, all as provided in the trust indenture securing the Sewer Bonds. All debt service payments on the Sewer Bonds are to be made from Sewer System revenues after payment of operating and maintenance expenses of the System. The City's annual debt service requirements on the Sewer Bonds are as follows:

<u>Year</u>	<u>Debt Service</u>	<u>Year</u>	<u>Debt Service</u>
2011	\$3,664,911.26	2020	\$1,441,781.26
2012	3,669,011.26	2021	1,534,843.76
2013	3,665,312.50	2022	1,480,906.26
2014	3,680,675.00	2023	1,436,968.76
2015	3,665,200.00	2024	1,427,593.76
2016	3,652,687.50	2025	1,301,000.00
2017	3,671,275.00	2026	1,302,250.00
2018	1,439,000.00	2027	1,300,750.00
2019	1,441,500.00	2028	1,186,500.00

The City also has \$206,897,415 of outstanding loans from the Ohio Water Development Authority and the Ohio Public Works Commission (the OWDA and OPWC Loans) payable from revenues of the Sewer System after provision for costs of operating and maintaining the System and for the payment of debt service on the Sewer Bonds has been made. See also **Long-Term Financial Obligations Other than Bonds and Notes – Ohio Water Development Authority Loans** and – **Ohio Public Works Commission Issue 2 Loans**.

The following provides summary information concerning Sewer System revenues and expenses in recent Fiscal Years, presented on an accrual basis, together with certain information as to net revenues available for debt service on the Sewer Bonds and other Sewer System obligations and the debt service coverage ratio for the Sewer Bonds.

	(in thousands of dollars)					
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010(a)</u>
Operating Revenues	43,551	44,377	48,901	56,064	54,189	57,354
Nonoperating Revenues	729	1,261	1,874	1,137	122	4,377
Total Revenues	44,280	45,638	50,775	57,201	54,311	61,731
Total Operating Expenses (exclusive of interest and depreciation)	27,338	29,634	31,367	31,317	30,610	33,736
Net Revenues	16,942	16,004	19,408	25,884	23,701	27,995
Total Debt Service on Bonds	4,541	4,732	4,524	4,732	4,636	4,640
Debt Service Coverage Ratio on Outstanding Bonds	3.73	3.38	4.29	5.47	5.11	6.03
Net Revenues Available for Other Utility Obligations	12,401	11,272	14,884	21,152	19,065	23,355
Repayment of OWDA and OPWC Loans	6,035	6,051	7,132	19,091	17,041	14,717

(a) Unaudited.

Storm Water Utility

In 2000, the City began charging residents and businesses a monthly fee for the storm water collection system (the Storm Water System) that was established in 1999. The current monthly fee for single-family residences is \$3.80. Commercial, industrial and other users pay greater fees based upon the amount of impermeable surface on their properties. The proceeds from the fee are being deposited in a separate storm water utility fund and used for the operation, maintenance and improvement of the Storm

Water System and related debt service. The City Administration has recently proposed that its storm water utility rates be increased by 9.9% annually for the next four years to provide funds necessary for improvements to the System. The Council has yet to act on that proposal.

The City has spent an average of approximately \$.5 million for replacements and \$2.8 million for improvements for the Storm Water System annually over the past 6 years, and expects to spend approximately \$3.1 million for those purposes in 2011.

The prior improvements have been funded with the proceeds of (i) State and federal grants (\$2.3 million), (ii) \$1.2 million of State Issue 2 loans, (iii) proceeds of \$1.6 million of general obligation securities and (iv) Storm Water System Revenues.

Other Utilities

Natural Gas; Electricity; Telephone

Energy supplies in the City have been stable during the past decade. Electricity is supplied in the City primarily by the Toledo Edison Company, a subsidiary of FirstEnergy Corp. The primary supplier of natural gas is Columbia Gas of Ohio, Inc. Those suppliers have experienced no difficulty in meeting customer demand and have allowed and are allowing new connections for residential, commercial and industrial customers.

Local telephone service is provided principally by SBC Communications and GTE, with some competition from other providers.

Solid Waste Collection and Disposal

The City owns and operates the Hoffman Road Landfill, a 262-acre facility located in the City. The City estimates that the Hoffman Road Landfill has 30 to 35 years of remaining operating capacity based on current levels of use.

The City also currently provides residential refuse collection and recycling services in the City through its own employees. Costs of providing these refuse collection and management services and operations have been paid from the City's General Fund and from charges to others disposing of waste at the Hoffman Road Landfill. In recent years, residents have been required to pay increasing fees to provide for costs of those services as the City has sought to reduce the subsidy for those services from other General Fund moneys.

The City Council and the Board of Lucas County Commissioners have entered into an agreement that provides that after August 15, 2011, the City no longer provide for residential solid waste and recycling collection services in the City and that those services will thereafter instead be provided by the Lucas County Solid Waste Management District (LCSWMD). The LCSWMD has, in turn, contracted with a private operator to provide those services. The City estimates that these agreements will result in substantial net annual savings for its General Fund, as it discontinues the services and related fees. See **General Fund and Financial Outlook**.

In 2009, the City paid approximately \$21.875 million to acquire motor vehicles and equipment to permit the City to mechanize its refuse and recycling collection operations and thereby to reduce overall costs of providing the service. As a part of its agreement with the County, the City has sold 40 of the motor vehicles to the County's operator for \$8 million. The City retains ownership of the trash/recycling carts acquired by the City in 2009 that are used by residents.

Under State law, solid waste management planning for the City and the County in the future is undertaken by the Board of Trustees of the Lucas County Solid Waste Management District.

FINANCIAL MATTERS

Introduction

The City's Fiscal Year corresponds with the calendar year.

The main sources of City revenue have been and are income and property taxes, utility user charges, and State distributions as described below.

The responsibilities for the major financial functions of the City are divided among the Director of Finance, the City Auditor, the Mayor and the Council.

The Director of Finance is the City's fiscal and chief accounting officer, and is responsible for the debt and cash management functions of the City, overseeing preparation of City budgets and the supervision of the following divisions and offices:

Division of Taxation and Treasury – This Division is responsible for licensing, special assessments, budgeting and collection of City income taxes and other revenues and the investment of City moneys. This Division is also responsible for the development, implementation and monitoring of insurance and self-insured retention techniques and policies. The Commissioner of Taxation and Treasury, who reports to the Director of Finance, manages these functions.

Division of Accounts – This Division is responsible for all accounting for financial transactions involving local, State and federal funds. The Commissioner of Accounting, who manages these functions, reports to the Director of Finance.

Division of Purchasing and Supplies – This Division is responsible for overseeing the City's letting of contracts for construction projects and the procurement of materials, supplies and services, including applicable competitive bidding or proposal requirements, the initiation and flow of all City contract documents and the encumbrance of funds through the generation of purchase orders. It also operates the City's mailroom and print shop and maintains records with respect to City contracts. The Commissioner of Purchasing and Supplies, who manages all of these functions, reports to the Director of Finance.

Office of Budget Management – This Office is responsible for developing, implementing and monitoring the budgets of the City. The Commissioner of Administrative Services manages these functions and maintains the City's position control schedules. The Commissioner of Budget Management manages these functions and reports to the Director of Finance.

Commissioner of Debt and Capital Program Financing – This Office is responsible for structuring, paying, reconciling and monitoring all debts of the City as well as preparing and monitoring the City's Capital Improvement Budget. The City's Commissioner of Debt and Capital Program Financing manages these functions and reports to the Director of Finance.

The City Auditor is primarily responsible for internal financial and operational audits of all departments, divisions, boards, commissions and other agencies of the City government.

The major policy and planning functions with respect to City financial affairs are under the direction of the Mayor. The Council must approve all budgets and appropriations of moneys. For property taxation purposes, assessment of real property is by the County Auditor subject to supervision by the State Tax Commissioner, and assessment of public utility property and tangible personal property is by the State Tax Commissioner. Property taxes and special assessments are billed and collected by County officials.

Budgeting, Tax Levy and Appropriations Procedures

Detailed provisions for budgeting, tax levies and appropriations are made in the Revised Code. These include a review by county officials at several steps, and a requirement that the subdivision levy a property tax in an amount sufficient, with any other moneys available for the purpose, to pay the debt service on securities payable from property taxes.

The law requires generally that a subdivision prepare, and then adopt after a public hearing, a tax budget approximately six months before the start of the next fiscal year. The tax budget then is presented for review by the county budget commission, comprised of the county auditor, treasurer and prosecuting attorney. However, a county budget commission may waive the requirement for a tax budget and require more limited information. In 2001, the Lucas County Budget Commission voted to waive the requirement for a tax budget for the subdivisions in the County for future Fiscal Years. The Budget Commission has required that alternate tax budget information be provided by the City and those other subdivisions.

Under the current requirements, City budgeting for each Fiscal Year formally begins in the prior July with the preparation and submission to the County Budget Commission of tax budget information. For debt service, the information is to include the net amounts of debt service payable during that Fiscal Year for which property tax levies must be made (after application of estimated receipts from other sources) and the portions of those levies to be inside and outside the ten-mill limitation. That tax budget information will then be reviewed by the County Budget Commission.

As part of that review, the County Budget Commission is to determine and approve levies for debt service outside and inside the ten-mill limitation. The Revised Code provides that “if any debt charge is omitted from the budget, the commission shall include it therein.”

The County Budget Commission will then certify to the City its action together with the estimate by the County Auditor of the tax rates outside and inside the ten-mill limitation. Thereafter, the Council is to approve the tax levies and certify them to the proper County officials. The approved and certified tax rates are then to be reflected in the tax bills sent to property owners for collection in the following calendar year. Real property taxes are payable in two equal installments, the first usually in January and the second in July.

The Council adopts a temporary appropriation measure in January, and then, by March 31, a permanent appropriation measure for that Fiscal Year. Although called “permanent,” the annual appropriation measure may be, and often is, amended during the Fiscal Year. Annual appropriations may not exceed the County Budget Commission’s official estimates of resources, and the County Auditor must certify that the City’s appropriation measures do not appropriate moneys in excess of the amounts set forth in those estimates. No money of the City is to be expended unless first appropriated by the Council. The Director of Finance is not to allow the amount set aside for any appropriation to be overdrawn or the amount appropriated for any one item of expense to be drawn upon for any other purpose.

Financial Reports and Audits

The City maintains its accounts, appropriations and other fiscal records in accordance with the procedures established and prescribed by the State Auditor. The State Auditor is charged by law with the responsibility of inspecting and supervising the accounts and records of each taxing subdivision and most public agencies and institutions.

In compliance with the annual financial reporting requirement imposed by law, the City has issued a Comprehensive Annual Financial Report (CAFR), including General Purpose Financial Statements (GPFS), for each of the years from 1982 through 2001, and Basic Financial Statements, for each of the years from 2002 through 2009, and is currently preparing a CAFR for 2010. These reports are to be filed with the State Auditor within 150 days after the close of each Fiscal Year, unless the Auditor grants an extension. The City also prepares annually a Schedule of Federal Assistance under federal program requirements. The City will provide on request copies of its CAFR for each Fiscal Year when published and available. Requests may be made by writing to the office of the Director of Finance, Attention: Accounts Division, One Government Center, Suite 2050, Toledo, Ohio 43604-2293.

The City's accounting policies and financial reporting practices conform to generally accepted accounting principles as applicable to governments, including, among others, those recommended by the Governmental Accounting Standards Board (GASB). Those principles, among other things, provide for a modified accrual basis of accounting for governmental funds (which include the general fund, all special revenue funds, debt service funds and capital project funds) and expendable trust funds, and for a full accrual basis of accounting for all other funds (other than agency funds), and for the preparation for each fund of balance sheets, statements of revenues and expenditures, and statements showing changes in fund balances. They also provide for a recognition of assets and liabilities of agency funds on a modified accrual basis of accounting. The significant City accounting policies are disclosed in the notes to each City CAFR and include policies on: (a) The Reporting Entity; (b) Government-Wide and Fund Financial Statements; (c) Measurement Focus, Basis of Accounting and Financial Statement Presentation; (d) Basis of Financial Statement Presentation-Fund Accounting; (e) the Annual Budget Process; (f) Cash and Cash Equivalents; (g) Investments; (h) Inventory of Supplies; (i) Restricted Assets; (j) Property, Plant and Equipment; (k) Depreciation; (l) Long-Term Obligations; (m) Special Assessment Services and Improvements; (n) Special Assessment Bond Retirement; (o) Compensated Absences; (p) Interfund Transactions; (q) Insurance; (r) Fund Balance Reserves and Designations; and (s) Reconciliation of Government-Wide and Fund Financial Statements.

Since 1985, the State Auditor has authorized the City to contract with independent public accounting firms for its annual audits. The City engaged Clifton Gunderson LLP to perform the annual audits for Fiscal Years 1999 through 2008, and Clifton Gunderson LLP issued unqualified independent auditor's reports on the General Purpose Financial Statements of the City for Fiscal Years 1999 through 2001 and Basic Financial Statements of the City for Fiscal Years 2002 through 2008. The City has engaged Clark, Schaefer, Hackett & Co. to perform the annual audits for Fiscal Years 2009 through 2013, and Clark, Schaefer, Hackett & Co. issued an unqualified independent auditor's report on the Basic Financial Statements of the City for Fiscal Year 2009. Clark, Schaefer, Hackett & Co. has not yet completed its audit for Fiscal Year 2010, but the City has no reason to believe that it will not receive an unqualified report on its Basic Financial Statements for that Fiscal Year.

The City actively participates in the Government Finance Officers Association (GFOA) Certificate of Achievement Program. The Certificate of Achievement for Excellence in Financial Reporting is awarded by the GFOA's Special Review Committee to those governmental reporting agencies that comply with the reporting standards of the GFOA. The City has routinely received that Certificate for its CAFRs, including most recently its CAFR for Fiscal Year 2009. The City expects to submit its CAFR for 2010 to the GFOA for consideration for such a Certificate.

Appendix A to this Annual Statement contains a comparative modified accrual basis summary of actual General Fund revenues, expenditures and balances for the last five Fiscal Years and budgeted for Fiscal Year 2011. **Appendices B** and **C** include the City's Basic Financial Statements for Fiscal Years 2009 (audited) and 2010 (unaudited). The City's audited General Purpose Financial Statements for Fiscal Years 1994 through 2001 and Basic Financial Statements for Fiscal Years 2002 through 2009 are available from the NRMSR and the SID. In accordance with its continuing disclosure agreements, the City will file its audited Basic Financial Statements for Fiscal Year 2010 with the NRMSR and the SID when they become available.

Investment and Management of City Funds

Deposits and investments of City funds are governed by the Charter and Chapter 192 of the Toledo Municipal Code, enacted in 1986 and last amended in 2007 (the Investment Policy Ordinance). Under the Investment Policy Ordinance, the Director of Finance has general responsibility for carrying out the banking and investment policies of the City, and the Commissioner of Taxation and Treasury has the day-to-day responsibility for investing and depositing City funds as they become available. Under the Investment Policy Ordinance and current practices, investments are made in (i) direct obligations of the United States, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, Fannie Mae, the Student Loan Marketing Association and the Federal Farm Credit Banks, (ii) certificates of deposit, with banking institutions having an office in the State, and demand deposits, with banking institutions having an office in the City, which in each case meet City requirements relating to size, credit rating and collateralization of City deposits, (iii) repurchase agreements relating to direct obligations of, or obligations guaranteed by, the United States and direct obligations of any federal government agency

or the Export-Import Bank of Washington (with the underlying securities being held on the City's behalf by a third-party institution, as custodian), (iv) obligations of the City, (v) obligations of other political subdivisions meeting certain rating requirements, and (vi) the State Treasurer's subdivision investment pool (STAR Ohio) created pursuant to Section 135.45 of the Revised Code. The Investment Policy Ordinance also provides specific requirements for diversification of investments.

As of December 31, 2010, the City's total portfolio of deposits and investments was approximately \$139.7 million. The weighted average maturity of deposits and investments, excluding investments in the City's own outstanding debt, was approximately 2.3 years, with approximately 17.5% of those investments and deposits having a maturity of one year or less, 1.9% having a maturity of one to two years, 80.6% having a maturity of two to three years, and none having a maturity of greater than three years. That weighted average maturity and allocation will necessarily change from time to time as City funds are received, invested and reinvested.

The City's portfolio of deposits and investments at December 31, 2010 included \$4,500,000 of its own unvoted general obligation Pension Bonds, that are to mature in semiannual installments in the years 2011 through 2014. See **City Debt and Other Long-Term Obligations – Retirement Obligations and Debt Table E**.

General Fund and Financial Outlook

The City's General Fund is its main operating fund, the fund from which most expenditures for public service, public safety, health, parks and recreation, community environment and general government functions are made. The General Fund receives revenues from many sources, but primarily from the City's municipal income tax, local governmental assistance distributions from the State, ad valorem property taxes levied by the City and certain charges for services and other nontax revenues. The City's budget for Fiscal Year 2011 contemplates that its aggregate General Fund revenues and transfers in will be approximately \$234.8 million and that its aggregate General Fund expenditures and transfers out will be approximately \$228.2 million. For detailed information concerning historical and budgeted Fiscal Year 2011 General Fund revenues and expenditures see **Certain Major General Fund Revenue Sources, Ad Valorem Property Taxes and Appendices A, B and C**.

As has been the case with many other cities and other public bodies across the country, the City was adversely affected by national, state and local economic conditions in 2008 and 2009. Revenues from the City's municipal income tax, its largest source of General Fund revenue, dropped sharply from \$169.7 million in Fiscal Year 2007 to \$154.5 million in Fiscal Year 2008 and \$141.5 million in Fiscal Year 2009. Those decreases were primarily due to reduced collections from tax payers in the manufacturing sectors, as automobile manufacturers General Motors and Chrysler LLC and their suppliers eliminated shifts and reduced production at facilities in the Toledo MSA. However, in Fiscal Year 2010 revenues from that tax increased to \$144.6 million on the strength of a recovering local economy and a vigorous program to collect delinquent taxes.

Despite efforts late in Fiscal Year 2008 and in Fiscal Year 2009 to reduce City General Fund expenditures through, among other measures, temporary layoffs, elimination of positions, successful negotiation and renegotiation of terms of contracts with collective bargaining units and institution of a 32-hour workweek and mandatory furloughs for exempt employees and to increase amounts available to the General Fund for expenditure in Fiscal Year 2009, the City ended Fiscal Year 2009 with a deficit General Fund balance of \$8.0 million.

The City administration and the City Council took a number of actions intended to bring Fiscal Year 2010 General Fund expenditures and resources into balance and to eliminate the carryover deficit. With respect to resources, they (i) approved an increase in the City's solid waste collection fee that generated additional revenues from solid waste collection and recycling services provide for an additional portion of its costs of providing those services and (ii) sought and received voter approval to allocate up to all of the proceeds from the temporary $\frac{3}{4}\%$ component of the City's municipal income tax to the General Fund during the period from July 1, 2010 through December 31, 2012, for use as determined by the Council. The City Council and administration utilized that authority to provide a \$9.4 million transfer from the City's Capital Improvement Fund back to the General Fund in Fiscal Year 2010,

while reducing expenditures for capital improvements. The City also took actions to increase revenues from fines for traffic violations, collections of delinquent income taxes and other accounts receivable and billings for ambulance services. In addition to these measures, the City planned to sell certain City assets to provide a one-time increase in revenues that was to be directed to offset a portion of the deficit balance in the General Fund at the beginning of Fiscal Year 2010.

The City administration and Council also took actions that reduced direct General Fund expenditures from \$208.1 million in Fiscal Year 2009 to \$191.6 in Fiscal Year 2010. The reduction in expenditures was generated by a combination of pay and benefit concessions from the City's exempt employees, reductions in the City's workforce, negotiated concessions in contracts with six of the collective bargaining units representing City employees, concessions imposed on one bargaining unit, consistent with a determination of the City Council that "exigent circumstances" required it, reductions in non-personnel costs and a deferral of approximately \$2.6 million of one-time payments from Fiscal Year 2010 to Fiscal Year 2011. The City's unilateral imposition of concessions due to "exigent circumstances" was subsequently upheld by the State Employment Relations Board. See **Employees**. Transfers out from the General Fund to the City's Capital Improvement Fund and other funds were approximately \$33 million in both Fiscal Year 2009 and Fiscal Year 2010; however, \$9.4 million of the \$33 million transferred out in 2010 was subsequently transferred back to the General Fund from the Capital Improvement Fund in Fiscal Year 2010.

The City ended Fiscal Year 2010 with a deficit General Fund balance of \$8.6 million. That balance reflected primarily (i) unfavorable variances from budgeted amounts for expenditures for overtime (resulting from mandatory staffing levels) and unforeseen retirements and related severance payments for Fire Department employees (\$2.5 million) and for overtime for employees providing solid waste collection and recycling services who were involved in placing new automated collection equipment into service and (ii) lower than anticipated revenues as certain planned sales of assets were delayed, revenues from intergovernmental services declined from \$24.4 million to \$24.1 million, estate tax revenues were \$1.1 million below the \$4.0 million budgeted and certain significant one-time revenues in Fiscal Year 2009 were not repeated in Fiscal Year 2010. The City's actual aggregate General Fund revenues in Fiscal Year 2010 were \$211.5 million, down from \$214.0 million in Fiscal Year 2009, although the aggregate transfers in from other funds rose to \$12.0 million in Fiscal Year 2010 from \$1.9 million in Fiscal Year 2009. See **Appendix A**. The unfavorable year-end variances also reflected, in part, challenges experienced by City officials in recognizing and addressing revenue and expenditure imbalances mid-year as the installation of a new SAP financial system was being completed and the system was being tested.

The City's General Fund budget for Fiscal Year 2011 is based on revenues of \$216.7 million and direct expenditures of \$194.8 million. The revenue assumptions for that budget include, among others, municipal income tax revenues of \$148.0 million (compared to \$144.5 million in Fiscal Year 2010), \$11.5 million of state local government fund distributions (compared to \$15.5 million in Fiscal Year 2010) and \$4.85 million from sales of City assets. For Fiscal Year 2011, the City has budgeted \$33.3 million of transfers out to the Capital Improvement Fund and other funds and \$13.2 million of transfers in to the General Fund from other funds (including a \$6.8 million transfer back from the Capital Improvement Fund). See **Appendix A**.

The revenue assumptions also reflect moneys from the implementation of two regional collaboration initiatives: (i) a pending agreement authorized by the City Council and the Board of Lucas County Commissioners contemplating that after September 1, 2011, the City no longer provide for residential refuse collection and recycling services in the City and that those services will thereafter instead be provided by the Lucas County Solid Waste Management District and a sale of 40 motor vehicles used by the City in providing such services to the County (or its operator) for \$8.0 million (see **Solid Waste Collection and Disposal**) and (ii) an agreement between the City and the adjacent Village of Ottawa Hills pursuant to which the City has agreed to provide fire protection and emergency rescue services in the Village and the Village has agreed to pay \$429,000 to the City annually for those services. The City administration has established such initiatives as one of its priorities.

The City expects that, when implemented, the agreement contemplating residential refuse collection and recycling services in the City provided by the Lucas County Solid Waste Management District will result in General Fund cost savings for employee wages and benefits and vehicle maintenance and

capital costs that will offset the loss of its solid waste fee revenue by more than \$3 million annually. The City expects to use the \$8.0 million received from the contemplated sale of the vehicles to pay costs of capital improvements in Fiscal Years 2011 and 2012, reducing amounts that would otherwise be provided from a borrowing or municipal income tax revenues for that purpose.

The City has integrated the Village's ten firefighters into City service and taken over operation of a fire station in the Village, but expects to achieve overtime cost savings sufficient to offset the entire cost of compensating those firefighters and such operations.

The expenditure assumptions in the City's Fiscal Year 2011 General Fund budget include certain one-time expenditures, including approximately \$2.5 million of deferred payments for compensatory time and an increased number and amount of severance payments.

The City is currently engaged or will be engaged in Fall 2011 in negotiations with nine of the collective bargaining units representing its employees. The outcome of those negotiations cannot be predicted at this time; however, the City is seeking a wage freeze and significant benefit concessions. The existing collective bargaining agreements will remain in effect until new contracts are negotiated and agreed upon or imposed. See **Employees**.

The City's new SAP financial system is now in full operation and the City administration anticipates the City will achieve long-term savings from the system and related Enterprise Resource Planning program. That system is designed to enable City departments to better develop and monitor budgets; track and collect receivables; control assets and inventory; monitor purchases for the purpose of making more strategic purchasing decisions; control personnel costs through better position control data; and provide more timely reporting for grants.

The City administration believes that it has laid a foundation to bring the City's General Fund balance into structural balance in future years and eliminate the carryover deficit balances, particularly as the national, regional and local economies improve and the City's development and regional collaboration initiatives are implemented. See **Recent Development Activity**.

The City believes that following the anticipated 2012 opening of the casino now under construction in the City it should also receive substantial annual revenue from its share of the 33% tax on the gross revenues of the casino and from income taxes anticipated to be received from employees at that facility. See **Recent Development Activity**. The City administration plans to set aside 25% of its revenues from the tax on the casino's gross revenues in a budget stabilization reserve.

CERTAIN MAJOR GENERAL FUND REVENUE SOURCES

Major sources of revenue to the General Fund, in addition to ad valorem property taxes, have included the City's income tax, State local government assistance distributions and certain charges for services and other nontax revenues. Information concerning ad valorem property taxes levied by the City is set forth under **Ad Valorem Property Taxes**. The Appendices provide further information regarding other revenue sources for the General Fund and other funds.

Municipal Income Tax

Ohio law authorizes a municipal income tax on both business profits and employee wages and salaries at a rate of up to 1% without, and above that rate with, voter authorization. Pursuant to an ordinance passed by Council on January 28, 1946, the City levied its first income tax at the rate of 1%, commencing March 1, 1946. That tax was subsequently approved by the City's electors in a referendum held on May 7, 1946. In 1966, the City's electors authorized an increase of the tax rate to 1-1/2%. This 1-1/2% income tax is in effect for a continuing period of time.

In 1982, the City's electors authorized a further increase of the income tax rate from 1-1/2% to 2-1/4% for a period of four years (from July 1, 1982 through June 30, 1986), which authorization has been

extended through December 31, 2012 by votes of the electors of the City in 1985, 1989, 1993, 1997, 2002, 2005 and 2008. The latest extension, at the election on March 4, 2008, was approved by a 59.9% majority vote.

The income tax is collected and administered by the City. Revenues from the original 1% tax first levied in 1946 can be used for any lawful purpose of the City. One-half of the revenues from the additional 1/2% tax approved in 1966 is required to be used for current operating expenses of the City and the other half is required to be used for capital improvements, including debt service on general obligation bonds and bond anticipation notes of the City issued for the purpose of capital improvements. From July 1, 1982 through December 31, 2004 and January 1, 2009 through May 31, 2010, the revenues from the additional 3/4% tax first approved in 1982 were allocated as follows:

- 1/3 to Police and Fire Divisions for operations and capital expenditures
- 1/3 to capital improvements
- 1/3 to current operating expenses

Pursuant to voter approval in 2005, from January 1, 2005 through December 31, 2008, the revenues from that additional 3/4% tax were allocated as follows:

- 1/3 to Police and Fire Divisions for operations and capital expenditures
- 1/6 to capital improvements
- 1/2 to current operating expenses

At an election on May 4, 2010 the voters of the City approved, by a vote of 55% to 45%, an ordinance authorizing the Council to allocate up to all of the proceeds from the temporary 3/4% component of the City's municipal income tax to the General Fund during the period from July 1, 2010 through December 31, 2012, for use as determined by the Council. See **General Fund and Financial Outlook**.

The City has used income tax revenues for debt service since 1946. Currently, the City pays debt service on most of its general obligation debt from income tax revenues. Exceptions include debt service payments on debt issued (i) in anticipation of special assessments, (ii) for pension obligations, (iii) for certain street improvements and payable from motor vehicle license and fuel tax revenues pursuant to ordinance covenants, (iv) for certain loans made for multi-family housing projects and payable from available loan repayments and (v) in the case of BANs, when debt service is paid from proceeds of renewal BANs and the bonds anticipated. See **Debt Table C**. Historically, the revenues from the portion of the continuing 1-1/2% levy required to be used for capital improvements have been sufficient to provide for the debt service payments on all other general obligation debt of the City, and, based on the revenues from that portion of the continuing 1-1/2% levy budgeted for Fiscal Year 2011, the City does not expect that it will be required to utilize any other income tax revenues for that purpose in that Fiscal Year.

The City's income tax rates and collections for Fiscal Years 2006 through 2010 have been, and its rate and budgeted collections for Fiscal Year 2011 are, as follows:

<u>Year</u>	<u>Amount</u>	<u>Rate(a)</u>
2006	\$164,717,204	2-1/4%
2007	169,689,102	2-1/4
2008	154,475,389	2-1/4
2009	141,553,952	2-1/4
2010	144,580,673	2-1/4
2011(budgeted)	147,987,118	2-1/4

- (a) Residents have historically been permitted, as a credit against their City income tax liability, up to a maximum of 100% of 2-1/4% paid as municipal income tax on the same income in another municipal corporation.

The additional 3/4% tax first approved in 1982 (which constitutes 1/3 of the total 2-1/4% levy) provided \$51,491,796 in 2008, \$47,184,651 in 2009 and \$48,175,566 in 2010, and is expected to provide approximately \$48,835,000 in 2011.

Based on employer payments of business profits and employee wage and salary withholding income taxes, the ten largest municipal income tax payers in the City in 2010 were, in alphabetical order:

Board of Education, Toledo City School District	Libbey Glass Inc.
Chrysler LLC/Chrysler Group LLC	The State
The City	St. Vincent Hospital and Medical Center
The County	The Toledo Hospital
General Motors Corporation/GM Powertrain Division	The University of Toledo

The aggregate business profits taxes (for the profit corporations) and employee salary withholding taxes for the ten largest municipal income tax payers in recent Fiscal Years are set forth below:

<u>Year</u>	<u>Business Profits Tax(a)</u>	<u>Employee Payroll Tax</u>	<u>Total</u>	<u>Percentage of Total City Income Tax Revenue</u>
2006	-0-	\$42,416,555	\$42,416,555	26.0%
2007	-0-	40,325,657	40,325,657	24.0
2008	-0-	38,314,796	38,314,796	25.0
2009	-0-	35,756,696	35,756,696	25.3
2010	-0-	36,092,698	36,092,698	25.0

(a) Reflects corporate tax liability rather than cash payments.

One employer, through its employee salary and wage withholdings, contributed more than 5% of total City income tax receipts in 2010.

Certain of the income subject to the municipal income tax is also subject to State income tax.

Local Government Assistance Funds

Statutory state level local government assistance funds, comprised of designated State revenues, are another source of revenue to the General Fund. Most are distributed to each county and then allocated on a formula basis, or in some cases on an agreement basis, among the county and cities, villages and townships, and in some cases park districts, in the county. City receipts from those funds were and for 2011 are estimated to be as shown in the following table:

<u>Year</u>	<u>Amount</u>
2006	\$17,971,835
2007	17,933,733
2008	17,698,665
2009	15,269,029
2010	15,473,245
2011(budgeted)	11,500,000

The amounts of and formula for distribution of these funds have been and may be revised from time to time. In particular and as an example, the State Budget Act limits allocations to the local government assistance fund to (1) 75% of the amount provided for the period July 1, 2010 to June 30, 2011 (State Fiscal Year 2011) plus \$49.2 million for the period August 2011 through June 2012 and (2) 50% of the amount provided in State Fiscal Year 2011 for the period July 2012 through June 2013 (State Fiscal Year 2013).

Nontax Revenues

The City's nontax revenues (moneys not raised by taxation) include, but are not limited to, the following:

- Charges for services provided to the public and other political subdivisions and for various services provided to City departments and agencies that are paid from moneys in restricted funds of the City, including, among others, court fees and charges, franchise fees from a cable television provider, emergency medical services charges and overhead cost allocations.
- Investment earnings on any funds of the City that are credited to the City's General Fund.
- Fees for licenses and permits.
- Fines and forfeitures.
- Payments in lieu of taxes authorized by State statute.
- Parking system revenues.
- Proceeds from the sale of assets.
- Rental income.
- Gifts and donations.

The following table summarizes collections for the past five Fiscal Years and for Fiscal Year 2011 (budgeted), rounded to the nearest \$1,000, of certain of the more significant sources of nontax revenues for the City's General, Capital Improvements and Parking System Revenue Funds:

<u>Year</u>	<u>Charges for Services</u>	<u>Investment Earnings(a)</u>	<u>Licenses and Permits</u>	<u>Fines and Forfeitures</u>	<u>Payment in Lieu of Taxes(b)</u>	<u>Parking System Revenues(c)</u>	<u>Other</u>	<u>Total</u>
2006	\$13,842,000	\$4,469,000	\$2,867,000	\$5,008,000	\$2,397,000	\$1,483,000	\$ 0	\$29,340,000
2007	16,144,000	4,663,000	2,627,000	5,168,000	4,627,000	1,451,000	1,089,000	35,043,000
2008	19,665,000	3,313,000	2,501,000	5,989,000	3,991,000	1,451,000	1,185,000	37,369,000
2009	19,458,000	1,037,000	2,078,000	4,776,000	3,729,000	1,451,000	6,656,000(f)	38,459,000
2010	22,006,000	1,016,000	2,359,000	4,486,000	3,800,000	1,438,000	974,000	36,079,000
2011(d)	26,870,000(e)	325,000	2,063,000	4,526,000	5,496,000	1,435,000	1,660,000	42,375,000

(a) Variations in amounts reflect market interest rates and the overall size of the City's investment portfolio from time to time.

(b) Chrysler Group LLC has filed with the Lucas County Board of Revision a complaint requesting a substantial reduction in the valuation of property at its Toledo North and South Plant complex. If successful, the payments in lieu of taxes received by the City could be reduced in an amount reflecting the reduction granted. An initial hearing on that complaint is currently set for late September, 2011. The City cannot now predict the outcome of that action.

(c) The City is currently negotiating agreements for the sale of its parking facilities and a franchise to operate on-street parking meters in a portion of the City. If such transactions are completed, the City's parking system revenues will be reduced substantially after 2011. See **City Facilities**.

(d) Budgeted.

(e) Reflects the inclusion of revenues from fees for certain patient transportation services and utilities cost allocations that were not included in prior years' amounts.

(f) Includes, among other revenues, proceeds of a \$3,200,000 grant from FirstEnergy Solutions, through the Northwest Ohio Aggregation Coalition.

See also the discussions under **Financial Matters – Investment and Management of City Funds** and **Appendices A, B and C** for information concerning nontax revenues received in other City funds.

AD VALOREM PROPERTY TAXES

Assessed Valuation

The following table shows the recent assessed valuations of property subject to ad valorem taxes levied by the City.

Tax Collection Year	Real(a)	Tangible Personal(b)(c)(d)	Public Utility(d)(e)	Total Assessed Valuation
2006	\$3,772,059,040	\$442,309,315	\$155,247,920	\$4,369,616,275
2007	4,315,321,860(f)	343,264,184	154,645,800	4,813,231,844(f)
2008	4,197,055,900	239,911,041(g)	155,080,000(g)	4,592,046,941
2009	4,171,405,810	18,638,512(g)	107,551,110(g)	4,297,595,432
2010	3,741,677,590(h)	8,483,535(g)	112,680,770(g)	3,862,841,895(h)
2011	3,687,359,380	0	118,417,280	3,805,776,660

- (a) Other than real property of railroads. The real property of public utilities other than railroads is included on the general tax list and duplicate and assessed by the County Auditor. Real property of railroads is assessed, together with tangible personal property of all public utilities, by the State Tax Commissioner.
- (b) Amounts are estimated based on prior year's actual and legislation passed by the General Assembly. See footnote (d).
- (c) Other than public utility.
- (d) The State (i) reduced the valuation of tangible personal property of general businesses and railroads in increments beginning in 2006 to zero in 2009 and (ii) is reducing the valuation of tangible personal property of telecommunications companies in increments beginning in 2007 to zero in 2011; see the discussion of those reductions and related State makeup payments below.
- (e) Tangible personal property of all public utilities and real property of railroads. See footnotes (a) and (d).
- (f) Reflects sexennial reappraisal.
- (g) Reflects, in part, the reclassification of tangible personal property of telecommunications companies from Public Utility to Tangible Personal.
- (h) Reflects triennial adjustment.

Source: County Auditor.

Taxes collected on "Real" in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year. Taxes collected on "Tangible Personal" in one calendar year were levied in the same calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before December 31 of the preceding calendar year, and at the tax rates determined in the preceding year. "Public Utility" (real and tangible personal) taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year.

Largest Property Tax Payers

Based on County Auditor records of assessed valuations for the 2011 tax collection year, the largest City ad valorem property tax payers are:

<u>Name of Taxpayer</u>	<u>Nature of Business</u>	<u>Assessed Valuation</u>
Toledo Edison Company(a)	Public Utility	\$88,101,060
Columbia Gas of Ohio, Inc.	Public Utility	21,956,050
Empirian CKT LLC	Real Estate Management	15,710,640
Westfield Franklin Park	Retail Mall Owner-Lessor	14,990,760
St. Vincent Medical Center	Medical Office Buildings	13,070,610
One Seagate Partners LLC	Real Estate Holdings	12,950,000
Toledo Hospital/ProMedica	Medical Office Buildings	11,061,930
Toledo Properties LLC	Real Estate Holdings	7,818,400
Centro NP Miracle Mile LLC	Shopping Center	6,959,280
I.B.C. Inc.	Real Estate Holdings	6,507,930
ERT Southland LLC	Shopping Center	5,791,340
University Residences at Westwood II	Apartment Complex	5,558,180
New Carco Acquisition LLC	Automobile Manufacturer	5,457,860

- (a) Toledo Edison Company is a subsidiary of FirstEnergy Corp.

Pursuant to statutory requirements for sexennial reappraisals, in 2006 the County Auditor adjusted the true value of taxable real property to reflect then current fair market values. Those adjustments were first reflected in the 2006 duplicate (collection year 2007) and in the ad valorem taxes distributed to the

City in 2007 and thereafter. The County Auditor is required to adjust (but without individual appraisal of properties except in the sexennial reappraisal), and has adjusted, taxable real property value triennially to reflect true values. The County Auditor made such an adjustment in 2009 that was first reflected in the 2009 duplicate and in the ad valorem taxes distributed to the City in collection year 2010.

The “assessed valuation” of real property is fixed at 35% of true value and is determined pursuant to rules of the State Tax Commissioner. An exception is that real property devoted exclusively to agricultural use is to be assessed at not more than 35% of its current agricultural use value. Real property devoted exclusively to forestry or timber growing is taxed at 50% of the local tax rate upon its assessed value.

The taxation of all tangible personal property used in general businesses (excluding certain public utility tangible personal property) was phased out over tax years 2006 to 2009. Previously, machinery and equipment and furniture and fixtures were generally taxed at 25% of true value, and inventory was taxed at 23%. The taxation of all tangible personal property used by telephone, telegraph or interexchange telecommunications companies (“telecommunications property”) was phased out over tax years 2007 to 2011. Previously, telecommunications property was taxed at 25% or 46% of true value (depending on the type of equipment and when it was placed into service). The percentages of true value of such property taxed have been, and are being, reduced to those set forth in the following table.

Tax Year	General Business Property	Telecommunications Property
2006	18.75%	(a)
2007	12.50	20.00%
2008	6.25	15.00
2009	0.00	10.00
2010	0.00	5.00
2011	0.00	0.00

(a) 25% or 46%; see discussion above.

To compensate for tax revenue losses as the tangible personal property taxes have been phased out, the State in 2006 commenced making distributions to taxing subdivisions (such as the City) from revenue generated by the State’s commercial activity tax (the CAT). The CAT is levied annually on all persons or entities doing business in the State with taxable gross receipts from their business activities greater than \$150,000. The State Budget Act established new thresholds for municipalities to qualify for those distributions that reduce or eliminate the amount of that reimbursement related to: (a) “current expense levies” to zero for most municipalities and (b) “non-current expense levies” to 50% in Fiscal Year 2012, and 25% thereafter, of the amount received with respect to such levies in Fiscal Year 2010. Reimbursements for taxes levied for debt purposes within the ten-mill limitation or pursuant to a municipal charter (“unvoted debt levies”) are to continue at the same amount as received in Fiscal Year 2010 through Fiscal Year 2017; thereafter no such reimbursement will be made. The State’s reimbursement payment to the City for Fiscal Year 2010 was \$1,994,734 and for Fiscal Year 2011 is expected to be \$1,190,000. The State Department of Taxation has projected that in Fiscal Year 2012 the City would receive \$136,004 and in Fiscal Year 2013 and thereafter the City would receive \$68,002 annually.

The application of the CAT to certain types of business receipts has been the subject of litigation. On September 17, 2009, the Ohio Supreme Court held that the CAT is not an excise tax “upon the sale or purchase of food” and does not violate the State’s constitutional prohibitions against such a tax. On July 26, 2011, an Ohio appellate court held that the CAT “is not a tax upon motor vehicle fuel” and, thus, upheld the constitutionality of the application of the CAT to gross receipts from the sales of motor fuels. This decision may be appealed to the Ohio Supreme Court.

Public utility tangible personal property (with some exceptions) is currently assessed (depending on the type of property) from 25% to 88% of true value. Effective for collection year 2002, the assessed valuation of electric utility production equipment was reduced from 100% and natural gas

utility property from 88% of true value, both to 25% of true value. The City has been receiving reimbursement payments from the State to compensate for tax revenue losses as a result of those reductions. The State Budget Act reduces the amount of those payments in generally the same manner as described above for reimbursements from the CAT, except that reimbursement payments related to unvoted debt levies would end after Fiscal Year 2016. The State's reimbursement payment to the City for Fiscal Year 2010 was \$307,275 and for Fiscal Year 2011 is expected to be \$360,138. The State Department of Taxation has projected that in Fiscal Year 2012 the City would receive \$18,942 and in Fiscal Year 2013 and thereafter the City would receive \$9,472 annually.

Commencing in tax year 2006, the assessment rate for electric utility transmission and distribution equipment was reduced from 88% to 85%, and the assessment rate for all electric company taxable property was reduced from 25% to 24%.

As indicated herein, the General Assembly has from time to time exercised its power to revise the laws applicable to the determination of assessed valuation of taxable property and the amount of receipts to be produced by ad valorem taxes levied on that property and may continue to make similar revisions.

Ohio law grants tax credits to offset increases in taxes resulting from increases in the true value of real property. Legislation classifies real property as between residential and agricultural property and all other real property, and provides for tax reduction factors to be separately computed for and applied to each class.

These tax credits apply only to certain voted levies on real property, and do not apply to unvoted levies, or to voted levies to provide a specified dollar amount or to pay debt charges on general obligation debt. These credits are discussed further following **Tax Table A**.

Overlapping Governmental Entities

The major political subdivisions or other governmental entities that overlap all or a portion of the territory of the City are listed below. The parenthetical "%" is that approximate percentage of the recent tax valuation of the overlapping entity that is located within the City.

- (1) The County (functions allocated to counties by Ohio law, such as elections, health and human services and a portion of the judicial system). (47.81%)
- (2) Toledo City School District (K-12 educational responsibilities) (98.92%). The City's assessed value is split among various school districts as follows:

Toledo City School District	71.06%
Washington Local School District	22.79%
Sylvania City School District	3.00%
Springfield Local School District	1.75%
Maumee City School District	1.39%
Ottawa Hills Local School District	0.01%
- (3) Toledo Area Regional Transit Authority (TARTA) (public mass transit system). (54.50%)
- (4) Toledo-Lucas County Port Authority (public port facilities in the Port of Toledo). (47.81%)
- (5) Metropolitan Park District of the Toledo Area (park and recreation areas). (47.81%)
- (6) Toledo-Lucas County Library District (public library system). (47.81%)
- (7) Penta County Joint Vocational School District (vocational educational responsibilities). (5.94%)

Source: County Auditor

Each of these entities operates independently, with its own separate budget, taxing power and sources of revenue. Only the City, the County, the school districts and TARTA may levy ad valorem property taxes within the ten-mill limitation (subject to available statutory allocation of the 10 mills) described under **City Debt and Other Long-Term Obligations – Indirect Debt and Unvoted Property Tax Limitations**.

Tax Rates

All references to tax rates under this caption are in terms of stated rates in mills per \$1.00 of assessed valuation.

Tax Table A sets forth the tax rates at which the City and overlapping taxing subdivisions levied ad valorem property taxes and the general categories of purposes for which such taxes were levied in recent years. The Charter provides that the total tax rate the City may levy for current operating expenses without a vote of the electors is 4.445 mills less that number of mills the City levies within the ten-mill limitation for the purpose of paying debt service on its unvoted general obligation bonds and bond anticipation notes. No millage is levied currently or has been levied recently for debt service.

Statutory procedures limit, by the application of tax credits, the amount realized by each taxing subdivision from real property taxation to the amount realized from those taxes in the preceding year plus both: (i) the proceeds of any new taxes (other than renewals) approved by the electors, calculated to produce an amount equal to the amount that would have been realized if those taxes had been levied in the preceding year, and (ii) amounts realized from new and existing taxes on the assessed valuation of real property added to the tax duplicate since the preceding year.

The tax credit provisions do not apply to amounts realized from taxes levied at whatever rate required to produce a specified amount or an amount to pay debt service, or from taxes levied inside the ten-mill limitation or any applicable charter tax rate limitation, and therefore do not apply to any of the City's own current levies. To calculate the limited amount to be realized, a reduction factor is applied to the stated rates of the tax levies subject to these tax credits. A resulting "effective tax rate" reflects the aggregate of those reductions, and is the rate based on which real property taxes are in fact collected. See **Tax Table A**.

Residential and agricultural real property tax amounts are generally further reduced by an additional 10% (12.5% in the case of owner-occupied residential property). See **Collections** for a discussion of the reimbursement by the State for this reduction.

TAX TABLE A
TAX RATES FOR THE CITY AND OVERLAPPING TAXING SUBDIVISIONS
FOR TAX YEARS 2006 THROUGH 2010 (COLLECTION YEARS 2007 THROUGH 2011)

The City within(b):	LUCAS COUNTY(a)					CITY AND LOCAL SCHOOL DISTRICTS			CITY					TOTAL RATE	EFFECTIVE RATE	
	TARTA	PORT AUTHORITY	GENERAL	VOTED LEVIES	PARK	GENERAL	PERMA-NENT IMPROVE-MENTS	BOND RETIRE-MENT	PENTA COUNTY JVSD GENERAL	GENERAL	POLICE & FIRE PENSION	RECRE-ATION DISTRICT	AGR/RES		OTHER	
TAX YEAR 2006																
Toledo CSD	2.50	0.40	2.00	13.90	1.70	59.80	3.00	4.30	3.20	3.80	0.60	1.20	92.00	51.18	73.54	
Maumee CSD, PC JVSD	2.50	0.40	2.00	13.90	1.70	69.80	0.75	5.95		3.80	0.60		104.60	59.14	72.24	
Washington LSD	2.50	0.40	2.00	13.90	1.70	67.60	2.20			3.80	0.60		94.70	48.64	60.39	
Sylvania CSD	2.50	0.40	2.00	13.90	2.40(c)	72.20	0.30	2.40		3.80	0.60		101.70	56.48	63.20	
Ottawa Hills LSD	2.50	0.40	2.00	13.90	1.70	115.05	3.00	2.80	3.20	3.80	0.60		145.75	74.58	89.93	
Springfield LSD, PC JVSD	2.50	0.40	2.00	13.90	1.70	66.50	1.35	3.00		3.80	0.60	98.95	55.84	61.46		
TAX YEAR 2007																
Toledo CSD	2.50	0.40	2.00	13.90	1.70	59.80	3.00	4.10	3.20	3.80	0.60	1.20	91.80	52.42	74.97	
Maumee CSD, PC JVSD	2.50	0.40	2.00	13.90	1.70	69.80	0.75	5.70		3.80	0.60		104.35	60.38	73.15	
Washington LSD	2.50	0.40	2.00	13.90	1.70	67.60	2.20			3.80	0.60		94.70	50.10	61.39	
Sylvania CSD	2.50	0.40	2.00	13.90	2.40(c)	72.20	0.30	2.40		3.80	0.60		101.70	57.99	64.34	
Ottawa Hills LSD	2.50	0.40	2.00	13.90	1.70	120.55	3.00	2.60	3.20	3.80	0.60		151.05	81.65	98.94	
Springfield LSD, PC JVSD	2.50	0.40	2.00	13.90	1.70	66.50	1.35	3.00		3.80	0.60	98.95	57.32	62.47		
TAX YEAR 2008																
Toledo CSD	2.50	0.40	2.00	14.07	1.70	59.80	3.00	4.10	3.20	3.80	0.60	1.62	91.97	54.98	77.10	
Maumee CSD, PC JVSD	2.50	0.40	2.00	14.07	1.70	69.80	0.75	4.70		3.80	0.60		103.52	61.93	73.71	
Washington LSD	2.50	0.40	2.00	14.07	1.70	71.10	2.60			3.80	0.60		98.77	56.56	67.25	
Sylvania CSD	2.50	0.40	2.00	14.07	2.40(c)	72.20	0.30	5.19		3.80	0.60		105.08	63.88	69.83	
Ottawa Hills LSD	2.50	0.40	2.00	14.07	1.70	120.55	3.00	2.30	3.20	3.80	0.60		150.92	84.36	102.27	
Springfield LSD, PC JVSD	2.50	0.40	2.00	14.07	1.70	66.50	1.35	3.00		3.80	0.60	99.12	60.06	63.66		
TAX YEAR 2009																
Toledo CSD	2.50	0.40	2.00	14.07	1.70	60.60	3.00	4.10	3.20	3.80	0.60	1.62	92.77	59.67	79.18	
Maumee CSD, PC JVSD	2.50	0.40	2.00	14.07	1.70	73.70	0.75	5.00		3.80	0.60		107.72	69.82	79.29	
Washington LSD	2.50	0.40	2.00	14.07	1.70	71.10	2.60			3.80	0.60		98.77	61.23	68.29	
Sylvania CSD	2.50	0.40	2.00	14.07	2.40(c)	72.20	0.30	5.20		3.80	0.60		105.09	68.61	70.54	
Ottawa Hills LSD	2.50	0.40	2.00	14.07	1.70	120.55	3.00	2.50	3.20	3.80	0.60		151.12	90.45	104.42	
Springfield LSD, PC JVSD	2.50	0.40	2.00	14.07	1.70	66.50	1.35	3.00		3.80	0.60	99.12	63.81	63.86		
TAX YEAR 2010																
Toledo CSD	2.50	0.40	2.00	13.77	2.00	61.20	0.50	4.00	3.20	3.80	0.60	1.65	90.77	59.02	78.43	
Maumee CSD, PC JVSD	2.50	0.40	2.00	13.77	2.00	73.70	0.75	5.00		3.80	0.60		107.72	69.91	80.01	
Washington LSD	2.50	0.40	2.00	13.77	2.00	71.10	2.60			3.80	0.60		98.77	61.36	69.40	
Sylvania CSD	2.50	0.40	2.00	13.77	2.70(c)	72.20	0.30	5.80		3.80	0.60		105.72	69.34	72.19	
Ottawa Hills LSD	2.50	0.40	2.00	13.77	2.00	128.15	3.00	2.70	3.20	3.80	0.60		158.92	98.50	113.12	
Springfield LSD, PC JVSD	2.50	0.40	2.00	13.77	2.00	70.40	1.35	3.30		3.80	0.60	103.32	68.06	68.73		

(a) Includes levies for the County, the Toledo-Lucas County Public Library District and the Metropolitan Park District of the Toledo Area, and the Sylvania Township Park District.

(b) "CSD" means City School District, "LSD" means Local School District and "PC JVSD" means Penta County Career Center.

(c) Includes 0.70 for the Sylvania Township Park District.

Source: County Treasurer

Collections

Tax Table B below sets forth the amounts billed and collected for City ad valorem taxes and special assessments for recent tax collection years.

TAX TABLE B
REAL, TANGIBLE PERSONAL AND PUBLIC UTILITY PROPERTY TAX AND SPECIAL ASSESSMENT
CURRENT AND DELINQUENT COLLECTIONS
(In Thousands of Dollars)

Tax Year		Collection Year	Dollars of Current Amount		Percent of Current Levy Collected	Dollars of Unpaid Amount		Total Dollars Collected	Total Collections as a Percentage of Current Levy
			Levied	Collected		Billed	Collected		
2000	Real and Public Utility(a)	2001	14,934	14,462	96.8	1,239	398	14,861	99.5
	Tangible Personal(a)	2001	2,480	2,390	96.4	295	182	2,572	103.7
	Special Assessments	2001	21,179	18,938	89.4	3,562	1,663	20,601	97.3
2001	Real and Public Utility(a)	2002	15,659	14,886	95.1	1,325	664	15,550	99.3
	Tangible Personal(a)	2002	2,271	2,261	99.6	337	60	2,321	102.2
	Special Assessments	2002	18,683	16,620	89.1	4,109	2,034	18,654	99.8
2002	Real and Public Utility(a)	2003	15,047	14,189	94.3	1,901	646	14,835	98.6
	Tangible Personal(a)	2003	2,029	2,023	99.7	319	102	2,125	104.7
	Special Assessments	2003	18,218	16,239	89.1	4,356	2,210	18,449	101.3
2003	Real and Public Utility(a)	2004	16,995	16,056	94.5	1,423	753	16,809	98.9
	Tangible Personal(a)	2004	2,104	2,014	95.7	356	141	2,155	102.4
	Special Assessments	2004	17,779	15,590	87.7	4,333	2,016	17,605	99.0
2004	Real and Public Utility(a)	2005	16,954	16,702	98.5	1,223	99	16,802	99.2
	Tangible Personal(a)	2005	1,955	1,937	99.1	337	79	2,016	103.2
	Special Assessments	2005	21,220	18,863	88.9	4,579	1,986	20,852	98.3
2005	Real and Public Utility(a)	2006	17,305	15,889	91.8	1,852	986	16,876	97.5
	Tangible Personal(a)	2006	1,510	1,454	96.3	745	81	1,535	101.7
	Special Assessments	2006	22,427	19,697	87.8	5,016	2,135	21,832	97.3
2006	Real and Public Utility(a)	2007	19,693	17,782	90.3	1,516	1,232	19,014	96.6
	Tangible Personal	2007	1,207	1,205	99.8	539	124	1,329	110.1
	Special Assessments	2007	24,713	21,748	88.0	5,714	3,111	24,859	100.6
2007	Real and Public Utility(a)	2008	19,180	16,574	86.4	2,263	1,326	17,899	93.3
	Tangible Personal	2008	555	503	90.6	608	131	633	114.1
	Special Assessments	2008	25,414	22,120	87.0	5,374	2,733	24,853	97.8
2008	Real and Public Utility(a)	2009	18,806	16,703	88.8	2,005	1,084	17,787	94.6
	Tangible Personal	2009	75	74	98.7	445	188	262	349.3
	Special Assessments	2009	25,354	21,816	86.0	6,167	2,403	24,219	95.5
2009	Real and Public Utility(a)	2010	16,975	14,800	87.2	2,671	1,094	15,894	93.6
	Tangible Personal	2010	31	31	100.0	369	86	117	377.4
	Special Assessments	2010	28,921	24,760	85.6	7,525	2,460	27,220	94.1

(a) Amounts shown include approximately \$2 million that was paid directly to the County Health District to pay the City's share of the District's operating expenses in accordance with an agreement between the City and the County for the creation of the Countywide district. See **City Government**.

Source: County Auditor

Included in the “Billed” and “Collected” figures above are payments made from State revenue sources under two statewide real property tax relief programs (which do not apply to special assessments). Homestead exemptions are available for persons over 65 and the disabled. Payments to taxing subdivisions have been made in amounts equal to approximately 10% (12.5% with respect to owner occupied residential property) of all ad valorem real property taxes levied, thereby reducing the tax obligations of real property owners in any given year by the applicable 10% or 12.5%. This State assistance reflected in the City’s tax collections for 2010 was \$668,628 for the elderly/disabled homestead payment and \$1,304,006 for the rollback payment.

State legislation first effective with respect to tax bills payable in 2008 has provided for an expansion of the homestead property tax exemption. Under that legislation, an Ohio resident homeowner who (a) is at least 65 years old, (b) is totally and permanently disabled or (c) (i) is the surviving spouse of a person who was receiving the previous homestead exemption at the time of death and (ii) was at least 59 years old on the date of death of his or her spouse, may apply to exempt \$25,000 of the market value of the home from all local property taxes. This exemption commenced with tax bills payable in calendar year 2008. Local governments, such as the City, and school districts are to receive payments from the State to make up for the property tax loss due to this expanded exemption.

Delinquency Procedures

Of the 125,039 nonexempt parcels in the City for collection year 2010, the number of delinquent parcels was approximately 14,754 against 374 of which foreclosure proceedings have been commenced by the County. A program authorized by State legislation permits certain of the larger counties to “sell” rights to collect delinquent real estate taxes. That program has been implemented by the County, and the party purchasing those rights has reportedly filed many additional foreclosure actions. The City estimates that approximately half of the delinquent parcels are located in areas of the City where development is not currently economically feasible and have fair market values less than the accumulated delinquent taxes and special assessments on them.

The following is a general description of delinquency procedures under Ohio law, the implementation of which may vary in practice among the counties. Under the Revised Code, taxes become a lien of the State on the first day of January, annually, and continue until the taxes, including any penalties, interest or other charges, are paid. Real estate taxes and special assessments that are not paid in the year they are due are to be certified by the county auditor’s office as delinquent. Any amount of a previous tax bill not paid before new tax bills are mailed for the next half of the year is considered delinquent and becomes subject to a 10% penalty. A list of delinquent properties is compiled by the county auditor (the “delinquent land duplicate”). If delinquent taxes (and special assessments) are not paid within 60 days after a copy of the county auditor’s delinquent land duplicate is delivered to the county treasurer, then the county treasurer is to enforce the lien of the State that attached on January 1 of the year the taxes first became payable. Under State law (Section 323.25 of the Revised Code), the county treasurer is to enforce the lien “in the same way mortgage liens are enforced,” that is, by an action in the court of common pleas for foreclosure and sale of the property in satisfaction of the delinquency. If the county treasurer fails to bring an action to enforce the lien, then the State tax commissioner is to do so. In addition, one year after certification of a delinquent land list, the county prosecuting attorney is authorized to institute foreclosure proceedings in the name of the county treasurer to foreclose the lien.

The property owner may arrange a payment plan with the county treasurer providing for payments over a period not to exceed five years. If payments are made when due under the plan, no further interest will be assessed against delinquent balances covered by the plan; a default in any payment under the plan or in the payment of current taxes will invalidate the taxpayer’s participation in the plan. If a payment plan is not adhered to or if none is arranged, foreclosure proceedings may be initiated by the county. Mass foreclosure proceedings and sales are permitted after three years’ delinquency. Proceeds from delinquent property foreclosure sales become part of and are distributed as current collections to the taxing subdivisions.

In recent years, the State legislature has enacted several programs with respect to forestalling the foreclosure process or the forfeiture of property due to tax delinquency that may have the effect of delaying or eliminating the collection of certain property taxes.

CITY DEBT AND OTHER LONG-TERM OBLIGATIONS

The following describes the security for general obligation and certain special assessment debt and other long-term obligations, applicable debt and ad valorem property tax limitations, outstanding and projected bond and note indebtedness and certain other long-term financial obligations of the City.

As used in this Annual Statement, “BANs” refers to notes issued in anticipation of the issuance of general obligation bonds.

As of August 31, 2011, the City had outstanding certain issues of industrial development revenue bonds for facilities used by private corporations or other entities and housing revenue bonds for multifamily housing facilities on which the City is not obligated in any way to pay debt service from its own funds. All of those bonds have been excluded entirely from the following debt discussion and tables.

The City is not, and to the knowledge of current City officials has not in at least the last 50 years been, in default in the payment of debt service on any of the bonds or notes on which the City is obligor or in a condition of default under any financing documents relating to any issue of revenue bonds on which it is obligor. However, the City makes no representation as to the existence of a condition of default resulting from a default by any private entity under any financing documents relating to industrial development or housing revenue bonds of which the City was the issuer.

Security for General Obligation Debt

Bonds and BANs

Unvoted Bonds. The basic security for unvoted City general obligation bonds is the City’s ability to levy, and its levy pursuant to constitutional and statutory requirements of, an ad valorem tax on all real and tangible personal property subject to ad valorem taxation by the City, within the ten-mill limitation described below. This tax must be sufficient in amount to pay (to the extent not paid from other sources) as it comes due the debt service on unvoted City general obligation bonds. The law provides that the levy necessary for debt service has priority over any levy for other purposes within that tax limitation; that priority may be subject to the provisions of bankruptcy laws and other laws affecting creditors’ rights and to the exercise of judicial discretion. See the discussion below, under **Indirect Debt and Unvoted Property Tax Limitations**, of the ten-mill limitation, and the priority of claim on it for debt service on unvoted general obligation debt of the City and all overlapping taxing subdivisions.

Voted Bonds. The basic security for voted City general obligation bonds is the authorization by the electors for the City to levy to pay debt service on those bonds, without limitation as to rate or amount, ad valorem taxes on all real and tangible personal property subject to ad valorem taxation by the City. The tax would be outside of the ten-mill limitation, and would be in sufficient amount to pay (to the extent not paid from other sources) as it became due the debt service on the voted bonds (subject to the provisions of bankruptcy laws and other laws affecting creditors’ rights and to the exercise of judicial discretion).

The City has no outstanding voted general obligation debt and no existing unused authority to issue any such debt.

BANs. While BANs are outstanding, Ohio law requires the levy of an ad valorem property tax in an amount not less than what would have been levied if bonds had been issued without the prior issuance of the BANs. That levy need not actually be collected if payment in fact is to be provided from other sources, such as the proceeds of the bonds anticipated or of renewal BANs or income tax receipts. BANs, including renewal BANs, may be issued and outstanding from time to time up to a maximum period of 240 months (20 years) from the date of issuance of the original notes (the maximum maturity for special assessment BANs is five years). Any period in excess of five years must be deducted from the permitted maximum maturity of

the bonds anticipated, and portions of the principal amount of BANs outstanding for more than five years must be retired in amounts at least equal to, and payable not later than, those principal maturities that would have been required if the bonds had been issued at the expiration of the initial five-year period.

Statutory Direct Debt Limitations

The Revised Code provides two debt limitations that are directly based on tax valuation.

- The net principal amount of both voted and unvoted debt of a city, excluding “exempt debt” (discussed below), may not exceed 10-1/2% of the total tax valuation of all property in the city as listed and assessed for taxation.
- The net principal amount of the unvoted debt of a city, excluding exempt debt, may not exceed 5-1/2% of that valuation.

These two limitations, which are referred to as the “direct debt limitations,” may be amended from time to time by the General Assembly.

A city’s ability to incur unvoted debt (whether or not exempt from the direct debt limitations) also is restricted by the indirect debt limitation discussed below under **Indirect Debt and Unvoted Property Tax Limitations**.

Certain debt a city may issue is exempt from the direct debt limitations (“exempt debt”). Exempt debt includes, among others:

- General obligation debt:
 - That is “self-supporting” (that is, nontax revenues from the facility or category of facilities are sufficient to pay operating and maintenance expenses and related debt service and other requirements) issued for city utility systems or facilities; airports or landing fields; railroads and other mass transit systems; parking facilities; health care facilities; solid waste facilities; urban development; recreation, sports, convention, museum and other public attraction facilities; facilities for natural resource exploration, development, recovery, use or sale; correctional and other related rehabilitation facilities.
 - For highway improvements if the city has covenanted to pay debt service and financing costs from distributions of motor vehicle license and fuel taxes.
 - In anticipation of the levy or collection of special assessments.
 - To pay final judgments or court-approved settlements.
 - That is voted for water or sanitary or storm water sewerage facilities to the extent that another subdivision has agreed to pay amounts equal to debt service to the city.
 - For permanent improvements not in excess of 1.1% of the city’s assessed valuation to the extent debt service is expected to be paid from tax increment financing payments in lieu of taxes pursuant to ordinance pledges or covenants.
- Unvoted general obligation bonds to the extent that debt service will be met from lawfully available municipal income taxes or other municipal excises or

taxes (other than ad valorem property taxes) to be applied to that debt service pursuant to ordinance covenants.

- Revenue debt and mortgage revenue bonds to finance municipal utilities.
- Notes anticipating the levy or collection of special assessments for certain city services.
- Notes anticipating the collection of current revenues or the proceeds of a specific tax levy.
- Securities issued for certain energy conservation improvements or certain emergency purposes.
- Debt issued in anticipation of the receipt of federal or State grants for permanent improvements, or to evidence loans from the State capital improvements fund or State infrastructure bank.
- Voted debt for urban redevelopment purposes not in excess of 2% of the city's assessed valuation.
- Debt issued to make a single payment on certain accrued liability of the city under an agreement relating to the police and fireman's disability and pension fund.
- Securities issued under certain circumstances for city educational and cultural facilities or a sports facility.

BANs issued in anticipation of exempt bonds also are exempt debt.

The City may incur debt for operating purposes, such as current tax or other revenue anticipation notes or tax anticipation notes, only under certain limited statutory authority.

In the calculation of debt subject to the direct debt limitations, the amount in a city's bond retirement fund allocable to the principal amount of nonexempt debt is deducted from gross nonexempt debt. Because the City generally appropriates moneys into its Bond Retirement Fund to pay debt service on its general obligation debt only as it is required, there is generally only a small amount on deposit in that Fund and, therefore, little or no deduction to be made from the gross nonexempt debt in calculating the debt subject to the direct debt limitations.

Without consideration of amounts in the City's Bond Retirement Fund, and based on outstanding debt, and current assessed valuation, the City's voted and unvoted nonexempt debt capacities are:

<u>Limitation</u>	<u>Nonexempt Debt Outstanding</u>	<u>Additional Debt Capacity Within Limitation</u>
10-1/2% = \$399,606,549	\$ 146,401,134	\$253,205,415
5-1/2% = \$209,317,716	\$ 146,401,134	\$ 62,916,582

This is further detailed in **Debt Table A**.

Indirect Debt and Unvoted Property Tax Limitations

Voted general obligation debt may be issued by the City if authorized by vote of the electors. Ad valorem taxes, without limitation as to amount or rate, to pay debt service on voted bonds are authorized by the electors at the same time they authorize the issuance of the bonds.

General obligation debt also may be issued by the City without a vote of the electors. This unvoted debt may not be issued unless the ad valorem property tax for the payment of debt service on (a) those bonds (or the bonds in anticipation of which BANs are issued), and (b) all outstanding unvoted general obligation bonds (including bonds in anticipation of which BANs are issued) of the combination of overlapping taxing subdivisions including the City resulting in the highest tax required for such debt service, in any year is 10 mills or less per \$1.00 of assessed valuation. This indirect debt limitation, the product of what is commonly referred to as the “ten-mill limitation,” is imposed by a combination of provisions of Ohio Constitution and the Revised Code.

The ten-mill limitation is the maximum aggregate millage for all purposes that may be levied on any single piece of property by all overlapping taxing subdivisions without a vote of the electors. This 10 mills is allocated pursuant to a statutory formula among certain overlapping taxing subdivisions in the County, including the City. The current allocation of the 10 mills (sometimes referred to as the “inside millage”) in the City within the Toledo City School District (the largest school district overlapping taxing subdivision) is as follows: 4.4 City, 2.0 County, and 3.6 School District. Of the entire 10 mills, 5.6 mills is currently being levied by the taxing subdivisions overlapping the City, because the City is not currently levying a tax within that limitation for debt service or other purposes. The City is levying 4.40 mills for current operating expenses within the 4.445-mill Charter tax limit described below.

Current Ohio law requires the inside millage allocated to a taxing subdivision to be used first for the payment of debt service on its unvoted general obligation debt, unless provision has been made for that payment from other sources, with the balance usable for other purposes. As previously stated, the City anticipates that debt service on its unvoted general obligation debt will be paid from income tax and certain nontax revenues (and, as to BANs, proceeds of renewal BANs and the bonds anticipated) rather than from the inside millage. To the extent the inside millage is required for debt service of a taxing subdivision (which may exceed the formula allocation to that subdivision), the amount that would otherwise be available to that subdivision for general fund purposes is reduced. Because the inside millage that may actually be required to pay debt service on a subdivision’s unvoted general obligation debt may exceed the formula allocation of that millage to the subdivision, the excess reduces the amount of inside millage available to overlapping subdivisions. In the case of the City, however, a law applicable to all Ohio cities and villages requires that any lawfully available receipts from a municipal income tax or from voted property tax levies be allocated to pay debt service on City unvoted debt before the formula allocations of the inside millage to overlapping subdivisions can be invaded for that purpose.

In lieu of the ten-mill limitation briefly discussed above, the electors of a charter municipality such as the City may authorize the levy of a tax at a rate subject to a different limitation. The electors of the City have authorized the Council to levy each year for current operating expenses of the City a tax of up to 4.445 mills (the “Charter tax rate limitation”) on all taxable property in the City without further authorization from the electors, but subject to change by further action of the electors. No portion of the 4.445 mills can be preempted by any overlapping taxing subdivision. Such millage, however, is to be reduced in each year by the number of mills levied by the City within the ten-mill limitation to pay debt service on unvoted general obligation bonds and BANs of the City or current operating expenses.

In the case of BANs, the highest annual debt service estimated for the anticipated bonds is used to calculate the millage required.

Revenue bonds and notes and mortgage revenue bonds, notes issued in anticipation of the collection of special assessments for City services, certain urban renewal bonds and tax increment bonds are not included in debt subject to the indirect limitation since they are not general obligations of the City, and the full faith and credit and property taxing power of the City is not pledged for their payment.

The indirect limitation applies to all unvoted general obligation debt even if debt service on some of it is expected to be paid in fact from income tax revenues, special assessments, utility earnings or other sources.

If the City were to convert to the anticipated bonds its \$14,150,000 outstanding unvoted general obligation BANs at the interest rates assumed in the ordinances authorizing the BANs, the highest debt service requirement in any year for all City debt subject to the ten-mill limitation is estimated to be

\$24,937,251 in 2011. That debt includes unvoted general obligation bonds outstanding or bonds anticipated by BANs outstanding. The payment of that annual debt service would require a levy of 6.5525 mills based on current assessed valuation. Of this maximum annual debt service requirement, all is expected by the City to be paid from sources other than ad valorem taxes, such as income tax revenues, special assessments, motor vehicle license and fuel tax revenues, applicable enterprise funds and certain loan repayments; see **Debt Table C**. If those other sources for any reason were not available, the debt service could not be met from the amounts produced by the millage currently allocated to the City within the ten-mill limitation.

The total millage theoretically required by the City and the County (the combination of overlapping taxing subdivisions that, with the City, have the highest millage requirements for debt service on unvoted general obligation debt in any year) for their outstanding unvoted general obligation debt is estimated to be 7.8973 mills for the year of the highest potential debt service. There thus remains 2.1027 mills within the ten-mill limitation that has yet to be allocated to debt service and that is available to the City and overlapping subdivisions in connection with the issuance of additional unvoted general obligation debt.

Debt Outstanding

The following discussions and Debt Tables provide information concerning the City's outstanding debt (bonds and notes) as of August 31, 2011, and projected debt service information with respect to such debt:

DEBT TABLE A
PRINCIPAL AMOUNTS OF OUTSTANDING DEBT;
LEEWAY FOR ADDITIONAL DEBT WITHIN DIRECT DEBT LIMITATIONS^(a)
AS OF AUGUST 31, 2011

A.	Total Debt:		\$ 336,033,787
B.	Exempt Debt:		\$ 189,632,653
	<u>Category</u>	<u>Outstanding Principal Amount</u>	
	Water System Revenue Bonds	\$ 69,745,000	
	Sewer System Revenue Bonds	30,215,000	
	Special Assessment Improvement Bonds and BANs-General Obligation	45,000	
	Special Assessment Services Notes ^{(b)(c)}	12,420,000	
	Special Assessment Services Notes ^{(b)(d)}	20,360,000	
	Special Assessment Services Notes ^{(b)(e)}	19,600,000	
	Pension Bonds	4,500,000	
	Other Nontax Revenue Debt ^(f)	<u>32,747,653</u>	
	Total Exempt Debt	\$189,632,653	
C.	Total Nonexempt Debt (A minus B):		\$ 146,401,134
D.	5-1/2% of Assessed Valuation (Unvoted Debt Limitation):		\$ 209,317,716
E.	Total Limited Tax Nonexempt Bonds and BANs outstanding:		
	Bonds	\$132,251,134	
	BANs	14,150,000	\$ 146,401,134
F.	Debt Leeway Within 5-1/2% Unvoted Direct Limitation (But Subject to Indirect Debt Limitation) (D minus E):		\$ 62,916,582
G.	10-1/2% of Assessed Valuation (Voted and Unvoted Debt Limitation):		\$ 399,606,549
H.	Total Nonexempt Bonds and BANs Outstanding:		
	Bonds	\$132,251,134	
	BANs	14,150,000	\$ 146,401,134
I.	Debt Leeway Within 10-1/2% Direct Debt Limitation (G minus H):		\$ 253,205,415

- (a) Debt leeway in this table determined without considering moneys in the Bond Retirement Fund.
- (b) Excluded from direct debt and indirect debt limitations. These notes are payable solely and exclusively from special assessments levied for certain City services and are to be retired in their entirety from special assessments in one year. See **City Services Special Assessment Notes and Interest Rate Exchange Transactions** below.
- (c) For City services provided in 2009.
- (d) For City services provided in 2010.
- (e) For City services provided in 2011.
- (f) Includes the industrial development bonds described under **Economic Development Obligations** below.

DEBT TABLE B

VARIOUS CITY AND OVERLAPPING GENERAL OBLIGATION (GO) DEBT ALLOCATIONS (PRINCIPAL AMOUNTS) AS OF AUGUST 31, 2011

	<u>Amount</u>	<u>Per Capita(a)</u>	<u>% of City's Current Assessed Valuation(b)</u>
City Nonexempt GO Debt(c)	\$146,401,134	\$ 509.74	3.85%
Total City GO Debt (Exempt and nonexempt)(d)	150,946,134	525.56	3.97
Highest Total Overlapping GO Debt(e)(f)	377,086,243	1,312.94	9.91

(a) Based on 2010 population of 287,208.

(b) The City's current assessed valuation is \$3,805,776,660.

(c) Total City GO debt, less exempt debt.

(d) Includes \$146,401,134 nonexempt GO debt, \$45,000 special assessment bonds issued to pay costs of certain permanent improvements and \$4,500,000 taxable pension bonds.

(e) Includes, in addition to "Total City GO Debt," allocations of total GO debt of overlapping debt issuing subdivisions resulting in the calculation of highest total overlapping debt based on percent of assessed valuation of territory of the subdivisions located within the City as of August 31, 2011 (% figures are resulting percent of total debt of subdivisions allocated to the City in this manner), as follows:

\$ 61,615,855 of County debt (47.81%);

\$164,499,009 of Toledo City School District debt (98.92%); and

\$ 25,245 of Penta County Career Center debt (5.94%).

(f) Each parcel of property within the corporate limits of the City is within only one city or local school district. This amount has been calculated using the debt of the Toledo City Local School District, because its debt allocable to area within the City is the highest of all the city and local school districts having territory within the corporate limits of the City.

Allocation of GO debt of the remaining overlapping debt issuing subdivisions is as follows:

\$ 6,728 of Ottawa Hills Local School District debt (0.29%)

\$4,046,452 of Maumee City School District debt (11.83%)

\$1,357,072 of Springfield Local School District debt (9.53%)

\$7,517,453 of Sylvania City School District debt (7.77%)

\$ 886,168 of Sylvania Area Joint Recreational District debt (7.77%)

Source of assessed valuation and GO debt figures for overlapping subdivisions: County Auditor.

DEBT TABLE C

**PROJECTED DEBT SERVICE REQUIREMENTS ON OUTSTANDING CITY GENERAL OBLIGATION DEBT
2011 THROUGH 2030**

Calendar Year	Debt Service On:		Portion of Debt Service Anticipated to be Paid From:					
	Bonds	Bonds in Anticipation of Which BANs Are Outstanding(a)	Total Debt Service	Income Tax Revenues(b)	Special Assessment(b)	Housing Loan Payments(b)(c)	Motor Vehicle Fuel & License Tax(b)	Federal Direct Payments(d)
2011	\$19,586,362.50	\$ 135,137.50	\$19,721,500.00	\$17,436,158.75	\$15,793.75	\$377,555.00	\$1,312,650.00	\$579,342.50
2012	22,814,862.50	2,122,389.72	24,937,252.22	22,792,400.22	16,065.00	572,922.50	1,004,850.00	551,014.50
2013	21,468,964.25	2,052,812.35	23,521,776.60	21,445,257.25	15,532.50	584,172.50	972,225.00	504,589.35
2014	20,660,649.75	1,983,234.97	22,643,884.72	20,656,611.15	0.00	598,860.00	939,600.00	448,813.57
2015	14,683,825.25	1,913,657.60	16,597,482.85	14,696,608.43	0.00	611,672.50	904,800.00	384,401.92
2016	12,012,117.75	1,844,080.23	13,856,197.98	12,871,042.56	0.00	622,610.00	0.00	362,545.42
2017	11,335,134.00	1,774,502.86	13,109,636.86	12,135,605.31	0.00	636,505.00	0.00	337,526.55
2018	10,387,613.50	1,647,425.48	12,035,038.98	11,079,188.66	0.00	648,195.00	0.00	307,655.32
2019	8,435,141.00	1,474,721.32	9,909,862.32	8,985,601.75	0.00	647,680.00	0.00	276,580.57
2020	7,761,926.25	1,249,363.59	9,011,289.84	8,121,515.22	0.00	645,590.00	0.00	244,184.62
2021	7,272,392.00	1,146,138.16	8,418,530.16	7,586,161.76	0.00	621,925.00	0.00	210,443.40
2022	6,302,636.00	125,921.05	6,428,557.05	5,639,042.85	0.00	617,715.00	0.00	171,799.20
2023	5,996,761.50	121,578.95	6,118,340.45	5,374,807.40	0.00	611,917.50	0.00	131,615.55
2024	4,960,749.00	117,236.84	5,077,985.84	4,374,254.79	0.00	614,532.50	0.00	89,198.55
2025	4,700,373.50	112,894.74	4,813,268.24	4,182,969.29	0.00	584,925.00	0.00	45,373.95
2026	1,990,250.00	108,552.63	2,098,802.63	2,098,802.63	0.00	0.00	0.00	0.00
2027	1,545,250.00	104,210.53	1,649,460.53	1,649,460.53	0.00	0.00	0.00	0.00
2028	1,521,250.00	99,868.42	1,621,118.42	1,621,118.42	0.00	0.00	0.00	0.00
2029	525,000.00	95,526.32	620,526.32	620,526.32	0.00	0.00	0.00	0.00
2030	0.00	91,184.21	91,184.21	91,184.21	0.00	0.00	0.00	0.00

- (a) Assumes all presently outstanding BANs are retired with bonds dated October 1, 2011, having first interest payments December 1, 2011 and first principal payments December 1, 2012, bearing interest paid semiannually and at the interest rate per year, and maturing in equal principal installments over the number of years, referred to in the ordinances authorizing the BANs.
- (b) Debt service is expected to be paid from the revenues indicated, but is secured by the City's ability to levy ad valorem property taxes within the ten-mill limitation imposed by law.
- (c) Anticipated repayments of loans of general obligation bond proceeds used by developers to develop multifamily housing projects in the City.
- (d) Payments expected to be received by the City from the Secretary of the United States Treasury with respect to bonds of the City that have been designated as "Build America Bonds" and "Recovery Zone Economic Development Bonds," pursuant to Section 6431 of the Internal Revenue Code of 1986, as amended, and used to pay a portion of the interest on those bonds.

Debt Table D shows the principal amount of City general obligation debt outstanding as of January 1 in the years indicated:

DEBT TABLE D

GENERAL OBLIGATION DEBT OUTSTANDING

<u>Year</u>	<u>Exempt General Obligation</u>	<u>Total General Obligation</u>
2007	\$9,610,000	\$136,292,560
2008	8,550,000	140,370,595
2009	7,445,000	148,458,568
2010	6,310,000	158,873,058
2011	5,145,000	151,546,134

Bond Anticipation Notes

As of August 31, 2011, \$14,150,000 of the unvoted general obligation debt of the City was in the form of BANs.

As part of its debt management policy, the City expects to pay the debt service on its outstanding BANs at maturity from City income tax revenues, special assessments, applicable enterprise funds or the proceeds of the sale of renewal BANs or the bonds anticipated, or a combination of these sources.

Debt Table E lists the City's outstanding BANs. These outstanding BANs, or the bonds anticipated, are reflected in **Debt Tables A, B, C and D** above.

DEBT TABLE E

**OUTSTANDING GENERAL OBLIGATION BOND ANTICIPATION NOTES
AS OF AUGUST 31, 2011**

<u>Description</u>	<u>Dated Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal Amount</u>
Capital Improvement Notes, Series 2010-2	10/28/10	10/27/11	1.75%	\$14,150,000

City Services Special Assessment Notes

The City has the authority to issue, and has in each year for a period in excess of 35 years issued, notes payable solely from special assessments levied to pay the cost of certain City services such as lighting, sprinkling, sweeping, cleaning, removing snow from and treating the surface of streets, alleys and other public ways in the City and planting, maintaining, trimming and removing trees in the streets. These notes are special obligations of the City. The City does not and cannot pledge ad valorem property taxes or its full faith or credit and does not pledge any of its other revenues, except for the anticipated special assessments, for the payment of the debt charges on them. Bonds are not issued to fund these notes. The ordinance authorizing each issue of these notes appropriates the anticipated special assessments, and those assessments, are deemed to be appropriated first to the payment of the debt charges on the notes. None of the anticipated special assessments may be otherwise appropriated and used until after such debt charges have been paid. The special assessments are collected in full in one year in two semiannual installments. The real property taxes levied against any property against which those special assessments have been levied are not to be paid without also paying the special assessments. During the five most recent years, the collections of the current amount of the special assessments levied has averaged 87.0%, and the combined total of such current collections and collections of delinquent special assessments from prior years has averaged 96.9% of the current amount levied.

CURRENT AND DELINQUENT COLLECTIONS OF SPECIAL ASSESSMENTS

(In Thousands of Dollars)

	<u>Collection Year</u>	<u>Dollars of Current Amount</u>		<u>Percent of Current Levy Collected</u>	<u>Total of Dollars Unpaid Amount</u>		<u>Total Dollars Collected</u>	<u>Collections as a Percentage of Current Levy</u>
		<u>Levied</u>	<u>Collected</u>		<u>Billed</u>	<u>Collected</u>		
Special Assessments	2006	\$20,925	\$18,413	88.0%	\$4,048	\$1,974	\$20,387	97.4%
Special Assessments	2007	23,280	20,415	87.7	4,544	2,751	23,166	99.5
Special Assessments	2008	23,959	20,828	86.9	4,666	2,528	23,356	97.5
Special Assessments	2009	24,003	20,767	86.5	5,439	2,175	22,942	95.6
Special Assessments	2010	27,487	23,678	86.1	6,775	2,276	25,954	94.4

Debt Table F lists the City's outstanding City Services Special Assessment Notes. These Notes are reflected in **Debt Table A** above.

DEBT TABLE F

OUTSTANDING CITY SERVICES SPECIAL ASSESSMENT NOTES

<u>Project Year</u>	<u>Description</u>	<u>Dated Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal Amount Outstanding</u>
2009	City Services Special Assessment Notes (Services 2009)(a)	06-04-09	12-01-11	4.000	\$12,420,000
2010	City Services Special Assessment Notes (Services 2010)(b)	06-09-10 06-09-10	06-01-12 12-01-12	4.125 4.125	8,140,000 12,220,000
2011	City Services Special Assessment Notes (Services 2011)(c)	06-16-11 06-16-11	06-01-13 12-01-13	1.880 1.880	7,800,000 11,800,000

(a) The special assessments anticipated by the Notes are being collected in 2011.

(b) The special assessments anticipated by the Notes are to be collected in 2012.

(c) The special assessments anticipated by the Notes are to be collected in 2013.

Economic Development Obligations

The City has from time to time utilized its authority to issue and incur industrial development revenue obligations payable from nontax revenues of the City to support certain commercial and industrial development projects including DaimlerChrysler AG's expansions and improvements of its facilities in the City (now owned and operated by Chrysler Group LLC) (see **Economic and Community Development – Industry and Commerce**), the redevelopment of two commercial office buildings in the Downtown area of the City and an industrial facility site, and site improvements to prepare a 128-acre site in the City's Marina District for redevelopment.

Debt Tables G and **H** list the City's outstanding economic development obligations payable from nontax revenues and provide related debt service information:

DEBT TABLE G

OUTSTANDING CITY ECONOMIC DEVELOPMENT OBLIGATIONS AS OF AUGUST 31, 2011

<u>Project</u>	<u>Obligation</u>	<u>Initial Amount</u>	<u>Outstanding Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Approximate Annual Debt Service(a)</u>
A. Land acquisition and improvements and/or activities supporting or part of Chrysler Group LLC's expansion and improvement of facilities	Industrial Development Revenue Bonds (HUD Section 108 loan)	\$24,140,000	\$13,415,000	6.56%-7.96%	2018	\$2,500,000(b)
	Industrial Development Revenue Bonds (State Chapter 166 Loan)	\$10,000,000	\$5,106,867	4.25%	2018	\$825,000(b)
	Industrial Development Revenue Bond	\$3,000,000	\$400,000	0%	2013	\$200,000
B. Demolition and remediation of the former Autolite Site for redevelopment	Industrial Development Revenue Bonds (HUD Section 108 loan)	\$390,000	\$215,000	6.56%-7.96%	2018	\$40,000
C. Loan to developer for redevelopment of One Lake Erie Center, a commercial office building	Industrial Development Revenue Bonds (State Chapter 166 Loan)	\$1,500,000	\$845,786	4.25%	2016	(c)
D. Redevelopment and equipping of a commercial office building	Industrial Development Revenue Bond (HUD Section 108 loan)	\$1,200,000	\$125,000	7.11%	2011	\$135,000
E. Land acquisition and remediation in the Marina District	Industrial Development Bond	\$5,120,000	\$4,865,000	5.88%-6.55%	2032	\$445,000
F. Improvements supporting or part of Chrysler Group LLC's expansion of facilities	Industrial Development Bond	\$9,000,000	\$7,775,000	4.25%-5.00%	2026	\$720,000(b)

- (a) All of these annual debt service requirements are payable from any nontax revenues of the City if moneys from expected sources are not available for the purpose.
- (b) The City expects that this debt service will be paid from nontax revenues, including particularly certain payments in lieu of taxes from Chrysler Group LLC. See **Industry and Major Employers**. Based on current State law, the City anticipates that any such payments in lieu of taxes that were not timely made by Chrysler Group LLC would be treated in the same manner as delinquent property taxes and be a lien on the real property that was the subject of the tax exemption granted by the City.
- (c) Annual payments are approximately \$185,000 each year until 2016, when they decline to \$121,600. The City expects loan payments to be received from the developer will be sufficient to meet these payment requirements.

DEBT TABLE H

DEBT SERVICE REQUIREMENTS ON OUTSTANDING CITY ECONOMIC DEVELOPMENT OBLIGATIONS 2011 THROUGH 2032

Calendar Year	Outstanding Nontax Revenue Bonds	Total Debt Service	Portion of Debt Service Anticipated to be Paid From:			
			Payments in Lieu of Taxes(a)(b)	Parking Revenues(a)	Other Nontax Revenues(a)	Other Sources(a)(c)
2011	\$4,802,432.96	\$4,802,432.96	\$3,104,487.50	\$502,277.00	\$12,248.33	\$1,183,420.13
2012	4,648,986.79	4,648,986.79	3,089,564.50	501,105.00	11,748.67	1,046,568.62
2013	4,629,582.94	4,629,582.94	3,065,493.00	503,905.00	12,905.33	1,047,279.61
2014	4,390,604.27	4,390,604.27	3,033,226.00	500,790.00	12,262.33	844,325.94
2015	4,357,138.64	4,357,138.64	2,997,161.00	502,065.00	13,282.33	844,630.31
2016	4,338,785.32	4,338,785.32	2,982,596.00	502,425.00	12,501.67	841,262.65
2017	4,143,648.42	4,143,648.42	3,042,252.00	251,870.00	11,715.67	837,810.75
2018	3,914,784.94	3,914,784.94	2,944,292.00	255,560.00	12,591.67	702,341.27
2019	971,897.50	971,897.50	717,975.00	253,922.50	0.00	0.00
2020	971,260.00	971,260.00	718,975.00	252,285.00	0.00	0.00
2021	974,372.50	974,372.50	718,725.00	255,647.50	0.00	0.00
2022	970,907.50	970,907.50	717,225.00	253,682.50	0.00	0.00
2023	969,805.00	969,805.00	718,087.50	251,717.50	0.00	0.00
2024	972,127.50	972,127.50	717,375.00	254,752.50	0.00	0.00
2025	972,547.50	972,547.50	720,087.50	252,460.00	0.00	0.00
2026	976,130.00	976,130.00	720,962.50	255,167.50	0.00	0.00
2027	672,547.50	672,547.50	0.00	672,547.50	0.00	0.00
2028	672,417.50	672,417.50	0.00	672,417.50	0.00	0.00
2029	670,322.50	670,322.50	0.00	670,322.50	0.00	0.00
2030	671,262.50	671,262.50	0.00	671,262.50	0.00	0.00
2031	669,910.00	669,910.00	0.00	669,910.00	0.00	0.00
2032	671,265.00	671,265.00	0.00	671,265.00	0.00	0.00

(a) Debt service is expected to be paid from the revenues indicated, but is secured by all of the City's nontax revenues.

(b) Chrysler Group LLC has filed with the Lucas County Board of Revision a complaint requesting a substantial reduction in the valuation of property at its Toledo North and South Plant complex. If successful, the payments in lieu of taxes received by the City could be reduced in an amount reflecting the reduction granted. An initial hearing on that complaint is currently set for September 2, 2011. The City cannot now predict the outcome of that action.

(c) Includes, primarily, income tax revenues and CBDG Fund moneys, which are available but not pledged for debt service payments on City economic development obligations.

Other

See the discussions under **The City – Water System** and – **Sewer System** of the City's outstanding utility revenue bonds.

Long-Term Financial Obligations Other than Bonds and Notes

Ohio Water Development Authority Loans

The City has entered into loan agreements with the Ohio Water Development Authority (OWDA) pursuant to which OWDA has provided or agreed to provide to the City up to \$246,992,163 to pay costs of certain municipal wastewater collection and treatment facilities. The aggregate principal amount of the City's obligations under those OWDA loan agreements was \$204,642,379 as of December 31, 2010. See **Appendix C**. Each such loan is payable in substantially equal semiannual installments. Final payments on those loans are to be made by 2028.

The payments on such OWDA loans are required to be made from the City's Sewer System revenues after payment of operation and maintenance expenses of the System and payment of the amounts required by the trust indenture securing the City's Sewer System bonds. The loan agreements grant no security or property interest to OWDA in any property of the City, do not pledge the general credit of the City or create a debt subject to the direct or indirect debt limitations, and do not require the application of the general resources of the City for repayment.

Assuming that, as expected, the City draws all available amounts under the loan agreements, the City projects that its aggregate loan payment requirements on these OWDA loans will be as follows through 2030:

<u>Period</u>	<u>Payments</u>
2011	\$17,764,618.26
2012	18,553,111.47
2013	19,589,846.78
2014	20,708,975.59
2015	20,342,670.04
2016-2020	96,152,722.60
2021-2025	79,571,594.66
2026-2030	14,234,490.83

The City expects to enter into a number of additional such loan agreements with OWDA over the next several years in connection with its Sewer System improvement projects. See **Sewer System – Facilities**.

The City has entered into a loan agreement the OWDA pursuant to which the OWDA has provided to the City \$16,011,948 to pay costs of improvements to the treatment and distribution facilities of the Water System. The aggregate principal amount of the City's obligations under that OWDA loan agreement was \$11,699,717 as of December 31, 2010. See **Appendix C**. That loan is payable in substantially equal semiannual installments of \$536,361, and the final payment is to be made in 2029.

The payments on that OWDA loan are required to be made from the City's Water System revenues after payment of operation and maintenance expenses of the System and payment of the amounts required by the trust indenture securing the City's Water System bonds. The loan agreement grants no security or property interest to OWDA in any property of the City, does not pledge the general credit of the City or create a debt subject to the direct or indirect debt limitations, and does not require the application of the general resources of the City for repayment.

Ohio Water Pollution Control Loan Fund Loans

In 1997, the City entered into a loan agreement with OWDA pursuant to which the City borrowed \$7,776,000 from the State's Water Pollution Control Loan Fund to enable the City to pay its share of the cost of necessary remediation at the closed Stickney and Tyler Landfills. Under that agreement, the City is to make payments aggregating \$574,534 annually for a period of 20 years, ending in 2020, to repay the loan, which is currently outstanding in the amount of \$4,670,213. The City expects to make those payments from amounts in its General Fund or its Capital Improvements Fund.

In 1999, the City entered into a loan agreement with OWDA pursuant to which the City borrowed \$2,066,960 from the State's Water Pollution Control Loan Fund to enable the City to pay its share of necessary remediation at the closed Dura Landfill. Under that agreement, the City is to make substantially equal annual loan payments of approximately \$151,400 for a period of 20 years ending in 2021 to repay the loan, which is currently outstanding in the amount of \$1,335,169. The City expects to make those payments from amounts in its General Fund or its Capital Improvements Fund.

The City expects to enter into a number of additional loan agreements with OWDA for low-interest Water Pollution Control Loan Fund loans over the next several years in connection with its Sewer System improvement projects. See **Sewer System – Facilities**.

Ohio Public Works Commission Issue 2 Loans

The City has entered into certain loan agreements with the Ohio Public Works Commission pursuant to which the City has borrowed moneys to pay costs of certain street, bridge, drainage, sanitary sewer, storm sewer and water improvements. As of December 31, 2010, those loans were outstanding in the aggregate principal amount of \$15,929,631. Those loans bear no interest and are to be repaid over periods ranging from ten to twenty years from the date they are obtained. The aggregate amount payable on such loans in 2011 is \$1,287,686, of which \$738,303 is to be paid from moneys in the City's Capital Improvements Fund, \$85,180 from moneys in its Water Revenue Fund, \$147,698 from moneys in its Sewer Revenue Fund and \$316,505 from moneys in its Storm Water Revenue Fund.

State Infrastructure Bank Loan

The City has entered into a State Infrastructure Bank loan agreement with the Ohio Department of Transportation (ODOT) pursuant to which ODOT has provided to the City loans totaling \$2,808,268 to pay costs of certain street improvements in the City's Marina District. See **Economic and Community Development Activities – Industry and Commerce**. The aggregate outstanding principal amount of the City's obligations under that ODOT loan agreement was \$2,808,268 as of December 31, 2010. Those loans are payable in substantially equal semiannual installments of principal and interest in the amount of \$209,458 each, commencing in 2012. Final payments are to be made by 2020.

Those loan payments are expected to be made from the City's motor vehicle license and fuel tax revenues. The loan agreement grants no security or property interest to ODOT in any property of the City, does not pledge the general credit of the City or create a debt subject to the direct or indirect debt limitations, and does not require the application of the general resources of the City for repayment.

Lease Agreements

The City has entered into a lease agreement with the Ohio Building Authority for space in the 22-story Government Center office building in which many City administrative offices are located. See **City Facilities**. The State (39%) and the County (26%) lease substantially all of the remaining rentable space in the Government Center. Under that agreement, the City is required to pay certain operating and maintenance costs that for Fiscal Year 2011 are expected to amount to \$1.67 million and an amount sufficient for its payment has been appropriated from the City's General Fund. The lease will expire in 2013.

The City has entered into a lease with the Ohio Company Limited for space in a Downtown office building occupied by the City's Department of Public Utilities. The City's rent for that facility in

Fiscal Year 2011 is expected to be approximately \$579,560. That lease is to expire in 2012. See **City Facilities**.

In 1999, the City entered into a lease agreement with the Port Authority pursuant to which the City is lease-purchasing an addition to its existing Superior Street Parking Facility (the Addition). Under the terms of that lease, the City's annual rental payment obligation has been and is to be approximately \$730,000 in each of the Fiscal Years from 2000 through 2019. The City's obligation to make such rental payments is subject to annual appropriation, although the City has agreed that in the event of a nonappropriation or a default under the agreement, the Port Authority would have the authority to operate (and receive revenues from) the City's existing Superior Street Parking Facility, its Port Lawrence Parking Facility and its Vistula Parking Facility as well as the Addition to generate revenues that could be applied to the retirement of bonds issued by the Port Authority for the Addition.

In 2007, 2009 and 2010, the City entered into lease agreements pursuant to which it is lease purchasing certain ambulances (2007 and 2010), fire trucks (2009) and police cars (2010). Under the terms of each of the agreements, the City's obligation to make annual lease payments is subject to annual appropriation. Aggregate annual payments under the agreements amounted to \$1,579,500 in 2010 and will be approximately \$1,838,491 in 2011 and 2012, \$908,491 in 2013 and \$517,982 in 2014 and 2015. The agreements are to expire in 2012, 2013 and 2015, respectively. See Note 7 to the Basic Financial Statements in **Appendices B and C**.

Other

See Notes 1 and 7 in **Appendix C** for information concerning the City's long-term obligations for compensated absences and landfill closure and post-closure care costs.

Future Financings

The City plans to issue approximately \$15.115 million of general obligation BANs on October 27, 2011, to provide funds to retire, together with other funds available for the purpose, the City's \$14.15 million of BANs maturing on that date, and to provide an additional \$355,000 for certain sidewalk improvements and an additional \$3.135 million for certain street improvements.

The City plans to issue up to \$50 million of additional Water System Revenue Bonds in 2011 to pay costs of a portion of the capital improvements to its Water System planned for the period through 2013. See **Water System – Facilities**.

The City plans to enter into loan agreements with the Ohio Water Development Authority and/or the Ohio Public Works Commission in 2011 to provide up to \$157 million of additional funds to pay costs of a portion of the capital improvements program for its Sewer System planned for the period through 2013. See **Sewer System – Facilities**.

At this time, the City has no plans to undertake or participate in any new major capital improvement projects for which it plans to borrow additional money or enter into long-term financial undertakings for the remainder of 2011.

Retirement Obligations

Present and retired employees of the City are covered under two statewide public employee retirement (including disability retirement) systems. The Ohio Police and Fire Pension Fund (OP&F) covers uniformed members of the police and fire departments. All other eligible City employees are covered by the Ohio Public Employees Retirement System (OPERS).

In 2010, employees covered by OPERS contributed at a statutory rate of 10.0% of earnable salary or compensation. As the employer, the City's statutory contribution rate for those employees was 14.0% of the same base. In 2010, employees covered by OP&F contributed at a statutory rate of 10.0% of gross salary. As the employer, the City's statutory contribution rates, applied to the same base, were 19.5%

for police personnel and 24.0% for fire personnel. In 1994, the City satisfied its unfunded accrued OP&F liability through the issuance of \$19,050,000 City of Toledo Taxable Pension Bonds which were purchased as an investment by the City. Those Bonds are now outstanding in the aggregate principal amount of \$4,500,000. See **Financial Matters – Investment and Management of City Funds and Debt Table A**. These employee and employer contribution rates are the maximums permitted under current State law.

Under the terms of its agreements with the employees, the City currently “picks up” varying portions of its employees’ contributions. See **Employees and General Fund and Financial Outlook**.

For further information on these pension plans, see Notes 10 and 11 to the Basic Financial Statements included in **Appendix C**. Financial and other information for OPERS and OP&F can also be found on the respective website for each retirement system including its Comprehensive Annual Financial Report.

OPERS and OP&F are two of five statewide public employee retirement systems created by and operating pursuant to Ohio law, all of which currently have unfunded actuarial accrued liabilities. The General Assembly has the power to amend (and in the past has amended) the format of those systems and could revise rates or methods of contributions to be made by the City and its employees to OPERS and/or OP&F and could also revise benefits or benefit levels. As an example, legislation has been introduced in the current session of the General Assembly proposing certain changes to the statewide public retirement systems, including OPERS and OP&F. If enacted, this legislation would, depending on the retirement system, increase minimum retirement age and service requirements, reduce certain benefits, require increased employee contributions and decreased employer contributions and make other changes. The City cannot predict whether, when or in what form this or other legislation will be enacted into law. The City’s obligation to contribute to OPERS and OP&F, however, is currently limited as described above, including with respect to their unfunded actuarial accrued liabilities.

The City’s contributions to OPERS and OP&F have been treated as current expenses and included in the City’s operating expenditures. The City’s aggregate contributions to OPERS for the years ended December 31, 2010, 2009, and 2008 were approximately \$9,924,000, \$11,816,000, and \$10,983,000 respectively, or 88% of the required contribution for 2010 and equal to the required contributions for 2009 and 2008. The remaining portion of the City’s required OPERS contribution for 2010 was paid in the first quarter of 2011. The City contributions to OP&F for the years ending December 31, 2010, 2009 and 2008 were approximately \$15,247,000, \$15,738,000, and \$16,211,000 respectively, or 82% of the required contribution for 2010 and equal to the required contributions for 2009 and 2008. The remaining portion of the City’s required OP&F contribution for 2010 was paid in the first quarter of 2011.

Federal law requires City employees hired after March 31, 1986 to participate in the federal Medicare program, which requires matching employer and employee contributions, each being 1.45% of the wage base. Otherwise, City employees who are covered by a State retirement system are not currently covered under the federal Social Security Act. OPERS and OP&F are not subject to the funding and vesting requirements of the federal Employee Retirement Income Security Act of 1974.

LEGAL MATTERS

Litigation

The City is a party to various legal proceedings seeking damages or injunctive or other relief generally incidental to its operations. Those proceedings are unrelated to any outstanding City debt or the security therefor. The ultimate disposition of those proceedings is not now determinable, but will not, in the opinion of the City’s Director of Law, have a material adverse effect on any outstanding City debt or the security therefor.

Under current Ohio law, City moneys, accounts and investments are not subject to attachment to satisfy tort judgments against the City in State courts. Current Ohio law also permits the City to reduce its fiscal responsibility in tort liability by deducting all appropriate health benefits, insurance benefits (including uninsured and underinsured motorists coverage) and/or other benefits which a claimant may be

entitled to receive due to injury or other loss. The City does not maintain a policy of liability insurance or a self-insurance fund, or participate in any self-insurance program or pool to satisfy tort liability claims. The City has satisfied in the past, and continues to satisfy, its general, motor vehicle, police, fire and emergency medical services tort liability (after deducting amounts available from any available collateral source) by relying on tax receipts and other available City revenues. At the end of 2010, the City had approximately \$2.9 million available from those sources and unencumbered to meet claims and judgments that may arise in 2011. In addition, the City has the right to issue general obligation bonds, maturing over a maximum period of 25 years, and notes in anticipation of those bonds, to pay any final judgments which may be entered against it.

Bond Counsel

The City retains the legal services of Squire, Sanders & Dempsey (US) LLP as Bond Counsel in connection with the issuance of the bonds and notes of the City. Legal matters incident to the issuance of those bonds and notes and with regard to the tax-exempt status of the interest on those bonds and notes are subject to the legal opinion of that Bond Counsel.

The City has also retained the legal services of Squire, Sanders & Dempsey (US) LLP from time to time as special counsel in connection with matters that do not relate to City bonds or notes.

Squire, Sanders & Dempsey (US) LLP also serves and has served as bond counsel for one or more of the political subdivisions that territorially overlap the City.

RATINGS

Moody's Investors Service, Inc. and Standard & Poor's Ratings Services have assigned their ratings of "A2" and "A," respectively, to the City's uninsured outstanding general obligation bonds and their underlying ratings of "A2" and "A," respectively, to the City's insured outstanding general obligation bonds. Standard & Poor's added a negative outlook to its ratings of such uninsured bonds and to its underlying rating of such insured bonds in October, 2009. No application for a rating of those bonds has been made to any other rating service.

Moody's has assigned its underlying rating of "A3" on all of the City's outstanding insured Nontax Revenue Bonds. No application for a rating of the Nontax Revenue Bonds has been made to any other rating service.

Fitch Ratings, Moody's and S&P have assigned their underlying ratings of "A+," "Aa3" and "A+," respectively, to the City's outstanding Sewer Bonds. No application for a rating of the Sewer Bonds has been made to any other rating service. On August 2, 2011, Fitch Ratings announced that it had downgraded its underlying rating on the Sewer Bonds from "AA-" to "A+".

Fitch, Moody's and S&P have assigned their underlying ratings of "AA-," "Aa3" and "AA-," respectively, to the City's outstanding Water Bonds. No application for a rating of the Water Bonds has been made to any other rating service.

The ratings and assessments reflect only the views of the respective rating services, and any explanation of the meaning or significance of the rating may only be obtained from the respective rating service. The City furnished to each rating service certain information and materials, some of which have not been included in this Annual Statement, relating to the City and its outstanding obligations. Generally, rating services base their ratings on such information and materials and on their own investigations, studies, and assumptions. There can be no assurance that a rating when assigned will continue for any given period of time or that it will not be lowered or withdrawn entirely by a rating service, if in its judgment circumstances so warrant. Any lowering or withdrawal of a rating may have an adverse effect on the marketability or market value of the outstanding obligations.

The City expects to furnish the rating services with information and materials that they may request. However, the City assumes no obligation to furnish requested information and materials, and may issue debt for which a rating is not requested. Failure to furnish requested information and materials, or the issuance of debt for which a rating is not requested, may result in the suspension or withdrawal of a rating on the outstanding obligations.

CONCLUDING STATEMENT

To the extent that any statements made in this Annual Statement involve matters of opinion or estimates, whether or not expressly stated to be such, they are made as such and not as representations of fact or certainty, and no representation is made that any of those statements have been or will be realized. Information in this Annual Statement has been derived by the City from official and other sources and is believed by the City to be accurate and reliable. Information other than that obtained from official records of the City has not been independently confirmed or verified by the City and its accuracy is not guaranteed.

Neither this Annual Statement nor any statement that may have been or that may be made orally or in writing is to be construed as or as part of a contract with the original purchasers or subsequent owners of the obligations of the City.

This Annual Statement has been prepared and delivered by the City and been duly signed for and on behalf of the City by its Mayor and its Director of Finance.

CITY OF TOLEDO, OHIO

By Michael P. Bell
Mayor

By Patrick McLean
Director of Finance

Dated: August 31, 2011

APPENDIX A

Comparative Modified Accrual Basis Summary of General Fund Revenues, Expenditures and Balances for Fiscal Years 2006 through 2010 (Actual) and Fiscal Year 2011 (Budgeted)

(amounts in thousands)

	2006(a)	2007(a)	2008(a)	2009(a)	2010(b)	Budgeted 2011
REVENUES:						
Income Tax	\$164,718	\$169,689	\$154,475	\$141,554	\$144,581	\$147,987
Property Taxes	17,330	19,424	18,078	13,612	11,936	15,902
Licenses and Permits	2,867	2,627	2,500	2,079	2,359	2,609
Intergovernmental Services	23,648	24,327	23,347	24,376	24,118	17,407
Charges for Services	13,842	16,144	19,665	19,401	22,006	26,324
Investment Earnings	4,469	4,663	3,313	1,037	1,016	325
Fines and Forfeitures	5,009	5,168	5,989	4,776	4,486	4,526
All Other Revenue	0	1,089	1,185	7,164	974	1,660
Total Revenues	\$231,883	\$243,131	\$228,552	\$213,999	\$211,476	\$216,740
EXPENDITURES						
Current:						
General Government	\$ 17,041	\$ 16,665	\$ 16,428	\$ 14,399	\$ 15,092	\$ 14,097
Public Service	1,554	1,672	1,807	1,862	1,510	1,779
Public Safety	155,189	161,059	166,634	148,863	153,359	161,272
Public Utilities	13	74	116	71	0	0
Community Environment	4,543	4,931	5,265	4,258	3,929	4,655
Health	15,355	15,849	16,021	14,145	10,971	8,870
Parks and Recreation	3,526	3,034	3,037	2,333	2,100	1,864
Capital Outlay	590	677	585	19,741	2,331	7
Debt Service						
Principal Retirement	1,000	1,437	1,506	1,547	1,615	1,611
Interest & Fiscal Charges	767	1,010	915	880	708	630
Total Expenditures	\$199,578	\$206,408	\$212,314	\$208,099	\$191,615	\$194,785
Excess (Deficiency) of Revenues over Expenditures	32,305	36,723	16,238	5,900	19,861	21,955
Other Financing Sources (Uses):						
Transfers In	1,155	1,423	2,247	1,943	12,007	13,224
Transfers (Out)(c)	(33,388)	(36,336)	(26,697)	(32,269)	(32,548)	(33,322)
Bond Issuance of Debt	0	0	0	12,200	0	0
Premium on Bonds	0	0	0	2	0	0
Sale of Capital Assets	34	0	0	0	55	4,850
Sale of Easements	0	5	10	0	0	0
TOTAL OTHER FINANCING SOURCES AND (USES)	\$ (32,199)	\$ (34,908)	\$ (24,440)	\$ (18,124)	\$ (20,486)	\$ (15,248)
Net Change in Fund Balance	106	1,815	(8,202)	(12,224)	(625)	6,707
Fund Balance (Deficit) at Beginning of Year(d)	10,771	10,791	12,633	4,391	(8,020)	(8,612)
Increase in Reserve for Inventory	(85)	27	(40)	(187)	33	0
Fund Balance (Deficit) at Year-End(d)	\$ 10,792	\$ 12,633	\$ 4,391	\$ (8,020)(e)	\$ (8,612)	\$ (1,905)

(a) Audited.

(b) Unaudited.

(c) Amounts include mandatory and discretionary transfers of municipal income tax revenues to the City's Capital Improvements Fund.

(d) Amounts do not reflect encumbrances or reserves. See **Appendices B and C** for information concerning encumbrances and reserves.

(e) After adjustment for encumbrances, reserves and a \$9,675 note payable entry attributable to the issuance of a general obligation bond anticipation note for solid waste collection and transportation equipment first issued in Fiscal Year 2009, the available fund balance at the end of Fiscal Year 2009 was (\$7,693).

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APPENDIX B

Basic Financial Statements from the City's Comprehensive Annual Financial Report for Fiscal Year 2009 (audited)

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Mary Taylor, CPA

Auditor of State

City Council
City of Toledo
One Government Center, Suite 2050
Toledo, Ohio 43604

We have reviewed the *Independent Auditors' Report* of the City of Toledo, Lucas County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2009 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Toledo is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 4, 2010

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council
City of Toledo, Ohio:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Toledo, Ohio as of and for the year ended December 31, 2009, which collectively comprise the City of Toledo, Ohio's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Toledo, Ohio's management. Our responsibility is to express opinions on the financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Toledo, Ohio as of December 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2010 on our consideration of the City of Toledo, Ohio's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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The management's discussion and analysis and the budgetary information on pages F-5 through F-17 and F-88 through F-91, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purposes of forming opinions on the financial statements that collectively comprise the City of Toledo, Ohio's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Clark, Schaefer, Harshbarger & Co.

Cincinnati, Ohio
August 31, 2010

BASIC FINANCIAL STATEMENTS

CITY OF TOLEDO, OHIO
STATEMENT OF NET ASSETS
DECEMBER 31, 2009
(AMOUNTS IN THOUSANDS)

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-Type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
ASSETS			
Equity in Pooled Cash	\$ 30,210	\$ 13,585	\$ 43,795
Other Cash	33	332	365
Investments	13,746	25,402	39,148
Restricted Investments	36,772	52,126	88,898
Receivables (Net of Allowance for Uncollectible Accounts)			
Taxes	42,588	---	42,588
Accounts	12,457	19,591	32,048
Special Assessments	60,696	---	60,696
Notes	---	6,110	6,110
Internal Balances	16,706	(16,706)	---
Deferred Debt Issuance Cost	246	2,668	2,914
Due from Other Governments	6,529	88	6,617
Prepaid Items and Expenses	---	34	34
Inventory of Supplies	5,662	4,606	10,268
Capital Assets Not Being Depreciated	25,131	283,854	308,986
Capital Assets Being Depreciated (Net)	<u>517,293</u>	<u>408,254</u>	<u>925,546</u>
 Total Assets	 <u>\$ 768,069</u>	 <u>\$ 799,944</u>	 <u>\$1,568,013</u>

The notes to the financial statements are an integral part of this statement.

CITY OF TOLEDO, OHIO
STATEMENT OF NET ASSETS
DECEMBER 31, 2009
(AMOUNTS IN THOUSANDS)

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-Type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
LIABILITIES			
Accounts Payable	\$ 5,921	\$ 2,743	\$ 8,664
Deposits	740	5,885	6,625
Accrued Payroll	11,117	8,774	19,891
Retainages	361	989	1,350
Due to Other Governments	2	---	2
Unearned Revenue	16,688	---	16,688
Other Current Liabilities	26,900	5,402	32,302
Other Debt:			
Due within One Year	71,555	20,981	92,536
Due in More Than One Year	<u>232,377</u>	<u>343,142</u>	<u>575,519</u>
 Total Liabilities	 <u>365,661</u>	 <u>387,916</u>	 <u>753,577</u>
 NET ASSETS			
Invested in capital assets, net of related debt	333,510	327,984	661,494
Restricted for:			
Special Assessments	6,215	---	6,215
Debt Service	---	5,177	5,177
Replacement	---	16,280	16,280
Capital Improvements	46,432	14,802	61,234
Other Purposes	30,451	---	30,451
Unrestricted	<u>(14,200)</u>	<u>47,785</u>	<u>33,585</u>
 Total Net Assets	 <u>\$ 402,408</u>	 <u>\$ 412,028</u>	 <u>\$ 814,436</u>

The notes to the financial statements are an integral part of this statement.

CITY OF TOLEDO, OHIO
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2009
(AMOUNTS IN THOUSANDS)

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Capital Grants</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Primary Government:							
Governmental Activities:							
General Government	\$ 28,464	\$ 72,777	\$ 12,761	\$ 3,859	\$ 60,933	\$ ---	\$ 60,933
Public Service	56,085	---	14	2,036	(54,035)	---	(54,035)
Public Safety	157,024	8,103	4,439	594	(143,888)	---	(143,888)
Public Utilities	139	---	---	---	(139)	---	(139)
Community Environment	19,634	6,364	20,320	11,859	18,909	---	18,909
Health	17,569	5,853	2,926	---	(8,790)	---	(8,790)
Parks and Recreation	6,933	111	229	---	(6,593)	---	(6,593)
Interest and Fiscal Charges	12,442	---	---	---	(12,442)	---	(12,442)
Total Governmental Activities	\$ 298,290	\$ 93,208	\$ 40,689	\$ 18,348	\$ (146,045)	\$ ---	\$ (146,045)
Business-Type Activities:							
Water	36,556	35,913	---	---	---	(643)	(643)
Sewer	49,974	54,189	---	---	---	4,215	4,215
Storm Utility	5,191	10,069	---	---	---	4,878	4,878
Utilities Administration	10,185	8,696	---	---	---	(1,489)	(1,489)
Parking	934	1,459	---	---	---	525	525
Property Management	1,949	208	---	---	---	(1,741)	(1,741)
Small Business Development/Exp. Trust	76	---	---	---	---	(76)	(76)
Tow Lot	1,229	1,418	---	---	---	189	189
Total Business-Type Activities	106,094	111,952	---	---	---	5,858	5,858
Total Primary Government	\$ 404,384	\$ 205,160	\$ 40,689	\$ 18,348	\$ (146,045)	\$ 5,858	\$ (140,187)
General Revenues:							
Taxes:							
Income Taxes					138,474	---	138,474
Property Taxes					15,518	---	15,518
Unrestricted Investments Earnings					2,483	899	3,382
Other Revenue/Grants					6,928	280	7,208
Transfers					655	(655)	-
Total General Revenues and Transfers					164,058	524	164,582
Changes in Net Assets					18,013	6,382	24,395
Net Assets-Beginning, Restated					384,395	405,646	790,041
Net Assets-Ending					\$ 402,408	\$ 412,028	\$ 814,436

The notes to the financial statements are an integral part of this statement.

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CITY OF TOLEDO, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009
(AMOUNTS IN THOUSANDS)

	<u>General</u>	<u>Capital Improvements</u>	<u>Special Assessment Services</u>
ASSETS			
Equity in Pooled Cash	\$ 122	\$ -	\$ -
Other Cash	31	-	-
Investments	756	9,297	2,688
Restricted Investments	12,950	16,443	4,197
Receivables (Net of Allowance for Uncollectible Accounts):			
Taxes	42,588	-	-
Accounts	4,994	533	36
Special Assessments	-	-	58,641
Interfund Receivable	9,406	23,741	664
Due From Other Governments	1,289	940	-
Inventory of Supplies	655	845	2,596
Total Assets	<u>\$ 72,791</u>	<u>\$ 51,799</u>	<u>\$ 68,822</u>
LIABILITIES			
Accounts Payable	1,181	2,732	171
Deposits	140	4	-
Accrued Payroll	9,406	260	664
Retainages	-	348	-
Interfund Payable	24,663	403	18,769
Due to Other Governments	-	-	-
Deferred Revenue	28,982	607	58,641
Other Current Liabilities	6,763	-	-
Debt:			
Notes Payable	9,676	114	41,200
Total Liabilities	<u>\$ 80,811</u>	<u>\$ 4,468</u>	<u>\$ 119,445</u>
FUND BALANCES			
Fund Balances (Deficit):			
Reserved for Encumbrances	2,982	14,996	231
Reserved for Inventory of Supplies	655	845	2,596
Reserved for Capital Improvements	-	12,608	-
Reserved for Debt Service	-	-	-
Reserved for Landfill Remediation	4,161	-	-
Reserved for EPA Loan	-	-	-
Unreserved, Reported In:			
General Fund-Designated for Future Years' Expenditures	465	-	-
Capital Projects Funds	-	-	-
Other Funds	-	-	-
Unreserved	<u>(16,283)</u>	<u>18,882</u>	<u>(53,450)</u>
Total Fund Balances	<u>(8,020)</u>	<u>47,331</u>	<u>(50,623)</u>
Total Liabilities and Fund Balances	<u>\$ 72,791</u>	<u>\$ 51,799</u>	<u>\$ 68,822</u>

The notes to the financial statements are an integral part of this statement.

CITY OF TOLEDO, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009
(AMOUNTS IN THOUSANDS)

	<u>Non Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS		
Equity in Pooled Cash	\$ 12,884	\$ 13,006
Other Cash	2	33
Investments	991	13,732
Restricted Investments	3,182	36,772
Receivables (Net of Allowance for Uncollectible Accounts):		
Taxes	-	42,588
Accounts	6,775	12,338
Special Assessments	2,055	60,696
Interfund Receivable	7,914	41,725
Due From Other Governments	4,300	6,529
Inventory of Supplies	804	4,900
Total Assets	<u>\$ 38,907</u>	<u>\$ 232,319</u>
LIABILITIES		
Accounts Payable	809	4,893
Deposits	596	740
Accrued Payroll	787	11,117
Retainages	13	361
Interfund Payable	2,432	46,267
Due to Other Governments	2	2
Deferred Revenue	4,699	92,929
Other Current Liabilities	2	6,765
Debt:		
Notes Payable	2,015	53,005
Total Liabilities	<u>\$ 11,355</u>	<u>\$ 216,079</u>
FUND BALANCES		
Fund Balances (Deficit):		
Reserved for Encumbrances	5,696	23,905
Reserved for Inventory of Supplies	804	4,900
Reserved for Capital Improvements	-	12,608
Reserved for Debt Service	134	134
Reserved for Landfill Remediation	-	4,161
Reserved for EPA Loan	1,495	1,495
Unreserved, Reported In:		
General Fund-Designated for Future Years' Expenditures	-	465
Capital Projects Funds	(1,932)	(1,932)
Other Funds	21,355	21,355
Unreserved	-	(50,851)
Total Fund Balances	<u>27,552</u>	<u>16,240</u>
Total Liabilities and Fund Balances	<u>\$ 38,907</u>	<u>\$ 232,319</u>

The notes to the financial statements are an integral part of this statement.

CITY OF TOLEDO, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2009
(AMOUNTS IN THOUSANDS)

Total governmental fund balances	\$ 16,240
----------------------------------	-----------

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	520,114
---	---------

Internal service funds are used by management to charge the cost of insurance and other services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of the net assets.	36,334
--	--------

Long-term assets are not available to pay for current period expenditures and Bond issue costs are not deferred in the funds.	246
---	-----

Long-term liabilities, including bonds payable, OWDA loans, capital leases, and compensated absences are not due and payable in the current period and therefore are not reported on the funds.	(246,767)
---	-----------

Revenue will be collected beyond the 60 day period use statements. Revenue and a corresponding receivable are included in the government-wide statements.	<u>76,241</u>
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Net assets of government activities	<u>\$ 402,408</u>
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The notes to the financial statements are an integral part of this statement.

CITY OF TOLEDO, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009
(AMOUNTS IN THOUSANDS)

	<u>General</u>	<u>Capital Improvements</u>	<u>Special Assessment Services</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES:					
Income Taxes	\$ 141,554	\$ -	\$ -	\$ -	\$ 141,554
Property Taxes	13,612	-	-	-	13,612
Special Assessments	-	-	23,389	576	23,965
Licenses and Permits	2,079	18	-	6	2,103
Intergovernmental Services	24,376	25,468	-	40,098	89,942
Charges for Services	19,401	1,037	390	688	21,516
Investment Earnings	1,037	755	37	654	2,483
Fines and Forfeitures	4,776	-	-	1,195	5,971
All Other Revenue	7,164	104	9	1,376	8,653
Total Revenues	<u>\$ 213,999</u>	<u>\$ 27,382</u>	<u>\$ 23,825</u>	<u>\$ 44,593</u>	<u>\$ 309,799</u>
EXPENDITURES:					
Current:					
General Government	\$ 14,399	\$ -	\$ 727	\$ 2,898	\$ 18,024
Public Service	1,862	-	23,318	10,252	35,432
Public Safety	148,863	-	-	6,177	155,040
Public Utilities	71	-	-	44	115
Community Environment	4,258	-	-	13,759	18,017
Health	14,145	-	584	1,744	16,473
Parks and Recreation	2,333	-	159	250	2,742
Capital Outlay	19,741	28,617	27	2,450	50,835
Debt Service:					
Principal Retirement	1,547	3,916	-	13,440	18,903
Interest and Fiscal Charges	880	3,066	1,241	4,433	9,620
Total Expenditures	<u>\$ 208,099</u>	<u>\$ 35,599</u>	<u>\$ 26,056</u>	<u>\$ 55,447</u>	<u>\$ 325,201</u>
Excess (Deficiency) of Revenues/over Expenditures	<u>5,900</u>	<u>(8,217)</u>	<u>(2,231)</u>	<u>(10,854)</u>	<u>(15,402)</u>
OTHER FINANCING SOURCES (USES):					
Transfers In	1,943	31,404	110	20,436	53,893
Transfers (Out)	(32,269)	(29,038)	(9)	(4,587)	(65,903)
Bond Issuance of Debt	12,200	18,075	-	115	30,390
Capital Lease Proceeds	-	3,763	-	-	3,763
Note Proceeds	-	3,887	-	-	3,887
Premium on Bonds	2	533	205	6	746
Total Other Financing Sources and Uses:	<u>\$ (18,124)</u>	<u>\$ 28,624</u>	<u>\$ 306</u>	<u>\$ 15,970</u>	<u>\$ 26,776</u>
Net Change in Fund Balance	(12,224)	20,407	(1,925)	5,116	11,374
Fund Balances (Deficit) at Beginning of Year	4,391	27,069	(48,980)	22,396	4,876
Change in Reserve for Inventory	(187)	(145)	282	40	(10)
Fund Balance (Deficit) at Year End	<u>\$ (8,020)</u>	<u>\$ 47,331</u>	<u>\$ (50,623)</u>	<u>\$ 27,552</u>	<u>\$ 16,240</u>

The notes to the financial statements are an integral part of this statement.

CITY OF TOLEDO, OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009
(AMOUNTS IN THOUSANDS)

Net change in fund balances – total governmental funds	\$ 11,374
Change in Inventory	(10)
Change in Long Term Assets	(16)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$50,835) were less than depreciation (\$38,776) in the current period.	12,059
--	--------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	4,618
--	-------

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt.	(21,681)
--	----------

The net gain of certain activities of internal service funds is reported with governmental activities.	<u>11,669</u>
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Change in net assets of governmental activities.	\$ <u>18,013</u>
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The notes to the financial statements are an integral part of this statement.

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CITY OF TOLEDO, OHIO
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
DECEMBER 31, 2009
(AMOUNTS IN THOUSANDS)

Business-Type Activities - Enterprise Funds

	<u>Water</u>	<u>Sewer</u>	<u>Non Major Enterprise</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
ASSETS					
Current Assets					
Equity in Pooled Cash	\$ 4,945	\$ 5,642	\$ 2,998	13,585	\$ 17,204
Other Cash	325	6	1	332	-
Investments	10,248	12,238	2,916	25,402	14
Restricted Investments	19,266	12,740	20,120	52,126	-
Receivables (Net of Allowance for Uncollectible Accounts):					
Accounts	5,685	11,093	2,813	19,591	119
Notes	-	-	6,110	6,110	-
Interfund Receivable	19,417	22,757	7,308	49,482	22,265
Due From Other Governments	26	22	40	88	-
Prepaid Expenses	-	-	34	34	-
Inventory of Supplies	3,882	695	29	4,606	762
Total Current Assets	<u>63,794</u>	<u>65,193</u>	<u>42,369</u>	<u>171,356</u>	<u>40,364</u>
Non-Current Assets					
Property, Plant and Equipment					
Land	1,762	163	8,949	10,874	350
Buildings	13,933	32,796	28,850	75,579	1,111
Improvements	12,099	51,992	8,217	72,308	463
Machinery and Equipment	30,552	80,548	1,888	112,988	70,190
Furniture and Fixtures	405	948	618	1,971	100
Distribution System	216,559	307,552	11,294	535,405	-
Construction in Progress	25,232	234,244	13,504	272,980	-
Less: Accumulated Depreciation	<u>(102,500)</u>	<u>(266,749)</u>	<u>(20,748)</u>	<u>(389,997)</u>	<u>(49,904)</u>
Net Property, Plant and Equipment	<u>198,042</u>	<u>441,494</u>	<u>52,572</u>	<u>692,108</u>	<u>22,310</u>
Other Assets:					
Deferred Debt Issuance Cost	2,053	615	-	2,668	-
Total Non-Current Assets	<u>200,095</u>	<u>442,109</u>	<u>52,572</u>	<u>694,776</u>	<u>22,310</u>
Total Assets	<u>\$ 263,889</u>	<u>\$ 507,302</u>	<u>\$ 94,941</u>	<u>866,132</u>	<u>\$ 62,674</u>

The notes to the financial statements are an integral part of this statement.

CITY OF TOLEDO, OHIO
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
DECEMBER 31, 2009
(AMOUNTS IN THOUSANDS)

	Water	Sewer	Non Major Enterprise	Total	Internal Service Funds
LIABILITIES AND NET ASSETS					
Current Liabilities:					
Accounts Payable	\$ 854	\$ 1,207	\$ 682	\$ 2,743	\$ 1,028
Deposits	3,437	2,447	1	5,885	-
Accrued Payroll	2,529	4,798	1,447	8,774	-
Retainages	527	367	95	989	-
Interfund Payable	22,613	20,790	22,785	66,188	1,017
Other Current Liabilities	-	5,364	38	5,402	20,135
Current Portion of Long Term Debt	7,681	11,230	2,070	20,981	4,160
Total Current Liabilities	37,641	46,203	27,118	110,962	26,340
Debt:					
Notes Payable	12,754	198,379	4,973	216,106	-
General Obligation Bonds Payable	-	-	20,864	20,864	-
Revenue Bonds Payable	69,960	30,325	-	100,285	-
Capital Lease Obligation	-	-	5,887	5,887	-
Total Long-Term Liabilities	82,714	228,704	31,724	343,142	-
Total Liabilities	120,355	274,907	58,842	454,104	26,340
NET ASSETS					
Invested in Capital Assets					
net of related debt:	107,647	201,560	18,777	327,984	18,150
Restricted for Debt Service	781	4,010	386	5,177	-
Restricted for Replacement	9,848	-	6,432	16,280	2,000
Restricted for Improvement	-	-	14,802	14,802	-
Unrestricted	25,258	26,825	(4,298)	47,785	16,184
Total Net Assets	\$ 143,534	\$ 232,395	\$ 36,099	\$ 412,028	\$ 36,334

The notes to the financial statements are an integral part of this statement

CITY OF TOLEDO, OHIO
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2009
(AMOUNTS IN THOUSANDS)

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Governmental Activities - Internal Service Funds</u>
	<u>Water</u>	<u>Sewer</u>	<u>Non Major Enterprise</u>	<u>Total</u>	
OPERATING REVENUES:					
Charges for Services	\$ 35,813	\$ 54,094	\$ 20,573	\$ 110,480	\$ 25,917
Other Revenue	100	95	1,277	1,472	283
Total Operating Revenues	35,913	54,189	21,850	111,952	26,200
OPERATING EXPENSES:					
Personal Services	11,135	14,451	8,746	34,332	6,034
Contractual Services	7,872	10,424	6,302	24,598	10,167
Materials and Supplies	5,498	2,297	646	8,441	5,494
Utilities	2,342	3,438	145	5,925	998
Depreciation and Amortization	5,438	8,202	1,605	15,245	4,231
Total Operating Expenses	32,285	38,812	17,444	88,541	26,924
	3,628	15,377	4,406	23,411	(724)
NON-OPERATING REVENUES (EXPENSES):					
Investment Earnings	349	122	428	899	-
Interest Expense and Fiscal Charges	(4,271)	(10,632)	(2,119)	(17,022)	(272)
Other Revenue (Expenses)	25	(530)	255	(250)	-
Total Nonoperating Revenues (Expenses)	(3,897)	(11,040)	(1,436)	(16,373)	(272)
Income (Loss) before Transfers	(269)	4,337	2,970	7,038	(996)
Transfers In	-	-	1,447	1,447	13,226
Transfers (Out)	(90)	(168)	(1,844)	(2,102)	(561)
Total Transfers In (Out)	(90)	(168)	(397)	(655)	12,665
Change in net assets	(359)	4,169	2,573	6,383	11,669
Net Assets at Beginning of Year	143,893	228,226	33,526	405,645	24,665
Net Assets at End of Year	\$ 143,534	\$ 232,395	\$ 36,099	\$ 412,028	\$ 36,334

The notes to the financial statements are an integral part of this statement.

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City of Toledo, Ohio
Proprietary Funds
Statement of Cash Flows
For the Year Ended December 31, 2009
(Amounts in Thousands)

	<u>Water</u>	<u>Sewer</u>	<u>Non-Major Enterprise</u>
Cash Flows from Operating Activity			
Receipts from Customers	\$37,561	\$ 53,980	\$ 20,860
Payments to Suppliers	(17,856)	(21,970)	(10,349)
Payments to Employees	(11,135)	(14,451)	(8,746)
Other Receipts	<u>100</u>	<u>95</u>	<u>1,277</u>
Net Cash Provided by (Used for) Operating Activity	<u>8,670</u>	<u>17,654</u>	<u>3,042</u>
Cash Flows from Noncapital Financing Activities			
Transfers In	---	---	1,447
Transfers Out	<u>(90)</u>	<u>(168)</u>	<u>(1,844)</u>
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(90)</u>	<u>(168)</u>	<u>(397)</u>
Cash Flows from Capital & Related Financing Activities:			
Acquisition and Construction of Capital Assets	(10,386)	(17,993)	(3,925)
Principal Paid on Bond Maturities	(4,982)	(17,158)	(5,945)
Issuance of Revenue Bonds and Notes	103	17,817	4,211
Federal Grants	--	--	--
Interest Expense and Fiscal Charges	(4,271)	(10,632)	(2,119)
Proceeds from Grants and Other Expenses	<u>25</u>	<u>(530)</u>	<u>255</u>
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(19,511)</u>	<u>(28,496)</u>	<u>(7,523)</u>
Cash Flows from Investing Activities:			
Purchase of Investment Securities	(171,543)	(98,336)	(160,000)
Sale and Maturities of Investment Securities	186,217	103,984	163,285
Investment Earnings and Dividends on Investments	<u>349</u>	<u>122</u>	<u>428</u>
Net Cash Provided by (Used for) Investing Activities	<u>15,023</u>	<u>5,770</u>	<u>3,713</u>
Net Increase (Decrease) in Cash and Cash Equivalents	4,092	(5,240)	(1,165)
Cash and Cash Equivalents (Restricted and Unrestricted) at Beginning of Year	<u>1,178</u>	<u>10,888</u>	<u>4,164</u>
Cash and Cash Equivalents (Restricted and Unrestricted) at End of Year	<u>\$ 5,270</u>	<u>\$ 5,648</u>	<u>\$ 2,999</u>

The notes to the financial statements are an integral part of this statement.

City of Toledo, Ohio
Proprietary Funds
Statement of Cash Flows
For the Year Ended December 31, 2009
(Amounts in Thousands)

	<u>Total</u>	<u>Internal Service Fund</u>
Cash Flows from Operating Activity		
Receipts from Customers	\$112,401	\$ 25,867
Payments to Suppliers	(50,175)	(23,760)
Payment to Employees	(34,332)	(6,034)
Other Receipts	<u>1,472</u>	<u>268</u>
Net Cash Provided by (Used for) Operating Activity	<u>29,366</u>	<u>(3,659)</u>
Cash Flows from Noncapital Financing Activities:		
Transfers In	1,447	13,226
Transfers Out	<u>(2,012)</u>	<u>(561)</u>
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>655</u>	<u>12,665</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	(32,304)	(13,283)
Principal Paid on Bond Maturities	(28,085)	(9,930)
Issuance of Revenue Bonds and Notes	22,131	8,320
Federal Grants	--	--
Interest Expense and Fiscal Charges	(17,022)	(272)
Proceeds from Grants and Other Expenses	<u>(250)</u>	<u>(331)</u>
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(55,530)</u>	<u>(15,496)</u>
Cash Flows from Investing Activity:		
(Purchase) of Investment Securities	(429,879)	---
Sale and Maturities of Investment Securities	453,486	60
Investment Earnings and Dividends on Investments	<u>899</u>	<u>---</u>
Net Cash Provided by (Used for) Investing Activities	<u>24,506</u>	<u>60</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,313)	(6,430)
Cash and Cash Equivalents (Restricted and Unrestricted) at Beginning of Year	<u>16,230</u>	<u>23,634</u>
Cash and Cash Equivalents (Restricted and Unrestricted) at End of Year	<u>\$ 13,917</u>	<u>\$ 17,204</u>

The notes to the financial statements are an integral part of this statement.

City of Toledo, Ohio
Proprietary Funds
Statement of Cash Flows
For the Year Ended December 31, 2009
(Amounts in Thousands)
(Continued)

	<u>Water</u>	<u>Sewer</u>	<u>Non-Major Enterprise</u>
Cash Flows from Operating Activity:			
Operating Income (Loss)	\$ 3,628	\$ 15,377	\$ 4,406
Adjustments to Reconcile Operating Income (Loss)			
To Net Cash Provided by (Used for) Operating Activities:			
Depreciation and Amortization	5,438	8,202	1,605
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	1,748	(114)	287
(Increase) Decrease in Prepaid Expenses	--	58	327
(Increase) Decrease in Interfund Balances	6,564	1,656	(2,973)
(Increase) Decrease in Due from Other Governments	(26)	(22)	16
(Increase) Decrease in Deferred Debt Issuance Costs	--	--	--
(Increase) Decrease in Inventory of Supplies	(553)	(22)	(20)
Increase (Decrease) in Accounts Payable	(1,848)	(1,951)	65
Increase (Decrease) in Deposits & Accrued Payroll	137	(21)	1,427
Increase (Decrease) in Retainage	208	(1,326)	6
Increase (Decrease) in Interfund Balances	(5,943)	(5,421)	(2,104)
Increase (Decrease) in Due to Other Governments	--	(99)	--
Increase (Decrease) in Other Current Liabilities	<u>(683)</u>	<u>1,337</u>	<u>--</u>
Total Adjustments	5,042	2,277	(1,364)
Net Cash Provided by (Used for) Operating Activities	<u>\$ 8,670</u>	<u>\$17,654</u>	<u>\$ 3,042</u>

The notes to the financial statements are an integral part of this statement.

City of Toledo, Ohio
Proprietary Funds
Statement of Cash Flows
For the Year Ended December 31, 2009
(Amounts in Thousands)
(Continued)

	<u>Total</u>	<u>Internal Service Fund</u>
Cash Flows from Operating Activity:		
Operating Income (Loss)	\$ 23,411	\$ (724)
Adjustments to Reconcile Operating Income (Loss)		
To Net Cash Provided by (Used for) Operating Activities:		
Depreciation and Amortization	15,245	4,231
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	1,921	(51)
(Increase) Decrease in Prepaid Expenses	385	--
(Increase) Decrease in Interfund Balances	5,247	(4,545)
(Increase) Decrease in Due from Other Governments	(32)	--
(Increase) Decrease in Deferred Debt Issuance Costs	--	--
(Increase) Decrease in Inventory of Supplies	(595)	(125)
Increase (Decrease) in Accounts Payable	(3,734)	(987)
Increase (Decrease) in Deposits & Accrued Payroll	1,543	(1,767)
Increase (Decrease) in Retainage	(1,112)	--
Increase (Decrease) in Interfund Balances	(13,468)	275
Increase (Decrease) in Due to Other Governments	(99)	--
Increase (Decrease) in Other Current Liabilities	<u>654</u>	<u>34</u>
Total Adjustments	<u>5,955</u>	<u>(2,935)</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 29,366</u>	<u>\$ (3,659)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF TOLEDO, OHIO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS-AGENCY
DECEMBER 31, 2009
(AMOUNTS IN THOUSANDS)

	<u>Total</u>
ASSETS	
Equity in Pooled Cash	\$ 1,464
Investments	<u>949</u>
Total Assets	<u>\$ 2,413</u>
LIABILITIES	
Liabilities	
Accounts Payable	\$ 56
Deposits	949
Other Current Liabilities	<u>1,408</u>
Total Liabilities	<u>\$ 2,413</u>

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

CITY OF TOLEDO, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Toledo, Ohio ("City") was incorporated January 7, 1837, and operates under its Charter adopted in November 1914. The City may exercise all powers of local self-government granted under Article XVIII, Section 3, of the Ohio Constitution, not in conflict with applicable general laws of Ohio. The City government operates as a Strong Mayor/Council form of government. The Charter authorizes the following services: Public Safety, Highways and Streets, Water and Sanitation, Health and Social Services, Culture-Recreation, Public Improvements, Planning and Zoning, and General Administrative Services.

The basic financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles in the United States of America. The more significant of the City's accounting policies are described below:

A. Reporting Entity

As defined by generally accepted accounting principles established by the GASB, the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either (a) the ability to impose will by the primary government, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. The accompanying financial statements present the City of Toledo (the Primary Government) which does not have any component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

CITY OF TOLEDO, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, even though agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Income taxes, property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *capital improvements fund* accounts for construction, improvement and acquisition of buildings and infrastructure.

The *special assessment services fund* accounts for the proceeds of special assessments (and related note sales) levies against property benefited from City services.

CITY OF TOLEDO, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The government reports the following major proprietary funds:

The *water and sewer funds* account for the activities of these funds. These funds operate the sewage treatment plant, sewage pumping stations and collection systems, and the water distribution system.

Additionally, the government reports the following fund types:

Internal service funds account for data processing and fleet management services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis.

General Agency – which accounts for various licenses, fees and taxes, such as restaurant licenses, that the City collects as an agent for the State of Ohio; and to account for bonds and other monies deposited with the Municipal Court.

Municipal Court – an agency fund that accounts for bonds and other monies deposited with the Court pending final disposition of the various cases. While the records of the Court are the responsibility of a separate elected Clerk of Courts and not the Finance Department, the balances have been included in these financial statements in compliance with GASB Statement 14.

The City accounts for its Proprietary Fund Financial statements consistent with all applicable GASB pronouncements, as well as the guidance of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict those of GASB. The City has elected not to apply the provisions of the FASB Guidance issued after November 30, 1989.

D. Basis of Financial Statement Presentation - Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures (expenses).

The various funds are summarized by type in the combined financial statements. The following fund types are used by the City:

CITY OF TOLEDO, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Financial Statement Presentation - Fund Accounting (Continued)

Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. Governmental Funds are accounted for on a spending or "financial flow" measurement focus. The acquisition and use of available spendable resources during the year and balances of the City's available spendable financial resources at the end of the year are measured in Governmental Funds. The following are the City's Governmental Fund types:

General Fund - The General Fund is used to account for all resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or for major capital projects) that are legally restricted to expenditure for specified purposes.

Permanent Funds - Permanent Funds account for resources that are held in trust for a specific time and purpose.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

Proprietary Funds

Proprietary Funds are used to account for the City's ongoing organizations and activities that are similar to those often found in the private sector.

Proprietary Funds are accounted for on a "cost of service" or "economic resources" measurement focus. This means that all assets and liabilities associated with their activity are included on their balance sheets, and operating statements present increases and decreases in total net assets. Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. The principal operating revenues of the Water System, Wastewater Treatment Plant and Sewer System and of the Internal Service Funds are charges to customers for services. Operating expenses for Enterprise Funds and Internal Service Funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF TOLEDO, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Financial Statement Presentation - Fund Accounting (Continued)

The following are the City's Proprietary Fund types:

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private enterprises - where the intent of the City is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the City has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for economic resources, public policy, management control accountability or other purposes.

Internal Service Funds - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units, on a cost-reimbursement basis.

Fiduciary Funds

Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and other Funds. Agency Funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

E. Annual Budget Process

An annual budget is prepared for all Governmental funds of the City. All budgets are adopted on a basis consistent with GAAP. Budgetary comparisons presented in this report are on this budgetary basis.

The City's budgetary process is as follows:

Budget - A Certificate of Estimated Revenue is submitted to the County Auditor, as Secretary of the County Budget Commission, by October 31 of each year for the period January 1 to December 31 of the following year.

Estimated Resources - The County Budget Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official Certificate of Estimated Resources, which states the projected revenue of each Fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditure from any fund during the ensuing fiscal year will not exceed the amount stated in the Certificate of Estimated Resources. On or about January 1, the certificate is amended to include any unencumbered balances from the preceding year.

CITY OF TOLEDO, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Annual Budget Process (Continued)

Appropriations - A temporary appropriation measure to control disbursements may be passed on or about January 1 of each year for the period from January 1 to March 31. During this period, the Administration presents an Executive Budget that is reviewed by City Council for its revision and approval. Upon completion of City Council's review, the revised Executive Budget is summarized into an ordinance that is approved by City Council to provide expenditure authority for an Appropriated Budget. This ordinance receives City Council approval no later than March 31 for the annual period ending December 31. During the year as additional information becomes available, City Council approves transfers, allocations, supplemental appropriations, and the reappropriation of encumbrances carried over from the prior year. Appropriations did not exceed estimated resources and all original appropriation authority resides with City Council. Management retains administrative authority to transfer existing appropriation authority under \$25 within personal services and between other account codes within an organization in a fund.

Budgetary Level of Control - The City is required by Ohio Law to establish annual appropriations for all necessary Funds. These appropriated budgets affect legal control at various levels for individual Funds. Budgetary control is exercised for the General Fund, Special Revenue Funds, and Debt Service Funds at the organizational level distinguishing between personal services and other expenditures. Budgetary control of grant funds is exercised by individual grant for each organization at the personal services and other level. Capital Projects Funds are legislatively controlled by individually approved projects for each organization. Expenditures may not legally exceed appropriations at this level.

The City meets its legal compliance requirements to report at the budgetary level of control with the City of Toledo's Special Budgetary Comparison Report (SBCR). The SBCR reports at the appropriate budgetary level of control for Governmental Funds on a GAAP basis. Because of the complexity of the budgetary control requirement, presentation of budget versus actual financial results in this CAFR would be very detailed and voluminous. Therefore, as permitted by GAAP, the SBCR for the year ended December 31, 2009 is available for public inspection at the Department of Finance's Office.

Encumbrances - Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of the formal budgetary control process. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

Lapsing of Appropriations - At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and is reappropriated.

CITY OF TOLEDO, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Proprietary Funds consider Equity in Pooled Cash and Other Cash to be cash equivalents.

G. Investments

Investments consist primarily of certificates of deposit, repurchase agreements, government securities, and the State Treasurer's Investment Pool (Star Ohio) and are stated at fair value. The fair value of the State Treasurer's Investment Pool is Star Ohio's share price, which is the price at which the investment could be sold. Star Ohio is an investment pool managed by the State Treasurer's office which allows governments to pool their funds for investment purposes. Star Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 27 of the Investment Company Act of 1940. The Pool is subject to the Ohio Revised Code and an annual audit as of December 31, 2009 by an independent CPA firm. Interest earned from investments purchased with pooled cash is credited to the General Fund, except as stipulated by ordinance.

H. Inventory of Supplies

Inventory is valued at cost in Governmental Funds, and the lower of cost or market in Proprietary Funds on the first-in, first-out (FIFO) method. Inventory in the Governmental Funds consists of expendable supplies held for consumption. The cost is recorded as expenditure at the time individual inventory items are purchased. Recorded inventories in the Governmental Fund types are equally offset by a fund balance reserve that indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

I. Restricted Assets

Proceeds from debt and other assets set aside for specific purposes are classified as restricted assets since their use is limited by applicable bond indentures.

J. Property, Plant and Equipment

Property, plant and equipment are stated at cost or estimated historical cost or, if donated, at fair market value at the date donated. All Property, Plant and Equipment with an individual cost of \$500 (Five Hundred Dollars) or greater are capitalized. Infrastructure consisting of roads, bridges, curbs and gutters, sidewalks, drainage systems, lighting systems and water and sewer lines are capitalized in the applicable governmental or business type activities column in the government-wide financial statements.

CITY OF TOLEDO, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Depreciation

Depreciation for all capital assets is determined by depreciating the cost of capital assets over the estimated useful lives of the assets on the straight-line basis. The estimated useful lives are as follows:

Distribution Systems	100 Years
Buildings	35-50 Years
Improvements	10-20 Years
Furniture and Fixtures	8-20 Years
Machinery and Equipment	5-25 Years
Infrastructure	20-50 Years

Depreciation expense is charged to Operations for Proprietary Fund capital assets and Governmental Activities capital assets in the government-wide financial statements.

L. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. Special Assessment Services and Improvements

The City provides special services primarily for snow removal, leaf pickup, street resurfacing and street lighting. These services are assessed in the real estate tax bills to the benefited property owners. The City pays the actual costs of these services, which are then levied as special assessments and collected two years after the service has been rendered. The assessments receivable relating to such services, including interest, amounted to \$58,641 at December 31, 2009 and will be collected in 2010 and 2011.

CITY OF TOLEDO, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Special Assessment Services and Improvements (Continued)

Special assessment notes are issued for the interim financing of various improvements to be assessed from benefiting property owners. Interest expenditures on special assessment notes amounted to \$215 in 2009. These improvements include streets, alleys, sanitary sewers, sidewalks, storm sewers and water lines. Upon completion of the approved projects, the notes are converted to long-term bonds which are assessed over a 10 or 20 year period depending on the type and cost of the improvement. As of December 31, 2009, the assessments receivable on such assessed improvement projects amounted to \$1,729.

N. Special Assessment Bond Retirement

Special assessment bonds are issued to finance the assessed portion of the cost of streets, alleys, sanitary sewers, sidewalks, storm sewers and water lines. These bonds are due in varying annual debt service payments ranging from \$35 in 2009 to \$15 in 2013. At December 31, 2009, the assessments receivable for bond retirements was \$326.

O. Compensated Absences

The City accrues vacation pay, compensatory time off, and sick leave as accrued wages and benefits payable when earned by employees using the "termination method." For Governmental Fund types, the liability not requiring expendable available financial resources is a long-term obligation, since compensated absences are reported in governmental funds only if they have matured (i.e., unused reimbursable leave paid out following an employee's resignation or retirement). Any Governmental fund that records personnel costs may increase or decrease the compensated absence liability. Those Governmental funds include the General Fund, the Special Revenue Funds and the Capital funds. The current obligations of all Funds and the long-term obligations of Proprietary Funds are fully funded.

Vacation time is earned in the current year and is required to be taken in the subsequent year. Upon approval, any unused amounts may be carried over for an additional four months. Employees have the option of receiving compensatory time off in lieu of pay for overtime worked. Compensatory time off earned in the current year which is in excess of one hundred hours must be taken by April 30 of the subsequent year. Unused sick days may be accumulated without limitation. Typically, the General Fund, SCMR Fund and Special Assessment Service Fund liquidate the liability for compensated absences. Upon retirement, death or leaving the City's employment with qualifying years of service, an employee is paid one-half of the first sixteen hundred unused sick hours and the total of any remaining accumulated hours.

CITY OF TOLEDO, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Interfund Transactions

During the course of normal operations, the City has numerous transactions between Funds, including expenditures and transfers of resources to provide services, fund capital improvements and service debt. The accompanying financial statements generally reflect such routine transactions as transfers. Operating subsidies are also recorded as transfers.

	Transfer In						
	General Fund	Capital Improvement Fund	Special Assessment Services	Non-Major Governmental Funds	Non- Major Enterprise Funds	Internal Service Funds	Total
Transfer Out:							
General Fund	\$ --	\$ 30,992	\$ --	\$ 17	\$ 1,259	\$ 1	\$32,269
Capital Improvement Fund	248	--	--	16,073	54	12,663	29,038
Special Assessment Services	--	--	--	--	9	--	9
Non-Major Governmental Funds	344	412	110	3,721	--	--	4,587
Water Funds	--	--	--	90	--	--	90
Sewer Funds	--	--	--	168	--	--	168
Non-Major Enterprise Funds	1,351	--	--	367	125	1	1,844
Internal Service Funds	--	--	--	--	--	561	561
Total Transfers In:	\$1,943	\$31,404	\$110	\$20,436	\$ 1,447	\$13,226	\$68,566

CITY OF TOLEDO, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Insurance

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or Acts of God. As required by state law, the City is registered and insured through The Industrial Commission of Ohio and Bureau of Workers' Compensation for injuries to its employees. During fiscal 1988, the City established the Risk Management Fund (an internal service fund) to account for and finance insurance premiums, excluding workers' compensation premiums, and uninsured risks of loss. Under this program, the Risk Management Fund provides coverage for all general liability claims, and up to \$100 for each property damage claim. The City has purchased commercial insurance for property claims in excess of the foregoing deductible.

All funds of the City participate in the program and make payments to the Risk Management Fund based on actuarial estimates for the amounts needed to pay prior and current year claims and to establish a reserve for other accrued liabilities. The \$1,560 claims liability reported in the Risk Management Fund, an Internal Service Fund, at December 31, 2009 is based on the requirements that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the Risk Management Fund's claim liability amount in fiscal years 2007, 2008 and 2009 were:

	Balance at Beginning of Year	Current-Year Claims and Changes In Estimates	Claim Payments	Balance at End of Year
2007	2,030	(90)	510	1,430
2008	1,430	659	529	1,560
2009	1,560	610	610	1,560

None of the City's settlements have exceeded the insurance coverage for each of the past three fiscal years.

During fiscal 1990, the City established a Workers' Compensation Fund (an internal service fund) to account for and finance its uninsured risks of loss for workers' compensation claims. For claims incurred prior to 1995, the Workers' Compensation Fund provides coverage for up to a maximum of \$250 for each worker's compensation claim. For claims incurred after January 1, 1995, there is unlimited coverage.

The City pays premiums to the State of Ohio Bureau of Workers' Compensation for claims in excess of coverage provided by the Fund. In addition, the Fund will pay assessments to the Bureau of Workers' Compensation for administration and payment of claims.

CITY OF TOLEDO, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Insurance (Continued)

All funds of the City participate in the program and make payments to the Workers' Compensation Fund based on actuarial estimates of the amounts needed to pay current-year claims. The claim liability of \$18,575 reported in the Fund at December 31, 2009 is based on the requirements of Governmental Accounting Standard Board Statement 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. This liability includes an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Liabilities for losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using an expected future investment yield assumption of 2.00 percent.

Changes in the Workers' Compensation Fund's claim liability amount in fiscal years 2007, 2008 and 2009 were:

	<u>Balance at Beginning of Year</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2007	17,117	5,943	5,119	17,941
2008	17,941	7,162	6,560	18,543
2009	18,543	6,767	6,735	18,575

R. Fund Balance Reserves and Designations

The Governmental Funds balance sheet of the City of Toledo reports reserves and designations of fund equity for:

- a) Encumbrances: The portion of Fund Balance segregated for expenditure on vendor performance.
- b) Inventory of Supplies: A portion of Fund Balance represented by inventories that is not available for appropriation and expenditure.
- c) Capital Improvements: A portion of fund balance segregated for capital expenditures.
- d) Debt Service: A portion of Fund Balance legally restricted to the payment of long-term debt principal and interest amounts maturing in future years.

CITY OF TOLEDO, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Fund Balance Reserves and Designations (Continued)

- e) Landfill Remediation: A portion of Fund Balance designated to pay for the post-closure costs of former landfill sites.
- f) Future Years Expenditure: A portion of fund balance segregated for expenditures appropriated in the current fiscal year to be paid in the next year.
- g) Proprietary Fund Revenues: A portion of Net Assets segregated for Debt Service, Replacement and Improvement.

S. Reconciliation of Government-Wide and Fund Financial Statements

- a) Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that, "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$246,767 difference are as follows:

Accrued Compensated Absences	\$ 45,060
Landfill Closure	13,259
Capital Project Loans	50,579
General Obligation Bonds	120,383
Capital Project Leases	2,853
Accrued Interest	<u>14,633</u>
Net adjustment to reduce <i>fund balance-total Governmental funds</i> to arrive at <i>net assets-Governmental activities</i>	<u>\$246,767</u>

- b) Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

CITY OF TOLEDO, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reconciliation of Government-Wide and Fund Financial Statements (Continued)

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that, “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$12,059 difference are as follows:

Capital Outlay	\$ 50,835
Depreciation Expense	<u>(38,776)</u>
Net adjustment to increase <i>net changes in fund balances–total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 12,059</u>

Another element of that reconciliation states that, “the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this difference are as follows:

Debt Issued or Incurred:	
Issuance of General Obligation Bonds	\$ (33,786)
Increase in Compensated Absences	(974)
Increases in Notes	(3,887)
Accrued Interest	(2)
Capital Leases	(3,763)
Principal Repayments:	
Landfill Closure	278
Leases	1,550
General Obligation Debt	<u>18,903</u>
Net adjustment to increase <i>net changes in fund balances–Total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$(21,681)</u>

CITY OF TOLEDO, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 2. EQUITY IN POOLED CASH

Receipts from the Water and Sewer Utility Enterprise Funds and for certain other Funds are deposited and maintained in separate bank accounts or invested in short-term cash equivalents which are specifically segregated. Receipts from all other City Funds are pooled to provide for maximum investment returns on idle cash balances. Each Fund records its proportionate equity in the pooled account.

Certain Funds have made disbursements from the pooled cash in excess of their individual equities. This excess has been aggregated by Fund type and is reported in the basic balance sheet as Interfund Payables. These excesses are generally temporary and are repaid from normal Fund operations.

<u>Fund Type</u>	<u>Equity in Pooled Cash</u>
General	\$ 122
Other Governmental Funds	12,884
Water	4,945
Sewer	5,642
Non-Major Enterprise	2,998
Internal Service	17,204
Trust and Agency	1,464
Total Pooled Cash at December 31, 2009	<u>\$ 45,259</u>

NOTE 3. DEPOSITS AND INVESTMENTS

The City's deposits and investments are included on the balance sheet as Equity in Pooled Cash, Other Cash, and Investments at fair value.

	<u>Deposits</u>	<u>Investments</u>	<u>Total</u>
Equity in Pooled Cash	\$ 5,021	\$ 40,238	\$ 45,259
Other Cash	365	—	365
Investments	<u>---</u>	<u>128,995</u>	<u>128,995</u>
Total	<u>\$ 5,386</u>	<u>\$ 169,233</u>	<u>\$ 174,619</u>

The City liquid resources are maintained or invested in bank accounts and short-term investments in order to maximize the rate of interest that can be earned on invested funds. An Investment Advisory Committee, established in 1986, continually reviews and makes recommendations regarding the City's investment activity and also monitors compliance with the City's investment policies.

CITY OF TOLEDO, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

A. Deposits

The deposit of City resources is governed by portions of the Ohio Revised Code and the Toledo Municipal Code. Such deposits may consist of either demand deposits or nondemand savings accounts. Under both the Ohio Revised Code and the Toledo Municipal Code, deposits are subject to collateralization requirements to the extent that they are not insured by the Federal Deposit Insurance Corporation (FDIC). Such uninsured amounts must be collateralized by either specific or pooled collateral in an amount at least equal to the uninsured portion of the deposit. In accordance with the Toledo Municipal Code, only depositories with an office located in the City may be used.

At December 31, 2009, the carrying amount of the City's deposits was \$5,386 and the bank balance was \$9,950. Of the bank balance, the entire amount was covered by deposit insurance.

B. Investments

The investment of City financial resources is governed by the Toledo Municipal Code and the Ohio Revised Code. The Toledo Municipal Code authorizes the City to invest in City of Toledo Securities, Government Securities, Repurchase Securities, Municipal Securities, and the State Treasurer's Investment Pool. The Toledo Municipal Code limits investments in Repurchase Securities to ten million dollars per financial institution, and limits investment in the State Treasurer's Investment Pool to 40% of the principal amount of the investment portfolio. These requirements ensure the diversification of the investment portfolio. Repurchase Agreements may not have a term exceeding thirty days. As of December 31, 2009, the City had the following investments and maturities:

	Percent of Total Investments	Fair Value	Investment Maturity in Years		
				Less Than	
			1	2 - 5	6 - 9
City of Toledo Municipal Bonds	3.7%	\$ 6,250	\$ 1,150	\$5,100	—
Government Agencies					
Federal Farm Credit Bureau	16.0%	27,127	—	27,127	
Federal Home Loan Bank	26.4%	44,677	1,143	43,534	
Federal Home Loan Mortgage Corp.	24.5%	41,447	395	41,052	
Federal National Mortgage Assoc.	9.9%	16,690	960	15,730	
Total Governmental Agencies	76.8%	129,941	2,498	127,443	
State Treasurer's Investment Pool	19.5%	33,029	33,029		
Certificate of Deposit/Savings	=	13	13	=	=
Total Investments	100.0%	\$169,233	\$36,690	\$132,543	\$ --

CITY OF TOLEDO, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits maturity of its investments to a period of no longer than three years, unless the investment is matched to a specific cash requirement. If the investment is matched to a specific cash requirement for debt service, maturity period shall not exceed seven years from date of purchase. Repurchase agreements may not have a term exceeding thirty days.

Credit Risk

It is the City's policy to limit its investments to certificates of deposit, demand deposits that bear interest, government agencies, government securities, repurchase agreements, municipal securities, non-demand savings accounts, State Treasurer's Investment Pool (STAR Ohio), and City of Toledo Municipal securities. STAR Ohio was rated AAAm by Standard & Poor's. The Federal Farm Credit Bureau, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation and Federal National Mortgage Association have been rated AAA by Standard & Poor's.

Both the Toledo Municipal Code and the Ohio Revised Code have specific requirements for the collateralization of investments. The Toledo Municipal Code requires that securities underlying Repurchase Agreements must have a market value of at least 100% of the Repurchase Agreements. At the end of each month, the financial institution must review the market value of the collateral, increasing the collateral if it falls below the market value of the investment. All securities held for investment must be deposited for safekeeping with a custodian who is not the vendor of the investment.

All of the investments are held by the City or the custodian in the City's name. Investments in the State Treasurer's Investment Pool are not categorized because they are not evidenced by securities that exist in physical or book entry form.

CITY OF TOLEDO, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Concentration of Credit Risk

The City places the following limitations on the amount the City may invest in any one issuer.

Certificates of Deposit or Non-demand Savings Account	Funds invested shall not exceed 10% of the aggregate principal amount of the City's investment portfolio as of the purchase date of the certificate of deposit.
Government Agencies	Funds invested shall not exceed 25% of the aggregate principal amount of the City's investment portfolio as of the settlement date to be invested in the obligations of that individual Governmental Agency.
Repurchase Agreements	No more than \$10 million may be invested at any one time with any one institution.
State Treasurer's Investment	Funds invested shall not exceed 40% of the aggregate principal amount of the City's investment portfolio.
City of Toledo Municipal Securities	Funds invested shall not exceed 10% of the aggregate principal amount of the City's investment portfolio as of the date of purchase.

NOTE 4. RECEIVABLES

The allowance for uncollectible receivables consists of the following at December 31, 2009:

<u>Fund Type</u>	<u>Accounts</u>	<u>Notes</u>
General	\$7,508	\$ —
Capital Improvements	163	—
Special Assessment Services	17	—
Other Governmental Funds	1,982	30,614
Water	2,378	—
Sewer	5,145	—
Other Enterprise Funds	1,154	16,617
Internal Service Funds	387	—
Total	<u>\$18,734</u>	<u>\$47,231</u>

CITY OF TOLEDO, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 5. INCOME TAXES

The City levies an income tax of 2.25% on substantially all earned income arising from employment, residency, or business activities carried on inside the City. The first 1.5% of the income tax is a permanent levy, of which 0.25% of this tax is dedicated to capital improvements. The additional 0.75% of the income tax is slated to expire on December 31, 2012 and, of this tax, 0.25% is also dedicated for capital improvements. The City is required by Statute to transfer those income taxes dedicated for capital improvements to the Capital Improvements Fund. In 2009, the City made all required transfers to the Capital Improvements Fund.

Employers within the City are required to withhold income tax on employee compensation and remit it to the City at least quarterly. Corporations and certain individual taxpayers are required to pay quarterly estimates.

NOTE 6. PROPERTY TAX

The property tax levy is based on the assessed value listed as of January 1, 2009, the lien date, for all real and public utility property located in the City. The assessed values are established by the County Auditor at 35% of the current market value and a revaluation of all properties is required every six years with a statistical update every year. The last revaluation was completed in 2008 for the tax year 2009.

Real property taxes were levied on all non-exempt property located in the County on January 14, 2009. Real property taxes are payable annually or semi-annually. If paid annually, payment was due on January 31, 2009; if paid semi-annually, the first payment was due on February 14, 2009; with the remainder payable on July 31, 2009. Based on this tax calendar, all property taxes that were levied on January 14, 2009 relating to the 2009 budget year, except delinquent taxes, have been collected.

The City's share of personal property taxes is determined by the County Auditor based on annual tax returns filed by the taxpayers. The property is assessed for tax purposes at varying statutory percentages of cost.

CITY OF TOLEDO, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 6. PROPERTY TAX (Continued)

The assessed value and tax rates of the City attributable to collections in 2009 and the estimated taxes relating to the 2010 budget year (which became a lien on January 1, 2009) are as follows:

<u>Taxes</u>	<u>Assessed Value</u>	<u>General Fund Tax Rate Per Thousand</u>	<u>Actual 2009 Receipts</u>	<u>Due in 2010</u>
General Fund:				
Real Estate & Public				
Utility Property	\$4,278,957	\$ 4.40	\$13,064	\$17,255
Personal Property	<u>18,368</u>	<u>4.40</u>	<u>548</u>	<u>3,282</u>
Total	<u>\$4,297,325</u>		<u>\$13,612</u>	<u>\$20,537</u>

The receivables for estimated taxes related to the 2010 budget year have been offset by a credit to deferred revenue at December 31, 2009 since the taxes are not available for appropriation and use until 2010.

<u>Apportionment of Total Tax Rate</u>	<u>Tax Rate Per Thousand</u>	<u>Actual 2009 Receipts</u>	<u>Due in 2010</u>
Unvoted Levy – Inside 10 Mil			
Limitation:			
General Fund	\$ 2.50	\$ 8,439	\$ 12,733
Voted Levy – Outside 10 Mil			
Limitation:			
General Fund (Charter Amendment Rate)	<u>1.90</u>	<u>5,173</u>	<u>7,804</u>
Total	<u>\$ 4.40</u>	<u>\$ 13,612</u>	<u>\$ 20,537</u>

Delinquent real and personal property taxes are recorded as deferred revenue until received. Based on the County Auditor's records, the outstanding delinquent taxes due the City at December 31, 2009 was \$1,836.

CITY OF TOLEDO, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 7. PROPERTY, PLANT AND EQUIPMENT

A summary of property, plant and equipment for 2009 is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Governmental Activities				
<i>Capital assets not being depreciated:</i>				
Land	<u>\$24,781</u>	--	--	<u>\$24,781</u>
<i>Total Capital assets not being depreciated</i>	<u>24,781</u>	--	--	<u>24,781</u>
<i>Capital assets being depreciated:</i>				
Buildings	64,121	692	--	64,813
Improvements	59,960	242	--	60,202
Machinery & Equipment	49,450	16,003	--	65,453
Furniture & Fixtures	6,695	95	--	6,790
Infrastructure	<u>773,813</u>	<u>33,803</u>	--	<u>807,616</u>
<i>Total capital assets being depreciated</i>	<u>\$954,039</u>	<u>\$50,835</u>	<u>\$--</u>	<u>\$1,004,874</u>
<i>Less accumulated depreciation for:</i>				
Buildings	55,804	3,461	--	59,265
Improvements	35,161	1,747	--	36,908
Machinery & Equipment	27,943	3,275	--	31,218
Furniture & Fixtures	6,205	217	--	6,422
Infrastructure	<u>345,652</u>	<u>30,076</u>	--	<u>375,728</u>
<i>Total Accumulated Depreciation</i>	<u>470,765</u>	<u>38,776</u>	--	<u>509,541</u>
<i>Total net capital assets being depreciated</i>	<u>483,274</u>	<u>12,059</u>	--	<u>495,333</u>
<i>Net Governmental Activities capital assets</i>	<u>\$508,055</u>	<u>\$12,059</u>	<u>\$--</u>	<u>\$520,114</u>
Internal Service Funds				
<i>Capital assets not being depreciated:</i>				
Land	<u>350</u>	--	--	<u>350</u>
<i>Total Capital assets not being depreciated</i>	<u>350</u>	--	--	<u>350</u>
<i>Capital assets being depreciated:</i>				
Buildings	1,111	--	--	1,111
Improvements	422	41	--	463
Machinery & Equipment	56,951	13,239	--	70,190
Furniture & Fixtures	<u>99</u>	<u>1</u>	--	<u>100</u>
<i>Total capital assets being depreciated</i>	<u>\$58,583</u>	<u>\$13,281</u>	--	<u>\$71,864</u>
<i>Less accumulated depreciation for:</i>				
Buildings	1,111	--	--	1,111
Improvements	335	--	--	335
Machinery & Equipment	44,132	4,228	--	48,360
Furniture & Fixtures	<u>98</u>	--	--	<u>98</u>
<i>Total Accumulated Depreciation</i>	<u>45,676</u>	<u>4,228</u>	--	<u>49,904</u>
<i>Total net capital assets being depreciated</i>	<u>12,907</u>	<u>9,053</u>	--	<u>21,960</u>
<i>Net Internal Service Fund capital assets</i>	<u>13,257</u>	<u>9,053</u>	--	<u>22,310</u>
<i>Total Governmental Activities</i>	<u>\$521,312</u>	<u>\$21,112</u>	<u>\$--</u>	<u>\$542,424</u>

CITY OF TOLEDO, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 7. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Business Type Activities				
<i>Capital assets not being depreciated:</i>				
Land	\$10,874	--	--	\$10,874
Construction in Progress	<u>304,252</u>	<u>33,010</u>	<u>64,282</u>	<u>272,980</u>
<i>Total Capital assets not being depreciated</i>	<u>315,126</u>	<u>33,010</u>	<u>64,282</u>	<u>283,854</u>
<i>Capital assets being depreciated:</i>				
Buildings	75,579	--	--	75,579
Improvements	72,246	62	--	72,308
Machinery & Equipment	108,417	4,571	--	112,988
Furniture & Fixtures	1,971	--	--	1,971
Distribution System	<u>471,123</u>	<u>64,282</u>	--	<u>535,405</u>
<i>Total capital assets being depreciated</i>	<u>729,336</u>	<u>68,915</u>	--	<u>798,251</u>
<i>Less accumulated depreciation for:</i>				
Buildings	49,650	578	--	50,228
Improvements	40,612	--	--	40,612
Machinery & Equipment	60,382	212	--	60,594
Furniture & Fixtures	1,163	--	--	1,163
Distribution System	<u>222,946</u>	<u>14,454</u>	--	<u>237,400</u>
<i>Total Accumulated Depreciation</i>	<u>374,753</u>	<u>15,244</u>	--	<u>389,997</u>
<i>Total net capital assets being depreciated</i>	<u>354,583</u>	<u>53,671</u>	--	<u>408,254</u>
<i>Net Business Type Activities Capital Assets</i>	<u>\$669,709</u>	<u>\$86,681</u>	<u>\$64,282</u>	<u>\$692,108</u>

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

Governmental Activities:

General Government	\$ 10,297
Public Service	21,225
Public Safety	585
Public Utility	14
Community Environment	1,522
Health	970
Parks	<u>4,163</u>

Total Depreciation Expense – Governmental Activities \$ 38,776

Business-Type Activities:

Water	\$ 5,437
Sewer	8,202
Non-Major	<u>1,605</u>

Total Depreciation Expense – Business-Type Activities \$15,244

Internal Service Funds 4,228

Total Depreciation Expense \$58,249

CITY OF TOLEDO, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 7. PROPERTY, PLANT AND EQUIPMENT (Continued)

For several years, the Department of Housing and Neighborhood Revitalization has purchased land and buildings using Block Grant Funds. The intent of such purchases ultimately is to resell the property for a nominal amount to adjacent property owners or developers for redevelopment purposes. As of December 31, 2009, the Department owned approximately 212 parcels at an estimated historical cost of \$4,499. Due to the uncertainty of the market value or the ability to locate developers, the purchase costs have been recorded as program expenditures in the Block Grant Funds in the year of purchase. Revenues from the sale of properties are recorded as program income in the same Funds at the time of sale.

NOTE 8. DEBT OBLIGATIONS

A. Obligation Summary by Type

	<u>Balance at Beginning of Year</u>	<u>Increases/ Issuances</u>	<u>Reductions/ Retirements</u>	<u>Balance at End of Year</u>	<u>Due Within One Year</u>
Bonds Outstanding:					
General Obligation	127,319	36,521	19,417	144,423	15,387
Revenue Obligations	116,193	--	6,661	109,532	8,380
Notes Outstanding:					
General Obligation	18,760	38,630	41,150	16,240	16,240
Revenue Obligations	40,300	20,700	19,800	41,200	20,500
Loans Outstanding:					
State Agencies	232,748	19,325	11,842	240,231	12,589
Federal Agencies	16,520	--	1,350	15,170	1,415
Other	14,375	2,798	601	16,572	595
Capital Leases	8,194	3,763	2,385	9,572	1,540
Other Obligations	57,623	2,181	1,485	58,319	1,200
TOTAL OBLIGATIONS	\$ 632,032	123,918	104,691	651,259	77,846

Note: General Obligation Debt Capacity per Uniform Bond Act of the ORC = \$100,000
Utility Debt Unamortized Discount = \$2,164
Assessed Services Revenue Notes are secured by a Letter of Credit from State Street Bank

CITY OF TOLEDO, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 8. DEBT OBLIGATIONS (Continued)

B. Obligation Summary by Fund Type

Changes in bonds payable and general obligations during 2009 and principal amounts outstanding at December 31, 2009 are as follows:

LONG TERM

	Balance at Beginning Of Year	Increases/ Issuances	Reductions/ Retirements	Balance At End Of Year	Due Within One Year
Governmental Type					
Accrued Compensated Absences	\$ 44,086	\$ 2,181	\$ 1,207	\$ 45,060	\$ 1,200
Landfill Closure	13,537	--	278	13,259	--
Capital Leases	640	--	640	--	--
Assessed Services	40,300	20,700	19,800	41,200	20,500
General Fund Capital Projects - Loans	6,917	--	447	6,470	465
Police & Fire Pension - G.O. Bonds	7,350	--	1,100	6,250	1,150
Assessed Improvements - G.O. Bonds	95	115	35	175	25
Capital Projects - G. O. Bonds	95,129	33,031	14,202	113,958	13,307
Capital projects - Leased	--	3,763	910	2,853	708
Capital Projects - Loans	43,341	3,887	3,119	44,109	3,545
Subtotal	\$ 251,395	\$ 63,677	\$ 41,738	\$ 273,334	\$ 40,900
Business Type					
Water Revenue Bonds	\$ 79,962	\$ --	\$ 4,112	\$ 75,850	\$ 5,240
Sanitary Sewer Revenue Bonds	36,231	--	2,549	33,682	3,140
Parking (General Obligation)	205	--	100	105	105
Housing (General Obligation)	22,025	3,375	3,820	21,580	640
Capital Projects - Loans	212,184	18,236	10,090	220,330	10,452
Enterprise Fund	2,515	--	160	2,355	160
Capital Lease	7,554	--	835	6,719	832
Property Management ODOD 166	1,201	--	137	1,064	137
Subtotal	361,877	21,611	21,803	361,685	20,706
Total Obligations	\$ 613,272	\$ 85,288	\$ 63,541	\$635,019	\$ 61,606
Premiums	\$ 2,220	\$ --	\$ 57	\$ 2,163	\$ 57
Total Long-Term Debt	\$ 615,492	\$ 85,288	\$ 63,598	\$ 637,182	\$ 61,663

CITY OF TOLEDO, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

B. Obligation Summary by Fund Type (Continued)

Changes in short-term notes payable during 2009 were as follows:

SHORT TERM

	<u>Balance at Beginning Of Year</u>	<u>Increases/ Issuances</u>	<u>Reductions/ Retirements</u>	<u>Balance At End Of Year</u>	<u>Due Within One Year</u>
Governmental Type					
Capital Projects – G. O. Notes	12,775	29,115	30,085	11,805	11,805
Internal Service Funds					
General Obligation Notes	5,460	8,320	9,620	4,160	4,160
Business Type					
Capital Projects – G.O. Notes	525	1,195	1,445	275	275
Accrued Interest	14,631	14,633	14,631	14,633	14,633
Subtotal	<u>\$ 33,391</u>	<u>\$53,263</u>	<u>\$55,781</u>	<u>\$30,873</u>	<u>\$30,873</u>
Total Debt	<u>\$ 648,883</u>	<u>\$ 138,551</u>	<u>\$ 119,379</u>	<u>\$668,055</u>	<u>\$92,536</u>

Special assessment bonds are pledged by the full faith and credit of the City, the debt service requirements of which are funded by proceeds from special assessments tax levies. Water and sewer revenue bonds are collateralized by revenue from Water and Sewer Enterprise Funds. The full faith and credit of the City is pledged against the remaining long-term obligations.

Debt may be issued to provide funds for assets or improvements, which have a useful life of at least five years. The asset or improvements must have a significant value. No debt shall be issued unless the funded item costs in excess of \$25 (1999 dollars =adjust for CPI). Improvement projects should be funded with long term debt; however Bond Anticipation Notes (BANs) may be used to provide short term financing during construction. BANs may also be used to avoid volatile times or unfavorable conditions in the bond market.

CITY OF TOLEDO, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 8. DEBT OBLIGATIONS (Continued)

C. Obligation Information by Purpose

	Year Series Matures	Interest Rates	Balance at Beginning of Year	Increases/ Issuances	Reductions/ Retirements	Balance at End of Year	Due Within One Year
Bonds Outstanding:							
General Obligation							
Pension	2014	7.50%	\$ 7,350	\$ --	\$ 1,100	\$ 6,250	\$ 1,150
Capital Projects	2026	1.50-7.375%	95,129	36,231	17,402	113,958	13,307
Special Assessments	2018	1.55-7.00%	95	115	35	175	25
Parking	2010	6.75-7.375%	205	--	100	105	105
Internal Service Fund	2013	4.90%	2,515	0	160	2,355	160
Housing	2028	4.85-7.00%	22,025	175	620	21,580	640
Revenue Obligations							
Water System	2030	3.50-6.45%	79,962	--	4,112	75,850	5,240
Sanitary Sewer System	2028	3.50-6.45%	36,231	--	2,549	33,682	3,140
Notes Outstanding:							
General Obligation							
Capital Projects	2010	4.00%	10,525	20,315	21,050	9,790	9,790
Special Assessments	2010	4.00%	2,250	8,800	9,035	2,015	2,015
Storm Water System	2010	4.00%	525	1,195	1,445	275	275
Internal Service Funds	2010	4.00%	5,460	8,320	9,620	4,160	4,160
Revenue Obligations							
Assessed Services 2007	2009	2.29%	19,800	--	19,800	--	--
Assessed Services 2008	2010	Var/3.27%	20,500	--	--	20,500	20,500
Assessed Services 2009	2011	Var	--	20,700	--	20,700	--
Loans Outstanding:							
State Agencies							
State Issue 2							
Capital Projects	2024	0.00%	5,856	1,089	610	6,335	949
Water System	2014	0.00%	257	103	28	332	28
Sanitary Sewer Sys.	2027	0.00%	1,879	46	126	1,799	126
Storm Water Sys.	2027	0.00%	1,470	318	96	1,692	96
Ohio Water Dev Auth.							
Capital Projects	2021	4.02-4.12%	6,917	--	447	6,470	465
Water System	2028		12,857	--	589	12,268	287
Sanitary Sewer Sys.	2028	3.75-9.88%	195,721	17,769	9,251	204,239	9,915
ODOD Chapter 166							
Capital Projects	2018	4.25%	6,590	--	558	6,032	586
Property Mgmt.	2016	4.25%	1,201	--	137	1,064	137
Federal Agencies							
HUD 108							
Capital Projects	2018	6.56-7.96%	16,520	--	1,350	15,170	1,415
Other Loans							
Capital Projects	2032	0.00-7.86%	14,375	2,798	601	16,572	595
Capital Leases:							
Capital Proj. Fire Trucks			0	2,922	598	2,324	542
Capital Proj. Ambulances			0	841	312	529	166
Capital Replacements			640	--	640	--	--
Utilities			1,711	--	452	1,259	452
Parking			5,843	--	383	5,460	380
Other Obligations:							
Landfill Closure			13,537	--	278	13,259	--
Compensated Absences			44,086	2,181	1,207	45,060	1,200
Total Obligations			\$ 632,032	\$ 123,918	\$ 104,691	\$ 651,259	\$ 77,846

Amounts in Thousands

CITY OF TOLEDO, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 8. DEBT OBLIGATIONS (Continued)

C. Obligation Information by Purpose (Continued)

The annual debt service requirements for principal and interest on obligations at December 31, 2009 are as follows:

	Water Revenue Bonds		Sewer Revenue Bonds	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 5,240	\$ 3,627	\$ 3,140	\$ 1,589
2011	5,130	3,400	2,305	1,432
2012	5,395	3,146	2,430	1,318
2013	5,655	2,877	2,555	1,196
2014	5,935	2,600	2,670	1,082
2015-2019	21,665	8,929	10,470	3,658
2020-2024	11,280	5,437	5,375	1,947
2025-2029	<u>15,550</u>	<u>2,557</u>	<u>4,737</u>	<u>570</u>
Total	<u>\$ 75,850</u>	<u>\$ 32,573</u>	<u>\$33,682</u>	<u>\$ 12,792</u>

	Parking		Capital Projects	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 105	\$ 7	\$ 13,357	\$ 6,053
2011	--	--	10,847	8,484
2012	--	--	12,209	6,305
2013	--	--	13,535	3,550
2014	--	--	13,265	2,994
2015-2019	--	--	32,390	8,636
2020-2024	--	--	14,285	2,939
2025-2029	<u>--</u>	<u>--</u>	<u>4,070</u>	<u>478</u>
Total	<u>\$ 105</u>	<u>\$ 7</u>	<u>\$ 113,958</u>	<u>\$ 39,439</u>

CITY OF TOLEDO, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 8. DEBT OBLIGATIONS (Continued)

C. Obligation Information by Purpose (Continued)

	P&F Pension GO Bonds	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 1,150	\$ 447
2011	1,200	360
2012	1,250	269
2013	1,300	174
2014	1,350	76
Total	<u>\$ 6,250</u>	<u>\$1,326</u>

	Enterprise		Housing	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 160	\$ 105	\$ 640	\$ 1,327
2011	800	425	715	1,288
2012	775	253	731	1,241
2013	620	71	806	1,193
2014	—	—	1,202	1,051
2015-2019	—	—	6,202	3,901
2020-2024	—	—	7,300	3,043
2025-2028	—	—	3,984	871
Total	<u>\$2,355</u>	<u>\$ 854</u>	<u>\$ 21,580</u>	<u>\$ 13,915</u>

CITY OF TOLEDO, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 8. DEBT OBLIGATIONS (Continued)

C. Obligation Information by Purpose (Continued)

	Issue 2		OWDA Sewer	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 1,199	\$ --	\$ 9,915	\$ 6,344
2011	786	--	8,940	6,013
2012	776	--	9,255	5,697
2013	809	--	8,881	5,101
2014	900	--	9,800	5,200
2015-2019	1,592	--	51,884	16,179
2020-2024	1,525	--	55,271	12,456
2025-2029	2,571	--	42,602	3,922
2030-2033	--	--	7,691	430
Total	<u>\$10,158</u>	<u>\$ --</u>	<u>\$ 204,239</u>	<u>\$ 61,342</u>

	OWDA General Fund		ODOD - 166	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 465	\$ 260	\$ 723	\$ 288
2011	485	241	753	256
2012	505	221	783	224
2013	2,856	774	800	588
2014	2,159	169	4,037	13
Total	<u>\$ 6,470</u>	<u>\$ 1,665</u>	<u>\$ 7,096</u>	<u>\$ 1,369</u>

CITY OF TOLEDO, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 8. DEBT OBLIGATIONS (Continued)

C. Obligation Information by Purpose (Continued)

	HUD - 108		Other	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 1,415	\$ 1,176	\$ 595	\$ 710
2011	1,485	1,070	730	692
2012	1,445	959	755	666
2013	1,445	739	585	639
2014	1,445	166	600	700
2015-2019	7,935	2,241	2,470	2,061
2020-2024	--	--	2,795	2,063
2025-2029	--	--	3,010	1,255
2029-2033	--	--	<u>5,032</u>	<u>392</u>
Total	<u>\$15,170</u>	<u>\$ 6,351</u>	<u>\$ 16,572</u>	<u>\$ 9,178</u>

	OWDA Water System	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 287	\$ 246
2011	296	237
2012	306	227
2013	316	217
2014	326	764
2015-2019	1,720	686
2020-2024	1,621	339
2025-2028	<u>7,396</u>	<u>75</u>
Total	<u>\$ 12,268</u>	<u>\$ 2,791</u>

CITY OF TOLEDO, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 8. DEBT OBLIGATIONS (Continued)

C. Obligation Information by Purpose (Continued)

	Special Assessment Bonds		Assessed Services
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>
2010	\$ 25	\$ 6	\$ 20,500
2011	25	6	\$ 20,700
2012	25	4	--
2013	25	4	--
2014	10	4	--
2015-2019	65	15	--
Total	<u>\$ 175</u>	<u>\$ 39</u>	<u>\$ 41,200</u>

Under the Uniform Bond Act of the Ohio Revised Code, the City has the capacity to issue approximately \$93,000 additional unvoted general obligation debt. The principal balances of the utility debt have been reduced by unamortized premiums of \$2,163.

D. Landfill Closure and Postclosure Care Costs

The City operates the Hoffman Road landfill and accounts for this activity in the General Fund. State and federal regulations require the City to place a final cover on the Hoffman Road site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty (30) years after closure. The closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste. The City records a liability in the government-wide Statement of Net Assets for the closure and postclosure care costs based on landfill capacity used as of each balance sheet date. A new cell was constructed in 2005 resulting in an increase in capacity; therefore, the landfill can continue to accept solid waste and increase its capacity. Based on the remaining air space and estimated annual tonnage to be taken in, the estimated remaining life of the landfill is 51 years. The \$13,259 reported as landfill closure and postclosure care liability at December 31, 2009 represents the cumulative amount reported to date based on the use of 53.3% of the used capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$11,632 as the remaining used capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2009 using the worst case scenario determined by the permit to install. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

CITY OF TOLEDO, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 8. DEBT OBLIGATIONS (Continued)

E. Other

Capital Lease

The City has a noncancelable long-term lease with the Ohio Building Authority for the space it occupies in the Government Center Office Building, which is classified as a capital lease. In fiscal 1997, the City entered into a lease agreement with the Ohio Building Co., which is also being classified as a capital lease. In 1999, the City entered into a lease agreement with the Lucas County Port Authority for an addition to the Superior Street Garage which is classified as a capital lease. In 2008 the City entered into an agreement with Daimler Chrysler for lease of police cars, which is a capital lease. In 2009 the City entered into an agreement with All American Fire Equipment for lease of Fire vehicles, again a capital lease. Future minimum lease payments together with the present value of the net minimum lease payments as of December 31, 2009 are as follows:

<u>Year</u>	<u>Enterprise Funds</u>	<u>Capital Improvement</u>
2010	1,553	850
2011	1,263	850
2012	933	850
2013	687	650
2014	682	--
2015-2019	<u>3,501</u>	<u>--</u>
Total Minimum Lease Payments	<u>8,619</u>	<u>3,200</u>
Less Amount Representing Interest	<u>2,247</u>	<u>347</u>
Present Value of Net Minimum Lease Payments	<u>\$6,719</u>	<u>\$2,853</u>

CITY OF TOLEDO, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 9. INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivables and payables resulted from the routine lag between the dates interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 9,406	\$ 24,663
Capital Improvements	23,741	403
Special Assessment Services	664	18,769
Other Governmental Funds	7,914	2,432
Water	19,417	22,613
Sewer	22,757	20,790
Other Non-Major Enterprise	7,308	22,785
Internal Service Funds	22,265	1,017
Total	<u>\$ 113,472</u>	<u>\$ 113,472</u>

NOTE 10. FUND BALANCE DEFICITS

At December 31, 2009, the following Funds had a fund balance deficit:

Governmental Funds – General Fund

The fund deficit of \$8,020 in the General Fund arose from uncertain economic conditions causing significant and unforeseen reductions in revenue. The deficit will be reduced and eliminated by multifaceted reductions in expenditures and a range of revenue enhancements.

Special Revenue Funds - Special Assessment Services Fund

The fund deficit of \$50,623 in the Special Assessment Services Fund arose because of the application of GAAP to the financial reporting for this Fund. Short-term note proceeds used to finance construction of special assessment projects are not recognized as an "other financing source." Liabilities for special assessment short-term notes payable are accounted for in the Special Assessment Services Fund. Special assessments are recognized as revenue in the year they are remitted to the City by the County Auditor. The deficit will be reduced and eliminated as deferred special assessment installments are received from the County Auditor.

**CITY OF TOLEDO, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)**

NOTE 10. FUND BALANCE DEFICITS (continued)

Special Revenue Funds – Marina Development

The deficit of \$11 is a result of increased costs of operation. The City will be conducting a study of the fund in the future to determine the best method to return the fund to positive entity balance.

Capital Projects Fund - Special Assessment Improvements Fund

The fund deficit of \$1,643 in the Special Assessment Improvements Fund arose because of the application of GAAP to the financial reporting for this Fund. Note proceeds used to finance construction projects are not recognized as an "other financing source" in the Special Assessments Improvements Fund. These deficits will be reduced and eliminated as long-term financing is arranged for projects supported by short-term debt.

Enterprise Fund Types - Property Management

The fund deficit of \$13,494 is due to delinquent receivables and the allowance for uncollectible accounts.

Non-Major Enterprise Funds – Municipal Tow Lot

The fund deficit of \$24 is due to delinquent receivables. The City of Toledo is establishing a program to more aggressively pursue such delinquencies.

Internal Service Funds – Worker's Compensation

The deficit of \$49 occurred due to the fact that a review of ongoing procedures for processing Worker's Compensation activities was not completed in 2009. This has been corrected in 2010.

NOTE 11. OHIO PUBLIC EMPLOYEES DEFERRED COMPENSATION PLAN

All employees of the City may elect to participate in the Ohio Public Employees Deferred Compensation Plan and firefighters may participate in the Ohio Association of Professional Firefighters deferred compensation plan, both of which were adopted under the provisions of the Internal Revenue Code Section 457. Under these programs, employees elect to have a portion of their pay deferred until a future time, usually after retirement. The deferred pay and any income earned on it are not subject to income taxation until actually received by the employee.

CITY OF TOLEDO, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 11. OHIO PUBLIC EMPLOYEES DEFERRED COMPENSATION PLAN (Continued)

As the Ohio Public Employees Deferred Compensation Board and the Ohio Association of Professional Firefighters are the plan Administrators, the City is unable to, and does not, maintain any fiscal control over these assets. All assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries.

NOTE 12. PENSION AND RETIREMENT PLANS

A. Ohio Police and Fire Pension Fund

All Police and Firemen are members of and participate in the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit plan that operates under the authority of Ohio Revised Code, Chapter 742. The Fund provides pension, disability and health care benefits to qualified participants and survivor and death benefits to qualified spouses, children and dependent parents.

The OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. Interested parties may obtain a copy by making a written request to: OP & F, 140 East Town Street, Columbus, Ohio 43215-5164.

The Ohio Revised Code provides statutory authority for employee and employer contributions. Plan members are required to contribute 10.0% of their annual covered salary and the City is required to contribute a statutorily determined rate that is currently 19.5% for Police and 24.0% for Fire. The City's contributions are equal to 100% of the dollar amount billed the City. The City's contributions to OP&F for the Police portion for the years ending December 31, 2009, 2008, 2007, were \$7,824, \$8,360, and \$8,400, respectively, equal to the required contributions for each year. Contributions for the Fire Portion for the years ending December 31, 2009, 2008, 2007, were \$7,914, \$7,851, and \$7,448, respectively, equal to the required contribution for each year. All contributions to OP&F were made within the required due dates.

The OP&F also provides post-retirement health care coverage for any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45. A portion of the City's contribution to OP&F is set aside for the funding of post retirement health care. The City's contribution includes approximately \$4,932 (6.75% of covered payroll) used to fund a health care program for retired employees. Of this, the Police portion is \$2,707 and the fire portion is \$2,223.

CITY OF TOLEDO, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 12. PENSION AND RETIREMENT PLANS (Continued)

A. Ohio Police and Fire Pension Fund (Continued)

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to the OP&F. The OP&F is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or beneficiaries.

In 1994, the City issued \$19,050 of taxable general obligation bonds to retire the remaining \$29,148 of the unfunded Police and Fire Pension liability existing at that time. The annual net debt service on the bonds will be approximately \$1,380. The amount outstanding at December 31, 2009 is \$6,250.

B. Ohio Public Employees Retirement System

OPERS has provided the following information to the City in order to assist the City in complying with GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers (Statement No. 27).

OPERS administers three separate pension plans as described below:

1. The Traditional Pension Plan – a cost sharing multiple-employer defined benefit pension plan.
2. The Member-Directed Plan – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon.
3. The Combined Plan – a cost sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self directed by members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Plan and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the ORC. OPERS issues a stand-alone financial report. Interested parties may obtain a copy at www.opers.org, by making a written request to OPERS at: 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 1-800-222-PERS (7377).

CITY OF TOLEDO, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 12. PENSION AND RETIREMENT PLANS (Continued)

B. Ohio Public Employees Retirement System (Continued)

The ORC provides statutory authority for employee and employer contributions. For 2009, member and employer contributions were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety division exist only within the Traditional Pension Plan.

All City employees (excluding Police and Firemen) are members of and participate in the Ohio Public Employees Retirement System (OPERS) traditional plan, a cost-sharing multiple employer defined benefit pension plan. The City's employee contribution rate in 2009 was 10.0%. The City's contribution rate, as an employer, was 14.0% of covered payroll in 2009.

The City's employer share contributions to OPERS for the three years ended December 31, 2009, 2008, and 2007 were \$11,816, \$10,983, and \$10,320, respectively, or 71% of the required contributions for 2009, and equal to the required contributions for 2008 and 2007. All contributions were made within the required due dates.

OPERS members are eligible to retire at any age with 30 years of service, at age 60 with at least 5 years of service or at age 55 with at least 25 years of service. Those retiring with less than 30 years of service or less than age 65 receive reduced benefits. Under the Traditional Pension Plan, eligible employees are entitled to a monthly retirement benefit equal to 2.2% of the average of their three highest years of earnings multiplied by the first 30 years of service plus 2.5% of the average of their three highest years for each year in excess of 30. Under the Member-Directed Plan, eligible members are entitled to a monthly benefit dependent upon the performance of the OPERS investment options that the members selected. Under the Combined Plan, eligible members are entitled to a monthly benefit equal to 1.0% of the average of their three highest years of earnings multiplied by the number of years of service plus 1.25% of the average of their three highest years for each year in excess of 30. Additionally, under the Combined Plan, a benefit is provided based on the performance of the OPERS investment options the member selected. OPERS also provides death and disability benefits. Benefits are established by the ORC.

OPERS has also provided the following information pertaining to other postemployment benefits for health care costs in order to assist the City in complying with GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension Benefits (Statement No. 45).

CITY OF TOLEDO, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 12. PENSION AND RETIREMENT PLANS (Continued)

B. Ohio Public Employees Retirement System (Continued)

OPERS provides retirement, disability, survivor, and postretirement health care benefits to qualifying members of both the Traditional and the Combined Plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post employment health care coverage.

In order to qualify for postretirement health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the Retirement System is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45.

The ORC permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the ORC.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer contribution rates are expressed as a percentage of covered payrolls of active member. In 2009, the City contributed 14.0% of covered payroll. The ORC currently limits the employer contributions to 14% of covered payroll. Active members do not make contributions to the OPEB Plan.

OPERS's Postemployment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. For 2009, the employer contributions allocated to the health care plan from January 1 through March 31, 2009 and April 1 through December 31, 2009 was 7% and 5.5% of covered payroll, respectively. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The portion of the City's contribution used to fund OPEB was \$4,986 for 2009, \$3,541 for 2008, and \$3,402 for 2007.

OPERS Board implements its Health Care Preservation Plan. The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Members and employer contribution rates increased as of January 1, 2006 and January 1, 2007, and January 1, 2008 with a final rate increase on January 1, 2011, which will allow additional funds to be allocated to the health care plan.

CITY OF TOLEDO, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 12. PENSION AND RETIREMENT PLANS (Continued)

B. Ohio Public Employees Retirement System (Continued)

There are no postemployment benefits provided by the City other than those provided through OPERS and OP&F. The liability for past service costs at the time OPERS was established was assumed by the State of Ohio; therefore, it is not a liability of the City. The liability for past service costs at the time OP&F was established was paid by the City to OP&F in January 1994. The City is current on all of its required pension fund contributions.

NOTE 13. LEASES AND OTHER COMMITMENTS

In 1982, the City entered into a noncancelable long-term lease with the Ohio Building Authority for the space it occupies in the Toledo Government Center Office Building. The lease, which is for 30 years, is classified as a capital lease and has been included as property, plant and equipment in the government-wide financial statements at \$26,179 less accumulated depreciation of \$23,130. Under the terms of the lease, the City is required to pay for its pro-rata share of operating and maintenance costs of the building. These additional costs were \$1,454 in 2009.

In 1997, the City entered into a noncancelable long-term lease with the Ohio Building Co. for the space it occupies in the Ohio Building. The lease, which is for 15 years is classified as a capital lease and has been included in the Utility Administration Services Enterprise Fund at \$4,538 less accumulated depreciation of \$3,720 at December 31, 2009.

In 1999, the City entered into a \$7,825 noncancelable long-term lease with the Lucas County Port Authority for an addition to the Superior Street Garage.

In 2008, the City entered into a noncancelable long-term lease with Daimler Chrysler for the lease of police cars. The lease, which is for three years is classified as a capital lease and has been included in the internal service fund at \$990 less accumulated depreciation of \$149 at December 31, 2009. A cash payment of \$350 against the lease was made in 2009 with a final lease payment to be made in 2010.

The City leases other facilities and equipment under various operating leases. Rental expense relating to these leases amounted to \$910 in 2009. Future minimum lease payments on operating leases as of December 31, 2009 is \$832.

The City has commitments for construction and improvement of four Water Treatment Plant projects and four Water Reclamation Plant projects. Such construction commitments, which total \$6,715 at December 31, 2009, is funded from Environmental Protection Agency grants and Sewer Mortgage Revenue Bond proceeds of the Sewer Fund.

CITY OF TOLEDO, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 14. CONTINGENCIES

The City of Toledo is party to various legal proceedings seeking damages or injunctive relief generally incidental to its operations. The significant claims are described below.

The City is involved in various administrative proceedings with the Ohio Environmental Protection Agency and/or Ohio Attorney General's Office and the USEPA concerning certain environmental matters within the City. Those administrative proceedings do not seek money damages from the City but may require the City to take certain remedial measures to eliminate or reduce pollution in the lands or waters within the City. The City has, in turn, initiated certain proceedings to require those who it believes disposed of these pollutants to participate in the necessary remedial actions. The overall cost of the various clean-ups could reach up to \$50,000. The remedial measures are anticipated to span a multi-year period. The remaining capital cost to the City is estimated to be less than \$500. The costs to the City for operation, maintenance and monitoring over the next thirty years are estimated to be less than \$10,000 including inflation, most of which is to be funded from settlement reserves. The ultimate resolution of these claims is not anticipated to have a material adverse effect on the City's financial position.

The City was involved in litigation in which the United States and the State of Ohio are seeking injunctive relief and civil penalties against the City under the Clean Water Act for alleged discharges of pollutants from the City's wastewater treatment plant in violation of permit limitations. The City, the United States and the State of Ohio reached a settlement on the amount of civil penalties to be paid by the City, which was ratified by City Council in May 2002 and approved by general election in 2002. Under the consent decree settlement, the City paid a \$500 fine and agreed to upgrade the sewage treatment plant and sanitary sewer system at an anticipated total cost of \$400,000 over a 15 year period. The City is in compliance with all provisions in the Court-approved decree and the upgrade work is proceeding on schedule. In 2009, the City incurred \$5,478 in costs relating to the upgrade. As of December 31, 2009, a total of \$170,530 has been expended to date.

In addition, the City participates in a number of Federal and State assisted grant programs. These programs are subject to financial and compliance audits by grantors or their representatives. At December 31, 2009, the audits of certain programs have not been completed. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The City believes that disallowed claims, if any, will not result in a material adverse effect on the City's financial position.

CITY OF TOLEDO, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 15. JOINT VENTURE

The City of Toledo has entered into a contractual agreement with Lucas County, Defiance County, Fulton County, Henry County, and Williams County to form the Corrections Commission of Northwest Ohio (Corrections Commission) to operate a regional jail in northwest Ohio. Each entity is responsible for a portion of the capital and operating budget as follows:

City of Toledo	37.63%
Lucas County	31.03
Defiance County	9.40
Fulton County	8.15
Williams County	8.15
Henry County	5.64
	<u>100.00%</u>

The Corrections Commission is a board composed of the following representatives: the President of the Board of County Commissioners, the Sheriff and the Presiding Judge of the Court of Common Pleas from each County and the Mayor or City Manager, Chief of Police and Presiding Judge of the Municipal Court of the City of Toledo. Each participating entity has an equal degree of control over budgeting and financing.

All debt incurred for the construction of the jail was incurred by the participating governmental agencies, and is not a liability of the Corrections Commission.

The Corrections Commission has an annual budget of approximately \$15,724 and has accumulated cash reserves of \$176 at December 31, 2009. Complete financial statements of the Corrections Commission can be obtained from its administrative office as follows:

Corrections Commission of Northwest Ohio
03151 Road 24.25
Rt. 1, Box 100-A
Stryker, OH 43557

CITY OF TOLEDO, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 16. SUBSEQUENT EVENTS

On June 30, 2010, City Council authorized the acceptance of \$20,800 in grant and loan proceeds for the purpose of issuing contracts for Sanitary Sewer Improvements and Replacements

On June 9, 2010, City Council authorized the acceptance of \$2,100 in loans for Watermain Replacement Projects.

On August 4, 2010, City Council authorized the acceptance of an additional \$14,556 in loans for Sanitary Sewer Improvements and Replacements.

On April 14, 2010, City Council authorized the issuance of \$29,915 in notes for the purpose of paying, in anticipation of the levy and collection of special assessments, the cost of maintaining and updating City streets and roadways.

NOTE 17. RESTATEMENT OF BEGINNING NET ASSETS

Prior to 2009, the City recognized accrued property taxes as revenue when the receivable was recognized on the full accrual basis but revenue should be recognized when the resources are permitted to be used. Also, delinquent property taxes were not recorded as revenue. In addition, recognition of income tax revenue was determined to be understated as the City had not fully considered taxes due for revenue in which the underlying exchange had occurred. The net effect of these revenue recognition items was the overstatement of net assets of the Governmental Activities. As such, the City restated its unearned revenue as of December 31, 2008. The Governmental Activities are restated as follows:

	Governmental Activities
Net Assets, as previously reported	\$390,460
Property Tax-decrease	(18,468)
Delinquent Property Tax Revenue-increase	1,710
Income Tax Revenue-increase	<u>10,693</u>
Net Assets, restated	<u>\$384,395</u>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and Members of City Council
City of Toledo, Ohio:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Toledo, Ohio (the "City") as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 31, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies labeled as items 2009-1 and 2009-2 and described in the accompanying schedule of findings and questioned costs to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies labeled as 2009-3 and 2009-4 and described in the accompanying schedule of findings and questioned costs to be significant deficiencies.

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Compliance And Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated September 17, 2010.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Mayor and Members of City Council, the City's management, others within the entity, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Cincinnati, Ohio
August 31, 2010

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Mayor and Members of City Council
City of Toledo, Ohio:

Compliance

We have audited the compliance of the City of Toledo, Ohio (the "City") with the types of compliance requirements described in the U.S. OMB *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

Except as discussed in the following paragraph, we conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

We were unable to obtain sufficient documentation supporting the compliance of the City with the HOME Investments Partnership Program regarding the Davis Bacon Act, nor were we able to satisfy ourselves as to the City's compliance with the requirements by other auditing procedures.

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the City's compliance with the requirements of the HOME Investments Partnership Program regarding the Davis Bacon Act, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009. However, the results of our audit procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2009-5, 2009-6, and 2009-7.

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Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, and contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2009-6 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2009-5 and 2009-7 to be significant deficiencies.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended December 31, 2009, and have issued our report thereon dated August 31, 2010. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Mayor and Members of City Council, the City's management, others within the entity, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Clark, Schaefer, Harkett & Co.

Cincinnati, Ohio
September 17, 2010

CITY OF TOLEDO, OHIO

Schedule of Findings and Questioned Costs
Year Ended December 31, 2009

Section I – Summary of Auditors' Results**Financial Statements**

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Significant deficiency(ies) identified not considered to be material weaknesses?	Yes
Noncompliance material to the financial statements noted?	None noted

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	Yes
• Significant deficiency(ies) identified not considered to be material weaknesses?	Yes
Type of auditors' report issued on compliance for major programs:	Unqualified for all major programs except for HOME (CFDA 14.239), which was a disclaimer.
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	Yes
Identification of major programs:	
• CDBG Entitlement Cluster:	
CFDA 14.218 – Community Development Grants/Entitlement Grants	
CFDA 14.253 – Community Development Block Grant/Entitlement Grants - ARRA	
• CFDA 14.239 – HOME Investment Partnerships Program	
• CFDA 14.900 – Lead-Based Paint Hazard Control in Privately-Owned Housing	
• CFDA 16.710 – Public Safety Partnership and Community Policing Grants - ARRA	
• CFDA 16.804 – Edward Byrne Memorial Justice Assistance Grant Program - ARRA	
• CFDA 66.818 – Brownfields Assessment and Cleanup Cooperative Agreements	
Dollar threshold to distinguish between Type A and Type B Programs:	\$829,159
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

Finding 2009-1 – Audit Adjustments

During the course of our audit, we identified misstatements in the financial statements for the year ended December 31, 2009 that were not initially identified by the City's internal control over financial reporting. Audit adjustments were necessary to correct errors which primarily related to receivable and revenue recognition for non-exchange transactions. The adjustments related to property taxes and income taxes that resulted in restatements to beginning governmental activities net assets of (\$16.8) million and \$10.7 million, respectively. Other adjustments were needed to book receivables as of December 31, 2009 related to state entitlements, grants, loans, and EMS revenue which approximated \$8.8 million.

Management Response: *With additional staffing beginning employment in 2010 and the implementation of the new SAP financial system, the City of Toledo is confident that internal control procedures will be strengthened and the number of adjustments necessary will be reduced. We have modified our accrual procedures for property taxes and income taxes so that these adjustments should not be necessary in future years.*

Finding 2009-2 – Reconciliations and Supervisory Review

During the course of our audit, we noted certain reconciliations were not being completed on a timely basis:

- A physical inventory of capital assets was taken during 2009, but the capital asset records were not fully reconciled and revised;
- For certain grant and loan programs, a reconciliation of year-to-date expenditures and the corresponding grant receivable or loan payable was not completed; and
- The outstanding debt per the year-end bond book was not reconciled to the general ledger balances for the enterprise funds.

Management Response: *The City of Toledo maintained a fixed asset tally via excel file which was reconciled on an annual basis to the Ross Financial System. With the implementation of the SAP financial system in 2010, the City began utilizing the physical inventory to establish a more detailed and thorough fixed asset record. The City of Toledo expects that future fixed asset records will be completed on a timely basis. With the addition of new accounting staff in the Division of Accounts and the SAP system's greater ability to store supplementary information, the City of Toledo expects to prepare grant and loan reconciliations on a much timelier basis in 2010.*

The City of Toledo Bond Book includes OWDA loans as they are approved. The amount in the Bond Book is the total amount authorized for the City to draw upon. The financial system reflects only the actual draws, which represents the actual liability owed to OWDA. Any variance between the Bond Book and The GL represents undrawn allowable credit. Another variance could include capitalized interest; whereby the financials may include capitalized interest, but the Bond Book does not.

Finding 2009-3 – Utilities IT System

During our review of the utilities IT system, we noted one person was responsible for security administration, production systems, and testing. While this provided some efficiency to the conversion process to the system, this condition presents a lack of segregation of duties. We further noted that utility employees can access their own utility accounts within the system.

Management Response: *There is one person responsible for security administration, production systems, and testing. We continue to work towards a separation of duties, but it has proven extremely difficult due to staffing constraints especially due to the fact that several members of our financial staff have been moved to the ERP project for the City.*

Finding 2009-4 – Schedule of Expenditures of Federal Awards

In accordance with the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, management is responsible for identifying all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, program clusters, and name of the pass-through entity. We noted errors in the City's schedule of expenditure of federal awards that needed corrected to ensure programs were accounted for accurately on the schedule.

Management Response: *The accuracy and completeness of schedule of expenditures of federal awards is accomplished by diligent and timely review of information received from those departments receiving the awards. This point is being made to all departments and divisions. With the implementation of the SAP financial system and proper staffing of the Division of Accounts, the accuracy will be verified and information properly recorded and reported.*

Section III – Federal Award Findings and Questioned Costs

Finding 2009-5 – Reporting

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

CDBG – Entitlement Grants Cluster - CFDA Nos. 14.218 and 14.253 (ARRA) and HOME Investment Partnerships Program – CFDA No. 14.239

- Criteria:** For each grant over \$200,000 that involves housing rehabilitation, housing construction, or other public construction, the prime recipient must submit Form HUD 60002, *Section 3 Summary Report, Economic Opportunities for Low- and Very Low-Income Persons* within ten days of the grant project completion or when the CAPER report is completed and submitted on an annual basis, whichever is sooner.
- Condition:** During our testing of these major federal programs, we noted that the City did not complete and submit this report during our audit period. Due to significant turnover, there appeared to be a lack of communication between divisions of who was responsible for the preparation of this form.
- Effect:** The City was not in compliance with the reporting requirements as established by the cognizant agency.
- Recommendation:** The City should establish controls to ensure all grants which exceed \$200,000 are documented in grant project control log. The grant project control log should be used to document and monitor the status of the project under the grant for the duration of the project. Once the grant project is completed, Form HUD 60002 should be completed and submitted to HUD within the required timeframe.

**Management
Response:**

As Affirmative Action/Contract Compliance is no longer providing Section 3 oversight, the Department of Neighborhoods began to require submission of a preliminary Section 3 report with submission of application for all HOME projects with funding request of \$200,000 or more in late spring 2010.

Additionally, submission of a final Section 3 report is now required prior to disbursement of final HOME payment. The submission of the final Section 3 report will be added to the project control log (finance checklist). Final payment will not be disbursed until the submission of a copy of the Section 3 report is received by the Department of Neighborhoods and filed by assigned Neighborhood Specialist and reviewed and approved by Housing Manager.

Finding 2009-6 – Davis-Bacon Act

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOME Investment Partnerships Program – CFDA No. 14.239

- Criteria:** Non-federal entities shall include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of Davis-Bacon Act and the DOL regulations (29 CFR part 5, Labor Standards Provisions Applicable to Contracts Government Federally Financed and Assisted Construction). This includes a requirement for the contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6).
- Condition:** The City did not maintain any certified payrolls received with respect to HOME projects nor keep a record of them. Therefore, we could not select an adequate sample to test the related compliance requirement regarding submission of weekly certified payrolls.
- Effect:** The required weekly certified payrolls may not have been submitted or reviewed to ensure prevailing wages were being paid.
- Recommendation:** We recommend management create and utilize its master control log to identify projects that require certified payroll submissions. This log can also be used to track submissions for timeliness and document compliance with payment of prevailing wages.

**Management
Response:**

As Affirmative Action/Contract Compliance is no longer providing Davis-Bacon oversight, the Department of Neighborhoods has now designated a Housing Administrator as the Davis-Bacon compliance officer. Upon execution of contracts note, a HOME project with 8 or more HOME-assisted units, the Housing Manager will note the applicability of the Davis-Bacon on the master control log and send notification to the Davis-Bacon compliance officer regarding the name of HOME projects with the 8 or more HOME-assisted project, the project location, and the projected construction start date.

The Davis-Bacon compliance officer will log the HOME project into the Davis-Bacon project log, and the Davis-Bacon compliance officer will notify the project owner and project general contractor by letter of the Davis-Bacon rules and regulations, including the requirement of weekly submission of payroll to the Davis-Bacon compliance officer. Weekly, the Davis-Bacon

compliance officer will receive and review individual Davis-Bacon payroll reports to ensure timely and accurate submission of reports. The Davis-Bacon coordinator will contact the non-compliant project owner, general contractor, Housing Manager, and assigned Neighborhood Development Specialist of any outstanding Davis-Bacon reports and inform them that no payments will be made until the non-compliant project owner has submitted accurate required Davis-Bacon reports. The Davis-Bacon compliance officer will provide the noncompliant project owner, general contractor, Housing Manager, and assigned Neighborhood Development Specialist after submission and successful review of any late Davis-Bacon reports.

Finding 2009-7 – Special Tests and Provisions

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOME Investment Partnerships Program – CFDA No. 14.239

- Criteria:** During the Period of Affordability for HOME-assessed rental housing, the participating jurisdiction (the City) must perform on-site inspections to determine compliance with property standards and verify the information submitted by the owners no less than: (a) every three years for projects containing 1 to 4 units, (b) every two years for projects containing 5 to 25 units, and (c) every year for projects containing 26 or more units.
- Condition:** The City created a master control log to keep track of the on-site housing quality standards inspections. However, it was not fully implemented during the audit period for the City to determine if the required inspections were performed within the appropriate time intervals.
- Effect:** The required inspections may not have been performed within the required inspection intervals, resulting in potential noncompliance with housing quality standards and HOME Program objectives.
- Recommendation:** We recommend management complete and utilize its master control log to identify and document when the required inspections are performed to assure that housing quality standards inspections are performed as required.

Management Response:

Upon execution of HOME project contracts, the Housing Manager will add the compliance property standards period for each HOME-assisted rental project on the HOME master control log to identify and document when required inspection. In addition, the Housing Manager will also add the HOME project and relevant information to the property inspection master control log.

The Housing Manager will make assignments for on-site inspection no later than October 1st of each year. All onsite inspections will be completed by assigned staff and inspection monitoring reports returned no later than December 1st of the same year to the Housing Manager. The Housing Manager will review, modify and/or approve monitoring reports no later than December 15th. Corrected monitoring reports with any specific corrective actions and deadlines will be sent by December 31st of the same year.

Financial Statement Prior Audit Findings

Finding 2008-1 – Reconciliations and Supervisory Review

During the prior audit, it was noted that various reconciliations were not being completed on a timely basis.

Status: *Partially corrected during 2009-2.*

Finding 2008-2 – Bank Reconciliations

During the prior audit, bank reconciliations for the regular active, payroll, accounts payable, tax refund and utility accounts were not completed timely throughout 2008. It was also noted that cash bail and civil court monthly bank reconciliations did not contain documentation of the preparer, the date prepared, and management's review of the reconciliation.

Status: *Corrected.*

Finding 2008-3 – Cash, Investments and Disbursements

During the prior audit, it was noted that the Administrative Services Officer had the ability to receive mail, make deposits, record deposits, and make transfers. This individual also could authorize investment transactions, access on-line investment accounts, record investment transactions, and execute electronic funds transfer arrangements. The Administrative Services Officer could prepare checks, sign checks or authorize a mechanical signature of checks, access mechanical signature plates, and mail the checks.

Status: *During the current audit, we observed this lack of segregation. However, we also observed certain compensating controls to detect and mitigate the risk, and thus, we have reported in the management letter.*

Finding 2008-4 – Capital Asset Management

During the prior audit, the City had not completed a physical inventory of capital assets, with the expectation of one not being performed until the Enterprise Resource Planning (ERP) Program implementation was complete. In addition, capital asset disposals were not properly tracked and accounted for in the City's capital asset detail.

Status: *Repeated as part of Finding 2009-2.*

Finding 2008-5 – Tax System

During the prior audit, the Security Administrator for the Taxation System (UTAX) had operator access capabilities and access to batches. Detective controls had been implemented which included review of system change logs. However, the situation presented a lack of segregation of duties.

Status: *During the current audit, we observed this lack of segregation of duties. However, we also observed certain compensating controls to detect and mitigate the risk, and thus, we reported in the management letter.*

Financial Statement Prior Audit Findings (continued)

Finding 2008-6 – Utilities System

During the prior audit, it was noted that one person was responsible for security administration, production systems and testing. While this provided some efficiency to the conversion process to the new system, the situation presented a lack of segregation of duties.

***Status:** Repeated as Finding 2009-3.*

Finding 2008-7 – Accounts Payable Cut-off

During the prior audit, there were five out of fifty-three disbursements which were not recorded in the appropriate period.

***Status:** We noted similar unrecorded liabilities as of December 31, 2009. However, amounts were immaterial to the financial statements individually, and in the aggregate, and thus we reported in the management letter.*

Federal Award Prior Audit Findings

Finding 2008-8 – Schedule of Expenditures of Federal Awards

During the prior audit, it was noted that the City did not have effective controls to ensure the completeness and accuracy of the schedule of expenditures of federal awards.

***Status:** Repeated as Finding 2009-4.*

Finding 2008-9 – Activities Allowed or Unallowable for CDBG (CFDA 14.218)

During the prior audit, it was noted that the City's indirect cost allocation plan had not been updated to reflect current financial data since 2004.

***Status:** Corrected.*

Finding 2008-10 – Program Income for CDBG (CFDA 14.218)

During the prior audit, one of the economic development loans that originated in 2008 with disbursement of funds to the borrower was not properly established as a receivable.

***Status:** Corrected.*

Finding 2008-11 – Program Income for HOME (CFDA 14.239)

During the prior audit, it was noted that there was no reconciliation or record keeping process formally established regarding the mortgage loans originated, continued monitoring procedures and reduction of the receivable balance of the mortgage loans on an individual basis with HOME funds.

***Status:** Corrected.*

Federal Award Prior Audit Findings (continued)

Finding 2008-12 – Reporting for HOME (CFDA 14.239)

During the prior audit, it was noted that HUD Form 60002 was not completed or submitted within the required timeframe.

Status: *Repeated as Finding 2009-5.*

Finding 2008-13 – Special Tests and Provisions for HOME (CFDA 14.239)

During the prior audit, it was noted that the City did not maintain a master control log that list each HOME assisted rental housing project undertaken and completed since the inception of the HOME Program. Adequate samples could not be selected to test the related compliance requirement regarding housing quality standards.

Status: *Repeated as Finding 2009-7.*

Finding 2008-14 – Eligibility for the Lead-Based Paint Hazard Control Program (CFDA 14.900)

During the prior audit, in a sample of twenty-five transactions selected for testing, one rental housing project undertaken in which the income levels documented on the City's summary sheet was not substantiated by documentation used to make the determination.

Status: *Corrected.*

Finding 2008-15 – Special Tests and Provisions for the Lead-Based Paint Hazard Control Program (CFDA 14.900)

During the prior audit, in a sample of twenty-five transactions selected for testing, there were two projects which the lead blood testing was not completed within the designated time period and another project to where there was no supporting documentation on file for the blood testing levels documented.

Status: *Corrected.*

Finding 2008-16 – Reporting for the Assistance for Firefighters Grant Program (CFDA 97.044)

During the prior audit, the final performance report did not accurately depict the type of equipment purchased within the narrative and the equipment schedule detail section. Based on the testing performed, it was noted that all equipment purchased under the grant program was an allowable costs as approved within the initial grant agreement and the amendment filed by the City.

Status: *Corrected.*

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APPENDIX C

Basic Financial Statements for Fiscal Year 2010 (unaudited)

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City of Toledo, Ohio
Statement of Net Assets
December 31, 2010
(amounts expressed in thousands)

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents with treasurer	\$ 3,724	\$ 3,788	\$ 7,512
Cash and cash equivalents held by escrow agent	475	65	540
Cash and cash equivalents other	11	4	15
Investments	22,344	21,591	43,935
Restricted investments	28,199	55,346	83,545
Receivables (net of allowance)	111,423	34,973	146,396
Due from other governments	23,911	21	23,932
Internal balances	20,973	(20,973)	-
Prepaid items	-	97	97
Inventory	5,029	5,049	10,078
Deferred charges and other	427	2,798	3,225
Capital assets:			
Land and construction in progress	60,814	75,867	136,681
Other capital assets, net of accumulated depreciation	490,389	639,848	1,130,237
Total assets	767,719	818,474	1,586,193
LIABILITIES			
Accounts payable	11,663	10,125	21,788
Customer deposits	1,287	8,450	9,737
Accrued wages and benefits	32,170	236	32,406
Accrued interest payable	1,810	4,439	6,249
Retainages	811	1,541	2,352
Due to other governments	-	84	84
Unearned revenue	16,202	-	16,202
Other current liabilities	1,560	38	1,598
Current portion of long-term liabilities:			
Compensated absences	1,158	370	1,528
Bonds, notes, loans and other obligations	52,858	21,817	74,675
Long-term liabilities:			
Compensated absences	40,350	6,097	46,447
Bonds, notes, loans and other obligations	186,073	338,681	524,754
Total liabilities	345,942	391,878	737,820
NET ASSETS			
Invested in capital assets, net of related debt	343,145	388,160	731,305
Restricted for:			-
Special assessments	3,734	-	3,734
Debt service	-	5,166	5,166
Replacement	-	20,252	20,252
Capital improvements	44,048	6,342	50,390
Other purposes	25,848	-	25,848
Unrestricted	5,002	6,676	11,678
Total net assets	\$ 421,777	\$ 426,596	\$ 848,373

The notes to the financial statements are an integral part of the statement.

City of Toledo, Ohio
Statement of Activities
For the Year Ended December 31, 2010
(amounts expressed in thousands)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants	Capital Grants	Primary Government		
					Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 25,421	\$ 46,960	\$ -	\$ -	\$ 21,539	\$ -	\$ 21,539
Public service	54,469	26,003	-	11,836	(16,630)	-	(16,630)
Public safety	157,436	9,363	5,390	-	(142,683)	-	(142,683)
Public utilities	2	-	-	-	(2)	-	(2)
Community environment	32,543	5,421	5,513	21,903	294	-	294
Health	16,966	11,184	1,501	-	(4,281)	-	(4,281)
Parks and recreation	6,139	200	271	-	(5,668)	-	(5,668)
Interest and fiscal charges	12,060	-	-	-	(12,060)	-	(12,060)
Total governmental activities	305,036	99,131	12,675	33,739	(159,491)	-	(159,491)
Business-type activities:							
Water	39,138	42,487	-	-	-	3,349	3,349
Sewer	56,888	57,354	-	4,171	-	4,637	4,637
Storm utility	4,968	9,798	-	1,252	-	6,082	6,082
Utilities administration	9,876	10,071	-	-	-	195	195
Parking	820	1,383	-	-	-	563	563
Property management	1,691	470	-	-	-	(1,221)	(1,221)
Small business development	380	177	-	-	-	(203)	(203)
Municipal tow lot	986	1,911	-	-	-	925	925
Total business-type activities	114,747	123,651	-	5,423	-	14,327	14,327
Total	\$ 419,783	\$ 222,782	\$ 12,675	\$ 39,162	\$ (159,491)	\$ 14,327	\$ (145,164)
General revenues:							
Income taxes					146,886	-	146,886
Property taxes					12,465	-	12,465
Investments earnings					1,605	781	2,386
Gain (loss) on sale of fixed assets					(34)	(6)	(40)
Other revenue					4,606	-	4,606
Transfers					534	(534)	-
Total general revenues and transfers					166,062	241	166,303
Changes in net assets					6,571	14,568	21,139
Net assets - beginning, restated					415,206	412,028	827,234
Net assets - ending					\$ 421,777	\$ 426,596	\$ 848,373

The notes to the financial statements are an integral part of this statement.

City of Toledo, Ohio
Balance Sheet
Governmental Funds
December 31, 2010
(amounts expressed in thousands)

	General	Capital Improvements	Special Assessments Services	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents:					
Cash and cash equivalents with treasurer	\$ 3,724	\$ -	\$ -	\$ -	\$ 3,724
Cash and cash equivalents held by escrow agent	475	-	-	-	475
Cash and cash equivalents other	9	-	-	2	11
Investments	10,200	11,910	-	234	22,344
Restricted investments	5,320	14,487	4,977	3,400	28,184
Receivables (net of allowance)	49,617	420	53,307	7,888	111,232
Due from other:					
Funds	-	17,220	-	15,888	33,108
Governments	1,311	11,060	-	11,540	23,911
Inventory of supplies	688	856	1,807	721	4,072
Total assets	71,344	55,953	60,091	39,673	227,061
LIABILITIES					
Accounts payable	4,818	1,358	239	4,155	10,570
Deposits	165	-	140	982	1,287
Retainage	-	811	-	-	811
Due to other:					
Funds	32,227	-	14,724	6,094	53,045
Governments	-	-	-	-	-
Deferred revenue	29,371	5,326	53,278	12,082	100,057
Accrued wages and benefits	12,217	61	194	250	12,722
Compensated absences payable	1,158	-	-	-	1,158
Notes payable	-	9,675	41,060	1,650	52,385
Total liabilities	79,956	17,231	109,635	25,213	232,035
FUND BALANCES (DEFICIT)					
Nonspendable	697	856	1,807	1,417	4,777
Restricted	5,320	14,487	4,977	8,961	33,745
Committed	-	23,379	-	13,179	36,558
Assigned	-	-	-	-	-
Unassigned	(14,629)	-	(56,328)	(9,097)	(80,054)
Total fund balance (deficit)	(8,612)	38,722	(49,544)	14,460	(4,974)
Total liabilities and fund balance (deficit)	\$ 71,344	\$ 55,953	\$ 60,091	\$ 39,673	\$ 227,061

The notes to the financial statements are an integral part of this statement.

City of Toledo, Ohio
Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Funds
December 31, 2010
(amounts expressed in thousands)

Total **fund balances** for governmental funds \$ (4,974)

Total **net assets** reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities (excluding internal services funds capital assets) are not financial resources and therefore are not reported in the funds 532,041

Revenue will be collected beyond the 60 day period use statements. Revenue and a corresponding receivable are included in the government-wide statements

Special assessments	\$ 55,190	
Income taxes	9,919	
Delinquent property taxes	2,365	
Capital grants	6,292	
Operating grants	6,590	
Reimbursements from other governments	<u>3,499</u>	83,855

Internal services funds are used by the City to account for the financing of goods or services provided by one department or agency to the other City departments or agencies, generally on a cost reimbursement basis. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. 36,309

Bond issuance costs were reported as expenditures in the governmental funds when the debt was issued, whereas bond issuance costs are deferred in the statement of net assets. Deferred bond issuance costs are amortized, over the life of the debt issued, as an adjustment to interest and fiscal charges in the statement of activities. 427

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the statement of net assets. Balances at December 31, 2010 are as follows:

General obligation bonds	(116,016)	
Compensated absences	(40,350)	
Loans outstanding from federal agencies	(29,920)	
Loans outstanding from state agencies	(18,070)	
Accrued interest	(1,810)	
Landfill closure	(14,989)	
Capital lease for firetrucks	(1,782)	
Capital leases for ambulances	(1,549)	
Capital leases for police cars	<u>(1,395)</u>	(225,881)

Total **net assets** of governmental activities \$ 421,777

The notes to the financial statements are an integral part of the statement.

City of Toledo, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2010
(amounts expressed in thousands)

	General	Capital Improvements	Special Assessment Services	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Income taxes	\$ 144,581	\$ -	\$ -	\$ -	\$ 144,581
Property taxes	11,936	-	-	-	11,936
Special assessments	-	-	26,128	464	26,592
Licenses and permits	2,359	-	-	4	2,363
Intergovernmental services	24,118	5,559	-	12,844	42,521
Charges for services	22,006	922	499	920	24,347
Investment earnings	1,016	499	21	69	1,605
Fines and forfeitures	4,486	-	-	1,162	5,648
Grants	-	14,822	-	19,316	34,138
Other revenue	974	674	10	2,619	4,277
Total revenues	<u>211,476</u>	<u>22,476</u>	<u>26,658</u>	<u>37,398</u>	<u>298,008</u>
Expenditures					
General government	15,092	-	187	565	15,844
Public service	1,510	-	22,788	10,536	34,834
Public safety	153,359	-	-	6,015	159,374
Public utilities	-	-	-	2	2
Community environment	3,929	-	-	27,150	31,079
Health	10,971	-	639	2,117	13,727
Parks and recreation	2,100	-	145	415	2,660
Capital outlay	2,331	41,683	3	286	44,303
Debt service:					
Principal retirement	1,615	10,284	-	13,497	25,396
Interest and fiscal charges	708	3,293	1,318	6,492	11,811
Debt issuance costs	-	102	-	-	102
Total expenditures	<u>191,615</u>	<u>55,362</u>	<u>25,080</u>	<u>67,075</u>	<u>339,132</u>
Excess (deficiency) of revenues over expenditures	19,861	(32,886)	1,578	(29,677)	(41,124)
Other financing sources (uses):					
Transfers in	12,007	31,979	290	19,671	63,947
Transfers out	(32,548)	(27,852)	-	(3,014)	(63,414)
Capital lease proceeds	-	3,310	-	-	3,310
Issuance of debt	-	16,623	-	-	16,623
Premium (discount) on bond	-	171	-	-	171
Sale of fixed assets	55	35	-	11	101
Total other financing sources (uses)	<u>(20,486)</u>	<u>24,266</u>	<u>290</u>	<u>16,668</u>	<u>20,738</u>
Net change in fund balance	(625)	(8,620)	1,868	(13,009)	(20,386)
Fund balance (deficit) at beginning of year	(8,020)	47,331	(50,623)	27,552	16,240
Increase (decrease) in reserve for inventory	33	11	(789)	(83)	(828)
Fund balance (deficit) at year end	<u>\$ (8,612)</u>	<u>\$ 38,722</u>	<u>\$ (49,544)</u>	<u>\$ 14,460</u>	<u>\$ (4,974)</u>

The notes to the financial statements are an integral part of this statement.

City of Toledo, Ohio

Reconciliation of the Statement of Revenues, Expenditures, and changes in Fund Balances to the Statement of Activities Governmental Funds For the Year Ended December 31, 2010 (amounts expressed in thousands)

Net change in **fund balances** - total governmental funds \$ (20,386)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets, which meet the capitalization requirement, is allocated over their estimated useful lives and reported as depreciation expense. This amount includes the adjustment for capital outlay expenditures capitalized offset by depreciation expense and loss on the disposal of fixed assets in the current period.

Capital outlay	\$ 44,174	
Depreciation expense	(31,848)	
Gain (loss) on disposal of fixed assets	(399)	11,927

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The amount of this net effect of the reversal of prior year items against current year accruals.

Special assessments	(5,506)	
Income taxes	2,306	
Delinquent property taxes	529	
Capital grants	11,012	
Operating grants	1,264	
Basic life support	(2,013)	
Reimbursements from other governments	22	7,614

The long-term liability for compensated absences is not recorded in the funds, but is reported in the statement of activities. This amount is the current year change in the liability, reported as an expense in the statement of activities. 4,710

The long-term liability for landfill closure is not recorded in the funds, but is reported in the statement of activities. This amount is the current year change in the liability, reported as an expense in the statement of activities. (1,730)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net assets. This amount is the amount by which repayment of principal exceeds proceeds from issuance not reported as notes payable in the governmental funds. 5,292

Bond issuance costs are included as expenditures in the funds, but are deferred and amortized over the life of the bonds in the government-wise statements. 181

Some expenses reported in the statements of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in accrued interest	(184)	
Change in inventory	(828)	(1,012)

Changes in net assets of internal service funds reported with governmental activities. (25)

Changes in **net assets** of governmental activities \$ 6,571

The notes to the financial statements are an integral part of the statement.

City of Toledo, Ohio
Statement of Net Assets
Proprietary Funds
December 31, 2010
(amounts expressed in thousands)

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Nonmajor Enterprise	Total	
ASSETS					
Current assets:					
Cash and cash equivalents with treasurer	\$ 33	\$ 55	\$ 3,700	\$ 3,788	\$ -
Cash and cash equivalents held by escrow agent	35	27	3	65	-
Cash and cash equivalents other	3	-	1	4	-
Investments	14,997	6,068	526	21,591	-
Restricted investments	3,307	2,859	49,180	55,346	15
Receivables (net of allowance)	7,512	18,519	8,942	34,973	191
Due from other:					
Funds	5,767	14,796	1,061	21,624	42,148
Governments	4	-	17	21	-
Prepaid items	97	-	-	97	-
Inventory of supplies	4,281	715	53	5,049	957
Total current assets	36,036	43,039	63,483	142,558	43,311
Noncurrent assets:					
Deferred charges and other	2,068	615	115	2,798	-
Capital assets:					
Land and construction in progress	25,928	36,585	13,354	75,867	350
Other capital assets, net of accumulated depreciation	177,022	421,302	41,524	639,848	18,812
Total noncurrent assets	205,018	458,502	54,993	718,513	19,162
Total assets	241,054	501,541	118,476	861,071	62,473
LIABILITIES					
Current liabilities:					
Accounts payable	1,281	8,175	669	10,125	1,093
Customer deposits	3,427	4,975	48	8,450	-
Retainage	354	1,187	-	1,541	-
Due to other:					
Funds	-	-	42,597	42,597	1,238
Governments	-	84	-	84	-
Other current liabilities	-	-	38	38	1,560
Accrued interest payable	540	3,765	134	4,439	-
Accrued wages and benefits	-	61	175	236	19,448
Current portion of:					
Compensated absences payable	139	192	39	370	-
Bonds, loans and notes payable, net	6,183	13,528	2,106	21,817	2,825
Total current liabilities	11,924	31,967	45,806	89,697	26,164
Noncurrent liabilities:					
Compensated absences payable	2,296	3,167	634	6,097	-
Bonds, loans and notes payable, net	79,776	229,185	29,720	338,681	-
Total noncurrent liabilities	82,072	232,352	30,354	344,778	-
Total liabilities	93,996	264,319	76,160	434,475	26,164
NET ASSETS					
Invested in capital assets, net of related debt	124,982	217,949	45,229	388,160	16,337
Restricted for debt service	406	4,745	15	5,166	-
Restricted for replacement	10,145	-	10,107	20,252	2,000
Restricted for improvement	1,956	3,047	1,339	6,342	-
Unrestricted	9,569	11,481	(14,374)	6,676	17,972
Total net assets	\$ 147,058	\$ 237,222	\$ 42,316	\$ 426,596	\$ 36,309

The notes to the financial statements are an integral part of this statement.

City of Toledo, Ohio
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended December 31, 2010
(amounts expressed in thousands)

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Nonmajor Enterprise	Total	
Operating revenues					
Charges for services	\$ 42,199	\$ 57,010	\$ 22,671	\$ 121,880	\$ 28,096
Other revenue	288	344	1,139	1,771	329
Total operating revenue	42,487	57,354	23,810	123,651	28,425
Operating expenses					
Personal services	12,415	16,827	9,375	38,617	6,094
Contractual services	7,400	10,837	5,450	23,687	10,866
Materials and supplies	5,653	2,880	764	9,297	6,106
Utilities	2,581	3,192	262	6,035	1,670
Depreciation	4,802	15,348	1,768	21,918	3,834
Total operating expenses	32,851	49,084	17,619	99,554	28,570
Operating income	9,636	8,270	6,191	24,097	(145)
Nonoperating revenues (expenses)					
Capital grants	-	4,171	1,252	5,423	-
Investment earnings	195	206	380	781	-
Interest expense and fiscal charges	(6,287)	(7,804)	(1,102)	(15,193)	(144)
Gain (loss) on sale of fixed assets	(7)	-	-	(7)	264
Total nonoperating revenues (expenses)	(6,099)	(3,427)	530	(8,996)	120
Income (loss) before transfers	3,537	4,843	6,721	15,101	(25)
Transfers in	-	-	973	973	-
Transfers out	(13)	(16)	(1,477)	(1,506)	-
Change in net assets	3,524	4,827	6,217	14,568	(25)
Net assets at beginning of year	143,534	232,395	36,099	412,028	36,334
Net assets at end of year	<u>\$ 147,058</u>	<u>\$ 237,222</u>	<u>\$ 42,316</u>	<u>\$ 426,596</u>	<u>\$ 36,309</u>

The notes to the financial statements are an integral part of this statement.

City of Toledo, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2010
(amounts expressed in thousands)

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Nonmajor Enterprise	Total	
Operating activities:					
Cash received from customers	\$ 40,319	\$ 49,570	\$ 22,704	\$ 112,593	\$ 28,024
Cash paid to employees	(12,606)	(18,205)	(9,974)	(40,785)	(5,221)
Cash paid to suppliers	(24,752)	(19,442)	(5,622)	(49,816)	(38,434)
Other receipts	310	450	1,162	1,922	329
Net cash provided by (used by) operating activities	3,271	12,373	8,270	23,914	(15,302)
Noncapital financial activities:					
Transfers in	-	-	973	973	-
Transfers out	(13)	(16)	(1,477)	(1,506)	-
Net cash provided by (used by) noncapital financing activities	(13)	(16)	(504)	(533)	-
Capital and related financing activities:					
Proceeds from capital grants and contributions	-	4,171	1,252	5,423	-
Proceeds from the sales of assets	-	-	-	-	327
Purchases of property, plant and equipment	(10,118)	(30,901)	(4,079)	(45,098)	(749)
Proceeds from the issuance of bonds, loans, and notes	1,049	15,519	43	16,611	-
Refunding bond issued	22,020	10,973	7,563	40,556	5,650
Principal payments on bonds and loans	(6,304)	(14,118)	(2,280)	(22,702)	(1,335)
Payment on refunded bonds	(20,800)	(10,435)	(7,290)	(38,525)	(5,650)
Interest and fiscal charges paid on bonds, loans and notes	(5,762)	(9,403)	(1,082)	(16,247)	(144)
Net cash provided by (used by) capital and related financing activities	(19,915)	(34,194)	(5,873)	(59,982)	(1,901)
Investing activities:					
Proceeds from sales and maturities of investments	89,515	64,783	165,882	320,180	-
Purchase of investments	(79,275)	(48,642)	(167,483)	(295,400)	(1)
Investment income received on investments	1,218	130	413	1,761	-
Net cash provided by (used by) investing activities	11,458	16,271	(1,188)	26,541	(1)
Decrease in cash and cash equivalents	(5,199)	(5,566)	705	(10,060)	(17,204)
Cash and cash equivalents at beginning of year	5,270	5,648	2,999	13,917	17,204
Cash and cash equivalents at end of year	<u>\$ 71</u>	<u>\$ 82</u>	<u>\$ 3,704</u>	<u>\$ 3,857</u>	<u>\$ -</u>
Reconciliation of net operating income (loss) to net cash provided by (used by) operating activities:					
Operating income (loss)	\$ 9,636	\$ 8,270	\$ 6,191	\$ 24,097	\$ (145)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:					
Depreciation	4,802	15,348	1,768	21,918	3,834
Increase (decrease) in allowance for doubtful accounts	(110)	(369)	1,126	647	(3)
Changes in assets and liabilities:					
Receivables	(1,770)	(7,071)	(1,093)	(9,934)	(69)
Due to (from) other:					
Funds	(8,963)	(12,829)	905	(20,887)	(19,662)
Governments	22	106	23	151	-
Prepaid expenses	-	-	34	34	-
Inventory of supplies	(399)	(20)	(24)	(443)	(195)
Accounts payable	427	6,968	(13)	7,382	65
Customer deposits	(10)	2,528	47	2,565	-
Retainage	(173)	820	(95)	552	-
Other current liabilities	-	-	-	-	-
Accrued wages and benefits	(2,626)	(4,737)	(1,272)	(8,635)	873
Compensated absences	2,435	3,359	673	6,467	-
Net cash provided by (used by) operating activities	\$ 3,271	\$ 12,373	\$ 8,270	\$ 23,914	\$ (15,302)
Supplemental information:					
Noncash activities:					
Change in fair market value of investments	\$ (970)	\$ 90	\$ (85)	\$ (965)	\$ -
OWDA loan increase for capitalized interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4</u>	<u>\$ 4</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

City of Toledo, Ohio
Balance Sheet
Statement of Fiduciary Assets and Liabilities
December 31, 2010
(amounts expressed in thousands)

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents:	
Cash and cash equivalents other	\$ 1,099
Receivables	<u>1,681</u>
Total assets	<u><u>\$ 2,780</u></u>
LIABILITIES	
Accounts payable	58
Deposits	1,099
Other liabilities	<u>1,623</u>
Total liabilities and fund balance (deficit)	<u><u>\$ 2,780</u></u>

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

UNAUDITED

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(amounts expressed in thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Toledo, Ohio (City) was incorporated January 7, 1837, and operates under its Charter adopted in November 1914. The City may exercise all powers of local self-government granted under Article XVIII, Section 3, of the Ohio Constitution, not in conflict with applicable general laws of Ohio. The charter provides that the City operate under the strong mayor/council form of government.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United State of America (GAAP) as applied to local government units. The Government Accounts Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, to its business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The City has elected not to apply FASB guidance issued after November 30, 1989, to its business-type activities and enterprise funds. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification. The most significant of the City's accounting policies are described below.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. The reporting entity of the City of Toledo, Ohio includes the following services as authorized by its charter: Public Safety, Highways and Streets, Water and Sanitation, Health and Social Services, Culture-Recreation, Public Improvements, Planning and Zoning and General Administrative Services.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing body, and (1) the City is able to significantly influence the programs and services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; or (3) the City is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization; or (4) the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves their budget, the issuance of their debt, or the levying of taxes for the organization. The City has no component units.

Jointly Governed Organizations

Corrections Commission of Northwest Ohio

In 1987, the City of Toledo entered into a joint contractual agreement with five counties (Defiance, Fulton, Henry, Lucas and Williams) to form the Corrections Commission of Northwest Ohio (Commission) to oversee the construction and operation of a regional jail. The mission of the Commission is to protect the public, employees and offenders, while operating a cost effective detention center. Each member jurisdiction paid their share of the capital cost of construction of the facility (approximately \$21.3 million). The State of Ohio reimbursed \$10.7 million or 50% of the total capital cost of construction as an incentive to build regional jails.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(amounts expressed in thousands)
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Jointly Governed Organizations (continued)

The six member jurisdiction share in the cost of operation of the Commission based upon the number of beds each are allocated. The funding percentages to each jurisdiction are as follows: City of Toledo – 37.63%, Lucas County – 31.03%, Defiance County – 9.4%, Fulton County – 8.15%, Williams County – 8.15%, and Henry County – 5.64%. The six member jurisdictions each have three representatives (county commissioner/city manager, chief of police/sheriff, and a judge) to serve on the eighteen member board. The degree of control exercised over the Commission by each member jurisdiction is limited to budgeting and financing. The City contributed \$5,570 for the operation of the Commission in 2010. Financial information can be obtained from the Commission's administrative office located at 03151 Road 2425, Stryker, OH 43557-9418.

City of Toledo-City of Sylvania

In July 2008, the City entered into a revenue sharing contract with the City of Sylvania. The purpose of this contract is to facilitate new and expanded commercial growth or economic development in the state and the city of Sylvania. The agreement results in an income tax that shall be imposed based on the City of Sylvania's Municipal Code at a rate of 1.5%. The City will receive 40% of the net revenues in excess of the baseline revenues established yearly generated by this agreement. The City received \$0 in revenues from this agreement in 2010.

City of Toledo-Perrysburg Township

In October 2008, the City entered into a contract with Perrysburg Township to create a Joint Economic Development District (JEDD). The purpose of this contract is to facilitate economic development; create or preserve jobs and employment opportunities and to improve the economic welfare of the people and businesses located in the State, Township, City and District. The agreement results in a payroll income tax that shall be imposed based on the City of Toledo's Municipal Code at a rate of 2.25% paid by employees of businesses located in the District. The City will receive the first \$223 of revenues and 50% of the remaining revenues generated by this agreement. The City received \$44 in revenues from the JEDD in 2010.

City of Toledo-Lake Township

In August 2009, the City entered into a contract with Lake Township to create a Joint Economic Development District (JEDD). The purpose of this contract is to facilitate economic development; create or preserve jobs and employment opportunities and to improve the economic welfare of the people and businesses located in the State, Township, City and District. The agreement results in an income tax that shall be imposed based on the City of Toledo's Municipal Code at a rate of 2.25%. The City will receive 40% of the net revenues generated by this agreement. The City received \$0 in revenues from the JEDD in 2010.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(amounts expressed in thousands)
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Jointly Governed Organizations (continued)

City of Toledo-Troy Township

In September 2010, the City has entered into a contract with Troy Township to create a Joint Economic Development District (JEDD). The purpose of this contract is to facilitate economic development; create or preserve jobs and employment opportunities and to improve the economic welfare of the people and businesses located in the State, Township, City and District. The agreement results in an income tax that shall be imposed based on the City of Toledo's Municipal Code at a rate of 2.25%. The City will receive 40% of the net revenues generated by this agreement. The City received \$0 in revenues from the JEDD in 2010.

City of Toledo-City of Rossford

In February 1992, the City has entered into a contract with City of Rossford to create a Joint Economic Development Zone (JEDZ). The purpose of this contract is to facilitate planned, orderly, new and expanded commercial and industrial growth within the region; creating retaining and enhancing employment opportunities for the benefit of Toledo and Rossford and their residents and all of the residents of the region. The agreement results in an income tax that shall be imposed based on the City of Rossford's Municipal Code at a rate of 2.25%. The City will receive approximately 27.33% of the net revenues generated by this agreement. The City received \$0 in revenues from the JEDZ in 2010.

City of Toledo-City of Maumee-Monclova Township

In October 2003 and amended in 2010, the City entered into a contract with City of Maumee and Monclova Township to create a Joint Economic Development Zone (JEDZ). The purpose of this contract is to facilitate planned, orderly, new and expanded commercial and industrial growth within the region; creating retaining and enhancing employment opportunities for the benefit of Toledo, Maumee and Monclova, and their residents and all of the residents of the region. The agreement results in an income tax that shall be imposed based on the City of Maumee's Municipal Code at a rate of 1.5%. The City will receive one fourth of the net revenues generated by this agreement. The City received \$921 in revenues from the JEDZ in 2010.

Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net assets, a statement of activities, and fund financial statements which provide a more detailed level of financial information. The government-wide statements report all of the assets, liabilities, revenues and expenses of the City. Governmental activities are reported separately from business type activities. Governmental activities are normally supported by taxes and intergovernmental revenues whereas business type activities are normally supported by fees and charges for services and are usually intended by management to be financially self-sustaining. Fiduciary funds of the City are not included in these government-wide financial statements; however, separate financial statements are presented for the fiduciary funds.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(amounts expressed in thousands)
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (continued)

Government-Wide Financial Statements:

The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except fiduciary funds. The activity of the internal service funds are eliminated to avoid doubling up revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year end.

The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipient of the goods and services offered by the program and (b) grants and contributions that are restricted to meeting the operational and capital requirements of a particular program. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise funds financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the proprietary fund statements. Fiduciary funds are reported by type.

Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The City's funds are classified as governmental, proprietary and fiduciary.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(amounts expressed in thousands)
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting (continued)

Governmental Funds:

Governmental funds are those through which most governmental functions typically are financed. Governmental reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

General Fund: accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Capital Improvements Fund: accounts for construction, improvements and acquisition of building and infrastructure.

Special Assessment Services Fund: accounts for the proceeds of special assessments (and related note sales) levied against property owners benefiting from the City's services.

Proprietary Funds:

Proprietary fund reporting focuses on changes in net assets, financial position and cash flows.

Enterprise Funds: enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. The City has separate enterprise funds for the following major enterprise funds: water and sewer.

Water: to account for the operations of the water treatment and distribution systems operated of the City. The Department also provides water services to several areas outside of the City. The water supply is collected from Lake Erie. Revenue is generated by charges that are set a level sufficient to provide funds for the costs of operating, maintaining and providing necessary replacements and improvements and for the debt service requirements on outstanding debt.

Sewer: to account for the operations of the sanitary sewage collection and treatment systems operated of the City. Revenue is generated by charges that are set a level sufficient to provide funds for the costs of operating, maintaining and providing necessary replacements and improvements and for the debt service requirements on outstanding debt.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(amounts expressed in thousands)
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting (continued)

Internal Service Funds: internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, generally on a cost-reimbursement basis.

Fiduciary Funds:

The City's only fiduciary fund reporting focuses on assets and liabilities.

Agency funds: agency funds are used to account for assets held by the City as an agent for individuals, private organization, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's primary agency funds are the municipal court and a general agency fund where as the City is a collection agent for various licenses, fees and taxes for the State of Ohio.

Measurement Focus

Government-Wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net assets, except fiduciary funds. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in net assets.

Fund Financial Statements:

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenue, expenditures, and changes in fund balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(amounts expressed in thousands)
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for the all major and nonmajor proprietary funds and charges for goods and services to other departments provided by the internal service funds. Operating expenses are necessary costs incurred to provide the goods and services that are the primary activity of the fund.

Agency funds do not report a measurement focus as they do not report operations.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The government-wide as well as the fiduciary funds and proprietary fund financial statements are prepared using the accrual basis of accounting. The governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Under the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities for the current fiscal year. For the City, available means expected to be received within sixty days after year end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Under the accrual basis, revenue from income taxes is recognized in the period in which the income is earned (see Note 4). Revenue from property taxes is recognized in the year in which the taxes are levied (see Note 5).

Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. Under the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: income tax, state-levied local shared taxes (including gasoline tax), fines and forfeitures, licenses and permits, interest, grants and rentals.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(amounts expressed in thousands)
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (continued)

Unearned and Deferred Revenues

Unearned and deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2010, but which were levied to finance year 2011 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as unearned revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2010, are recorded as deferred revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Budgetary Information

Annual budgets are adopted for all governmental funds other than capital projects funds on the GAAP basis in that revenues are recorded when earned and expenditures are recorded when incurred. Capital projects funds adopt project-length budgets at the time bonds are sold or other funding sources are determined. The City maintains budgetary controls by not permitting expenditures to exceed appropriations at the account for each division within each fund.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(amounts expressed in thousands)
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents (continued)

Cash balances of the City's funds are pooled and invested in order to provide improved cash management. Monies for all funds are maintained in this pool. All of the City's depository accounts are maintained by the general fund and reported on the statement of net assets as "cash and cash equivalents with treasurer".

Investments were limited to certificates of deposit, federal government securities, and the State Treasury Assets Reserve of Ohio (STAR Ohio). Except for non-participating investment contract, investments are stated at fair value which is based on quoted market prices. Non-participating investment contracts, such as non-negotiable certificates of deposit, are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's office which allows governments with the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2010.

For the purposes of the statement of cash flows, the Proprietary funds consider all highly liquid investments held by treasurer with an original maturity date of three months or less when purchased, to be cash equivalents. In addition, all cash with treasurer and other cash are also considered to be cash equivalents because they are available to the Proprietary fund on demand.

Inventory of Supplies

Inventories are valued at cost in utilizing the first-in, first out (FIFO) method for Governmental funds, and the lower of cost or market in Proprietary funds and are expensed when used.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2010, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of the purchase and the expenditure/expense in the year in which services are consumed.

Restricted Assets

Restricted assets are those which are legally restricted in their use by bond indentures, or other legal instruments.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(amounts expressed in thousands)
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from the expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but not reported in the governmental fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statements of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$500. The City's infrastructure consists of bridges, curbs and gutters, lighting, sidewalks, roads, drainage systems and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not. Interest incurred during the construction of capital assets are capitalized in the proprietary funds.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings	35-50 years
Improvements other than buildings	10-20 years
Machinery and Equipment	5-25 years
Furniture and fixtures	8-20 years
Infrastructure	20-50 years
Distribution systems	100 years

Interfund Balances

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "due to/from". Interfund loans which do not represent available expendable resources are offset by a fund balance reserve account. Interfund balance amounts are eliminated in the statement of assets.

Compensated Absences

The City follows the provisions of Governmental Accounting Standards board No. 16, *Accounting for Compensated Absences*. Vacation and compensatory time benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the city will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation and compensatory time when earned for all employees with more than one year of service.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(amounts expressed in thousands)
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences (continued)

Sick leave benefits are accrued using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the City's past experience of making termination payments.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payments allowed by labor contract and/or statute, plus applicable additional salary related payments. City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation and sick leave at various rates.

The entire compensated absence liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due during each period upon the occurrence of employee resignations and retirements. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

Accrued Liabilities and Long-Term Obligations

All payables and accrued liabilities and long-term obligations payable from the governmental funds are reported in the government-wide financial statements and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as a liability on the fund financial statements when due.

Debt Issuance Costs, Premiums, Discounts and Deferred Amount on Refundings

On government-wide financial statements, bond issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Unamortized bond issuance costs are reported as a separate line item on the statement of net assets.

Bond premiums and discounts are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds. Bond discounts are presented as a reduction of the face amount of the bonds.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(amounts expressed in thousands)
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Issuance Costs, Premiums, Discounts and Deferred Amount on Refundings (continued)

For advance refundings resulting in the defeasance of debt in the government-wide financial statements and in the proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction from the face amount of the new debt, if material.

Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

Fund Balance Classifications

Fund balance for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the city is "bound to honor constraints on the specific purposes for which amounts in the fund can be spent" in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

The components for reporting the City's fund balance are nonspendable, restricted, committed, assigned and unassigned. Nonspendable fund balance includes those amounts that are not in a spendable form such as inventory. Restricted fund balance includes those amounts that are restricted by parties outside of the City and pursuant to enabled legislation. Committed fund balance describes the portion of the fund balance that has been limited to use by approval of City Council. City Council is the City's highest level of decision making. Fund balance commitments are established, modified, or rescinded by City Council action through passage of an ordinance. Assigned fund balance includes amounts that have been intended use by City Council. City Council demonstrates its intent for use of assigned amounts through passage of appropriation legislation, resolution, or ordinance. The unassigned fund balance represents the residual net resources.

The City considers restricted amounts to have been spent when expenditure is incurred for purposes of which both restricted and unrestricted fund balance is available. The City does not have a formal policy for its use of unrestricted fund balance amounts; therefore, it considers committed amounts used first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classification could be used.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(amounts expressed in thousands)
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances for any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by the creditors, grantors or laws or regulation of other governments. The City did not have any net assets restricted by enabling legislation.

NOTE 2 – DEPOSITS AND INVESTMENTS

The City's investment policy allows for the following types of deposits and investments:

1. Direct obligations of the United States which include, but are not limited to, Treasury certificates, bills, bonds, notes as well as United States Treasury obligations, State and Local Government Series;
2. Bonds, notes, debentures, or any other obligation or securities issued by the following federal government agencies or instrumentalities: Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, and Federal Home Loan Mortgage Corporation;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement is at least equal to 100% of the price at which the repurchase securities are to be repurchased from the City, or such greater percentage as is agreed upon by the seller and the City prior to or upon entering into a particular transaction;
4. Bonds, notes, and other negotiable instruments evidencing the obligation of the City to pay money;
5. Bonds, notes and other negotiable instruments of political entities other than the City which are rated at the time of acquisition by Moody's or Standard and Poor's in at least the third highest category when rated with a long term rating or in the highest category when rated with a short term rating;
6. The State Treasurer's investment pool (STAR Ohio).
7. Demand deposits which are deposited with an institution having all of the qualifications of a depository except that it need only have an office located in the State of Ohio rather than in the City and payable on demand of the City. Such deposits may include interest-bearing or non-interest bearing checking accounts, NOW accounts, savings accounts and other similar accounts authorized by the Federal Reserve Bank Board or the Federal Home Bank Board.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(amounts expressed in thousands)
(Continued)

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

8. Non-demand savings accounts which are deposited in an institution having all of the qualifications of a depository except that it need only have an office located in the State of Ohio rather than in the City that are not payable on demand but, instead, are payable at a certain date.

A qualified depository is a bank, trust company or savings and loan association organized under the laws of the State of Ohio or under the laws of the United States, doing business and situated in the State and

1. Has an office located in the City which is capable of providing services requested by the City
2. Has deposits which are insured by the Federal Deposit Insurance Corporation
3. Has Equity Capital in excess of \$50 million or has been approved by an ordinance of City Council following completion of the appeal process
4. Carries a holding company individual credit rating by Fitch of C or better or a credit rating by Highline Financial, LLC of 50 or better.
5. Provides collateralization as required by the Toledo Municipal Code.

An investment must mature within three years from the date of purchase unless matched to a specific obligation or debt of the City. Investments may only be made through specified dealers and institutions. Payments for investments may be made only upon delivery of the securities representing the investments to the Finance Director or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. Under both the Ohio Revised Code and the City's Municipal Code, the City's deposits are subject to a collateralization requirement by either specific or pooled securities deposited with Federal Reserve Banks, or at member banks of the Federal Reserve System, in the name of the City or the depository bank.

At December 31, 2010, the carrying amount of the City's deposits was \$7,512 and the bank balance was \$12,231. Of the bank balance, \$250 was covered by Federal depository insurance and \$11,981 was covered by collateral held by a third party trustee in the City's name. The City also has deposits that are held be an escrow agent of \$540 which is covered by collateral held by a third party in the City's name. The City also has petty cash funds of \$15 held by departments that are not covered by Federal depository insurance or collateralized.

At December 31, 2010, the carrying amount of the Toledo Municipal Court, an agency fund of the City, was \$1,099 and the bank balance was \$1,486. Of the bank balance, the entire balance was covered by Federal depository insurance.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(amounts expressed in thousands)
(Continued)

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments

Investments are reported at fair value. As of December 31, 2010, the City had the following investments:

	Maturity		Total
	Within one year	More than one year but less than three years	
City of Toledo municipal bonds	\$ 1,200	\$ 3,900	\$ 5,100
Federal Farm Credit Bureau	-	29,413	29,413
Federal Home Loan Bank	-	32,645	32,645
Federal Home Loan Mortgage Corp	654	28,627	29,281
Federal National Mortgage Association	344	20,331	20,675
STAR Ohio	10,353	-	10,353
Certificates of deposit/savings	13	-	13
Total portfolio	<u>\$ 12,564</u>	<u>\$ 114,916</u>	<u>\$ 127,480</u>

The City follows GASB Statement No. 40, *Deposits and Investment Risk Disclosure*, which requires certain disclosures related to the interest rate, custodial, credit, foreign currency and concentration of credit risks associated with interest-bearing investments.

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The City's investment policy generally limits security purchases to those that mature within three years of the settlement date unless the maturity is matched with a specific cash requirement which states that the maturity can not exceed seven year of the settlement date. The City's investment policy addresses interest risk requiring the consideration of market conditions and cash flow requirement in determining the term of the investment.

Custodial risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payments for investments prior to the delivery of the securities representing such investments to the Finance Director or qualified trustee.

Credit risk for investments is addressed by the City's investment policy by the requirements that all investments are authorized by Ohio Revised Code and that the portfolio be diversified both by types and investment and issuer. STAR Ohio carries a rating of AAAm by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. All other investments of the city are registered and carry an AAA rating by Standard and Poor's.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(amounts expressed in thousands)
(Continued)

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The City's investment policy does not allow for investment in foreign accounts.

Concentration of credit risk is defined by GASB as five percent or more in the securities of a single issuer. The City's investment policy addresses concentration of credit risk by requiring investments to be diversified to reduce the risk of loss resulting from over concentration of assets in a specific issue or specific class of securities. The City places the following limitations on the amount that can be invested in any one issuer:

1. City funds either invested in certificates of deposit or deposited in non-demand savings accounts with any one depository shall not exceed 10 percent of the aggregate principal amount of the City's investment portfolio.
2. City funds invested in certificates of deposits in a depository may not exceed 10 percent of the equity capital of the depository at any one time.
3. No more than \$10 million may be invested at any one time through repurchase agreements with any one institution.
4. No more than 40 percent of the aggregate principal amount of the City's investment portfolio shall be invested at any one time in STAR Ohio.
5. No obligation of any of the government agencies or instrumentalities shall be purchased if such purchase would cause more than 25 percent of the aggregate principal amount of the City's investment portfolio as of the settlement date to be invested in the obligations of that individual government agency or instrumentality.
6. The maximum aggregate amount that may be invested for a period longer than 3 years for any one fund shall be 25 percent of the lowest total of all outstanding investments for that fund which occurred during the 12 months immediately prior to the purchase of any security with maturity longer than 3 years. Compliance with this limitation shall be determined as of the settlement date only.
7. City's securities shall not exceed 10 percent of the aggregate principal amount of the City's investment portfolio, calculated only as of the date of purchase of such City's securities. Unless otherwise specified in the ordinance authorizing their issuance, sale and purchase by the City, these securities shall only be purchased to provide interim financing in anticipation of the sale of City debt in the outside market.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(amounts expressed in thousands)
(Continued)

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

The following is the City's allocation as of December 31, 2010:

	Fair Value	% of Total
City of Toledo municipal bonds	\$ 5,100	4.00
Federal Farm Credit Bureau	29,413	23.07
Federal Home Loan Bank	32,645	25.61
Federal Home Loan Mortgage Corp	29,281	22.97
Federal National Mortgage Association	20,675	16.22
STAROhio	10,353	8.12
Certificates of deposit/savings	13	0.01
Total Portfolio	<u>\$ 127,480</u>	<u>100.00</u>

NOTE 3 – RECEIVABLES

Receivables at December 31, 2010 consist of the following:

	Taxes	Customer and other account	Special Assessments	Notes Receivable	Interest Receivable	Gross Receivables	Less: Allowance for uncollectibles	Receivables, Net
Governmental activities:								
General fund	\$ 44,588	\$ 17,494	\$ -	\$ -	\$ 35	\$ 62,117	\$ (12,500)	\$ 49,617
Capital improvements	-	413	-	-	170	583	(163)	420
Special assessment services	-	37	53,278	-	8	53,323	(16)	53,307
Other governmental funds	-	7,933	1,911	30,614	7	40,465	(32,577)	7,888
Total governmental funds	<u>44,588</u>	<u>25,877</u>	<u>55,189</u>	<u>30,614</u>	<u>220</u>	<u>156,488</u>	<u>(45,256)</u>	<u>111,232</u>
Business type activities:								
Water	-	9,742	-	-	38	9,780	(2,268)	7,512
Sewer	-	23,269	-	-	26	23,295	(4,776)	18,519
Other business type activities	-	4,244	-	23,512	113	27,869	(18,927)	8,942
Total business type funds	<u>-</u>	<u>37,255</u>	<u>-</u>	<u>23,512</u>	<u>177</u>	<u>60,944</u>	<u>(25,971)</u>	<u>34,973</u>
Internal service funds	<u>-</u>	<u>575</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>575</u>	<u>(384)</u>	<u>191</u>
Total	<u>\$ 44,588</u>	<u>\$ 63,707</u>	<u>\$ 55,189</u>	<u>\$ 54,126</u>	<u>\$ 397</u>	<u>\$ 218,007</u>	<u>\$ (71,611)</u>	<u>\$ 146,396</u>

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(amounts expressed in thousands)
(Continued)

NOTE 4 – INCOME TAXES

The city levies a municipal income tax of 2.25% on substantially all income earned within the City. The residents of the City are required to pay income tax on the income earned outside of the City; however, the City allows a credit for income taxes paid to another municipality up to 100% of the City's current income tax rate. The City income tax also applies to the net income of businesses located or doing business within the City limits.

The first 1.5% of the income tax is a permanent levy, of which .25% of this tax is dedicated to capital improvements. There is an additional .75% that is levied which will expire on December 31, 2012. Of this additional tax, .25% is also dedicated for capital improvements. The City is required by statute to transfer those income taxes dedicated for capital improvements to the capital improvements fund. The required transfers to the capital improvements fund for 2010 have been completed.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and certain individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. The City administers the collection of income taxes and the assessments of interest and penalties. Income tax proceeds are to be used to pay the cost of administering the tax and recorded in the general fund.

NOTE 5 – PROPERTY TAX

Property taxes include amounts levied against all real and public utility located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of the preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years.

Real property taxes are payable annually and semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first is due December 31, with the remainder payable by June 20. Under circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined at December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2010 public utility property taxes became a lien on December 31, 2009, are levied on October 1, 2010 are collected in 2011 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes.

Tangible personal property tax revenues received in 2010 (other than public utility property) represent the collection of 2010 taxes levied against local and interexchange telephone companies. Tangible personal property taxes received from telephone companies in 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers were due September 20. Single county taxpayers may pay annually and semiannually. If paid annual, the payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(amounts expressed in thousands)
(Continued)

NOTE 5 – PROPERTY TAX (Continued)

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property on general business, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009 and the tax on telephone and telecommunications property will be eliminated in calendar year 2011. The tax is phased out by reducing the assessment rate on the property year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2009-2010, the City will be fully reimbursed for the lost revenue. In calendar year 2011-2017, the reimbursements will be phased out.

The County Treasurer collected property taxes on behalf of all taxing districts in the County, including the City of Toledo. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2010 and for which there is an enforceable legal claim. In the government funds, the current portion receivable has been offset by deferred revenue since the current taxes were not levied to finance 2010 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The full tax rate for all City operations for the year ended December 31, 2010 was \$4.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2010 property tax receipts were based are as follows:

Real property (other than public utility)	\$ 3,741,678
Public utility real and tangible personal property	112,681
Tangible personal property	8,483
Total assessed value	<u><u>\$ 3,862,842</u></u>

Special Assessment Services, Improvements and Bond Retirement

The City provides special services primarily for snow removal, leaf pickup, street resurfacing and street lighting. These services are assessed in the real estate tax bills to the benefited property owners. The City pays the actual costs of these services, which are then levied as special assessments and collected two years after the service has been rendered.

Special assessment notes are issued for the interim financing of various improvements to be assessed from benefiting property owners. These improvements include streets, alleys, sanitary sewers, sidewalks, storm sewers and water lines. Upon completion of the approved projects, the notes are converted to long-term bonds, which are assessed over a 10 or 20 year period depending on the type and cost of the improvement.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(amounts expressed in thousands)
(Continued)

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended December 31, 2010, was as follows:

	Balance 1/1/2010	Additions	Deletions	Balance 12/31/2010
<i>Governmental Activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 25,131	\$ -	\$ 156	\$ 24,975
Construction in progress	-	35,839	-	35,839
Total capital assets not being depreciated	25,131	35,839	156	60,814
<i>Capital assets being depreciated:</i>				
Buildings	65,924	12	214	65,722
Improvements	60,666	-	-	60,666
Machinery & Equipment	135,642	9,087	3,681	141,048
Furniture & Fixtures	6,890	13	-	6,903
Infrastructure	807,616	18	-	807,634
Total capital assets being depreciated	1,076,738	9,130	3,895	1,081,973
<i>Less: accumulated depreciation</i>				
Buildings	26,370	1,205	89	27,486
Improvements	11,993	2,794	-	14,787
Machinery & Equipment	87,189	9,103	3,583	92,709
Furniture & Fixtures	3,005	455	-	3,460
Infrastructure	430,888	22,254	-	453,142
Total accumulated depreciation	559,445	35,811	3,672	591,584
Total capital assets being depreciated, net	517,293	(26,681)	223	490,389
Governmental type activities capital assets, net	\$ 542,424	\$ 9,158	\$ 379	\$ 551,203

Depreciation expense was charged to functions of the governmental activities as follows:

General government	\$ 5,816
Public service	4,232
Public safety	19,661
Public utility	11
Community environment	3,842
Health	1,924
Parks and recreation	325
Total depreciation expense - governmental activities	<u>\$ 35,811</u>

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(amounts expressed in thousands)
(Continued)

NOTE 6 – CAPITAL ASSETS (Continued)

The Department of Housing and Neighborhood Revitalization has purchased land and buildings using Block Grant Funds. The intent of such purchases ultimately is to resell the property for a nominal amount to adjacent property owners or developers for redevelopment purposes. As of December 31, 2010, the Department owned approximately 161 parcels at an estimated historical cost of \$4,414. Due to the uncertainty of the market value or the ability to locate developers, the purchase costs have been recorded as program expenditures in the Block Grant funds in the year of purchase and revenues from the sale of properties are recorded as program revenue in the year of sale.

Capital asset activity for the business-type activities for the year ended December 31, 2010, was as follows:

<i>Business-Type Activities:</i>	Balance 1/1/2010	Additions	Deletions	Balance 12/31/2010
<i>Capital assets not being depreciated:</i>				
Land	\$ 10,874	\$ -	\$ -	\$ 10,874
Construction in progress	272,980	44,203	252,190	64,993
Total capital assets not being depreciated	283,854	44,203	252,190	75,867
<i>Capital assets being depreciated:</i>				
Buildings	75,579	-	-	75,579
Improvements	72,307	-	-	72,307
Machinery and equipment	112,989	1,112	356	113,745
Furniture and fixtures	1,971	-	-	1,971
Distribution system	535,405	252,407	-	787,812
Total capital assets being depreciated	798,251	253,519	356	1,051,414
<i>Less: accumulated depreciation</i>				
Buildings	50,228	1,564	-	51,792
Improvements	40,612	2,479	349	42,742
Machinery and equipment	60,594	7,715	-	68,309
Furniture and fixtures	1,163	139	-	1,302
Distribution system	237,400	10,021	-	247,421
Total accumulated depreciation	389,997	21,918	349	411,566
Total capital assets being depreciated, net	408,254	231,601	7	639,848
Business-type activities capital assets, net	\$ 692,108	\$ 275,804	\$ 252,197	\$ 715,715

Depreciation expense was charged to functions of the business-type activities as follows:

Sewer	\$ 15,348
Water	4,802
Non-major	1,768
Total depreciation expense - business-type activities	<u>\$ 21,918</u>

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(amounts expressed in thousands)
(Continued)

NOTE 7 – LONG-TERM OBLIGATIONS

The City's governmental activities long-term obligations at December 31, 2010 and a schedule of current year activity are as follows:

<i>Government activities:</i>	Issue Date	Maturity Date	Interest Rate (%)	Original Issue Amount	Balance 1/1/2010	Increase	Decrease	Balance 12/31/2010	Amount Due In One Year
General obligation bonds:									
Pension	1994	2014	7.5	\$ 19,050	\$ 6,250	\$ -	\$ 1,150	\$ 5,100	\$ 1,200
Capital projects	Various	Various	1.5 - 6.08	189,374	113,958	15,836	19,028	110,766	11,062
Special assessments	Various	Various	1.55 - 5.0	305	175	-	25	150	25
Notes outstanding:									
General obligations:									
Capital projects		2011	1.75		9,790	19,350	19,465	9,675	9,675
Special assessments		2011	1.75		2,015	3,400	3,765	1,650	1,650
Internal service funds		2011	1.75		4,160	5,650	6,985	2,825	2,825
Revenue obligations:									
Assessed services 2008		2010	Various		20,500	-	20,500	-	-
Assessed services 2009		2011	4.0		20,700	-	-	20,700	20,700
Assessed services 2010		2012	4.125		-	20,360	-	20,360	-
Loans outstanding:									
State agencies:									
State issue 2									
Capital projects	Various	Various	0		6,335	958	679	6,614	738
Ohio Water Dev Authority									
Capital projects	Various	Various	4.02 - 4.12	9,843	6,470		465	6,005	485
ODOD Chapter 166									
Capital projects	1998	2018	4	10,000	6,032		581	5,451	605
State Infrastructure Bank									
Capital projects	2009	2019	3	2,808	2,808	-	-	2,808	-
Federal agencies:									
HUD 108									
Capital projects	Various	Various	6.56 - 7.96		15,170	-	1,415	13,755	1,485
Other loans:									
Capital projects	Various	Various	0 - 6.55		13,973	-	616	13,357	746
Capital lease obligations:									
Capital project fire trucks	2009	2013		2,923	2,324	-	542	1,782	567
Capital project ambulances	2007	2012		840	529	-	165	364	176
Capital project ambulances	2010	2015	3.428	1,185	-	1,185	-	1,185	232
Capital project police cars	2010	2012	3.1	2,125	-	2,125	730	1,395	687
Other obligations:									
Landfill closure					13,259	1,730		14,989	-
Compensated absences					45,060	1,150	4,710	41,508	1,158
Total government activities					<u>\$ 289,508</u>	<u>\$ 71,744</u>	<u>\$ 80,821</u>	<u>\$ 280,439</u>	<u>\$ 54,016</u>

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(amounts expressed in thousands)
(Continued)

NOTE 7 – LONG-TERM OBLIGATIONS (Continued)

The following is a schedule of future principal and interest payments to retire the long-term obligations outstanding at December 31, 2010 for the City's governmental activities:

Year	General Obligation Bonds		General Obligation Notes		Revenue Obligation Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 12,287	\$ 9,190	\$ 14,150	\$ -	\$ 20,700	\$ 1,915
2012	13,988	6,931	-	-	20,360	840
2013	15,454	4,092	-	-	-	-
2014	15,249	3,445	-	-	-	-
2015	9,843	2,804	-	-	-	-
2016-2020	30,425	8,930	-	-	-	-
2021-2025	16,370	2,982	-	-	-	-
2026-2030	2,400	268	-	-	-	-
2031-2032	-	-	-	-	-	-
Total	<u>\$ 116,016</u>	<u>\$ 38,642</u>	<u>\$ 14,150</u>	<u>\$ -</u>	<u>\$ 41,060</u>	<u>\$ 2,755</u>

Year	State Agency Loans		Federal and Other Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 1,828	\$ 461	\$ 2,231	\$ 1,763	\$ 51,196	\$ 13,329
2012	2,178	509	2,215	1,626	38,741	9,906
2013	2,234	451	2,336	1,488	20,024	6,031
2014	2,258	391	2,246	1,361	19,753	5,197
2015	2,305	328	2,371	1,185	14,519	4,317
2016-2020	8,798	691	8,647	3,422	47,870	13,043
2021-2025	880	4	3,096	1,765	20,346	4,751
2026-2030	397	-	2,750	913	5,547	1,181
2031-2032	-	-	1,220	121	1,220	121
Total	<u>\$ 20,878</u>	<u>\$ 2,835</u>	<u>\$ 27,112</u>	<u>\$ 13,644</u>	<u>\$ 219,216</u>	<u>\$ 57,876</u>

Landfill Closure and Postclosure Care Costs

The City operates the Hoffman Road landfill and accounts for this activity in the General Fund. State and federal regulations require the City to place a final cover on the Hoffman Road site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty (30) years after closure. The closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste. The City records a liability in the government-wide Statement of Net Assets for the closure and postclosure care costs based on landfill capacity used as of each balance sheet date. A new cell was constructed in 2005 resulting in an increase in capacity; therefore, the landfill can continue to accept solid waste and increase its capacity. Based on the remaining air space and estimated annual tonnage to be taken in, the estimated remaining life of the landfill is 51 years. The \$14,989 reported as landfill closure and postclosure care liability at December 31, 2010 represents the cumulative amount reported to date based on the use of 59.5% of the used capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$10,196 as the remaining used capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2010 using the worst case scenario determined by the permit to install. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(amounts expressed in thousands)
(Continued)

NOTE 7 – LONG-TERM OBLIGATIONS (Continued)

The City's business-type activities long-term obligations at December 31, 2010 and a schedule of current year activity are as follows:

<i>Business-type activities</i>	Issue Date	Maturity Date	Interest Rate (%)	Original Issue Amount	Balance 1/1/2010	Increase	Decrease	Balance 12/31/2010	Amount Due In One Year
General obligation bonds:									
Parking	1990	2010	6.75 - 7.375	1,200	\$ 105	\$ -	\$ 105	\$ -	\$ -
Tow lot	2006	2014	4.0 - 5.0	2,835	2,355	-	160	2,195	160
Property management	Various	Various	4.85 - 7.0	33,230	21,580	7,563	7,889	21,254	728
Revenue obligation bonds:									
Water system	Various	Various	1.25 - 6.20	132,280	77,355	22,020	26,466	72,909	5,470
Sanitary sewer system	Various	Various	2.0 - 6.45	77,155	33,632	10,973	13,673	30,932	2,418
Notes outstanding:									
General obligations:									
Storm water systems	2006	2010	1.75		275	-	275	-	-
Loans outstanding:									
State agencies:									
State issue 2									
Water system	Various	Various	0	1,704	332	1,049	30	1,351	85
Sanitary sewer system	Various	Various	0	2,959	1,799	4,679	137	6,341	352
Storm water system	Various	Various	0	6,170	1,692	43	112	1,623	117
Ohio Water Dev Authority									
Water system	2006	2028	3.25	16,012	12,308	-	608	11,700	628
Sanitary sewer system	Various	Various	3.75 - 8.31	306,313	205,343	9,643	10,344	204,642	10,577
ODOD Chapter 166									
Property management	2000	2016	4	1,500	1,064	-	141	923	148
Capital lease obligations:									
Ohio Building					1,259	-	489	770	535
Parking garage					5,460	-	399	5,061	418
Sewer cleaners					-	1,196	399	797	181
Other obligations:									
Compensated absences					6,278	370	181	6,467	370
Total business-type activities					<u>\$ 370,837</u>	<u>\$ 57,536</u>	<u>\$ 61,408</u>	<u>\$ 366,965</u>	<u>\$ 22,187</u>

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(amounts expressed in thousands)
(Continued)

NOTE 7 – LONG-TERM OBLIGATIONS (Continued)

The following is a schedule of future principal and interest payments to retire the long-term obligations outstanding at December 31, 2010 for the City's business-type activities:

Year	General Obligation Bonds		Revenue Obligation Bonds		State Agency Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 888	\$ 1,199	\$ 7,888	\$ 4,117	\$ 11,907	\$ 7,690
2012	1,003	1,156	8,163	3,854	12,717	7,669
2013	1,078	1,106	8,519	3,502	13,674	7,736
2014	1,173	1,053	8,883	3,146	14,697	7,819
2015	1,278	1,018	9,179	2,800	14,803	7,333
2016-2020	9,069	4,080	26,865	9,764	75,310	28,995
2021-2025	6,315	2,036	17,953	5,861	71,360	15,840
2026-2030	2,645	269	16,391	1,758	12,112	3,946
2031-2035	-	-	-	-	-	277
Total	<u>\$ 23,449</u>	<u>\$ 11,917</u>	<u>\$ 103,841</u>	<u>\$ 34,802</u>	<u>\$ 226,580</u>	<u>\$ 87,305</u>

Year	Total	
	Principal	Interest
2011	\$ 20,683	\$ 13,006
2012	21,883	12,679
2013	23,271	12,344
2014	24,753	12,018
2015	25,260	11,151
2016-2020	111,244	42,839
2021-2025	95,628	23,737
2026-2030	31,148	5,973
2031-2035	-	277
Total	<u>\$ 353,870</u>	<u>\$ 134,024</u>

New Issues and Advanced Refunding

On July 1, 2010 the City sold \$13,155 of general obligation bonds that were issued to advance refund at a lower interest rate for the following outstanding bonds:

	Governmental Activities	Business-type Activities
Street Improvement Bonds, Series 2000	\$ 3,090	\$ -
Street Improvement Bonds, Series 2001	2,775	
Housing Improvement Bonds, Series 1998 (Commodore Perry Apartments Project)	-	3,695
Multifamily Housing Bonds, Series 1998 (Hillcrest Apartments Project)	-	3,595
	<u>\$ 5,865</u>	<u>\$ 7,290</u>

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(amounts expressed in thousands)
(Continued)

NOTE 7 – LONG-TERM OBLIGATIONS (Continued)

New Issues and Advanced Refunding (continued)

The original obligations had interest rates ranging from 3.0% to 5.35% and had various maturities ranging from 2015 to 2028. The new obligations have an interest rate of 2.0% to 5.0% and have various maturities ranging from 2015 to 2028. The funding resulted in an economic gain to the City of \$787.

Build America and Recovery Zone Economic Development Bonds

In October 2009, the City issued \$12,200 of Build America general obligation bonds. These bonds were issued to fund the purchase of solid waste trucks.

In October 2009, the City issued \$8,000 of Build America general obligation bonds. These bonds were issued to fund street improvements.

In July 2010, the City issued \$9,800 of Recovery Zone Economic Development general obligation bonds. These bonds were issued to fund street improvements.

All refunds from the U.S. Treasury that result from the issuance of Build America and Recovery Zone Economic Development Bonds shall be deposited in to the city fund responsible for making the debt service payment on the related bonds. Interest earnings on proceeds from the Build America Bonds and Recovery Zone Economic Development bonds are required to be used for the capital purpose for which the bonds were issued.

State Infrastructure Bank

The City has a loan with the State Infrastructure Bank (SIB), which is administered and funded by the Ohio Department of Transportation. The loan, Toledo-Marina District: Riverside Drive, provided funding for road construction and improvements. The total loan of \$2,808 has been disbursed. The loan payments for 2011 are interest only at a rate of 3%. Beginning in 2012, the City will make semi-annual payments of \$205 which includes principal and interest.

Ohio Public Works Commission

Ohio Public Works Commission (OWPC) extends both grants and loans to the City. Monies received by the City after the grant commitment has been fulfilled by OPWC are then considered loans. Only the loan portion need be repaid by the City.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(amounts expressed in thousands)
(Continued)

NOTE 7 – LONG-TERM OBLIGATIONS (Continued)

Ohio Water Development Authority

Loans payable to the Ohio Water Development Authority (OWDA) are authorized by the Clean Water Act and authorized the administration of the Environmental Protection Agency (EPA) to make grants to states to establish a state water pollution control revolving loan program. The amount of these loans outstanding at December 31, 2010 was \$222,348. Of this amount, \$11,700 is obligations incurred to help finance the water distribution system and are to be repaid from charges from water services. Of this amount \$204,642 is obligations incurred to help finance the sanitary sewage facilities and are to be repaid from charges from sanitary sewer services. The remaining amount of \$6,006 is obligations incurred to help finance the water pollution control related to the landfill remediation projects at the Stickney/Tyler and Dura locations are to be repaid from general receipts of the City.

Arbitrage Regulations

The City has made the required federal arbitrage calculations and had no liability required to be recorded.

NOTE 8 – LEASES AND OTHER COMMITMENTS

Operating Leases

In 1983, the City entered into a noncancelable long-term lease with the Ohio Building Authority for the office space it occupies in One Government Center. The 30 year lease, which expires on August 1, 2013, is classified as an operating lease. The City makes quarterly rental payments totaling \$1,524. Under the terms of the lease, the City is required to pay for its pro-rata share of operating and maintenance costs of the building which amounted to \$820 in 2010.

Future minimum lease payments on the building are as follows:

2011	\$	1,524
2012		1,524
2013		762
	\$	<u>3,810</u>

The City also leases various facilities and equipment under various operating leases. Rental expense relating to these leases amounts to \$605 in 2010.

Capital Leases

The City is obligated under certain leases accounted for as capital leases. The leased assets and related obligations are accounted for in the capital assets and long-term debt liabilities in the governmental and business-type activities.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(amounts expressed in thousands)
(Continued)

NOTE 8 – LEASES AND OTHER COMMITMENTS (Continued)

Capital Leases

In 1997, the City entered into a noncancelable long-term lease with the Ohio Building Authority for the office space it occupies in Ohio Building. The 15 year lease is classified as a capital lease and has been included in the capital assets as a building in the Utility Administration Services enterprise fund at \$4,538 less accumulated depreciation of \$3,954. Under the terms of the lease, the City is required to pay for its pro-rata share of operating and maintenance costs of the building which amounted to \$180 in 2010.

In 1999, the City entered into a noncancelable long-term lease with the Lucas County Port Authority for an addition to the Superior Street Garage. The 20 year lease is classified as a capital lease and has been included in the capital assets as a building in the Parking Garage enterprise fund at \$7,825 less accumulated depreciation of \$3,794.

In 2007, the City entered into a noncancelable long-term lease with Farmers Bank & Capital Trust Co. for the lease of fire trucks. The 5 year lease is classified as a capital lease and has been included in the capital assets as machinery and equipment in the government-wide financial statements at \$2,923 less accumulated depreciation of \$147 at December 31, 2010.

In 2007, the City entered into a noncancelable long-term lease with Leasing One Corp. for the lease of ambulances. The 5 year lease is classified as a capital lease and has been included in the capital assets as machinery and equipment in the government-wide financial statements at \$840 less accumulated depreciation of \$210 at December 31, 2010.

In 2008, the City entered into a noncancelable long-term lease with Daimler Chrysler for the lease of police cars. The 3 year lease is classified as a capital lease and has been included in the capital assets as machinery and equipment in the Internal Service Fund at \$990 less accumulated depreciation of \$298 at December 31, 2010. A final lease payment was made in 2009.

In 2009, the City entered into a noncancelable long-term master equipment lease with Key Government Finance, Inc. for the lease of sewer cleaners. The 7 year lease is classified as a capital lease and has been included in the capital assets as machinery and equipment in the Sewer enterprise fund at \$1,389 less accumulated depreciation of \$139.

In 2010, the City entered into a noncancelable long-term master equipment lease with Wells Fargo Equipment Finance for the lease of ambulances. The 5 year lease is classified as a capital lease and has been included in the capital assets as machinery and equipment in the government-wide financial statements at \$1,185 less accumulated depreciation of \$119.

In 2010, the City entered into a noncancelable long-term master equipment lease with Ford Motor Credit for the lease of police cars. The 3 year lease is classified as a capital lease and has been included in the capital assets as machinery and equipment in the government-wide financial statements at \$2,125 less accumulated depreciation of \$110.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(amounts expressed in thousands)
(Continued)

NOTE 8 – LEASES AND OTHER COMMITMENTS (Continued)

Capital Leases (continued)

Future minimum lease payments on these capital leases together with the present value of the net minimum lease payments as of December 31, 2010 are as follows:

Year Ending December 31, 2010	Governmental Activities	Business-type Activities	Total
2011	\$ 1,839	\$ 1,490	\$ 3,329
2012	1,838	1,159	2,997
2013	909	913	1,822
2014	259	908	1,167
2015	259	901	1,160
2016-2019	-	2,898	2,898
Total minimum lease payments	5,104	8,269	13,373
Less: amount representing interest	(378)	(1,641)	(2,019)
Present value of net minimum lease payments	<u>\$ 4,726</u>	<u>\$ 6,628</u>	<u>\$ 11,354</u>

Other Commitments

Outstanding encumbrances for the year ended December 31, 2010 was a follows:

<i>Governmental activities:</i>	
Capital improvements	\$ 2,710
Capital improvements - grants	1,548
Capital improvements - Federal stimulus	671
<i>Proprietary funds:</i>	
Water - operating fund	1,623
Water - replacement fund	1,262
Sewer - operating fund	1,356
Sewer - replacement fund	24,802
Other business-type activities	1,050
	<u>\$ 35,022</u>

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(amounts expressed in thousands)
(Continued)

NOTE 9 - INTERFUND ACTIVITY

Interfund balances mainly resulting from the lag between the dates that interfund goods and services are provided, transactions are recorded in the accounting system, and payments between funds are made. At December 31, 2010 the interfund balances consist of the following individual interfund receivables and payables as reported on the fund statements:

	Interfund Receivables	Interfund Payables
<i>Governmental funds:</i>		
General fund	\$ -	\$ 32,227
Capital improvement fund	17,220	-
Special assessment fund	-	14,724
Other governmental funds	15,888	6,094
Total governmental activities	<u>33,108</u>	<u>53,045</u>
<i>Proprietary funds:</i>		
Water	5,767	-
Sewer	14,796	-
Other business type activities	1,061	42,597
Internal service funds	42,148	1,238
Total business type activities	<u>63,772</u>	<u>43,835</u>
Total	<u>\$ 96,880</u>	<u>\$ 96,880</u>

Interfund transfers for the year ended December 31, 2010, consisted of the following, as reported on the fund statements:

	Transfer In					
Transfer Out	General Fund	Capital Improvement Fund	Special Assessment Fund	Other Governmental Fund	Other Business-type Activities	Total
<i>Governmental funds:</i>						
General fund	\$ -	\$ 31,575	\$ -	\$ -	\$ 973	\$ 32,548
Capital improvement fund	9,610	-	100	18,142	-	27,852
Special assessment fund	-	-	-	-	-	-
Other governmental funds	1,307	17	190	1,500	-	3,014
Total governmental activities	<u>10,917</u>	<u>31,592</u>	<u>290</u>	<u>19,642</u>	<u>973</u>	<u>63,414</u>
<i>Proprietary funds:</i>						
Water	-	-	-	13	-	13
Sewer	-	-	-	16	-	16
Other business type activities	1,090	387	-	-	-	1,477
Total business type activities	<u>1,090</u>	<u>387</u>	<u>-</u>	<u>29</u>	<u>-</u>	<u>1,506</u>
Total	<u>\$ 12,007</u>	<u>\$ 31,979</u>	<u>\$ 290</u>	<u>\$ 19,671</u>	<u>\$ 973</u>	<u>\$ 64,920</u>

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(amounts expressed in thousands)
(Continued)

NOTE 10 – FUND BALANCE

A summary of fund balances as of December 31, 2010 by category with specific purpose information follows:

	General Fund	Capital Improvements	Special Assessment Services	Nonmajor Governmental Funds	Total
<i>Fund balances:</i>					
Nonspendable:					
Inventory	\$ 688	\$ 856	\$ 1,807	\$ 721	\$ 4,072
Petty cash	9	-	-	2	11
Permanent fund	-	-	-	694	694
Total nonspendable	<u>697</u>	<u>856</u>	<u>1,807</u>	<u>1,417</u>	<u>4,777</u>
Restricted for:					
General government	5,320	300	984	66	6,670
Public service	-	12,850	2,801	-	15,651
Public safety	-	1,337	-	-	1,337
Parks and recreation	-	-	1,192	2,449	3,641
Community environment	-	-	-	6,446	6,446
Total restricted	<u>5,320</u>	<u>14,487</u>	<u>4,977</u>	<u>8,961</u>	<u>33,745</u>
Committed to:					
General government	-	485	-	-	485
Public service	-	20,737	-	-	20,737
Public safety	-	2,157	-	-	2,157
Community environment	-	-	-	13,179	13,179
Total committed	<u>-</u>	<u>23,379</u>	<u>-</u>	<u>13,179</u>	<u>36,558</u>
Assigned	-	-	-	-	-
Unassigned	(14,629)	-	(56,328)	(9,097)	(80,054)
Total fund balances	<u>\$ (8,612)</u>	<u>\$ 38,722</u>	<u>\$ (49,544)</u>	<u>\$ 14,460</u>	<u>\$ (4,974)</u>

The City maintains a Budget Stabilization Designation to cover unexpected revenue shortfalls and/or expenditure increases. The City did not utilize moneys in the Budget Stabilization Designation for expenditures in 2010, and, consistent with its policy of adding to the Designation set forth in an ordinance passed by the Council in 1998, intends to restore and then increase the Designation each year by an amount equal to one-half the amount by which actual annual general fund revenues exceed actual annual general fund expenditures for the prior year. The fund balance remained \$0 at December 31, 2010 due to the general fund operating at a deficit of \$592 thousand in 2010.

NOTE 11 – PENSION PLANS

Ohio Public Employees Retirement System

The city participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as described below:

Traditional Pension Plan: a cost sharing multiple-employer defined benefit pension plan.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(amounts expressed in thousands)
(Continued)

NOTE 11 – PENSION PLANS (Continued)

Ohio Public Employees Retirement System (continued)

Member-Directed Plan: a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.

Combined Plan: a cost sharing multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Plan and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the ORC. OPERS issues a stand-alone financial report. That may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The ORC provides statutory authority for employee and employer contributions. For 2010, member and employer contribution rates were consistent across all three plans. For the year ended December 31, 2010, the members of all three plans were required to contribute 10% of their annual covered salary to fund pension obligations and the City contributed 14% of covered payroll.

The City's required contributions for pension obligations to the traditional and combined plans for years ended December 31, 2010, 2009, and 2008 were \$9,924, \$11,816, and \$10,983, respectively, or 92.1% of the required contribution for 2010 and equal to the required contributions for 2009 and 2008. The remaining employer contributions for 2010 were paid in the first quarter 2011.

Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability pension benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10% of their annual covered salary, while the employers are required to contribute 19.5% and 24% for police officers and firefighters, respectively. The City contributions to OP&F for the years ending December 31, 2010, 2009 and 2008 approximated \$15,247, \$15,738 and \$16,211 respectively, or 77.5% of the required contribution for 2010 and equal to the required contributions for 2009 and 2008. The remaining employer contributions for 2010 were paid in the first quarter 2011.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(amounts expressed in thousands)
(Continued)

NOTE 11 – PENSION PLANS (Continued)

Deferred Compensation Plans

City employees may elect to participate in the Ohio Public Employees Deferred Compensation Plan and firefighters may elect to participate in the Ohio Association of Professional Firefighters Deferred Compensation Plan. These plans have been created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. These plans permit deferral of compensation until future years. According to the plans, the deferred compensation is not available until termination, retirement, death or an unforeseeable circumstance. The plan assets are held in a trust for the exclusive benefit of the participants and their beneficiaries by the plan administrators.

NOTE 12 – POSTRETIREMENT BENEFIT PLANS

Ohio Public Employees Retirement System

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan – a cost sharing multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage.

In order to qualify for post-retirement health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service Credit. Health care coverage for disability recipients and qualified survivor recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides the statutory authority requiring public employees to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, the City contributed at a rate of 14% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(amounts expressed in thousands)
(Continued)

NOTE 12 – POSTRETIREMENT BENEFIT PLANS (Continued)

Ohio Public Employees Retirement System (continued)

OPERS' Post Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding for the post employment health care benefits. The portion of employer contributions allocated to the health care for members in the Traditional Plan was 5.5% from January 1 through February 28, 2010 and 5.0% from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members of the Combined Plan was 4.73% from January 1 to February 28, 2010 and 4.23% from March 1 through December 31, 2010. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree and their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care for the years ended December 31, 2010, 2009, and 2008 approximated \$3,603, \$4,986 and \$3,541, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contributions for state and local employers increased January 1 for each year from 2006 to 2008, which allowed additional funds to be allocated to the health care plan.

Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B premium and long term care for retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB 45.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits are codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, OH 43215-5164.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(amounts expressed in thousands)
(Continued)

NOTE 12 – POSTRETIREMENT BENEFIT PLANS (Continued)

Ohio Police and Fire Pension Fund (continued)

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members of the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll for active pension plan members, currently, 19.5% and 24% of covered payroll for police and fire employer, respectively. The Ohio Revised Code states that the employer contributions may not exceed 19.5% of covered payroll for police employer units and 24% of covered payroll for fire employer units. Active members do not make contributions to the OPEB plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code of the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) accounts as the employer contribution for retiree health care benefits. For the year ended December 31, 2010, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustee's primary responsibility to ensure that pension benefits are adequately funded and is limited by the provision of Section 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirement for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary on the number of covered dependents and the coverage selected.

The City's contributions to OP&F for the years ending December 31, 2010, 2009 and 2008 approximated \$15,247, \$15,738 and \$16,211, respectively, of which \$4,767, \$4,932 and \$4,986 respectively, was allocated to the healthcare plan.

NOTE 13 – RISK MANAGEMENT

Property and Liability

The city is self-insured for the purpose of handling third-party property losses and liabilities in lieu of purchasing general municipality liability insurance. All claims activity is accounted for the Risk Management Fund which is a sum of tax receipts set aside on a yearly basis that is sufficient to cover any liability losses. Settled claims have not materially exceeded coverage in any of the last three years and there is no significant reduction in coverage from the prior year. In addition, the City has the ability to issue general obligation bonds to pay final judgments that may arise.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(amounts expressed in thousands)
(Continued)

NOTE 13 – RISK MANAGEMENT (Continued)

Property and Liability (continued)

The City is fully insured through premium-based insurance policies for all other types of insurance. In 2010, the City contracted with various insurance companies to provide the following coverage:

	Coverage	Deductible
	(in whole dollars)	(in whole dollars)
Property policy for the City	\$ 500,000,000	\$ 250,000
Commercial/liquor for Erie Street Market	7,000,000	500
Pollution/cleanup policy for Marina District	5,000,000	25,000
Crime policy for the City	3,000,000	75,000
Crime policy for Toledo Clerk of Courts	3,000,000	50,000
Commercial/medical for The Docks	2,000,000	5,000
Boat policy	1,000,000	1,000
Commercial liability for The Unique Center	1,000,000	5,000
Crime policy for the Toledo Police	1,000,000	50,000
Fine arts policy for Blair Museum	1,000,000	1,000
Ocean marine policy	1,000,000	1,000
Employee tool insurance	211,000	500
Community probation program	25,000	-

Changes in the funds' claim liability amount in 2010, 2009 and 2008 were:

Year	Balance at Beginning of Year	Current Year Claims and Change in Estimate	Claims Payments	Balance at End of Year
2008	\$ 1,430	\$ 659	\$ 529	\$ 1,560
2009	1,560	610	610	1,560
2010	1,560	975	975	1,560

Workers' Compensation

The City has elected to take advantage of the workers' compensation plan offered by the State of Ohio. This plan, called retrospective rating, allows the City to put a fraction of the premium it would pay as an experience-rated risk.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(amounts expressed in thousands)
(Continued)

NOTE 13 – RISK MANAGEMENT (Continued)

Workers' Compensation (continued)

The City has elected to take advantage of the workers' compensation plan offered by the State of Ohio. This plan, called retrospective rating, allows the City to put a fraction of the premium it would pay as an experience-rated risk.

Retrospective rating constitutes a step closer to self-insurance. In the retrospective rating plan, the City agrees to assume a portion of the risk in return for a possible reduction in premiums. The greater the percentage of the risk the City assumes, the greater the potential reduction in the premium. If the City's loss experience is better than predicted by the experience-rating system, its premium obligation will be less than what it would have paid under experience rating. If its experience is worse than predicted, its premium obligation will be more than it would have been assessed under experience rating, limited to a maximum premium. The City has assumed the risk of individual claims up to a maximum of \$300,000.

The City has agreed to pay all claims up to a maximum of 200% of what the City would have paid had the City remained an experience-rated risk. Claims exceeding these limits will be paid by the State. Each year, the City pays the State a "minimum premium" for retaining the risk of having to pay claims which exceed the City's maximum claim limits. Ten years after each year the City elected the retrospective plan for worker's compensation, the City settles up for the reserve on any claims that are still open. The City has established a workers' compensation internal service fund to account for and finance its uninsured risks of loss in the program.

The claims liability of \$19,331 reported at December 31, 2010, as estimated by the third party administrator, is based on the requirement of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, as amended by GASB Statement No. 30, *Risk Financing Omnibus*, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling claims. The liability is reported as a current liability in the statement of net assets for the Internal Service funds. The estimate was not affected by non-incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustments expenses.

Changes in the funds' claim liability amount in 2010, 2009 and 2008 were:

Year	Balance at Beginning of Year	Current Year		Balance at End of Year
		Claims and Change in Estimate	Claims Payments	
2008	\$ 17,941	\$ 7,162	\$ 6,560	\$ 18,543
2009	18,543	6,767	6,735	18,575
2010	18,575	7,678	6,922	19,331

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(amounts expressed in thousands)
(Continued)

NOTE 13 – RISK MANAGEMENT (Continued)

Health Insurance

The City is self-insured for health, dental and prescription drug benefits. The programs are administered by a third-party, which provides claims review and processing services. The City records a liability for incurred but unreported claims at year end based upon an actuarial estimate based on past experience and current claims outstanding.

Changes in the funds' claim liability amount in 2010 was:

Year	Balance at Beginning of Year	Current Year Claims and Change in Estimate	Claims Payments	Balance at End of Year
2010	\$ -	\$ 16,055	\$ 14,458	\$ 1,597

NOTE 14 – ACCOUNTABILITY AND COMPLIANCE

New Pronouncements

For 2010, the City has implemented GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.

GASB Statement No. 51 addresses accounting and financial reporting standard for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, internally generated computer software, patents and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have a significant effect on the financial statements of the city.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivatives instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts and future contracts. The implementation of GASB Statement No. 53 did not have a significant effect on the financial statements of the city.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(amounts expressed in thousands)
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NOTE 14 – ACCOUNTABILITY AND COMPLIANCE (Continued)

New Pronouncements (continued)

GASB Statement No. 54 addresses the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental definitions. GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. The implementation of GASB Statement No. 54 did not have a significant effect on the financial statements of the City other than the reclassification of fund balance previously reported into the new fund balance classifications.

GASB Statement No. 58 establishes accounting and financial reporting for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms the new payment plan. The implementation of GASB Statement No. 58 did not have a significant effect on the financial statements of the city.

Fund Balance Deficits

The following deficit fund balances existed at December 31, 2010:

<i>Governmental funds:</i>	
General Fund	\$ 8,612
Special Assessment Services Fund	49,544
<i>Nonmajor Governmental Funds:</i>	
Federal Block Grants	4,939
Toledo Home Program	850
Special Assessment Improvements Fund	1,875
<i>Proprietary funds:</i>	
Property Management	13,355
Municipal Tow Lot	189
Marina Operations	30

These deficits will be eliminated by future charges for services, reduction of expenditures or future bond sales, where appropriate.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
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(Continued)

NOTE 15 - CONTINGENCIES

Litigation

The City is currently a defendant in several lawsuits. It is the opinion of legal counsel that none of this litigation will have a material adverse affect on the financial condition of the City. In addition, there are several unasserted claims, the results of which, if asserted, would not have a material effect on the financial statements at December 31, 2010.

Grants

In 2010, the City received federal and State grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

NOTE 16 – RESTATEMENT OF BEGINNING NET ASSETS

	Governmental Activities
Net assets, as previously reported	\$ 402,408
Increases:	
Accrued interest	13,007
Error in recorded debt	2,599
Decreases:	
Unrecorded debt	(2,808)
Net assets, restated	<u>\$ 415,206</u>

NOTE 17 - SUBSEQUENT EVENTS

In March 2011, Dashing Pacific Group, LLC purchased from the City for \$2.15 million approximately six acres of commercial property along the east bank of the Maumee River known as “The Docks”. Dashing Pacific plans to redevelop the restaurant and entertainment complex on that property and has commenced work on renovations for that purpose.

In March 2011, the City Council approved entering into an agreement with the Lucas County Solid Waste Management District to transition responsibility for solid waste and recycling collection within the District as provided by Republic Service (formerly know as Allied Waste). This agreement shall be for a five year period commencing September 1, 2011 and terminating on August 31, 2016. As part of this agreement, Republic Service will purchase 40 collection trucks currently owned by the City for a price of at least \$8,000.

City of Toledo, Ohio
Notes to the Basic Financial Statements
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(amounts expressed in thousands)
(Continued)

NOTE 17 - SUBSEQUENT EVENTS (Continued)

In May 2011, the City Council approved an agreement for the sale of an additional 69 acres in the adjacent Marina District to Dashing Pacific Group, LLC for \$3.8 million for an estimated \$200 to \$300 million redevelopment project expected to include retail, office and multi-family residential elements. The agreement also provides Dashing Pacific a two-year option to purchase an additional 22.75 acres at \$55,000 per acre and an option for the City to repurchase the property at \$55,000 an acre if its is not developed within five years.

In May 2011, the City Council approved the issuance of \$24,300 in notes for the purposes of paying the cost of lighting streets, alleys and other public ways of the City; sprinkling, sweeping, cleaning and snow removal services for the treating of surface streets, alleys and other public ways of the City; planting, maintaining, trimming and removing shade trees in and along streets of the City in anticipation of the levy and collection of special assessments. The notes will mature in 2013.