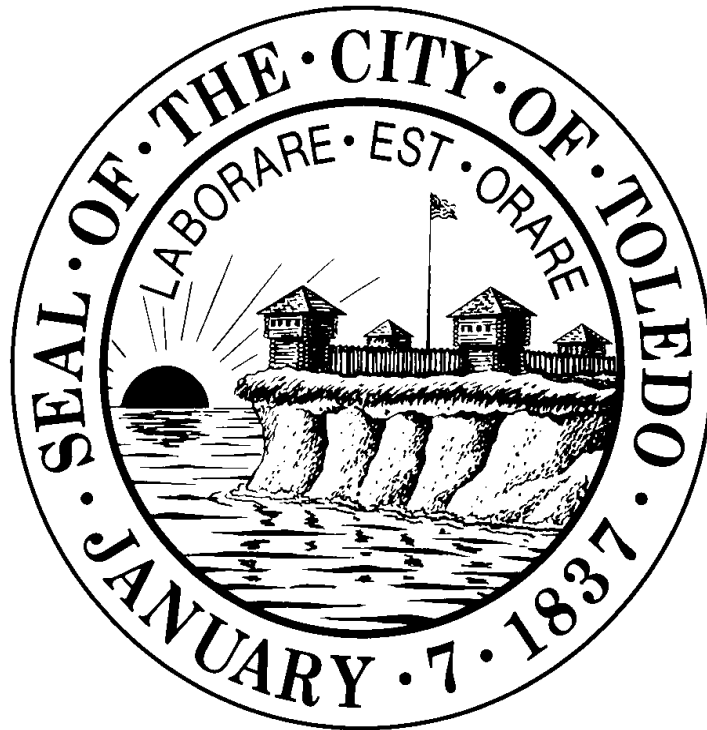


CITY OF TOLEDO, OHIO

2014

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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Director of Finance
One Government Center, Suite 2050
Toledo, Ohio 43604-2293
Telephone (419) 245-1648
E-Mail: george.sarantou@toledo.oh.gov

The date of this Annual Information Statement is July 15, 2014.

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 an Official Statement or other offering document of which it is a part shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the City since its date.

TABLE OF CONTENTS

	Page
INTRODUCTORY STATEMENT.....	1
THE CITY	2
General Information	2
City Government.....	4
Employees	9
Economic and Community Development Activities.....	10
Industry and Commerce.....	10
Recent Development Activity	10
Port Authority	12
Public Projects	12
Housing.....	13
Education.....	14
Economic and Demographic Information	15
Population	15
Industry and Major Employers	16
Employment.....	20
Income and Spending	21
Home Values and Housing Units	21
Building Permits	22
Transportation	22
Ground Transportation.....	22
Airports	23
Seaport	24
City Facilities	25
Water System	25
Facilities and Operations	25
Service Area and Users.....	26
Water Rates.....	28
Operating Results.....	29
Outstanding Water System Revenue Bonds and Other Obligations.....	29
Sewer System.....	31
Facilities and Operations	31
Service Area and Users.....	32
Sewer Rates.....	32
Operating Results.....	33
Outstanding Sewer System Revenue Bonds and Other Obligations	33
Storm Water Utility.....	34
Other Utilities.....	36
Natural Gas; Electricity; Telephone	36
Solid Waste Collection and Disposal	36
FINANCIAL MATTERS	36
Introduction	36
Budgeting, Tax Levy and Appropriations Procedures	37
Financial Reports and Audits.....	38
Investment and Management of City Funds.....	39
General Fund and Financial Outlook.....	39
CERTAIN MAJOR GENERAL FUND REVENUE SOURCES.....	41
Municipal Income Tax.....	41
Local Government Assistance Funds.....	44

Nontax Revenues	44
Casino Tax Revenues.....	45
AD VALOREM PROPERTY TAXES	46
Assessed Valuation	46
Largest Property Tax Payers	47
Overlapping Governmental Entities	48
Tax Rates.....	49
Tax Table A - Tax Rates for City and Overlapping Taxing Subdivisions	51
Collections.....	52
Tax Table B - Real, Tangible Personal and Public Utility Property Tax and Special Assessment Collections	52
Delinquency Procedures	53
CITY DEBT AND OTHER LONG-TERM OBLIGATIONS	54
Security for General Obligation Debt	54
Bonds and BANs.....	54
Statutory Direct Debt Limitations.....	55
Indirect Debt and Unvoted Property Tax Limitations	57
Debt Outstanding	59
Debt Table A - Principal Amounts of Outstanding Debt; Leeway for Additional Debt Within Direct Debt Limitations.....	59
Debt Table B - Various City and Overlapping General Obligation (GO) Debt Allocations (Principal Amounts).....	60
Debt Table C - Projected Debt Service Requirements on Outstanding City General Obligation Debt.....	61
Debt Table D - General Obligation Debt Outstanding	62
Bond Anticipation Notes.....	62
Debt Table E - Outstanding General Obligation Bond Anticipation Notes	62
City Services Special Assessment Notes	62
Debt Table F - Outstanding City Services Special Assessment Notes.....	63
Economic Development Obligations	63
Debt Table G - Outstanding City Economic Development Obligations	64
Debt Table H - Debt Service Requirements on Outstanding City Economic Development Obligations.....	65
Other Revenue Bonds	66
Long-Term Financial Obligations Other than Bonds and Notes	66
Ohio Water Development Authority Loans	66
Ohio Water Pollution Control Loan Fund Loans	67
Ohio Public Works Commission Issue 2 Loans.....	67
State Infrastructure Bank Loans	67
Lease Agreements.....	67
Other	68
Future Financings.....	68
Retirement Obligations	69
LEGAL MATTERS	70
Litigation	70
Bond Counsel.....	71
RATINGS	71
CONCLUDING STATEMENT	72
 APPENDIX A - Comparative Modified Accrual Basis Summary of General Fund Revenues, Expenditures and Balances for Fiscal Years 2009 through 2013 (Actual) and Fiscal Year 2014 (Budgeted)	
 APPENDIX B - Basic Financial Statements from the City's Comprehensive Annual Financial Report for Fiscal Year 2012 (audited)	
 APPENDIX C - Basic Financial Statements for Fiscal Year 2013 (unaudited)	

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 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 such statements 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 to 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 contains statements that the City believes may be “forward-looking statements.” Words such as “plan,” “estimate,” “project,” “budget,” “anticipate,” “expect,” “intend,” “believe” and similar terms are intended to identify forward-looking statements. The achievement of results or other expectations expressed or implied by such forward-looking statements involves known and unknown risks, uncertainties and other factors that are difficult to predict, may be beyond the City’s control and could cause actual results, performance or achievements to be materially different from any results, performance or achievements expressed or implied by such forward-looking statements. The City undertakes no obligation, and does not plan, to issue any updates or revisions to such forward-looking statements.

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 2013”) 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. 59, passed by the Ohio General Assembly and signed by the Governor on June 30, 2013, providing State appropriations for its 2014-2015 biennium (the period from July 1, 2013 through June 30, 2015) 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 82nd largest of 366 metropolitan statistical areas (MSAs) in the United States. (Rankings based on 2010 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 (64.80%), Commercial (30.57%), Industrial (4.60%) and Agricultural (0.03%). 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 two 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 3 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 (431 beds); The University of Toledo Medical Center (319 beds) and St. Anne’s Mercy Community Hospital (96 beds).

One daily newspaper serves 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 from multiple providers 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, art education programs and architecturally significant campus, 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 57,600-square-foot Glass Pavilion, celebrating the City's role as the Glass City.

In April 2014, a new National Museum of the Great Lakes opened in the City's Marina District. The Museum features more than 50 interactive exhibits as well as displays of artifacts and a Great Lakes freight ship. See **Recent Development Activity**.

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 Jazz Orchestra, the Toledo Ballet, the Toledo Opera, the Glaciy Theater Collective and the Toledo Repertoire Theater, as well as culturally and ethnically diverse traveling shows and attractions. The Valentine 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 Toledo Symphony performances and traveling 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 19 branch libraries throughout the County. It has the fifth largest public library collection in the State with over 2.4 million books and an annual circulation of over 6.9 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, funded, in part, by property tax levies for operations and capital improvements approved by County voters, is currently engaged in a project to renovate its aquarium. See **Public Projects**.

The City owns and operates 145 parks covering 2,368 acres, and the Metropolitan Park District of the Toledo Area operates ten parks covering 11,500 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 16 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, who play in a 10,000-seat County-owned baseball stadium opened in 2002 in the Warehouse District of the Downtown area of the City.

In 2009, the County completed construction of a \$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 as a venue for concerts and other activities.

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 within the City, 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 annually 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 has duties that 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 as well as 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 of such departments and divisions.

The members of Council, seven of whom are Democrats, two of whom are Republicans, and three of whom are Independents are as follows:

	<u>Name</u>	<u>Years of Service As of July 15, 2014</u>	<u>Occupation in Private Life</u>
At-Large	Jack Ford (I)	½ year(a)	College professor
At-Large	Theresa Gabriel (I)	½ year	Retired
At-Large	Rob Ludeman (R)	4 years(b)	Realtor
At-Large	Sandy Spang (I)	½ year	Business owner
At-Large	Steven Steel (D)	4 years	College professor
At-Large	Larry Sykes (D)	½ year	Retired bank executive
District 1	Tyrone Riley (D)	2¼ years	Attorney
District 2	Matt Cherry (D)	½ year	Business agent
District 3	Mike Craig (D)	8 years	Civic leader
District 4	Paula Hicks-Hudson (D)(c)	3 years	Attorney
District 5	Tom Waniewski (R)	6 years	Development director
District 6	Lindsay Webb (D)	6 years	Coordinator, nonprofit corporation

- (a) Mr. Ford previously served as the City's Mayor from 2002 through 2005 and as a member of Council for eight years from 1988 through 1995 and President of Council in 1993 and 1994.
- (b) Mr. Ludeman previously served on Council for 14 years until 2007 when he was barred from running again by term limits.
- (c) Ms. Hicks-Hudson has been elected by her colleagues on the Council to serve as President of Council for 2014.

The current terms of all at-large members of Council expire on December 31, 2017, and those of all members of Council elected from Districts expire on December 31, 2015.

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

Mayor – D. Michael Collins

Mayor Collins was elected to a four-year term in November 2013 and assumed his duties as Mayor on January 3, 2014. He previously served as the Councilman for District 2 for six years having originally been elected in November 2007 and re-elected in November 2011. The son of Michael, an Irish immigrant, and Gertrude Collins, he grew up in the City's old South End and is a life-long Toledoan. He graduated from St. James Grade School and Edward Drummond Libbey High School, and earned a Bachelor's Degree and a Master's Degree in Business Administration from The University of Toledo. He was recognized for high scholastic achievement in both degrees. Mayor Collins enlisted in the U.S. Marine Corps after high school and received an Honorable Discharge. In 1973, he was appointed to the Toledo Police Department and served for 27 years, including his last 10 years as the elected president of the Toledo Police Patrolman's Association. He led the negotiations for the Toledo Police Patrolman's Association for 5 contracts. In 1997 he was awarded the Professional Service Award by the Toledo Police Department and has numerous letters of recognition in his police department personnel file for excellence in police service. After retiring in 1999 from the Toledo Police Department, Mayor Collins began his second career, teaching as a visiting professor in the Department of Criminal Justice at The University of Toledo. Between teaching assignments, he served the University in an administrative position as the Director of the Ohio Police Corps, a police academy for the State of Ohio funded by the United States Department of Justice. He continues to teach, although now part-time, at Lourdes University. Mayor Collins has more than 30 years of experience serving in positions of public trust. He is committed to public safety, creating and retaining jobs, and economic development and redevelopment.

Chief of Staff – Robert Reinbolt

Mr. Reinbolt was appointed by the Mayor Collins as the City's Chief of Staff/Safety Director in January 2014. In this capacity Mr. Reinbolt is responsible for departments providing city services in

all areas excluding business and economic development. Mr. Reinbolt had previously served the City for a total of more than 25 years from 1980 through 2009 in a variety of administrative positions, including Chief of Staff/Safety Director/Director of Development, Director of the Department of Public Services, Commissioner of Customer Services in the Department of Public Utilities, and Administrator of Utilities Administration in the Department of Public Utilities. Immediately prior to rejoining the City in January 2014, he served as President and Chief Executive Officer of Reinbolt Consulting Group, a firm that specializes in project management, strategic planning, economic development and government affairs. Mr. Reinbolt is a graduate of The University of Toledo with Bachelors' degrees in degree in Engineering Technology and Business Administration and a Master's degree in Business Administration. Mr. Reinbolt also currently serves as the Vice-President of the Toledo/Lucas County Regional Board of Health.

Assistant Chief of Staff – Joel M. Mazur

Mr. Mazur was appointed by Mayor Collins as the City's Assistant Chief of Staff in January 2014. In this capacity, Mr. Mazur is responsible for facilitating divisional operations within the City. Mr. Mazur was previously employed by the City in its Division of Environmental Service in the brownfield redevelopment section. In that position, Mr. Mazur oversaw the cleanup and restoration of the former sites of a power plant, office tower, an automotive manufacturing plant and a rubber manufacturer. He also oversaw the use of federal and state grants for the demolition and removal of several vacant structures and the remediation of their sites. Mr. Mazur is a graduate of Adrian College with a Bachelor's degree in environmental science and biology.

Director of Finance – George E. Sarantou

Mr. Sarantou was appointed by Mayor Collins as the City's Director of Finance on January 2, 2014. Prior to his appointment to that position, he served the City as an At-Large Councilman for 12 years, having been first elected in 2001 and re-elected in 2005 and 2009, and as Chairman of the Council's Human Resources, Information Technology and Finance Committee for 11 years from 2003 through 2013. He is a graduate of DeVilbiss High School in the City and earned a bachelor's degree from The Ohio State University. Mr. Sarantou has also served the community as a member of the Transportation Council of the Toledo Metropolitan Area Council of Governments, as a member of the Boards of Directors of the Downtown Toledo Parking Authority and the Downtown Toledo Improvement District, as a member of the Board of Trustees of WGTE public Broadcasting, of the Ohio Broadcast Educational Media Commission and of community boards including those of the Neighborhood Health Association, the Fredrick Douglass Community Association and Holy Trinity Greek Orthodox Cathedral (and, in each case, as President of those community boards), as Chairman of the Greek American Festival, as President of the Westgate Exchange Club and as an active member of the Toledo Public Schools' Partners in Education Program and a reading mentor in its schools. He is, and has for more than 30 years has been, employed as a private financial advisor.

Director of Law – Adam W. Loukx

Mr. Loukx was appointed 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 a 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 – Edward A. Moore

Mr. Moore, a 21-year City employee and lifelong Toledoan, was appointed to the position of Director of Public Utilities in April 2014 by Mayor Collins. Ed has previously served the City in various capacities, including as Commissioner of Sewer and Drainage Services, Commissioner of Streets, Bridges

and Harbor, also Director of Public Service and Commissioner of Engineering Services for Department of Public Utilities. He has degrees in Managerial Accounting from Davis College and Construction Engineering Technology from The University of Toledo and is currently pursuing of an Executive Master's Degree in Business Administration to complement his work experience and knowledge base. Prior to joining the City, Mr. Moore served in the U.S. Navy as a Quartermaster.

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.

Commissioner of Debt Management and Capital Programs – David Shriner

Mr. Shriner has served as the City's Commissioner of Debt Management and Capital Programs since December of 2010. Prior to his appointment, Mr. Shriner held the position of Relationship Manager – Public Sector for PNC Financial Services where he served municipal clients in Northwest Ohio for 10 years. Mr. Shriner also held a similar position with KeyBank National Association prior to working for PNC. He is a Certified Public Accountant (inactive). Mr. Shriner earned a bachelor's degree in Business Administration from The University of Toledo. Mr. Shriner is actively involved as a member of the Finance Committee of The University of Toledo Alumni Association.

City Auditor –

The Council appoints a City Auditor to perform various duties with respect to financial and operational audits of City departments, divisions, boards, commissions and agencies and to provide an independent and objective review of the financial and operational functions of the City. The position became vacant on May 2, 2014, with the resignation of the prior City Auditor. The Council is currently in the process of selecting a new City Auditor and expects to fill that position by the end of July, 2014.

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



**MAYOR
D. MICHAEL COLLINS**

Mayor's Staff
J. Brown - Mayor's Admn. Assistant
S. Strong - Mayor's Assistant
S. Jimenez - Mayor's Assistant

PIO & Executive Assistant
Lisa Ward

BCR
Linda Alvarado

Board of Health
Dr. David Grossman

Plan Commission
Tom Lemon

Chief of Staff
Bob Reinbolt

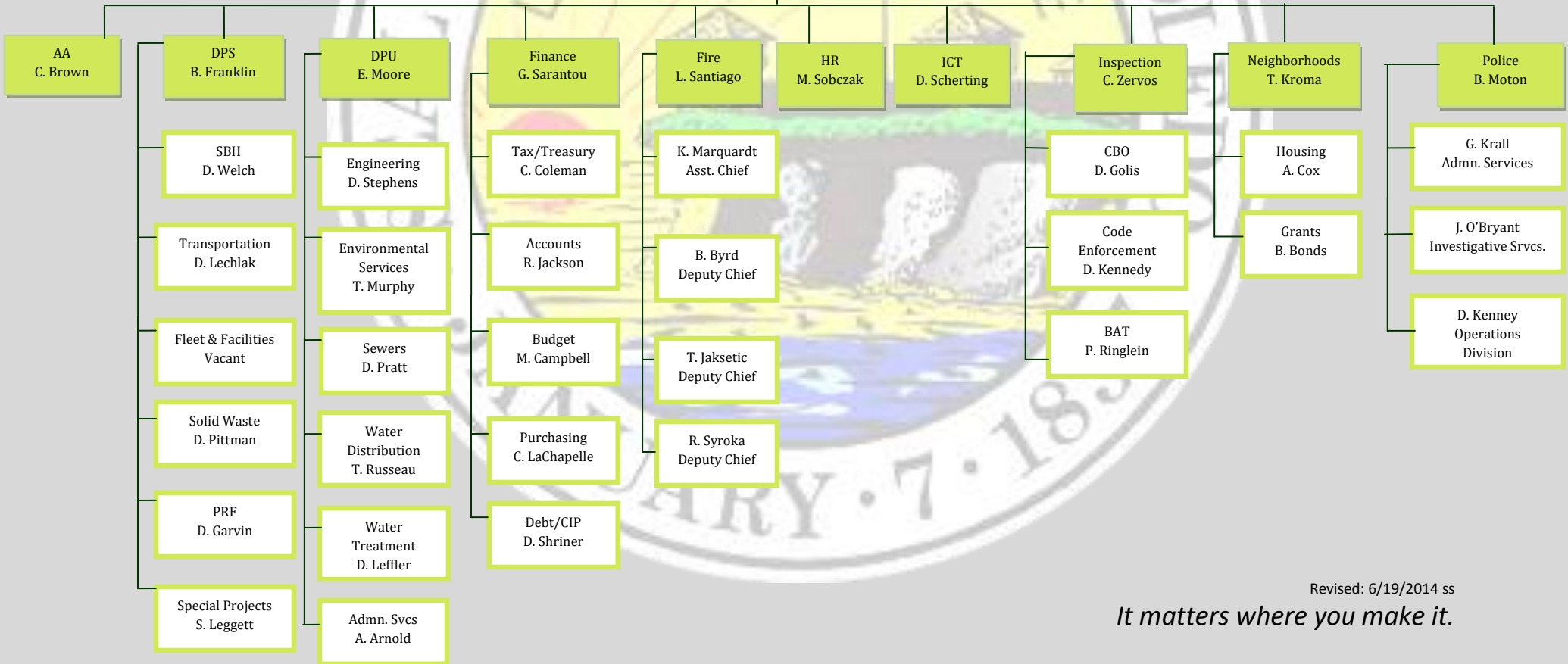
Law
Adam Loukx

Business Development
Matt Sapara

Youth Commission
R. Contreraz-Harris

Admn. Assistant
J. Takacs

Assistant Chief of Staff
Joel L. Mazur



Revised: 6/19/2014 ss

It matters where you make it.

Employees

The City has approximately 2,749 full-time and part-time employees. The City also utilizes seasonal workers and temporary workers for specific projects from time to time on a contract basis. Ohio's statewide public employee collective bargaining law applies generally to public employee relations and collective bargaining.

The vast majority of City employees hold position classifications that are in collective bargaining units. The full-time employees in those classifications are represented by the following bargaining units:

<u>Bargaining Unit</u>	<u>Approximate Number of Employees</u>	<u>Labor Agreement Expiration</u>
Ohio Council 8 of the American Federation of State, County and Municipal Employees (AFSCME), Local 7	788	June 30, 2017
Ohio Council 8 of AFSCME, Local 7, Communications Operators	66	June 30, 2014(a)
Toledo Police Patrolman's Association	496	December 31, 2014
International Association of Fire Fighters, Local 92	501	December 31, 2014
International Brotherhood of Teamsters, Local 20	91	December 31, 2015
Ohio Council 8 of AFSCME, Local 2058, Supervisors	229	May 31, 2015
Ohio Council 8 of AFSCME, Local 2058, Communication Supervisors	7	May 31, 2015
Toledo Police Command Officers' Association	133	December 31, 2014
United Auto Workers, Local 12	6	December 31, 2016
Ohio Council 8 of AFSCME, Local 3411 (Clerk of Court – Deputy Clerks)	69	December 31, 2015
Toledo Fire Chiefs' Association	21	December 31, 2014

(a) Negotiations for a new agreement are ongoing. Employees continue to work under terms of the expired agreement.

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

Generally, wages and other economic benefits for City employees have been derived through negotiations with the bargaining units or employee representatives. The most recent three-year labor contracts with the named bargaining units, ratified in 2012, 2013 and 2014, reflect the City's continued efforts to make structural changes that realign revenues and expenditures for the long-term. The economic concessions achieved through negotiations with four bargaining units with which the City negotiated in 2012 and in the first quarter of 2013 included elimination or reduction of the so-called "pension pick-up," a practice under which the City paid its employees' state-mandated contribution to the applicable state pension funds (i.e., Ohio Public Employees Retirement System and the Ohio Police and Fire Pension Fund), in addition to the employer's state-mandated percentage requirement. See **Retirement Obligations**.

Specifically, the City eliminated its payment of employees' state-mandated 10% pension fund contribution for new employees hired after January 1, 2009 and reduced the pension "pick up payments" the City makes on behalf of its other employees.

In addition, collective bargaining agreements negotiated in 2012 and 2013 require employees to pay increased monthly health care cost contributions or "co-premiums" based on single, single +1, and family coverage, as the employee selects.

This year, as a result of "wage re-opener" negotiations agreed to in the applicable collective bargaining agreements, the AFSCME Local 7 and AFSCME Local 7, Communications Operators, collective bargaining units agreed to 2.5% wage increases effective January 1, 2014 for affected employees.

On June 25, 2014, the City and the AFSCME Local 7 unit representing approximately 805 City employees reached tentative agreement on the terms of a new three-year collective bargaining agreement. Under that agreement, employees in that bargaining unit are to receive 1.5% pay increases in on January 1 in each of the years 2015, 2016 and 2017, with no change in monthly healthcare cost contributions or co-premiums. The agreement also provides for the immediate elimination of payments by the City of the employees' state-mandated pension fund contributions, with no corresponding lump sum payment or other offsets for that concession, lessening the impact of the scheduled wage increases. In addition, the agreement substantially strengthens management's right to discipline employees who have alcohol or drug violations and/or attendance-related issues and certain incentives for productive employees who meet attendance goals and otherwise qualify. The terms of the agreement were ratified by the members of the bargaining unit on June 27 and by the City Council on July 1.

The City's existing agreements with AFSCME Local 7, Communications Operators, and the collective bargaining units for all of its safety forces will all expire by December 31, 2014), and now that the new agreement with AFSCME Local 7 has been reached the City anticipates that negotiations with those units will proceed.

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

Economic and Community Development Activities

Industry and Commerce

The City, in concert with the County, the Port Authority, the Toledo Regional Growth Partnership, The University of Toledo and the State, is 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 and resources 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 2013, Chrysler Group LLC, the largest manufacturing employer in the City and now a part of the new Fiat Chrysler Automobiles, completed major improvement and expansion projects at its Toledo Assembly Complex in the City and its Toledo Machining Plant in nearby Perrysburg Township. The projects at the Assembly Complex included the expansion, retooling and re-equipping of a portion of the Toledo North Plant and an expansion that Plant's paint shop to prepare for production of a new model, to increase the Plant's manufacturing capacity and to enable production at the Plant to be adapted to different vehicles enjoying market demand from time to time. They required an estimated investment of \$500 million and increased the annual production capacity of the Assembly Complex plants to more than 500,000 vehicles. They were the fourth and fifth major investments in the company's Toledo area manufacturing facilities since 1998. Production of a new sport utility vehicle model, the Jeep Cherokee Limited, commenced at the Plant in May 2013, and employment at the Complex has increased substantially as a result of production of that new model and the demand for other models being produced at the Complex. See **Industry and Major Employers**.

The project completed by Chrysler at its Toledo Machining Plant in 2013 was a \$72 million investment to improve, remodel and retool the Plant to prepare it for production of a new generation of front-wheel and rear-wheel drive torque converters and steering columns. The company announced in April 2013 an additional \$19.6 million project to provide new equipment and tooling to enhance machining and assembly capacity at that Plant. That project is to be completed by the end of 2014.

In 2013, General Motors announced that it would make two additional investments at its GM Powertrain Division's Alexis Road transmission plant in the City - an additional \$55.7 million investment to support production of fuel-efficient eight-speed transmissions and front-wheel drive six-speed transmissions and a \$30.6 million investment for equipment and tooling to expand capacity for the production of the six-speed transmissions to accommodate General Motors' product growth and meet increasing demand for those transmissions. These are the fifth and sixth investments General Motors will have made in that plant since 2007. In 2013, the company also completed two investments announced in 2011: a \$204 million project to prepare the plant for production of the eight-speed transmissions and an \$83 million project to upgrade that plant's assembly line for the front-wheel drive six-speed transmissions. 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 2014, Dana Holding Corporation, a Fortune 500 automotive and industrial components manufacturer, announced plans for an expansion of its headquarters building in the MSA. Construction of the project, estimated to cost between \$7 million and \$10 million, is to begin in September 2014 and to be completed in mid-2015. Dana also announced that it expects employment at the headquarters building, located in one of the joint economic development zones created by the City and adjacent subdivisions, to increase by approximately 200, with the relocation of employees from other facilities in the MSA and the Detroit area. The City shares in income tax revenues received from employees in the zone.

In 2013, the City and Owens-Corning, a Fortune 500 glass fiber products manufacturer, reached an agreement on an incentive package to extend the lease on its Downtown corporate headquarters facility for an additional fifteen-year period through 2030. Among other matters, the City agreed to make certain infrastructure improvements in the area of the headquarters and to extend through 2024 a tax-increment financing structure that, together with grant funding from the State, will provide funds for such improvements and Owens Corning, which now employs approximately 1,229 at its headquarters facility, agreed to add 50 jobs over a three-year period and to make annual payments of \$400,000 to the Toledo City School District. See **Industry and Largest Employers**.

A new National Museum of the Great Lakes, located in the City's Marina district, was completed and opened by The Great Lakes Historical Society in April 2014. The new Museum is housed in the Toledo Maritime Center, a facility owned by the Port Authority that has been renovated to feature more than 50 interactive exhibits as well as displays of original artifacts in up to 10,000 feet of exhibit space. Most of the construction work involved dredging in the Maumee River in preparation for the arrival of the museum ship, the Col. James M. Schoonmaker, and site preparation for a maritime park with outdoor exhibits. The project cost, \$8.535 million, was funded in part by an Ohio Cultural Facilities Commission grant of \$6.1 million and by private fundraising. The Museum is expected to draw approximately 44,000 visitors per year.

In 2012, Penn National Gaming, Inc. completed construction of the \$250 million "Hollywood Casino Toledo," a 290,000-square-foot facility that includes a parking structure, five restaurants and lounges and entertainment space as well as the casino. The casino features 2,000 slot machines and 80 table games and officials are planning for up to 10 summer concerts in a space with seating for 2,500 people. The Casino currently employs approximately 944 workers and has attracted customers from southeast Michigan and other nearby areas such as Cleveland, Lima and Fort Wayne, Indiana, as well as from the local area. Gross revenues of the four casinos located in the State are taxed by the State at a rate

of 33%, with portions of the proceeds to be distributed to local governments. The City received \$5.692 million in revenue from that tax in 2013.

In 2011, Norfolk Southern Railway completed a \$12.76 million project to improve facilities at its intermodal transportation yard in the City, known as “Airline Junction.” The City 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 provided \$4.0 million toward the project. The project has been 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 August 2012, Libbey, Inc., a long-time corporate resident of the City, announced that it had signed a new lease to remain in the City for an additional 15 years at its headquarters on Madison Avenue in the City’s Downtown area. Libbey, which employs approximately 200 at those headquarters, was aided by \$1.2 million in grants from the State and a tax abatement from the City to assist in financing leasehold improvements and worker training. Additionally, Libbey signed a new five-year lease for its Libbey Glass factory outlet store at the City’s Erie Street Market.

In 2011, the City, in cooperation with the Toledo-Lucas County Port Authority, secured grant funding to purchase, remediate and improve a 111-acre brownfield site that was the location of a former Jeep manufacturing plant. This project, branded as the “Overland Industrial Park”, has made available 80 acres suitable for future industrial development. The site is located near Chrysler’s Toledo Assembly Complex, with ready access to Interstate Highways and other important transportation facilities. The Port Authority has completed site remediation and initial transportation and utilities infrastructure improvements. Two new facilities are being constructed on the site in 2014 - a 100,000-square-foot spec building being constructed on a 10-acre site by a local industrial developer with national experience in the development of manufacturing, warehousing and logistics operations, and a 40,000-square-foot facility on a 7.2-acre site for Airgas Inc., the largest U.S. distributor of industrial, medical and specialty gases.

In 2011, Dashing Pacific Group, LLC purchased from the City for \$5.95 million a six-acre commercial property known as “The Docks” along the east bank of the Maumee River and an additional 69 acres in the adjacent Marina District which it plans to redevelop. The purchase agreement between the City and Dashing Pacific for the latter parcel also provided Dashing Pacific a two-year option to purchase an additional 22.75 acres at \$55,000 per acre and the City an option to repurchase the property at \$55,000 an acre if it is not developed by 2016. Dashing Pacific is currently soliciting and negotiating with potential tenants.

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 225 projects have been financed for more than \$1.3 billion since 1988. These projects have helped create or retain approximately 13,000 jobs.

Public Projects

The City is undertaking major water and sanitary sewer system improvement projects that are being funded with water and sewer system revenue obligations and loans. See **Water System and Sewer System**.

The Toledo Zoo is undertaking a \$25 million project to renovate its aquarium. That project is being funded from proceeds of an existing ad valorem property tax levy (80%) and private donations (20%).

The Toledo City School District is completing a ten-year program of replacing and/or renovating all of its classroom facilities (the Classroom Facilities Project) in cooperation with the Ohio School Facilities Commission (OSFC). That Classroom Facilities Project has included (i) the construction of 32 new elementary schools, seven new middle schools and four new high schools, and (ii) the renovation of one high

school. The District and the OSFC now estimate that the total cost of the Classroom Facilities Project will be \$655,330,247, with the District providing \$150,725,957 for the local share of the Classroom Facilities Project costs (23%), and the OSFC providing the remaining \$504,604,290 of those costs (77%). The District expects that the Classroom Facilities Project will be completed in 2014.

In addition to the Classroom Facilities Project, the School District has also undertaken 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 was necessary but not within the scope of the Master Facilities Plan for the Classroom Facilities Project. The School Site and Facilities Project, completed in December 2012, originally included 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 not included in the Classroom Facilities Project, but was expanded to include certain facilities originally included in the original Master Facilities Plan for the Classroom Facilities Project, but later eliminated from that Plan. The total cost of the School Site and Facilities Project was approximately \$60,602,000.

The new and renovated facilities included in the Classroom Facilities Project and School Site and Facilities Project are 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.

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 those projects, which were subsequently foreclosed upon and sold at the sheriff's sale. The owners of the Museum Place Apartments fell behind in their loan payments to the City. As a result, through the end of 2013, the City had made an aggregate of \$13.384 million in debt service payments (\$1.094 million for Fiscal Year 2013) 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 2014 and beyond. The City has set aside approximately \$989,810 for such payments in its General Fund operating budget for Fiscal Year 2014.

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 Hillcrest has been converted to market-rate apartments and is expected to be at substantially full occupancy in 2014. 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.

The strong demand for market-rate living accommodations in the Downtown area is evidenced by occupancy levels that have been reported to have reached 98%. There are currently more than 7,500 people living in the Downtown area, and the City currently projects that number to increase to approximately 10,000 by 2016. In 2012, the Standart Lofts, 70 apartment units, was completely leased in less than four months after having been developed at a cost of over \$10 million. The owners of the Standart are now undertaking the renovation of the Berdan Building to create approximately 150 additional living units. Construction of that project is scheduled to begin Fall of 2014 with an investment of nearly \$14 million.

Two additional housing projects, one for market-rate units and one for low/moderate income housing units, are planned for pre-development in 2014 on Madison Avenue also in the Downtown area. Several other projects are moving forward in 2014 including – National Church Residences – Commons at Garden Lake, a 75-unit senior housing project, and Phase II of the Collingwood Green Project, which will have 68 units spread over 11 buildings.

With residential occupancy levels increasing, many new businesses including restaurants, retail establishments, art galleries and a new microbrewery are following, and the City is actively pursuing a grocer to locate at its Erie Street Market facility.

In addition to the 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, public services and housing. The City's CDBG entitlement for the program year July 1, 2014 through June 30, 2015 will be \$6,889,058, with the City receiving an allocation of approximately \$1,705,980 in HOME funding during that program year.

The Department of Neighborhoods is also improving the housing stock with the help of a Lead Abatement Grant of approximately \$2.9 million targeted for homes built prior to 1978 with children under the age of 6 that are exposed to lead hazards.

The City is experiencing positive results from the activities of Lucas County Landbank. The Landbank has many tools to improve the City's neighborhoods, and has recently provided a grant of \$6.8 million that enabled the City to demolish 700 homes and an additional grant of \$6 million dollars that will enable the City to further improve neighborhoods with the demolition of approximately 600 homes. The City and the Landbank are conducting a parcel by parcel, GIS based, inventory system in 2014, to provide an updated snapshot of the overall condition of the City's housing stock so future investments can be properly targeted and overall success/results monitored.

Education

The Toledo City School District is the principal school system in the City and the fifth largest school system in the State. See also **Overlapping Governmental Entities**. It serves approximately 21,874 pupils in 57 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 \$314.1 million. The Board currently receives approximately 30% of its funding from local sources, including taxes, tuition and interest income, and approximately 70% of its funding from State and federal sources. The District is completing 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 21,000 students, making it the sixth largest of 13 public universities in Ohio. The University and its Medical Center together have approximately 6,077 employees and a combined annual operating budget of approximately \$790 million, the third largest of public university operating budgets in the State. The University's 16 colleges attract students from a broad region with a selection of thousands of course offerings in approximately 250 undergraduate, graduate and doctoral programs. The University's research program includes activities of the Polymer

Institute, which develops and tests new classes of plastics and polymers; a clean energy and alternative energy incubator; the Ritter Planetarium and Brooks Observatory, and the Center for Drug Design and Development affiliated with the University's College of Pharmacy and Pharmaceutical Sciences, 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 (solar) and advanced renewable energy systems research; plant biotechnology; environmental sciences research; manufacturing and structural materials; cellular biology; and science and math education. The University has been awarded research grants in excess of \$45 million annually in recent years. The University's Health Science Campus is the home of a College of Medicine and Life Sciences in which more than 1,100 students were enrolled in Fall 2013.

The University was a major force in the creation of EISC, Inc. (formerly, the Edison Industrial Systems Center), which works with regional industries on advanced manufacturing in the areas of product and process development and computer integration in manufacturing with goals of improving competitiveness, increasing manufacturing flexibility, and improving cost effectiveness of regional manufacturing industries.

University investments in research and technology have had an economic impact of the community through job creation and technology innovation, most recently through startup companies. One such company, Xunlight Corporation, a technology spin-off from the University, engages in the development, manufacture and marketing of photovoltaic modules that convert sunlight into electricity. The company develops thin-film silicon base photovoltaic products and manufacturing equipment for high-throughput production of flexible and lightweight photovoltaic modules.

Within commuting distance of the City are another State university, Bowling Green State University, and a private college, Lourdes University. In recent years, Bowling Green State University has had a student enrollment of approximately 16,560, and Lourdes University an enrollment of approximately 2,100. In addition, in 2013, approximately 22,600 students were enrolled in three two-year community colleges located within commuting distance 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.

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 by 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, die castings and solar energy panels. 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 2013 Fortune 500 corporation, has its headquarters in the City, and three other of the 2013 Fortune 500 corporations, The Andersons, Inc., 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		10,809
Mercy Health Partners	Health care		7,200
The University of Toledo	University and Medical Center		6,077(b)
Bowling Green State University	University		5,957(c)
Chrysler Group LLC	Automobile manufacturer	5,156(d)	
The Toledo City School District	Education		3,780(e)
Lucas County	Government		3,511
The Kroger Company	Retail grocery		2,924
The City	Government		2,700(f)
Sauder Woodworking Co.	Furniture, cabinets	2,400	
State of Ohio	Government		2,268(c)
Wal-Mart	Retail sales		2,215(c)
General Motors Corp./GM Powertrain Division	Automotive manufacturer	1,890(d)	
The Andersons	Grain storage/processing/retail		1,672
Meijer's	Retail grocery		1,608
United Parcel Service	Postal service and package delivery		1,597
U.S. Postal Service	Postal-Government		1,587
Toledo Molding & Die, Inc.	Plastics manufacturer	1,570	
St. Luke's Hospital	Hospital		1,558
One Source Management of The South Ltd	Management consulting services		1,500(c)
Owens Technical College	Education		1,484
HCR Manor Care	Health care services		1,463
Libbey, Inc.	Glass manufacturer	1,318	
YMCA of Greater Toledo	Nonprofit organization		1,313
Norplas, Inc.	Assemblies manufacturer	1,230	
Owens-Corning	Building materials & reinforcements		1,229
Toledo Edison Company	Electric utility		1,200
Lott Industries	Packaging services		1,200
Wood County	Government		1,166
Toledo Clinic, Inc.	Medical clinic		1,040
First Solar LLC	Solar cell manufacturer	1,000	
Faurecia Automotive Holdings Inc	Auto parts manufacturing	1,000	
Hollywood Casino	Casino		944
Washington Local School District	Education		860
Sylvania City School District	Education		823(e)
Bennett Enterprises	Motor inns and restaurants		800
Owens-Illinois, Inc.	Glass manufacturer		775(g)
Walgreens Distribution Center	Distribution		750(c)
Buckeye Cable System	Cable television		723
Dana Holding Corporation	Automotive and industrial components		700
Ottawa County	Government		650
Sunshine, Inc.	Children's home		650
Materion	Beryllium manufacturer	635	
BP Oil Co.	Petroleum refiner	600	
CSX Corp.	Transportation		600(h)
International Automotive Components	Automotive manufacturer	600	
Johnson Controls	Industrial equipment	600	
NSG Pilkington	Glass manufacturer	550(c)	
Wood County Hospital	Medical facility		548
The Huntington National Bank	Financial institution		546
Home Depot	Retail		516(c)
Lowe's Home Improvement	Retail		508(c)
Luther Home of Mercy	Mentally handicapped		507
Kantar Group	Market research		500(c)
Norfolk Southern	Transportation		500(c)
Toledo Refining Co.	Petroleum refiner		500

(a) As of March 2014, except as otherwise noted.

(b) Core employment as reported by the employer as of July 1, 2014. Excludes students and post-doctoral fellows and residents at the University's medical center.

(c) As of August 2012, according to the Toledo Regional Growth Partnership, information for 2014 not yet available

(d) As reported on the employer's website.

(e) As reported by the employer as of April 2014.

(f) As of February 1, 2014.

(g) 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.

(h) As of April 2010, according to the Toledo Regional Growth Partnership, information for 2011 and 2012 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 the first and second largest employers in the Toledo MSA. These systems have aggressively expanded and improved their facilities and property holdings within the City in the past decade.

The University of Toledo (including its Medical Center) is the third 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 the largest manufacturing employer in the Toledo MSA. Chrysler announced in February 2014 that employment at its Toledo Assembly Complex located on 312 acres in the City, where it now produces Jeep Wranglers and Cherokee Limiteds, had increased to 4,108 workers and employment at its Toledo Machine Plant in nearby Perrysburg was 1,048. In March 2014, Chrysler announced it would hire up to 1,000 part-time workers for the Toledo Assembly Complex in 2014 to provide relief for regular employers who have been working 60 hours a week. Chrysler's Wrangler assembly operation in the Toledo Assembly Complex was named as the most productive auto assembly plant by Harbour Report for 2011 and 2012. In January 2014, Fiat S.p.A., which had owned approximately 58.5% of the company's shares, completed the purchase of the remaining shares from a union-controlled health care trust fund, and Chrysler Group LLC became a part of the new Fiat Chrysler Automobiles.

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 seven 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. In 2011 and 2013, GM announced additional expansion and other improvements to 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 – Industry and Commerce – Recent Development Activities**. GM reported that it employed 1,890 workers at the plant as of January 1, 2014.

Owens Corning, a global producer of residential and commercial building materials, glass-fiber reinforcements and engineered materials for composite systems with sales of \$5.3 billion in 2013, employs approximately 15,000 in 27 countries, including approximately 1,229 in the Toledo MSA. The headquarters are located in the Downtown area of the City, and the company recently agreed to a 15-year extension of its lease of those facilities. See **Economic and Community Development Activities – Industry and Commerce – Recent Development Activities**.

Dana Holding Corporation, a manufacturer of motor vehicle parts and industrial components, employs approximately 23,000 in 26 countries worldwide, including approximately 700 in the Toledo MSA. Its global network of engineering, manufacturing, and distribution facilities provides original-equipment and aftermarket customers with local product and service support. Dana's operations in the Toledo MSA have included its headquarters and a division office and research and development center that are located in a company-owned technology center in the adjacent City of 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 Andersons, Inc., also based in the City of Maumee just south of the City, is a corporate conglomerate with a collection of agricultural-based businesses that include grain, fertilizers, general stores, and ethanol production for alternative energy fuel that employs approximately 1,672 workers in the Toledo MSA.

The Toledo MSA serves as a major transportation center, and significant employment is provided by transportation industry employers. See **Transportation**.

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. Education and health care industry employment in the Toledo MSA has increased by 20% since 2000 according to United States Labor Department data.

The following table indicates the division of labor between different industrial classifications in the Toledo MSA for the years 2009 through 2013 and for March 2013 and March 2014.

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

Industries	2009	2010	2011	2012	2013	March	
						2013	2014 ^(b)
Service Providing							
Transportation and Utilities	25.2	24.5	25.2	25.1	25.4	24.7	25.6
Wholesale and Retail Trade	44.8	44.0	44.4	45.0	45.3	44.1	44.7
Finance, Insurance and Real Estate	11.5	11.1	10.9	10.8	10.4	10.2	10.2
Services	117.3	118.8	120.6	122.9	126.5	124.0	123.2
Government	<u>49.5</u>	<u>48.4</u>	<u>47.1</u>	<u>47.0</u>	<u>47.3</u>	<u>48.5</u>	<u>47.6</u>
Total Service Providing	248.3	246.8	248.2	250.8	254.9	251.5	251.3
Goods Producing							
Manufacturing							
Durable Goods	24.8	26.4	28.3	30.2	31.7	30.7	33.5
Nondurable Goods	11.5	11.3	11.1	11.0	10.5	10.4	9.9
Total Manufacturing	36.3	37.7	39.4	41.2	42.2	41.1	43.4
Construction	11.8	11.1	11.7	12.5	11.7	10.5	10.3
Mining	*	*	*	*	*	*	*
Total Goods Producing	48.1	48.8	51.1	53.7	53.8	51.6	53.7
Total Employment	<u>296.3</u>	<u>295.6</u>	<u>299.3</u>	<u>304.5</u>	<u>308.8</u>	<u>303.1</u>	<u>305.0</u>

* Not Available.

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

(b) Preliminary.

Source: Ohio Department of Job and Family Services.

The table below shows the payrolls of employers in the County during the years from 2003 through 2012, and for the first three quarters of 2012 and 2013, 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 and Real Estate	Services	State and Local Govern- ment	Total All Industries^(b)
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	7,727	7,718	391,428	1,166,983	286,887	909,214	399,271	3,458,891	1,239,975	7,868,094
2011	6,787	7,975	428,228	1,264,104	307,620	960,103	409,206	3,564,266	1,214,449	8,162,737
2012	7,048	8,022	499,318	1,434,250	292,698	975,900	431,296	3,666,510	1,189,575	8,504,616
2012(c)	4,387	6,061	358,186	1,069,020	216,175	715,041	317,928	2,664,139	874,503	6,225,442
2013(c)	4,770	6,470	307,721	1,090,151	215,186	712,140	327,235	2,693,010	927,503	6,284,183

(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) First three quarters.

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.
2009	127,600	195,100	290,700	12.7%	12.2%	12.2%	10.2%	9.3%
2010	118,500	190,600	289,500	12.1	11.3	11.1	10.0	9.6
2011	118,400	190,600	289,800	10.4	9.7	9.5	8.7	8.9
2012	119,400	192,300	292,400	8.6	8.0	7.9	7.4	8.1
2013	118,800	191,900	293,100	9.1	8.5	8.3	7.4	7.4
2014								
Jan.	117,400	189,700	289,700	8.7	8.1	8.2	7.5	7.0
Feb.	118,200	190,900	291,500	7.8	7.3	7.4	7.0	7.0
Mar.	118,300	191,000	291,700	7.1	6.6	6.7	6.2	6.8
Apr.	119,200	192,500	293,900	6.2	5.7	5.7	5.3	5.9
May	120,900	195,200	298,100	6.2	5.7	5.5	5.3	6.1

(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>		
2010 Per Capita										
Personal Income	\$22,867	\$24,951	\$25,820	\$28,037	\$22,026	\$22,600	\$22,590	\$25,391	\$23,975	\$26,059
2010 Median Family										
Income	\$50,659	\$54,047	\$60,158	\$60,095	\$49,935	\$52,921	\$51,594	\$60,849	\$56,518	\$60,609

Source: U.S. Census Bureau Selected Source Characteristics in the United States 2010.

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 2012 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	\$198,746
Springfield Local School District	63,087
Sylvania City School District	87,273
Toledo City School District	36,254
Washington Local School District	41,054
All Ohio School Districts	75,754

(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:

	Median Value of Owner- Occupied Homes(a)	% Constructed Prior to 1940(a)	Number of Housing Units		% Change
			2000	2010(b)	
City	\$ 88,700	35.2%	139,880	138,039	-1.33%
County	114,300	27.3	196,259	202,630	+3.2
State	133,700	21.3	4,783,051	5,127,508	+7.2

(a) Source: U.S. Census Bureau Selected Source Characteristics in the United States 2008-2012.

(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>
2009	4,260	\$138,152,653
2010	2,346	272,192,387 ^(a)
2011	3,631	297,671,695 ^(a)
2012	3,492	140,435,657
2013	3,192	101,687,216

(a) Amount includes approximately \$158 million attributable to permits for the 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.

An estimated 43 trucking and cartage firms provide service in the area of the City.

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 six privately owned bus lines.

Norfolk Southern and CSX Corp. both operate rail service and major intermodal transportation facilities in the MSA. See **Industry and Major Employers**.

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 seven surrounding cities, villages and townships, which in 2013 provided approximately \$13.1 million 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 1990, 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>
2009	4,075,250(a)
2010	3,952,992
2011	3,357,675(b)
2012	3,415,007
2013	3,448,956

- (a) Reduction reflects, in principal part, the elimination of bus transfers, each of which was counted as a separate passenger.
- (b) Reduction reflects, in principal part, a reduction in transportation provided to students under a contract with the School District.

Source: TARTA.

TARTA has announced plans for a single downtown terminal which will replace its downtown loop bus system and for an automatic vehicle locations passenger information system for regularly scheduled service that will enable riders to track the location of a bus in relation to a specific stop at all times via computer or mobile devices.

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 Toledo Executive Airport (formerly known as Metcalf Field), which is located approximately five miles south of the City. In 2010 the City and the Port Authority approved the name change of Metcalf Field to Toledo Executive Airport to help promote a Joint Economic Development District, which includes the City and Lake Township, and to better reflect the airport's niche in business travel.

The City's two airports, Toledo Express Airport and Toledo Executive Airport, are both leased to the Port Authority. Under the terms of the lease, which has been extended to run through February 11, 2032, 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. In September 2013, the Port Authority completed a \$10.25 million rehabilitation of the principal runway at Toledo Express Airport funded primarily with federal grant moneys.

Toledo Express Airport is served by two commercial airlines that offer approximately six scheduled flights each day. The number of passengers enplaning at the airport had decreased significantly in recent years before a 9% increase in 2013, the first year over year increase since 2004. See the table that follows. The Airport remains a base for the Ohio Air National Guard and is the principal general aviation airfield in northwest Ohio.

Toledo Express Airport is the site of a large intermodal cargo distribution hub facility that is now operated by BX Solutions, Inc., under a management contract with the Port Authority. Under that contract, the hub facility is being cooperatively marketed to potential users of air, truck and intermodal cargo sort and distribution services. In its full year of operations, BX Solutions, Inc. sorted and transshipped approximately 30 million packages at the facility and provided 250 permanent jobs and as many as 450 additional part-time jobs to meet peak demand.

The following is selected historical information pertaining to activity at Toledo Express Airport:

Year	Passengers Enplaning	Cargo (pounds)	(Landings/Takeoffs)		
			Military Operations	Commercial Carrier	General
2009	91,903	532,392,166	5,372	9,492	32,162
2010	87,873	561,839,209	6,448	9,407	32,442
2011	81,127	361,402,602	4,978	7,034	28,835
2012	72,612	57,992,536 ^(a)	6,190	2,053 ^(a)	37,953
2013	79,484	57,540,801	5,596	2,312	35,307

(a) Decrease reflects the September 2011 departure of a former air freight carrier, which had operated an intermodal cargo hub at the Airport with approximately 21 scheduled flights to and from the Airport each weeknight.

Source: Port Authority.

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 Toledo Executive Airport, 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 2008, the Port Authority acquired the 180-acre site of a former refinery as part of its plan to increase capacity of the Port, which is now the largest land-mass seaport on the Great Lakes. The three-phase redevelopment of that site into the Ironville Docks is being completed in 2014, as part of a public-private partnership with Midwest Terminals of Toledo, and includes 20,000 feet of rail lines, providing access to a second Class-1 railroad, dredging and dock improvements, warehousing, lay-down areas, and the installation of a multi-modal conveyor and material transfer system for rapid freight unloading and stacking.

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 2005 through 2013.

PORT AUTHORITY VESSEL AND CARGO STATISTICS 2005-2013

	<u>Vessel Traffic</u>		<u>Net Tons of Cargo Handled</u>				
	Foreign(a)	Total	Total Receipts and Shipments	Coal	Iron Ore	Grain	All Overseas
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
2011	17	601	11,509,180	4,103,007	3,284,820	945,489	467,791
2012	21	508	10,018,487	2,387,977	4,531,069	1,288,061	925,565
2013	27	473	9,748,078	2,548,611	3,982,024	1,326,738	972,142

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

Source: Port Authority.

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 Operations** and **Sewer System – Facilities and Operations**.

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 expired in 2013, and the City and the State are negotiating for a possible extension or a renewal lease for its leased space in the building or for an acquisition of the building by the City. Currently, the City continues to occupy the same space and to pay the \$5 per square foot rent provided for under the prior agreement. The Ohio Building Authority is requesting a substantial increase (to \$9.18 per square foot) in the ongoing negotiations. The City cannot predict the final outcome of the negotiations.

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. In May 2012, the lease for those spaces was renewed through May 31, 2022. See **Long-Term Financial Obligations Other than Bonds and Notes – Lease Agreements**.

Water System

Facilities and Operations

The City owns and operates a waterworks system (the Water System) as a self-supporting enterprise that in 2013 produced an average of 69.6 million gallons of water per day for approximately 125,000 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 Collins Park water treatment plant and then distributed through approximately 1,165 miles of water lines, over 50% of which were installed before 1930. The estimated replacement cost of the Water System is approximately \$1.362 billion. The Water System is operated by the Division of Water Treatment and Division of Water Distribution of the City’s Department of Public Utilities.

The City has maintained and used reserves to pay the costs of routine, ongoing maintenance, repairs, replacements of portions of the Water System as necessary and of constructing certain improvements and extensions. At December 31 2013, unencumbered cash-basis available reserves amounted to \$8.3 million for replacements and \$519,000 for improvements and extensions, compared to \$22.5 million for replacements and \$100,000 for improvements and extensions at December 31, 2012. The City has spent an average of approximately \$13.3 million annually for replacements, improvements and extensions for the Water System over the past 10 years, and, as a part of the program described below, expects to spend approximately \$210.9 million (including funds already borrowed) for those purposes in 2014.

The City is undertaking a major program of improvements to rehabilitate and replace portions of the Water System’s intake, treatment and distribution facilities that is expected to be completed in 2019. That program is to implement recommendations and address several deficiencies identified by the Ohio Environmental Protection Agency (OEPA) following a sanitary survey in 2012 and discussions with City officials. Design contracts have been awarded and the construction bids for the first phase of the program have been received. Cost estimates for implementing the remaining portion of the recommended program components have been prepared by the City and its outside engineering firm, Arcadis. The City is not under formal orders from the OEPA, but both the City and OEPA believe immediate action is required to insure continuing compliance with existing State and Federal requirements and proposed new Federal safe drinking water standards. The City currently estimates that the improvements to be undertaken as a part of the program will cost approximately \$314 million in the aggregate. The construction budget for the program includes contingencies to cover unanticipated costs or cost increases. The City is actively pursuing State and Federal grants; however, it expects the cost of most of the improvements included in the program to be paid from the proceeds of Waterworks System Revenue Bonds and Ohio Water Development Authority (OWDA) loans. In 2013, the City issued \$197,130,000 of Water System Revenue Improvement and Refunding Bonds to pay a portion of the cost. If actual construction costs exceed current estimates, City officials believe that the contingencies and existing and projected Water System reserves, described above, and revenues anticipated from approved rate increases will be sufficient to absorb the additional costs.

Service Area and Users

In 2013, the Water System sold approximately 136.5 million cubic feet (mcf) of treated water to Monroe County (Michigan), approximately 128.5 mcf of treated water to the City of Perrysburg, approximately 97.2 mcf of treated water to the City of Maumee, and approximately 88.0 mcf to the City of Sylvania for resale to and use by water customers in and adjacent to those cities, and 80.5 mcf of treated water to adjacent Fulton County through Lucas County, and 203.2 mcf of treated water to Wood County (Northwest Water & Sewer District) for resale to and use by their water customers.

Toledo Refining & Marketing Co. (formerly Sun Oil Co.) was the System’s largest private user by volume in 2013 at 305.5 mcf and the only private user whose usage volume exceeded 3% of the total volume produced by the Water System in that year. The following table shows the aggregate volume of water purchased by direct customers inside and outside the City and by bulk purchasers for use or distribution outside the City.

User Volume (in thousands of cubic feet)

Description	2009	2010	2011	2012	2013
Inside – Direct	1,511,462	1,604,003	1,629,476	1,442,163	1,499,183
Outside – Direct	516,048	519,723	449,131	439,041	389,465
Outside – Bulk	556,312	592,562	578,002	763,738	718,510
Total	2,583,822	2,716,288	2,656,609	2,644,942	2,607,158

Over the past five years, residential usage has accounted for approximately 41% of total usage, commercial usage for 15%, industrial usage for 20%, and bulk and hydrant meter usage for 24%. The user volume for each category of user for the years 2009 through 2013 was as follows:

User Volume (in thousands of cubic feet)

Description	2009	2010	2011	2012	2013
Residential	1,186,655	1,154,939	1,110,999	937,352	1,034,966
Commercial	420,690	411,513	398,585	379,828	371,133
Industrial	403,325	557,274	569,023	564,024	482,549
Other (Bulk & Hydrant Meters)	573,152	592,562	578,002	763,738	718,510
Total	2,583,822	2,716,288	2,656,609	2,644,942	2,607,158

The following table shows the aggregate volume of water purchased from the Water System by district for the last five years:

Water Consumption by District (in thousands of cubic feet)

District	2009	2010	2011	2012	2013	Contract Expires
Toledo Inside	1,512,991	1,605,135	1,564,406	1,445,812	1,500,486	n/a
Maumee	98,865	99,539	110,113	99,719	97,218	2026
Perrysburg	124,415	132,250	136,166	135,552	128,459	2028
Sylvania	86,964	97,500	89,268	97,133	88,020	2031
Monroe County	134,750	142,490	118,013	153,046	136,507	2031
Lucas County	435,988	437,916	429,219	488,914	434,246	2024
Wood County(1)	91,664	93,653	105,066	144,400	141,500	2024
Northwood(1)	8,489	10,291	6,632		-	2031
Rossford(1)	27,030	25,595	20,399		-	2031
Fulton County	62,666	71,919	77,327	79,925	80,297	2016
Berkey	0	0	0	441	425	2042
Total:	2,583,822	2,716,288	2,656,609	2,644,942	2,607,158	

(1) Rossford & Northwood data are included in Wood County data (Northwest Water & Sewer District) beginning in 2012.

The following table shows the dollar amounts paid by the ten largest users of water purchased from the Water System in 2013:

	Water Revenue (\$)	% of Total Revenue
Monroe County	3,492,245	7.3%
Toledo Refining & Marketing	2,511,168	5.3%
NW Water & Sewer Dist.	2,482,155	5.2%
City of Sylvania	2,234,369	4.7%
Fulton County	2,028,756	4.2%
City of Perrysburg	1,585,907	3.3%
City of Maumee	1,167,702	2.4%
University of Toledo	431,392	0.9%
City of Waterville	426,094	0.9%
Village of Whitehouse	417,908	0.9%
Top 10 Largest Users Total	16,777,696	35.1%

Most of the Water System's customers are billed quarterly. However, approximately 1,100 of the largest accounts are billed on a monthly basis.

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 OWDA and Ohio Public Works Commission (OPWC) 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 \$53.2 million from metered sales in Fiscal Year 2014. 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 1.4 to 1.75 times the rate paid inside the City. The minimum quarterly rate for customers inside the City who use 2,000 cubic feet or less is \$29.06. Single service residential customers, 65 years of age or older or permanently disabled at any age established by the Lucas County Homestead Exemption Program, receive a 25% discount for the first 2,000 cubic feet of water they are furnished per quarter. The Homestead Exemption Program calls for a minimum charge based on 1,000 cubic feet per quarter.

Historically, the Council has passed rate ordinances that have established rates for four-year periods. On April 30, 2013, the Council passed an ordinance to increase the rates from their then current level by 13.2% annually on January 1 in each year from 2014 through 2017 and by 4.5% in 2018 (the "2013 Rate Ordinance"). Previously, in February 2011, the Council enacted a 9% rate increase effective April 1, 2011 and annual rate increases of 9% effective on January 1 in each year from 2012 through 2014, and prior to that, in 2007, the Council enacted a 4.5% rate increase effective March 31, 2007 and annual rate increases of 4.5% effective on January 1 in each year from 2008 through 2010. The most recent rate increases were required, in part, to pay costs of the scheduled capital improvement program and related debt service.

As of December 31, 2013, Water System accounts totaling \$5.134 million were delinquent for more than 30 days, \$4.7 million of which were delinquent for more than 90 days. The Water System collection rate for 2013 was 96.6%.

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.

	<u>(in thousands of dollars)</u>				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013(a)</u>
Operating revenues:					
Charges for services	35,813	42,199	43,211	44,031	52,413
Other revenue	<u>100</u>	<u>288</u>	<u>39</u>	<u>81</u>	<u>63</u>
Total operating revenues	35,913	42,487	43,250	44,112	52,476
Operating expenses:					
Personal services	11,135	12,415	13,872	12,342	13,192
Contractual services	7,872	7,400 ^(c)	9,930	10,826	7,017
Materials and supplies	5,498 ^(b)	5,653	6,172	6,798	7,797
Utilities	2,342	2,581	2,625	3,031	2,713
Depreciation	<u>5,438</u>	<u>4,802</u>	<u>4,766</u>	<u>4,706^(d)</u>	<u>5,109</u>
Total operating expenses	32,285	32,851	37,365	37,703	35,828
Operating income (loss)	3,628	9,636	5,885	6,409	16,648
Nonoperating revenues (expenses):					
Investment earnings	349	195	202	254	873
Interest expense and fiscal charges	(4,271)	(6,287)	(3,821)	(4,294)	(11,084)
Other revenues (expenses)	<u>25</u>	<u>(6)</u>	<u>226</u>	-	-
Total nonoperating revenues (expenses)	(3,897)	(6,098)	(3,393)	(4,040)	(10,211)
Income before operating transfers	(269)	3,538	2,492	2,369	6,437
Net Operating transfers in (out)	(90)	(14)	(75)	-	(75)
Net Income	<u>(359)</u>	<u>3,524</u>	<u>2,417</u>	<u>2,369</u>	<u>6,362</u>
Retained earnings at beginning of year	143,893	143,534	147,058	148,475 ^(c)	150,833 ^(d)
Retained earnings, end of year	143,534	147,058 ^(c)	149,475	150,844	157,195

(a) Unaudited.

(b) This amount was subsequently adjusted from \$5,498 to \$5,384 after audit to accurately reflect the timing of certain expenses that were actually incurred in 2010.

(c) A post-audit adjustment in expenses for contractual services in 2010 from \$7,400 to \$8,400 was made in 2012, and a corresponding reduction in retained earnings at beginning of year for 2012 was made at that time.

(d) A post-audit adjustment in expenses for depreciation from \$4,706 to \$4,717 was made in 2013, and a corresponding reduction in retained earnings at beginning of year for 2013 was made at that time.

Outstanding Water System Revenue Bonds and Other Obligations

The City has (and as of December 31, 2013, had) outstanding an aggregate principal amount of \$274,740,000 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 remaining annual debt service requirements on the Water Bonds outstanding on January 1, 2014, were as follows:

Year	Debt Service	Year	Debt Service
2014	\$19,749,425.75 ^(a)	2027	\$18,869,031.25
2015	19,716,868.45	2028	18,868,181.25
2016	19,670,117.65	2029	18,867,243.75
2017	18,778,773.25	2030	18,868,156.25
2018	18,850,279.25	2031	18,869,762.50
2019	18,847,671.75	2032	18,870,587.50
2020	18,851,233.75	2033	18,867,037.50
2021	18,843,206.25	2034	18,867,150.00
2022	18,850,431.25	2035	18,865,350.00
2023	18,853,281.25	2036	18,868,400.00
2024	18,854,681.25	2037	18,869,250.00
2025	18,867,081.25	2038	18,868,500.00
2026	18,866,731.25		

(a) This amount includes \$6,289,714.93 of interest that was paid on May 15, 2014.

The City also has (and as of December 31, 2013, had) \$10,359,348 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 and Future Financings**.

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)					
	2008	2009 ^(a)	2010 ^(b)	2011	2013	2013 ^(c)
Operating Revenues	38,070	35,913	42,487	43,250	44,112	52,476
Nonoperating Revenues	1,942	349	195	428	254	873
Total Revenues	40,012	36,262	42,682	43,678	44,366	53,349
Total Operating Expenses (net of depreciation)	27,072	26,847	28,049	32,599	32,997	30,719
Net Revenues available for Debt Service	12,940	9,415	14,633	11,079	11,369	22,630
Total Debt Service on Bonds	8,891	8,657	8,903	8,340	9,313	11,145 ^(d)
Debt Service Coverage Ratio on Outstanding Bonds	1.46	1.09	1.64	1.32	1.22	2.03

(a) Amounts do not reflect a \$114,000 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) Amounts do not reflect a \$1 million post-audit adjustment increasing total operating expenses for certain contractual services. Actual 2010 total operating expenses were \$29,049,000, which resulted in an actual 2010 Debt Service Coverage Ratio on Outstanding Bonds of 1.53.

(c) Unaudited.

(d) Amount does not include interest on bonds issued in 2013 that was capitalized with proceeds of those bonds.

Sewer System

Facilities and Operations

The City owns and operates a sanitary sewage collection and treatment system (the Sewer System) as a self-supporting enterprise that in 2013 collected and treated approximately 62.1 million gallons of wastewater per day from approximately 98,496 residential, commercial, institutional and industrial customers in the City and approximately 5,285 such customers outside of the City. The City estimates that approximately 320,000 people are served by the Sewer System. Wastewater is collected by 961 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 wastewater 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 million gallons per day (MGD) and is capable of treating combined flows of approximately 195 MGD while providing complete secondary treatment that includes phosphorous and ammonia removal. The WWTF 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 WWTP 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, 2013, its unencumbered cash basis reserves amounted to \$16.4 million for replacements and \$11.7 million for improvements and extensions, compared to \$15.1 million for replacements and \$100,000 for improvements and extensions at December 31, 2012. The City has spent an average of approximately \$44.2 million for replacements, extensions and improvements for the Sewer System annually over the past 10 years, and expects to spend up to \$28.1 million (including loan and bond funds) for those purposes in 2014.

The City's current 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 its 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 at a cost of 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 has estimated that total cost of these improvements could potentially exceed \$521 million.

Since 2003, the City has spent approximately \$446.2 million on capital improvement and replacement projects for the Sewer System and expects to spend up to \$28.1 on replacement and improvement projects in 2014 and \$409.1 million in the period through 2020. See **Future Financings**. Consent Decree projects to date have been funded with approximately \$21.8 million of State and federal grants, \$300.4 million of State loans and \$19.2 million cash.

Service Area and Users

The Sewer System supplies wastewater collection and treatment service to approximately 97,100 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 2009 through 2013 was as follows:

User Volume (in thousands of cubic feet)					
Category	2009	2010	2011	2012	2013
Residential	863,286	836,701	728,748	691,707	755,590
Commercial	277,465	248,565	203,915	190,321	203,991
Industrial	299,448	287,862	301,144	263,245	256,131
Governmental	14,197	19,637	14,991	16,053	162,766
Total	1,454,396	1,392,765	1,248,798	1,161,326	1,378,478

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 \$67.5 million in charges for services in Fiscal Year 2014. Individual customers are billed based on their water meter size, and special rates are imposed for metered industrial and nonindustrial users.

In 2011, the Council enacted a 3% rate increase effective March 18, 2011 and annual rate increases of 3% effective on January 1 in 2013 and 2014. These increases raised normal quarterly fixed charges to \$26.40 for regular users and \$19.80 for eligible Homestead Exemption Program users and added the Consent Decree fixed charge of \$15.82 for regular users and \$11.87 for eligible Homestead Exemption Program users, bringing a total fixed charge of \$42.22 per quarter for regular users and \$31.66 per quarter for eligible Homestead Exemption Program users. Sewer volume charges for regular users using 2,000 cubic feet of water is \$69.28 per quarter and eligible homestead users using 1,000 cubic feet of water is \$25.98 per quarter. Those increases were required, in part, to pay costs of the scheduled capital improvement projects and related debt service. See **Sewer System – Facilities and Operations**.

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, 2013, Sewer System accounts totaling \$10.4 million were delinquent for more than 30 days, \$9.05 million of which were delinquent for more than 90 days. The Sewer System's collection rate for 2013 was 97.7%.

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)					
	2008	2009	2010	2011	2012	2013(a)
Operating revenues:						
Charges for services	53,938	54,094	57,010	65,271	66,405	69,522
Other revenue	2,126	95	344	337	203	197
Total operating revenues	56,064	54,189	57,354	65,608	66,608	69,719
Operating expenses:						
Personal services	15,162	14,451	16,827	18,810	16,971	18,484
Contractual services	9,712	10,424	10,837	12,989	16,743	4,605
Materials and supplies	2,074	2,297	2,880	2,862	2,636	3,036
Utilities	4,369	3,438	3,192	3,359	3,591	3,196
Depreciation	9,603	8,202	15,348	17,993	17,796(c)	14,395
Total operating expenses	40,920	38,812	49,084	56,013	57,737	43,716
Operating income (loss)	15,144	15,377	8,270	9,595	8,871	26,003
Nonoperating revenues (expenses):						
Capital grants and contributions	0	0	4,171	2,236	1,273	640
Interest revenue	1,137	122	206	64	44	8
Interest expense and fiscal charges	(9,564)	(10,632)	(7,804)	(8,743)	(9,770)	(7,594)
Other revenues (expenses)	120	(530)	0	0	0	0
Total nonoperating revenues (expenses)	(8,307)	(11,040)	(3,427)	(6,443)	(8,453)	(6,946)
Income before operating transfers	6,837	4,337	4,843	3,152	418	19,057
Net Operating transfers in (out)	(271)	(168)	(16)	(75)	0	(75)
Net Income	6,566	4,169	4,827	3,077	418	18,982
Retained earnings at beginning of year	221,661	228,226(b)	232,395	237,222	240,299	251,426(c)
Retained earnings, end of year	228,227	232,395	237,222	240,299	240,717	270,408

(a) Unaudited.

(b) Reflects adjustment for rounding.

(c) A post-audit adjustment in expenses for depreciation from \$17,796 to \$7,087 was made in 2013, and a corresponding increase in retained earnings at beginning of year for 2013 was made at that time.

Outstanding Sewer System Revenue Bonds and Other Obligations

The City has (and as of December 31, 2013, had) outstanding an aggregate principal amount of \$22,105,000 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 remaining annual debt service requirements on the Sewer Bonds outstanding on January 1, 2014, were as follows:

Year	Debt Service	Year	Debt Service
2014	\$3,562,327.33(a)	2022	\$1,365,676.25
2015	3,522,270.00	2023	1,319,988.75
2016	3,492,757.50	2024	1,308,043.75
2017	3,547,795.00	2025	1,185,250.00
2018	1,306,520.00	2026	1,186,250.00
2019	1,323,020.00	2027	1,179,750.00
2020	1,305,301.25	2028	1,071,000.00
2021	1,416,363.75		

(a) This amount includes \$431,164.66 of interest that was paid on May 15, 2014.

The City also has (and as of December 31, 2013, had) \$310,417,355 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 and Future Financings.**

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)					
	2008	2009	2010	2011	2012	2013(a)
Operating Revenues	56,064	54,189	57,354	65,271	66,405	69,719
Nonoperating Revenues	1,137	122	4,377	337	203	648
Total Revenues	57,201	54,311	61,731	65,608	66,608	70,367
Total Operating Expenses (exclusive of depreciation)	31,317	30,610	33,736	38,020	39,941	29,321
Net Revenues	25,884	23,701	27,995	27,588	26,667	41,046
Total Debt Service on Bonds	4,732	4,636	4,640	3,665	3,674	3,754
Debt Service Coverage Ratio on Outstanding Bonds	5.47	5.11	6.03	7.52	7.26	10.93
Net Revenues Available for Other Utility Obligations	21,152	19,065	23,355	23,923	22,993	33,452
Repayment of OWDA and OPWC Loans	19,091	17,041	14,717	19,635	17,400	18,431

(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 following summarizes operating results of the Storm Water System in Fiscal Years 2011, 2012 and 2013, presented in accordance with generally accepted accounting principles as applicable to governments.

	(in thousands of dollars)		
	2011	2012	2013(a)
Operating revenues:			
Charges for services	10,207	10,318	9,605
Other revenue	27	13	15
Total operating revenues	10,234	10,331	9,620
Operating expenses:			
Personal services	4,002	3,557	3,476
Contractual services	2,420	1,881	1,347
Materials and supplies	432	381	464
Utilities	0	0	0
Depreciation and amortization	1,151	1,211	0
Total operating expenses	8,005	7,030	5,287
Operating income (loss)	2,229	3,301	4,333
Nonoperating revenues (expenses):			
Capital grants and contributions	247	175	0
Interest revenue	129	76	29
Interest expense and fiscal charges	0	(37)	0
Gain on sale of capital assets	237	0	0
Total nonoperating revenues (expenses)	613	214	29
Income before operating transfers	2,842	3,515	4,362
Net Operating transfers in (out)	(175)	0	(75)
Net Income	2,667	3,515	4,287
Retained earnings at beginning of year	39,872	42,539	47,568(b)
Retained earnings, end of year	42,539	46,054	51,855

(a) Unaudited.

(b) A post-audit adjustment in expenses for depreciation and a corresponding increase in retained earnings at beginning of year for 2013 were made.

The City has spent an average of approximately \$3.2 million for replacements and improvements for the Storm Water System over the past 10 Fiscal Years, and expects to spend approximately 5.4 for those purposes in Fiscal Year 2014.

The prior improvements have been funded with the proceeds of (i) State and federal grants (\$446,000), (ii) \$1.4 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.

In March 2006, the City Council passed legislation to create a municipal electric utility and declare the Council's intention to seek opportunities to provide municipally generated electric power to its citizens and customers on the open market. On August 15, 2012, that municipal electric utility commenced operations to serve a single customer, the metals recycler OmniSource Corp., which has agreed to purchase six megawatts of power from the utility. The utility will purchase electricity wholesale from American Municipal Power-Ohio, a nonprofit municipal utilities group, to serve that customer. The City does not plan to build a grid, or to serve residential customers, but does plan to add small- and medium-sized commercial and industrial customers. In 2012, the City developed a project to generate power using methane gas from its Hoffman Road Landfill. The power generated from that project is being supplied to City facilities.

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 20 to 25 years of remaining operating capacity based on current levels of use.

In 2011, the City and the Board of Lucas County Commissioners entered into an agreement providing for residential solid waste and recycling collection services in the City that were formerly provided by the City (and subsidized by City General Fund moneys) to be supplied by the Lucas County Solid Waste Management District (LCSWMD). The LCSWMD, in turn, has contracted with a private operator to provide those services.

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 LCSWMD.

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 coverages 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 operating budgets of the City. The Commissioner of Administrative Services, who manages these functions and maintains the City's position control schedules, reports to the Director of Finance.

Division of Debt and Capital Program Financing – This Division 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 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 is then 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 then certifies 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 before January 1 of each Fiscal Year, 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.

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 basic financial statements in each City Comprehensive Annual Financial Report 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 has engaged Clark, Schaefer, Hackett & Co. to perform the annual audits for Fiscal Years 2009 through 2013, and Clark, Schaefer, Hackett & Co. issued unqualified independent auditor’s reports on the Basic Financial Statements of the City for Fiscal Years 2009 through 2012. Clark, Schaefer, Hackett & Co. has not yet completed its audit for Fiscal Year 2013, 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 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 2012, and is currently preparing a CAFR for 2013. 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 Fiscal Year 2013

when published and available and cause that CAFR to be made available on the website of the State Auditor (www.auditor.state.oh.us). 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 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 2012. The City expects to submit its CAFR for 2013 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 2014. **Appendices B** and **C** include the City's Basic Financial Statements for Fiscal Years 2012 (audited) and 2013 (unaudited), respectively. In accordance with its continuing disclosure agreements, the City will file its audited Basic Financial Statements for Fiscal Year 2013 with the NRMSIR (the MSRB) and the SID (OMAC) when they become available, and those statements will be available on the MSRB's Electronic Municipal Market Access (EMMA) system.

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 2013 (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) federally insured certificates of deposit initiated through a reciprocal network of banks or savings and loan associations that are members of the Federal Deposit Insurance Corporation, (iv) 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), (v) obligations of the City, (vi) obligations of other political subdivisions meeting certain rating requirements, (vii) the State Treasurer's subdivision investment pool (STAR Ohio) created pursuant to Section 135.45 of the Revised Code and (viii) federally insured certificates of deposit with banks that are members of the Federal Deposit Insurance Corporation initiated through the State Treasurer's STAR Plus Program. The Investment Policy Ordinance also provides specific requirements for diversification of investments.

As of December 31, 2013, the City's total portfolio of deposits and investments was approximately \$332.7 million. The weighted average maturity of deposits and investments, was approximately 2.2 years, with approximately 8.7% of those investments and deposits having a maturity of one year or less, 18.1% having a maturity of one to two years, 73.2% 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.

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 charges for services and certain other nontax revenues. The City's budget for Fiscal Year 2014 contemplates that its aggregate General Fund revenues and transfers in

and other financing sources will be approximately equal to its aggregate General Fund expenditures and transfers out and other financing uses in Fiscal Year 2014. For detailed information concerning historical (and budgeted Fiscal Year 2014) General Fund revenues, expenditures and beginning and year-end balances, see **Certain Major General Fund Revenue Sources, Ad Valorem Property Taxes and Appendices A, B and C.**

As was 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 to \$141.5 million in Fiscal Year 2009. The decrease was primarily due to reduced collections from tax payers in the manufacturing sector, as automobile manufacturers General Motors and Chrysler LLC and their suppliers eliminated shifts and reduced production at facilities in the Toledo MSA. In Fiscal Year 2010 revenues from that tax increased to \$144.6 million on the strength of a slowly recovering local economy and a vigorous program to collect delinquent taxes. That trend continued in Fiscal Years 2011, 2012 and 2013, with collections increasing by \$9.0 million to \$153.6 million in Fiscal Year 2011, by an additional \$4.9 million to \$158.5 million in Fiscal Year 2012 and by an additional \$0.2 million to \$158.7 in Fiscal Year 2013, primarily due to employment gains in the manufacturing sector.

As a result of reductions in assessed valuations during the economic downturn and State legislation that phased out tangible personal property taxation on general businesses, the City's property tax receipts (including payments made from State revenue sources under two Statewide real property tax relief programs – the Homestead Exemption and the Property Tax Rollback Exemption) decreased from \$18.5 million in Fiscal Year 2008 to \$16.0 million in Fiscal Year 2011, \$15.6 million in Fiscal Year 2012 and \$13.5 million in Fiscal Year 2013. See **Assessed Valuation and Tax Table B.** In addition, the State has reduced its local government assistance fund distributions to all political subdivisions in the State. See **Local Government Assistance Funds.** Those distributions to the City decreased from \$19.7 million in Fiscal Year 2010 to \$15.9 million in Fiscal Years 2012 and 2013.

The City's aggregate General Fund revenues were \$225.9 million in Fiscal Year 2013 up from \$226.5 million in Fiscal Year 2012 and \$221.1 million in Fiscal Year 2011. See **Appendix A.**

In response to economic conditions, the elimination of the tangible personal property tax, reductions in State local government assistance fund distributions, the City administration and Council have taken a number of actions in recent years to reduce direct General Fund expenditures, including negotiating wage concessions and temporary wage freezes, a phased elimination of City "pick-ups" of employee pension contributions, increased employee contributions for costs of health care coverage and other cost saving provisions in new contracts with all eleven of the collective bargaining units representing City employees. The City also benefited from vigorous enforcement of sick time and personal leave policies within the City's safety forces and stronger controls over fire department employee overtime.

The City has also implemented measures to reduce expenditures on non-personnel line items in the General Fund. Those measures have included, among others, (i) implementation of a joint purchasing program for supplies and materials for all City departments; (ii) a transfer of residential solid waste collection services to the Lucas County Solid Waste Management District (see **Other Utilities – Solid Waste Collection and Disposal**); and (iii) a modification in the way the City pays the State for workers' compensation, resulting in rebates to the City.

The City's aggregate direct General Fund expenditures in Fiscal Year 2013 were \$201.2 million, compared to \$196.5 million in Fiscal Year 2012 and \$202.5 million in Fiscal Year 2011.

The City's unaudited basic financial statements show that the City ended Fiscal Year 2013 with a total General Fund balance of \$7,977,000, compared to balances of \$5,008,000 at the end of Fiscal Year 2012, \$326,000 at the end of Fiscal Year 2011 and (\$13,712,000) at the end of Fiscal Year 2010. For further information regarding those total fund balances and restrictions and reserves, see **Appendices A, B and C.**

In addition to the expenditure reduction efforts described above, the elimination of the carryover deficit that existed at the end of Fiscal Year 2010 reflected certain one-time revenue enhancement measures, including (i) certain planned sales of capital assets that were completed in Fiscal Year 2011 and generated \$12.1 million for the General Fund, and (ii) a sale of the City's parking garages and an on street parking franchise to the Port Authority that resulted in an additional \$9.3 million for the General Fund in addition to enabling the City to retire related obligations.

The City's General Fund budget for Fiscal Year 2014 is based on revenues of \$229.8 million and direct expenditures of \$229.8 million. The revenue assumptions for that budget include, among others, municipal income tax revenues of \$165.2 million (compared to \$158.7 million in Fiscal Year 2013) and State local government assistance distributions of \$8.1 million (compared to \$15.9 million in Fiscal Years 2012 and 2013 and \$17.9 million in Fiscal Year 2011). The City expects the further reduction in local government assistance distributions in Fiscal Year 2014 to be largely offset by increases in municipal income tax collections resulting from improving economic conditions. For Fiscal Year 2014, the City has budgeted \$36.2 million of transfers out to the Capital Improvement Fund and other funds and \$15.4 million of transfers in to the General Fund from other funds (including a \$14.1 million transfer back from the Capital Improvement Fund). The City's budgeted operating expenditures for Fiscal Year 2014 include provision for the hiring of 30 new police officers in December. See **Appendix A** and **Municipal Income Tax**.

The City administration remains committed to bringing the City's finances into structural balance. In addition to the measures described above to promote cost-efficiencies and limit expenditures, at the request of the administration and City Council, the voters of the City at an election on March 6, 2012 approved an ordinance extending the temporary $\frac{3}{4}\%$ component of the City's municipal income tax and the authority of the Council to reallocate to the General Fund up to all of the $\frac{1}{3}$ of the revenues from that component allocated to capital improvements through December 31, 2016. See **Municipal Income Tax**. In Fiscal Year 2013, revenues from the portion of that component of the income tax allocated to capital improvements amounted to approximately \$17.6 million. The City's budget for 2013 contemplated that \$14.2 million of that amount would be reallocated (transferred back) to the General Fund; however, due to favorable variances in revenues and expenditures, the City was able to limit that reallocation to \$10.7 million. The City administration currently projects that it will be necessary to reallocate to the General Fund \$14.1 million of the revenues from the portion of that component of the income tax allocated to capital improvements in Fiscal Year 2014. The City administration believes that with the effect of improving national, state and regional economies, and implementation of the City's development and regional collaboration initiatives, the City will continue on a path toward fiscal stability. See **Recent Development Activity**.

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, 2016 by votes of the electors of the City in 1985, 1989, 1993, 1997, 2002, 2005, 2008 and 2012. The latest extension, for a four-year period through December 31, 2016, was approved by a 56.6% majority vote at an election on March 6, 2012.

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 required to be 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 providing for the revenues from the additional 3/4% tax first approved in 1982 to continue to be 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

but also authorizing the Council, upon its determination of financial need and a request of the Mayor, to reallocate to the General Fund up to all of the 1/3 of the revenues from the temporary 3/4% component of the City's municipal income tax allocated to capital improvements during the period from July 1, 2010 through December 31, 2012, for use as determined by the Council. At an election on March 6, 2012, the voters of the City approved, by a vote of 56.6% to 44.4%, an ordinance extending the temporary 3/4% component of the City's municipal income tax and the authority of the Council to reallocate to the General Fund up to all of the 1/3 of the revenues from that component allocated to capital improvements through December 31, 2016.

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 certain street improvements and payable from motor vehicle license and fuel tax revenues pursuant to ordinance covenants, (iii) for certain loans made for multi-family housing projects and payable from available loan repayments and (iv) 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 2013, 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 2008 through 2012 have been, and its rate and budgeted collections for Fiscal Year 2013 are, as follows:

<u>Year</u>	<u>Amount</u>	<u>Rate(a)</u>
2009	\$141,553,952	2-1/4%
2010	144,580,673	2-1/4
2011	153,580,760	2-1/4
2012	158,522,842	2-1/4
2013	158,736,415	2-1/4
2014 (budgeted)	165,240,000	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 \$51,193,587 in Fiscal Year 2011, \$52,840,947 in Fiscal Year 2012 and \$52,912,138 in Fiscal Year 2013, and is expected to provide approximately \$55,080,000 in Fiscal Year 2014.

The Council has exercised its authority, at the request of the Mayor, to reallocate to the General Fund portions the 1/3 of the revenues from the temporary additional 3/4% component of the City's municipal income tax allocated to capital improvements in Fiscal Years 2010 through 2013, causing \$9.4 million of the approximately \$16.1 million of revenues from that component of the income tax allocated to capital improvements to be reallocated to the General Fund in Fiscal Year 2010, \$5.5 million of the approximately \$17.1 million of revenues from that component of the income tax allocated to capital improvements to be reallocated to the General Fund in Fiscal Year 2011, \$9.4 million of the approximately \$17.6 million of revenues from that component of the income tax allocated to capital improvements to be reallocated to the General Fund in Fiscal Year 2012 and \$14.1 million of the approximately \$17.6 million of revenues from that component of the income tax allocated to capital improvements to be reallocated to the General Fund in Fiscal Year 2013. The City administration currently expects such reallocations to continue in Fiscal Year 2014 and subsequent years. See **General Fund and Financial Outlook**.

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 2013 were, in alphabetical order:

Board of Education, Toledo City School District	Libbey Glass Inc.
Chrysler Group LLC	ProMedica
The City	St. Vincent Hospital and Medical Center
The County	The State
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>
2009	-0-	\$35,756,696	\$35,756,696	25.3%
2010	-0-	36,092,698	36,092,698	25.0
2011	-0-	37,327,795	37,327,795	24.3
2012	-0-	36,688,798	36,688,798	23.1
2013	-0-	38,271,229	38,271,229	24.1

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

No single employer, through its employee salary and wage withholdings, contributed more than 5% of total City income tax receipts in 2013.

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 in Fiscal Years 2008 through 2012 have been, and are budgeted to be in Fiscal Year 2013, as shown in the following table:

<u>Year</u>	<u>Amount</u>
2009	\$15,269,029
2010	19,713,700
2011	17,907,000
2012	15,907,445
2013	15,894,904
2014 (budgeted)	8,099,331

The amounts of and formula for distribution of these funds have been and may be revised from time to time.

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. See Footnote (b) in the Table that follows under this heading.
- 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 2014 (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 former 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</u>	<u>Parking System Revenues(b)</u>	<u>Other</u>	<u>Total</u>
2009	\$19,458,000	\$1,037,000	\$2,078,000	\$4,776,000	\$3,729,000	\$1,451,000	\$ 6,656,000(c)	\$39,185,000
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	25,624,000(d)	446,000	2,298,000	4,681,000	5,559,000	1,383,000	23,118,000(e)	63,060,000
2012	26,132,000(d)	360,000	2,264,000	6,715,000	4,573,000	0	326,000	40,370,000
2013	26,296,000(d)	135,000	2,408,000	7,118,000	4,592,000	350,000	620,000	41,519,000
2014(f)	27,416,000(d)	200,000	2,377,000	7,015,000	4,605,000	186,000	1,060,000	42,859,000

- (a) Variations in amounts reflect market interest rates and the overall size of the City's investment portfolio from time to time.
- (b) In 2011, the City sold its parking facilities and granted 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 City received a lump-sum upfront payment of \$12.4 million for the parking facilities and the franchise and will be entitled to receive certain additional ongoing fees for the franchise. The parking facilities sold to the Port Authority included 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 amounts received by the City from the sale enabled it to retire all of its remaining long-term obligations for such facilities and to provide \$8.5 million for other City purposes.
- (c) Includes, among other revenues, proceeds of a \$3,200,000 grant from FirstEnergy Solutions, through the Northwest Ohio Aggregation Coalition.
- (d) Reflects the inclusion of revenues from fees for certain patient transportation services and utilities cost allocations that were not included in prior years' amounts.
- (e) Includes one-time amounts of (i) \$12.4 million generated from a sale of parking facilities and a franchise to operate on-street parking meters in a portion of the City, (ii) \$1.9 million generated from the sale of real estate in the area known as "The Docks" and (iii) \$8 million generated from the sale of 40 motor vehicles previously used in trash collection to the County. Those amounts received from the sale of parking assets were recorded as proceeds from a "Sale of Capital Assets" under "Other Financing Sources" in the City's Parking Revenue Fund and a portion of that amount was subsequently transferred to the City's General Fund and recorded as a "Transfer In" under "Other Financing Sources" for that Fund. The amounts received from the sales of real estate in The Docks and the motor vehicles were recorded as proceeds from "Sale of Capital Assets" under "Other Financing Sources" in the City's General Fund. See **Appendix A**.
- (f) Budgeted.

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.

Casino Tax Revenues

In Fiscal Year 2012, the City began receiving revenues from a tax on casino revenues imposed by the State pursuant to the vote of the electors of the State authorizing the constitutional amendment permitting four casinos to be constructed and operated in the City and the cities of Cleveland, Columbus and Cincinnati. The first two casinos in the State opened in Cleveland and in the City in May 2012, followed by a third casino opened in Columbus in October 2012, and the final casino in Cincinnati in March 2013.

The City's share of the proceeds of that tax, which was established by the constitutional amendment, was in Fiscal Years 2012 and 2013 and in Fiscal Year 2014 is budgeted to be as follows:

<u>Year</u>	<u>Amount</u>
2012	\$2,975,531
2013	5,692,000
2014 (budgeted)	5,600,000

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(e)	Total Assessed Valuation
2010	\$3,741,677,590(f)	\$8,483,535	\$112,680,770	\$3,862,841,895(f)
2011	3,687,359,380	0	118,417,280	3,805,776,660
2012	3,629,877,950	0	123,217,990	3,753,095,940
2013	3,096,885,620(g)	0	135,379,580	3,232,265,200(g)
2014	3,060,991,220	0	150,560,380	3,211,551,600

- (a) Other than real property of railroads. The real property of public utilities, other than railroads, is 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 reduced the valuation of tangible personal property of general businesses and railroads in increments beginning in 2006 to zero in 2009 and reduced 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 footnote (a).
- (f) Reflects triennial adjustment.
- (g) Reflects sexennial reappraisal.

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 2013 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	\$107,167,310
GLP Capital LP	Casino	56,525,460
Columbia Gas of Ohio, Inc.	Public Utility	33,109,040
Westfield Franklin Park	Retail Mall Owner-Lessor	14,828,720(b)
American Transmission	Public Utility	14,046,920
One Seagate Partners LLC	Real Estate Holdings	14,000,000
LC – Country Club/Hawthorne Hills/Woodlands	Apartment Complexes	13,146,380
DFG – Glendale and Detroit/Hill	Real Estate Holdings	6,556,060
Reynolds/Bryne Rd. Eagle Ridge/HL Monroe/Reynolds Associates		
I.B.C. Inc.	Real Estate Holdings	6,344,230
University Residences at Westwood II	Apartment Complex	5,377,190
D-Serf Company	Shopping Center	5,278,780
R.J. Lloyd & Co.	Real Estate Holdings	5,211,070
Airport Square Investment	Shopping Center	5,075,010
Toledo VA Company LLC	Clinic/Medical Offices	4,952,360
ERT Southland LLC	Shopping Center	4,641,350

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

(b) Excludes incremental value exempted from taxation under a tax increment financing program.

Pursuant to statutory requirements for sexennial reappraisals, in 2012 the County Auditor adjusted the true value of taxable real property to reflect then current fair market values. Those adjustments are first reflected in the 2012 duplicate (collection year 2013) and in the ad valorem taxes being distributed to the City in 2013. 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 last 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).

To compensate for tax revenue losses as the tangible personal property taxes were 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 payments to the City for Fiscal Years 2012 and 2013 were \$136,000 and \$68,000, respectively. The State Department of Taxation has projected that in Fiscal Year 2014 and thereafter the City will receive \$68,000 in such payments annually.

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 reduced 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 payments to the City for Fiscal Year 2012 and 2013 were \$30,021 and \$9,470; respectively. The State Department of Taxation has projected that in Fiscal Year 2014 and thereafter the City will receive \$9,470 in such payments annually.

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). (45.65%)
- (2) Toledo City School District (K-12 educational responsibilities) (98.93%). The City's assessed value is split among various school districts as follows:

Toledo City School District	69.90%
Washington Local School District	23.46%
Sylvania City School District	3.23%
Springfield Local School District	1.96%
Maumee City School District	1.44%
Ottawa Hills Local School District	0.01%
- (3) Toledo Area Regional Transit Authority (TARTA) (public mass transit system). (57.59%)
- (4) Toledo-Lucas County Port Authority (public port facilities in the Port of Toledo). (45.65%)
- (5) Metropolitan Park District of the Toledo Area (park and recreation areas). (45.65%)
- (6) Toledo-Lucas County Library District (public library system). (46.06%)
- (7) Penta County Joint Vocational School District (vocational educational responsibilities). (5.57%)

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; the City pays that debt service from municipal income tax revenues and other sources. See **Debt Table C**.

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 paid by taxpayers generally have been further reduced by an additional 10% (12.5% in the case of owner-occupied residential property); however, the State Budget Act eliminates such reductions for additional and replacement levies approved at elections after its effective date and for other taxes (or increases in taxes) not levied for tax year 2013. See **Collections** for a discussion of reimbursements by the State to taxing subdivisions for these reductions and related changes made by the State Budget Act.

**TAX TABLE A
TAX RATES FOR THE CITY AND OVERLAPPING TAXING SUBDIVISIONS
FOR TAX YEARS 2008 THROUGH 2012 (COLLECTION YEARS 2009 THROUGH 2013)**

The City within(b):	CITY AND LOCAL SCHOOL DISTRICTS															
	LUCAS COUNTY(a)					CITY				CITY						
	TARTA	PORT AUTHORITY	GENERAL	VOTED LEVIES	PARK	GENERAL	PERMANENT IMPROVEMENTS	BOND RETIREMENT	PENTA COUNTY JVSD	GENERAL	GENERAL	POLICE & FIRE PENSION	RECREATION DISTRICT	TOTAL RATE	EFFECTIVE RATE	
														AGR/RES	OTHER	
TAX YEAR 2009																
Toledo CSD	2.50	0.40	2.00	14.07	1.70	60.60	3.00	4.10		3.80	0.60			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	3.20	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	1.62		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		3.80	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	3.20	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		3.80	0.60			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	3.20	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	1.65		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		3.80	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	3.20	3.80	0.60			103.32	68.06	68.73
TAX YEAR 2011																
Toledo CSD	2.50	0.40	2.00	13.77	2.00	61.20	0.50	4.20		3.80	0.60			90.97	59.42	79.48
Maumee CSD, PC JVSD	2.50	0.40	2.00	13.77	2.00	78.60	0.75	5.30	3.20	3.80	0.60			112.92	75.32	86.39
Washington LSD	2.50	0.40	2.00	13.77	2.00	76.00	2.60			3.80	0.60			103.67	66.45	74.94
Sylvania CSD	2.50	0.40	2.00	13.77	2.70(c)	77.10	0.30	5.60		3.80	0.60	1.65		110.42	74.18	77.44
Ottawa Hills LSD	2.50	0.40	2.00	13.77	2.00	128.15	3.50	3.10		3.80	0.60			159.82	99.69	121.67
Springfield LSD, PC JVSD	2.50	0.40	2.00	13.77	2.00	70.40	1.35	3.30	3.20	3.80	0.60			103.32	68.27	69.40
TAX YEAR 2012																
Toledo CSD	2.50	0.40	2.00	15.37	2.90	61.70	0.50	5.20		3.80	0.60			94.97	68.96	85.72
Maumee CSD, PC JVSD	2.50	0.40	2.00	15.37	2.90	78.60	0.75	5.20	3.20	3.80	0.60			115.32	81.26	91.60
Washington LSD	2.50	0.40	2.00	15.37	2.90	76.00	2.60			3.80	0.60			106.17	74.98	80.54
Sylvania CSD	2.50	0.40	2.00	15.37	4.05(c)	77.10	0.30	6.20		3.80	0.60	1.65		113.97	80.88	83.71
Ottawa Hills LSD	2.50	0.40	2.00	15.37	2.90	128.15	4.00	3.50		3.80	0.60			163.22	106.56	128.33
Springfield LSD, PC JVSD	2.50	0.40	2.00	15.37	2.90	70.40	1.35	3.40	3.20	3.80	0.60			105.92	73.11	74.28
TAX YEAR 2013																
Toledo CSD	2.50	0.40	2.00	17.22	2.90	61.70	0.50	5.20		3.80	0.60			96.82	71.61	88.90
Maumee CSD, PC JVSD	2.50	0.40	2.00	17.22	2.90	78.60	0.75	5.60	3.20	3.80	0.60			117.57	84.18	94.54
Washington LSD	2.50	0.40	2.00	17.22	2.90	76.00	2.60			3.80	0.60			108.02	77.61	83.30
Sylvania CSD	2.50	0.40	2.00	17.22	4.05(c)	77.10	0.30	6.20		3.80	0.60	1.65		115.82	83.40	86.72
Ottawa Hills LSD	2.50	0.40	2.00	17.22	2.90	135.05	4.00	3.60		3.80	0.60			172.07	116.22	139.56
Springfield LSD, PC JVSD	2.50	0.40	2.00	17.22	2.90	70.40	1.35	3.40	3.20	3.80	0.60			107.77	75.61	76.84

(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		
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
2010	Real and Public Utility(a)	2011	16,781	14,835	88.4	4,560	1,128	15,963	95.1
	Tangible Personal	2011	0	0	--	366	9	9	--
	Special Assessments	2011	26,827	23,026	85.8	9,745	2,994	26,019	97.0
2011	Real and Public Utility(a)	2012	16,543	14,415	87.1	3,375	1,135	15,550	94.0
	Tangible Personal	2012	0	0	--	306	3	3	--
	Special Assessments	2012	25,398	21,488	84.6	11,124	2,784	24,273	95.6
2012	Real and Public Utility(a)	2013	14,262	12,461	87.4	3,366	1,048	13,509	94.7
	Tangible Personal	2013	0	0	--	303	3	3	--
	Special Assessments	2013	26,738	22,766	85.1	12,991	2,914	25,680	96.0

(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.

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 – the Homestead Exemption and the Property Tax Rollback Exemption. Homestead Exemptions have been available for (i) persons 65 years of age or older, (ii) persons who are totally or permanently disabled and (iii) surviving spouses of persons who were totally or permanently disabled or 65 years of age or older, and had applied and qualified for a reduction of property taxes in the year of death, so long as the surviving spouses were not younger than 59 or older than 65 years of age on the date of their deceased spouses’ deaths. The Homestead Exemption exempts \$25,000 of the homestead’s market value from taxation, thereby reducing the property owner’s ad valorem property tax liability. The Property Tax Rollback Exemption applies to all non-business properties, and reduces each property owner’s ad valorem property tax liability by either 12.5% (for owner-occupied non-business properties) or 10% (for non-owner non-business occupied properties). Payments to taxing subdivisions have been made in amounts approximately equal to the Homestead and Property Tax Rollback Exemptions granted. This State assistance reflected in the City’s tax collections for 2013 was \$660,779 for the elderly/disabled homestead payment and \$1,046,539 for the rollback payment.

The State Budget Act has made the Homestead Exemption subject to means testing beginning January 1, 2014, and eliminated the Property Tax Rollback Exemption and related reimbursements with respect to new or replacement tax levies approved at elections after its effective date and for other taxes (or increases in taxes) not levied for tax year 2013. See **Tax Rates**.

Real property taxes are payable in two installments, the first usually by February and the second in July.

Delinquency Procedures

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.

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.

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.

Of the 123,333 nonexempt parcels in the City for collection year 2013, the number of delinquent parcels was approximately 23,565 against 611 of which foreclosure proceedings have been commenced by County officials or assignees.

CITY DEBT AND OTHER LONG-TERM OBLIGATIONS

The following describes the security for the City's general obligation debt, applicable debt and ad valorem property tax limitations, and certain special assessment notes and long-term economic development obligations, 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.

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, ad valorem taxes on all real and tangible personal property subject to ad valorem taxation by the City, within the ten-mill limitation described below. These taxes are to be sufficient in amount to pay (to the extent not paid from other sources) as they come due the debt charges on unvoted general obligation bonds. The law provides that the levy necessary for debt charges has priority over any levy for other purposes within that tax limitation; that priority may be subject to bankruptcy, insolvency, arrangement, fraudulent conveyance or transfer, reorganization, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion, and to limitations on legal remedies against public entities. See the discussion under **Indirect Debt and Unvoted Property Tax Limitations** of the ten-mill limitation, and the priority of claim on it for debt charges 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, and its levy pursuant to constitutional and statutory requirements of, ad valorem taxes, without limitation as to rate or amount, on all real and tangible personal property subject to ad valorem taxation by the City. These taxes are outside of the ten-mill limitation and are to be sufficient in amount to pay (to the extent not paid from other sources) as they come due the debt charges on the voted bonds (subject to bankruptcy, insolvency, arrangement, fraudulent conveyance or transfer, reorganization, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion, and to limitations on legal remedies against public entities).

The City did not, as of the end of Fiscal Year 2013, and does not now, have any outstanding voted general obligation debt or 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. BANs, including renewal BANs, may be issued and outstanding from time to time up to a maximum period of 240 months 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. 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 limitations applicable to general obligation debt of cities 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 general obligation 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 financed 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.
 - Issued 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 general obligation debt capacities as of this date are (and at January 1, 2014, were):

<u>Limitation</u>	<u>Nonexempt Debt Outstanding</u>	<u>Additional Debt Capacity Within Limitation</u>
10-1/2% = \$337,212,918	\$ 141,119,992	\$196,092,926
5-1/2% = \$176,635,338	\$ 141,119,992	\$ 35,515,346

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 municipal income tax and certain nontax revenues (and, as to BANs, proceeds of renewal BANs and the bonds anticipated) rather than from the inside millage. **See Debt Table C**. 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, economic development obligations secured only by non-tax revenues and 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 are 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 the \$7,840,000 of its unvoted general obligation BANs outstanding as of this date (and as of January 1, 2014) 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 \$19,703,198 in 2014. 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 6.1351 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 municipal 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, the County and the Sylvania City School District (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 as of this date (and as of January 1, 2014) is estimated to be 7.8530 mills for 2015 (the year of the highest projected aggregate millage requirements for debt service). There thus remains 2.1470 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 this date (and as of January 1, 2014), 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)

A. Total Debt:		\$ 491,956,173
B. Exempt Debt:		\$ 350,836,181
	<u>Category</u>	<u>Outstanding Principal Amount</u>
	Water System Revenue Bonds	\$274,740,000
	Sewer System Revenue Bonds	22,105,000
	Special Assessment Improvement Bonds and BANs-General Obligation	0
	Special Assessment Services Notes ^{(b)(c)}	10,400,000
	Special Assessment Services Notes ^{(b)(d)}	19,800,000
	Other Nontax Revenue Debt ^(e)	<u>23,791,181</u>
	Total Exempt Debt	\$350,836,181
C. Total Nonexempt Debt (A minus B):		\$ 141,119,992
D. 5-1/2% of Assessed Valuation (Unvoted Debt Limitation):		\$ 176,635,338
E. Total Limited Tax Nonexempt Bonds and BANs outstanding:		
	Bonds	\$133,279,992
	BANs	7,840,000
		\$ 141,119,992
F. Debt Leeway Within 5-1/2% Unvoted Direct Limitation (But Subject to Indirect Debt Limitation) (D minus E):		\$ 35,515,346
G. 10-1/2% of Assessed Valuation (Voted and Unvoted Debt Limitation):		\$ 337,212,918
H. Total Nonexempt Bonds and BANs Outstanding:		
	Bonds	\$133,279,992
	BANs	7,840,000
		\$ 141,119,992
I. Debt Leeway Within 10-1/2% Direct Debt Limitation (G minus H):		\$ 196,092,926

(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 2012.

(d) For City services provided in 2013.

(e) 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)**

	<u>Amount</u>	<u>Per Capita(a)</u>	<u>% of City's Current Assessed Valuation(b)</u>
City Nonexempt GO Debt(c)	\$141,119,992	\$ 491.35	4.39%
Total City GO Debt (Exempt and nonexempt)	141,119,992	491.35	4.39
Highest Total Overlapping GO Debt(d)(e)	336,854,032	1,172.86	10.49

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

(b) The City's current assessed valuation is \$3,211,551,600.

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

(d) 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 July 1, 2014 (% figures are resulting percent of total debt of subdivisions allocated to the City in this manner), as follows:

\$ 53,562,149 of County debt (45.65); and

\$142,171,891 of Toledo City School District debt (98.83%).

(e) 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:

\$ 99 of Ottawa Hills Local School District debt (0.01%)

\$ 453,092 of Maumee City School District debt (1.44%)

\$ 175,028 of Springfield Local School District debt (1.96%)

\$3,049,858 of Sylvania City School District debt (3.23%)

\$ 308,788 of Sylvania Area Joint Recreational District debt 3.23%)

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
2014 THROUGH 2033

Calendar Year	Debt Service On:			Portion of Debt Service Anticipated to be Paid From:			
	Bonds	Bonds in Anticipation of Which BANs Are Outstanding(b)	Total Debt Service	Income Tax Revenues(c)	Housing Loan Payments(c)(d)	Motor Vehicle Fuel & License Tax(c)	Federal Direct Payments(e)
2014(a)	\$19,672,827.38	\$ 30,370.83	\$19,703,198.21	\$17,966,389.64	\$383,195.00	\$904,800.00	\$448,813.57
2015	18,327,524.00	997,909.20	19,325,433.20	17,571,141.28	465,090.00	904,800.00	384,401.92
2016	15,819,689.00	939,549.33	16,759,238.33	15,918,302.91	478,390.00	0.00	362,545.42
2017	15,244,229.00	913,689.47	16,157,918.47	15,329,101.92	491,290.00	0.00	337,526.55
2018	14,395,591.00	887,829.60	15,283,420.60	14,475,725.28	500,040.00	0.00	307,655.32
2019	12,363,966.00	861,969.73	13,225,935.73	12,446,165.16	503,190.00	0.00	276,580.57
2020	11,665,476.25	790,109.86	12,455,586.11	11,710,511.49	500,890.00	0.00	244,184.62
2021	11,188,072.00	758,359.99	11,946,431.99	11,262,698.59	473,290.00	0.00	210,443.40
2022	10,253,921.00	734,372.63	10,988,293.63	10,345,354.43	471,140.00	0.00	171,799.20
2023	9,989,439.00	710,385.26	10,699,824.26	10,104,518.71	463,690.00	0.00	131,615.55
2024	7,573,099.00	686,397.89	8,259,496.89	7,700,888.34	469,410.00	0.00	89,198.55
2025	7,324,228.50	337,410.52	7,661,639.02	7,176,815.07	439,450.00	0.00	45,373.95
2026	4,805,925.00	326,423.15	5,132,348.15	5,132,348.15	0.00	0.00	0.00
2027	4,400,425.00	315,435.79	4,715,860.79	4,715,860.79	0.00	0.00	0.00
2028	4,372,987.50	304,448.42	4,677,435.92	4,677,435.92	0.00	0.00	0.00
2029	525,000.00	293,461.05	818,461.05	818,461.05	0.00	0.00	0.00
2030	0.00	56,473.68	56,473.68	56,473.68	0.00	0.00	0.00
2031	0.00	54,526.31	54,526.31	54,526.31	0.00	0.00	0.00
2032	0.00	52,578.95	52,578.95	52,578.95	0.00	0.00	0.00
2033	0.00	50,631.58	50,631.58	50,631.58	0.00	0.00	0.00

(a) Amounts include interest paid on June 1, 2014.

(b) Assumes all presently outstanding BANs are retired with bonds dated October 1, 2014, having first interest payments December 1, 2014 and first principal payments December 1, 2015, 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.

(c) 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.

(d) Anticipated repayment of a loan of general obligation bond proceeds used by a developer to develop a multifamily housing project in the City.

(e) Amounts shown are the full amounts of payments the City expected to receive from the Secretary of the United States Treasury with respect to bonds of the City that were 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 use to pay a portion of the interest on those bonds. On March 1, 2013, sequestration cuts to the federal budget, mandated by the Budget Control Act of 2011, were ordered, some of which directly reduced interest subsidy payments the federal government makes to issuers of "direct pay bonds," including Build America Bonds and Recovery Zone Economic Development Bonds. Specifically, sequestration required a 5.1% cut in the total payments made to issuers of direct pay bonds in federal fiscal year 2013, which ended September 30, 2013. As a result of this initial cut, the City only received \$464,473 of the \$504,589 of such payments that it had expected to receive in its Fiscal Year 2013. On September 30, 2013, the Internal Revenue Service announced that reductions in interest subsidy payments would continue and that the percentage reduction for federal fiscal year 2014, ending September 30, 2014, would be 7.2%. The City has been advised that reductions in such federal interest subsidy payments are now expected to continue through 2021 and cannot predict to what extent subsequent federal interest subsidy payments anticipated to be received by the City with respect to interest payments on its Build America Bonds and Recovery Zone Economic Development Bonds may be affected by these or other federal actions. The City expects to use income tax revenues and other available funds to make up for shortfalls in future subsidy payments as it did in its Fiscal Year 2013.

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>
2010	\$6,310,000	\$158,873,058
2011	5,145,000	151,546,134
2012	30,000	135,658,796
2013	15,000	145,195,000
2014	0	141,119,992

Bond Anticipation Notes

\$7,840,000 of the unvoted general obligation debt of the City is (and as of January 1, 2014, 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 municipal 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

<u>Description</u>	<u>Dated Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal Amount</u>
Capital Improvement Notes, Series 2013	10/23/13	10/22/14	1.375%	\$4,590,000
Building Acquisition Notes, Series 2013(a)	04/24/14	09/24/14	1.375	3,250,000

(a) These BANs refunded prior BANs in the same principal amount issued on April 24, 2012.

City Services Special Assessment Notes

The City has the authority to issue, and has in each year for a period in excess of 38 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 85.7%, and the combined total of such current collections and collections of delinquent special assessments from prior years has averaged 95.8% of the current amount levied.

CURRENT AND DELINQUENT COLLECTIONS OF SPECIAL ASSESSMENTS

(In Thousands of Dollars)

Collection Year	Dollars of Current Amount		Percent of Current Levy	Total of Dollars Unpaid Amount		Total Dollars Collected	Collections as a Percentage of Current Levy
	Levied	Collected	Collected	Billed	Collected	Collected	Levy
2009	24,003	20,767	86.5	5,439	2,175	22,942	95.6
2010	27,487	23,678	86.1	6,775	2,276	25,954	94.4
2011	25,600	22,062	86.2	8,819	2,813	24,875	97.2
2012	25,398	21,488	84.6	11,124	2,785	24,273	95.6
2013	26,738	22,765	85.1	12,990	2,914	25,680	96.0

Debt Table F lists the City's City Services Special Assessment Notes outstanding as of July 15, 2014. These Notes are reflected in **Debt Table A** above.

DEBT TABLE F

OUTSTANDING CITY SERVICES SPECIAL ASSESSMENT NOTES

Project Year	Description	Dated Date	Maturity Date	Interest Rate	Principal Amount Outstanding
2012	City Services Special Assessment Notes (Services 2012)(a)	11-29-12	12-01-14	1.360%	\$10,400,000
2013	City Services Special Assessment Notes (Services 2013)(b)	11-26-13 11-26-13	06-01-15 12-01-15	1.250 1.250	7,900,000 11,900,000

(a) The special assessments anticipated by the Notes are to be collected in 2014. Reflects a principal payment of \$5,600,000 made on June 1, 2014.

(b) The special assessments anticipated by the Notes are to be collected in 2015.

The City expects to issue approximately \$20 million of City Services Special Assessment Notes in 2014 to provide funds for certain City services provided in 2014.

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, which became a part of Fiat Chrysler Automobiles in April 2014) (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 JULY 15, 2014**

<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 expansion and improvement of facilities now owned by Chrysler Group LLC	Industrial Development Revenue Bonds (HUD Section 108 loan)	\$24,140,000	\$9,140,000	1.00%-3.00%	2018	\$1,650,000(b)
	Industrial Development Revenue Bonds (State Chapter 166 Loan)	\$10,000,000	\$3,167,482	4.25%	2018	\$825,000(b)
B. Demolition and remediation of the former Autolite Site for redevelopment	Industrial Development Revenue Bonds (HUD Section 108 loan)	\$390,000	\$150,000	1.00%-3.00%	2018	\$25,000
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	\$363,699	4.25%	2016	(c)
D. Land acquisition and remediation in the Marina District	Industrial Development Bond	\$5,120,000	\$4,260,000	5.88%-6.55%	2032	\$503,000
E. Improvements supporting or part of expansion of facilities now owned by Chrysler Group LLC	Industrial Development Bond	\$9,000,000	\$6,710,000	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** and **Debt Table H**. 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 2014 THROUGH 2032
AS OF JULY 15, 2014**

Calendar Year	Total Debt Service on Outstanding Nontax Revenue Bonds	Portion of Debt Service Anticipated to be Paid From:		
		Payments in Lieu of Taxes(a)	Other Nontax Revenues(a)	Other Sources(a)(b)
2014	\$3,982,442.75	\$2,663,440.00	\$ 8,724.17	\$1,310,278.58
2015	4,043,364.21	2,663,440.00	10,387.50	1,369,536.71
2016	4,082,160.74	2,663,440.00	10,508.33	1,408,212.41
2017	3,886,830.92	2,663,440.00	10,487.67	1,212,903.25
2018	3,786,925.94	2,663,440.00	12,050.17	1,111,435.77
2019	971,898.00	717,975.00	0.00	253,923.00
2020	971,260.00	718,975.00	0.00	252,285.00
2021	974,373.00	718,725.00	0.00	255,648.00
2022	970,908.00	717,225.00	0.00	253,683.00
2023	969,805.00	718,087.00	0.00	251,718.00
2024	972,128.00	717,375.00	0.00	254,753.00
2025	972,548.00	720,088.00	0.00	252,460.00
2026	976,131.00	720,963.00	0.00	255,168.00
2027	672,548.00	0.00	0.00	672,548.00
2028	672,418.00	0.00	0.00	672,418.00
2029	670,323.00	0.00	0.00	670,323.00
2030	671,263.00	0.00	0.00	671,263.00
2031	669,910.00	0.00	0.00	669,910.00
2032	671,265.00	0.00	0.00	671,265.00

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

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

Other Revenue Bonds

See the discussions under **The City – Water System** and **– Sewer System** of the City’s utility revenue bonds outstanding as of July 15, 2014, all of which were outstanding as of December 31, 2013. See also, **Future Financings**.

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 loans to the City 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 \$310,417,355 as of December 31, 2013. See **Appendix C**. Each such loan is payable in substantially equal semiannual installments. Final payments on those loans are to be made by 2035.

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 2035:

<u>Period</u>	<u>Payments</u>
2015	\$25,221,857
2016	26,648,468
2017	25,044,678
2018	26,200,460
2019-2023	124,046,135
2024-2028	102,057,554
2029-2036	38,713,909

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 and Operations**.

The City has also entered into a loan agreement the OWDA pursuant to which the OWDA has provided a loan to the City 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 \$10,359,348 as of December 31, 2013. See **Appendix C**. That loan is payable in substantially equal semiannual installments of \$450,817, 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.

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

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 \$3,463,137. 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 \$1,026,908. 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, 2013, those loans were outstanding in the aggregate principal amount of \$8,553,193. 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 2014 is \$1,183,901, of which \$685,670 is to be paid from moneys in the City's Capital Improvements Fund, \$81,053 from moneys in its Water Revenue Fund, \$309,970 from moneys in its Sewer Revenue Fund and \$107,208 from moneys in its Storm Water Revenue Fund.

State Infrastructure Bank Loans

The City has entered into State Infrastructure Bank loan agreements with the Ohio Department of Transportation (ODOT) pursuant to which ODOT provided to the City loans totaling \$3,117,026 to pay costs of certain street improvements in the City's Marina District and a loan totaling \$642,128 to pay the City's portion of the cost of improvements to the Martin Luther King Bridge. The aggregate outstanding principal amount of the City's obligations under those ODOT loan agreements was \$3,759,154 as of December 31, 2013. The aggregate amount on these loans payable in 2014 is \$365,186. Final payments are to be made by 2024 and maximum aggregate annual debt service is \$773,820 in 2015.

Those loan payments are expected to be made from the City's motor vehicle license and fuel tax revenues. The loan agreements grant no security or property interest to ODOT 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.

Lease Agreements

The City entered into a lease agreement with the Ohio Building Authority for space in the 22-story One 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, which expired in 2013, the City was required to pay certain operating and maintenance costs that for Fiscal Year 2014 would be expected to amount to \$1.016 million and an amount sufficient for its payment has been appropriated from the City's General Fund. The City is continuing to occupy its space in the Government Center and to pay the same rent paid under the expired agreement (\$5 per square foot) while negotiating with the Authority for an extension, a new lease or acquisition of the building. See **City Facilities**.

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 2014 is expected to be approximately \$698,750. That lease is to expire in 2022. See **City Facilities**.

In 2007 and in each year from 2009 through 2013, the City entered into lease agreements pursuant to which it is lease purchasing certain ambulances (2010 and 2012), fire trucks (2009), police cars (2010), sewer cleaners (2009) and other motor vehicles (2011, 2012 and 2013). 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 lease agreements amounted to \$2,656,329 in Fiscal Year 2013 and will be approximately \$2,558,201 in Fiscal Year 2014, \$3,285,970 in Fiscal Year 2015, \$1,656,808 in Fiscal Year 2016, \$1,243,501 in Fiscal Year 2017 and \$946,390 in Fiscal Year 2018. The remaining agreements are to expire in Fiscal Year 2014, 2015, 2016, 2017 and 2018, respectively. See Note 8 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.

The City has agreed to pay special assessments in the annual amount of \$429,536 in each of the years from 2014 through 2026 for certain energy conservation improvements made to City buildings and facilities petitioned for and levied by the City under an energy services agreement with the Port Authority and the Toledo Ohio Advanced Energy Improvement Corporation.

Future Financings

The City plans to issue approximately \$18.2 million of general obligation bonds in 2014 to (i) pay costs of street, bridge and sidewalk improvements, building and facilities improvements, park and recreation improvements, landfill improvements and equipment and technology and other equipment included in its 2014 capital improvement plan.

The City plans to issue approximately \$9.125 million of general obligation BANs in September and October 2014 to provide funds to retire, together with other funds available for the purpose, \$7.8 million of maturing BANs, and to provide funds for certain sidewalk improvements and the acquisition of motor vehicles and related equipment.

The City plans to issue approximately \$20 million of special obligation City Services Special Assessments Notes in 2014, to provide funds to pay, in anticipation of the levy and collection of the special assessments, a part of the cost of providing certain City services. See **City Services Special Assessment Notes**.

The City also plans to issue in 2013 approximately \$13.9 million of Water System Revenue Bonds to refund at a lower interest cost certain of the City's outstanding Water Bonds. See **Water System**.

The City plans to enter into loan agreements with the Ohio Water Development Authority and/or the Ohio Public Works Commission in 2014 to provide up to \$30 million of additional funds to pay costs of a portion of the capital improvements program for its Sewer System planned for the period through 2014. See **Sewer System – Facilities and Operations**.

At this time, the City has no plans to undertake or participate in any other new major capital improvement projects for which it plans to borrow additional money or enter into long-term financial undertakings for the remainder of 2014.

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).

Employees covered by OPERS currently contribute at a statutory rate of 10.0% of earnable salary or compensation. As the employer, the City's statutory contribution rate for those employees is 14.0% of the same base. Employees covered by OP&F currently contribute at a statutory rate of 10.75% of gross salary. As the employer, the City's statutory contribution rates, applied to the same base, are 19.5% for police personnel and 24.0% for fire personnel. These employee and employer contribution rates are the current 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; however, the portions of those contributions "picked up" are being reduced. See **Employees** and **General Fund and Financial Outlook**.

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 the format of those systems and to revise rates and methods of contributions to be made by public employers and their employees and eligibility criteria, benefits or benefit levels for employee members. On September 12, 2012, the General Assembly passed five separate pension reform bills intended to assist each of the five retirement systems in addressing its unfunded actuarial accrued liabilities. The bills passed with respect to OPERS and OP&F provide for (i) no change in the City contribution rates with respect to its employees' earnable salaries, (ii) no change in OPERS employee contribution rate, and (iii) an increase in the OP&F employee contribution rate from 10% to 12.25% in annual increments of 0.75% beginning on July 2, 2013. With certain transition provisions applicable to certain current employees, the bills increase minimum age and service requirements for retirement and disability benefits, revise the calculation of an employee's final average salary on which pension benefits are based to include the five highest years (rather than the three highest years), provide for OPERS pension benefits to be calculated on a lower, fixed formula, change provisions with respect to future cost-of-living adjustments to limit those adjustments to the lesser of any increase in the Consumer Price Index or three percent, and make other changes. The OP&F bill also authorizes the OP&F board to further adjust member contribution rates or further adjust age and service requirements after November 1, 2017, if, after an actuarial investigation, the board determines that an adjustment is appropriate. Those bills became effective on January 7, 2013.

For further information on these pension plans, see Notes 12 and 13 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.

All of 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 employer contributions to OPERS for the years ended December 31, 2013, 2012, and 2011 were approximately \$10,204,000, \$9,969,000 and \$12,653,000, respectively, and were 95% of the required contribution in 2013 and 100% of the required contributions in 2012 and 2011. The remaining 5% of the 2013 contribution was made in the first quarter of 2014. The City's aggregate employer contributions to OP&F for the years ending December 31, 2013, 2012 and 2011 were approximately \$16,728,000, \$16,103,000 and \$16,135,000, respectively, and were 75% of the required contribution in 2013 and 100% of the required contributions in 2012 and 2011. The remaining 25% of the 2013 contribution was made in the first quarter of 2014. In addition, in accordance with its agreements with collective bargaining units for its employees, the City "picked up" and paid varying portions of its employees' contributions to OPERS and OP&F in those years. The most recently negotiated agreements with City collective bargaining units provide for the elimination of pension pick-up payments by the City over the term of the new agreement. See **Employees**.

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. Based on historical experience and its evaluation of pending claims, the City believes that the amount available from those sources and unencumbered at December 31, 2013 and at the date of this Statement, is sufficient to meet the claims and judgments that may arise in 2014. 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.

In 2011, Bradley Walker filed a class action lawsuit in the Lucas County Court of Common Pleas against the City and RedFlex Traffic Systems, Inc. The lawsuit challenged the constitutionality of the system by which civil penalties were imposed by the City for certain violations, including both speeding and failure to obey traffic signals, under its photo-enforcement traffic program. Walker alleged that, as a result, the City and RedFlex had been unjustly enriched by the civil fines that had been unlawfully collected during the life of the program and sought, among other relief, refunds for persons who had paid those fines. Before a class was certified, the trial court dismissed Walker's suit for failure to state claim upon which relief could be granted. Walker appealed and, in a 2-1 decision in 2013, the Ohio Court of Appeals for the Sixth Appellate District reversed that dismissal, finding the City's system of enforcement unconstitutionally usurped jurisdiction provided to the municipal court, and remanded the case to the Court of Common Pleas for further proceedings. The City appealed the decision of the Court of Appeals to the Ohio Supreme Court and the matter is now pending in before that Court.

In 2010, the City imposed unilateral changes to its then-existing labor contracts with six of the collective bargaining units representing its employees based on City Council's finding, determination and declaration that such changes were required by "exigent circumstances," specifically, significant reductions in City revenues that were unanticipated when 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 resulting in the concessions and cost-savings the City required for budget purposes. The Toledo Police Command Officers' Association (TPCOA) was the only bargaining unit to seek legal redress based on the exigent circumstances declaration and the resulting legal proceedings with TPCOA remain pending at this time in both State and Federal courts.

In a suit filed in the Lucas County Court of Common Pleas, the TPCOA sought an order compelling arbitration of a "me too" provision contained in the predecessor collective bargaining agreement, alleging that provision required the City to bargain with TPCOA regarding any subsequent greater economic benefit provided to the City's other safety forces unions and that the City violated its agreement with TPCOA when, after declaring exigent circumstances, it failed to negotiate and offer the same terms to TPCOA that it

did to other safety forces unions. The Common Pleas Court decided the issue in favor of TPCOA, and the City has appealed that decision to the Ohio Court of Appeals for the Sixth District where the case is now pending. If its appeal were not successful, the City would be forced into an arbitration with TPCOA, and the resolution of the matter and any arbitrator's award would be uncertain.

In a suit filed in the U.S. District Court for the Northern District of Ohio, the TPCOA has made claims alleging that the City's proclamation of exigent circumstances and unilateral alteration of its collective bargaining agreement with TPCOA without adhering to arbitration provisions, constituted an unconstitutional impairment of the agreement under Article I, Section 10 of the United States Constitution and violated the First and Fourteenth Amendments and constituted an unlawful taking. If TPCOA were successful, the City could be required to pay damages in excess of \$1.4 million plus attorney fees and costs.

Bond Counsel

The City retains the legal services of Squire Patton Boggs (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 Patton Boggs (US) LLP from time to time as special counsel in connection with matters that do not relate to City bonds or notes.

Squire Patton Boggs (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 outstanding uninsured general obligation bonds and their underlying ratings of "A2" and "A-," respectively, to the City's insured outstanding general obligation bonds. On October 11, 2011, Standard & Poor's changed its rating on the City's outstanding uninsured general obligation bonds and its underlying rating on the City's outstanding insured general obligation bonds from "A" to "A-" and added a stable outlook to its ratings of such uninsured bonds and to its underlying rating of such insured bonds. 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 D. Michael Collins
Mayor

By George E. Sarantou
Director of Finance

Dated: July 15, 2014

APPENDIX A

Comparative Modified Accrual Basis Summary of General Fund Revenues, Expenditures and Balances for Fiscal Years 2009 through 2013 (Actual) and Fiscal Year 2014 (Budgeted)

(amounts in thousands)

	2009(a)	2010(a)	2011(a)	2012(a)	2013(b)	Budgeted 2014
REVENUES:						
Income Tax	\$141,554	\$144,581	\$153,581	\$158,523	\$158,775	\$165,240
Property Taxes(c)	13,612	11,936	11,845	11,381	9,598	11,297
Licenses and Permits	2,079	2,359	2,297	2,264	2,408	2,378
Intergovernmental Services	24,376	24,118	22,743	20,828	21,044	15,229
Charges for Services	19,401	22,006	24,905	26,132	26,296	27,446
Investment Earnings	1,037	1,016	446	360	135	220
Fines and Forfeitures	4,776	4,486	4,681	6,715	7,118	7,015
All Other Revenue	7,164	974	579	325	620	402
Total Revenues	\$213,999	\$211,476	\$221,077	\$226,528	\$225,994	\$229,227
EXPENDITURES						
Current:						
General Government	\$ 14,399	\$ 15,092	\$ 15,437	\$ 14,164	\$ 27,112	\$ 26,671
Public Service	1,862	1,510	1,693	1,928	1,674	1,884
Public Safety	148,863	153,359	165,835	158,979	159,264	167,221
Public Utilities	71	0	0	0	1	0
Community Environment	4,258	3,929	4,406	4,355	4,671	4,477
Health	14,145	10,971	11,972	13,511	4,767	4,787
Parks and Recreation	2,333	2,100	2,296	2,750	2,947	2,737
Capital Outlay	19,741	2,331	128	53	1	0
Debt Service						
Principal Retirement	1,547	1,615	485	505	526	548
Interest & Fiscal Charges	880	708	241	221	200	179
Total Expenditures	\$208,099	\$191,615	\$202,493	\$196,466	\$201,163	\$208,504
Excess (Deficiency) of Revenues over Expenditures	5,900	19,861	18,584	30,062	24,831	20,723
Other Financing Sources (Uses):						
Transfers In	1,943	12,007	17,327(g)	10,456	12,477	15,407
Transfers (Out)(d)	(32,269)	(32,548)	(34,026)	(35,999)	(34,657)	(36,186)
Bond Issuance of Debt	12,200	0	0	0	0	0
Premium on Bonds	2	0	0	0	0	0
Sale of Capital Assets	0	55	12,129	0	25	50
Sale of Easements	0	0	0	25	0	0
TOTAL OTHER FINANCING SOURCES AND (USES)	\$ (18,124)	\$ (20,486)	\$ (4,570)	\$ (25,518)	\$ (22,155)	\$ (20,730)
Net Change in Fund Balance	(12,224)	(625)	14,014	4,544	2,676	(6)
Fund Balance (Deficit) at Beginning of Year(e)	4,391	(8,020)	(13,712)(h)	326	5,008	7,977
Increase in Reserve for Inventory	(187)	33	24	138	293	0
Fund Balance (Deficit) at Year-End(e)	\$ (8,020)(f)	\$ (8,612)	\$ 326	\$ 5,008	\$ 7,977	\$ 7,971

(a) Audited.
(b) Unaudited.

(c) Payments from State revenue sources under certain Statewide real property tax relief programs (the Homestead Exemption and the Property Tax Exemption) included in "Property Taxes" for Fiscal Year 2008 were reclassified as "Intergovernmental Services" for subsequent Fiscal Years.

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

(e) Total fund balances. See **Appendices B** and **C** for information concerning restricted amounts and reserves.

(f) 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).

(g) Includes a one-time transfer of \$9,332 of proceeds from a sale of parking facilities and a franchise to operate on-street parking meters in a portion of the City.

(h) Reflects a post-audit adjustment of (\$5.1 million) requested by the Auditor of State to show a borrowing by the City to satisfy an unfunded accrued Ohio Police and Fire Pension Fund (OP&F) liability as "an interfund loan", rather than as an "investment" of money in the City's Capital Improvements Fund. In 1994, the City issued a general obligation bond in the principal amount of \$19.05 million to provide funds that were paid to the OP&F for that purpose as authorized by Section 717.07(A) of the Revised Code. As permitted by law and its investment policy, the City purchased that bond as an investment upon its issuance and, during the period from Fiscal Year 1994 through Fiscal Year 2010, reflected the unpaid principal from time to time as an investment for financial reporting purposes. As of January 1, 2011, \$5.1 million of the principal of that bond remained outstanding and all of that principal was to be retired in Fiscal Years 2011 through 2014. A further audit adjustment has been made to reflect the full satisfaction of the City's obligations on that bond.

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APPENDIX B

**Basic Financial Statements from the City's
Comprehensive Annual Financial Report for Fiscal Year 2012
(audited)**

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Dave Yost • Auditor of State

Honorable Michael Bell and
Members of City Council
City of Toledo
One Government Center, Suite 2050
Toledo, Ohio 43604-2284

We have reviewed the *Independent Auditor's Report* of the City of Toledo, Lucas County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2012 through December 31, 2012. 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 27, 2013

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INDEPENDENT AUDITORS' REPORT

To the Honorable Michael P. Bell, Mayor, Members of City Council and the Audit Committee
City of Toledo, Ohio:

Report on the Financial Statements

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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Effect of Adopting New Accounting Standards

As discussed in Note 15, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

Other Matters**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information on pages 21 through 33 and 89 through 92, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules, introductory section, 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2013 on our consideration of the City's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Toledo, Ohio
June 28, 2013

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BASIC FINANCIAL STATEMENTS

City of Toledo, Ohio
Statement of Net Position
December 31, 2012
(amounts expressed in thousands)

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents with treasurer	\$ 9,656	\$ 1,133	\$ 10,789
Cash and cash equivalents held by escrow agent	-	10,163	10,163
Cash and cash equivalents other	500	1,563	2,063
Investments	32,082	70,025	102,107
Restricted investments	29,362	53,619	82,981
Receivables (net of allowance)	107,951	37,348	145,299
Due from other governments	16,457	4	16,461
Internal balances	27,285	(27,285)	-
Inventory	6,270	4,554	10,824
Deferred charges and other	-	2,648	2,648
Capital assets:			
Land and construction in progress	123,917	161,683	285,600
Other capital assets, net of accumulated depreciation	429,619	581,440	1,011,059
Total assets	783,099	896,895	1,679,994
LIABILITIES			
Accounts payable	6,457	1,193	7,650
Customer deposits	2,771	5,805	8,576
Accrued wages and benefits	13,371	2,150	15,521
Accrued interest payable	1,300	4,434	5,734
Retainages	1,112	2,481	3,593
Due to other governments	99	167	266
Unearned revenue	18,216	-	18,216
Other current liabilities	22,156	-	22,156
Current portion of long-term liabilities:			
Compensated absences	520	211	731
Bonds, notes, loans and other obligations	48,122	22,921	71,043
Long-term liabilities:			
Compensated absences	23,885	4,685	28,570
Bonds, notes, loans and other obligations	177,311	426,128	603,439
Total liabilities	315,320	470,175	785,495
NET POSITION			
Net investment in capital assets	368,093	376,075	744,168
Restricted for:			
Special assessments	4,784	-	4,784
Debt service	-	6,442	6,442
Capital improvement and replacement	55,294	26,779	82,073
Community programs	15,147	-	15,147
Other purposes	6,032	-	6,032
Unrestricted	18,429	17,424	35,853
Total net position	\$ 467,779	\$ 426,720	\$ 894,499

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, 2012
(amounts expressed in thousands)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 28,807	\$ 72,061	\$ 23	\$ 2,655	\$ 45,932	\$ -	\$ 45,932
Public service	34,715	-	-	-	(34,715)	-	(34,715)
Public safety	165,810	15,907	3,505	2,744	(143,654)	-	(143,654)
Public utilities	1,268	351	6,033	11,191	16,307	-	16,307
Community environment	37,867	2,928	19,972	-	(14,967)	-	(14,967)
Health	19,197	9,813	-	-	(9,384)	-	(9,384)
Parks and recreation	5,419	635	-	-	(4,784)	-	(4,784)
Interest and fiscal charges	11,762	-	-	-	(11,762)	-	(11,762)
Total governmental activities	304,845	101,695	29,533	16,590	(157,027)	-	(157,026)
Business-type activities:							
Water	41,997	44,112	-	-	-	2,115	2,115
Sewer	67,507	66,608	-	1,273	-	374	374
Utilities administration	11,291	12,462	-	-	-	1,171	1,171
Storm utility	7,067	10,331	-	175	-	3,439	3,439
Property management	1,286	-	-	-	-	(1,286)	(1,286)
Small Business Development	78	-	-	-	-	(78)	(78)
Municipal tow lot	911	2,007	-	-	-	1,096	1,096
Toledo public power	138	136	-	-	-	(2)	(2)
Erie Street Market	124	115	-	-	-	(9)	(9)
Total business-type activities	130,399	135,771	-	1,448	-	6,820	6,820
Total	\$ 435,244	\$ 237,466	\$ 29,533	\$ 18,038	\$ (157,027)	\$ 6,820	\$ (150,206)
General revenues:							
					158,128	-	158,128
					11,361	-	11,361
					1,017	937	1,954
					5,272	-	5,272
					4,789	-	4,789
Transfers					(289)	289	-
Total general revenues and transfers					180,278	1,226	181,504
Changes in net position					23,251	8,046	31,297
Net position - beginning, restated					444,528	418,674	863,202
Net position - ending					\$ 467,779	\$ 426,720	\$ 894,499

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

City of Toledo, Ohio
Balance Sheet
Governmental Funds
December 31, 2012
(amounts expressed in thousands)

	<u>General</u>	<u>Capital Improvements</u>	<u>Special Assessments Services</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents:					
Cash and cash equivalents with treasurer	\$ 9,656	\$ -	\$ -	\$ -	\$ 9,656
Cash and cash equivalents other	498	-	-	2	500
Investments	23,168	7,950	-	964	32,082
Restricted investments	5,406	23,385	218	338	29,347
Receivables (net of allowance)	40,412	7,234	56,622	3,362	107,630
Due from other:					
Funds	-	10,134	-	30,226	40,360
Governments	3,314	-	-	13,143	16,457
Inventory of supplies	850	1,005	2,864	912	5,631
Total assets	<u>83,304</u>	<u>49,708</u>	<u>59,704</u>	<u>48,947</u>	<u>241,663</u>
LIABILITIES					
Accounts payable	4,257	745	174	560	5,736
Deposits	416	99	-	1,966	2,481
Retainage	-	1,105	-	7	1,112
Due to other:					
Funds	30,418	-	16,928	1,344	48,690
Governments	-	-	99	-	99
Deferred revenue	31,551	-	56,525	9,354	97,430
Accrued wages and benefits	11,431	158	589	733	12,911
Other current liabilities	-	2,750	-	-	2,750
Compensated absences payable	223	-	-	162	385
Notes payable	-	655	35,600	3,930	40,185
Total liabilities	<u>78,296</u>	<u>5,512</u>	<u>109,915</u>	<u>18,056</u>	<u>211,779</u>
FUND BALANCES (DEFICIT)					
Nonspendable	850	1,005	2,864	912	5,631
Restricted	5,406	43,191	218	19,876	68,691
Committed	326	-	-	12,462	12,788
Unassigned	(1,574)	-	(53,293)	(2,359)	(57,226)
Total fund balance (deficit)	<u>5,008</u>	<u>44,196</u>	<u>(50,211)</u>	<u>30,891</u>	<u>29,884</u>
 Total liabilities and fund balance	 <u>\$ 83,304</u>	 <u>\$ 49,708</u>	 <u>\$ 59,704</u>	 <u>\$ 48,947</u>	 <u>\$ 241,663</u>

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 Position
 Governmental Funds
 December 31, 2012
 (amounts expressed in thousands)

Total **fund balances** for governmental funds \$ 29,884

Total **net position** reported for governmental activities in the statement of net position 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 531,574

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	\$ 57,451	
Income taxes	8,807	
Delinquent property taxes	2,668	
Operating grants	5,907	
Reimbursements from other governments	<u>4,381</u>	79,214

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 position. 33,770

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 position. Balances at December 31, 2012 are as follows:

General obligation bonds	(118,754)	
Compensated absences	(23,885)	
Loans outstanding from federal agencies	(23,454)	
Loans outstanding from state agencies	(19,733)	
Accrued interest	(1,300)	
Landfill closure	(15,084)	
Capital leases	<u>(4,453)</u>	(206,663)

Total **net position** of governmental activities \$ 467,779

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, 2012
(amounts expressed in thousands)

	<u>General</u>	<u>Capital Improvements</u>	<u>Special Assessment Services</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Income taxes	\$ 158,523	\$ -	\$ -	\$ -	\$ 158,523
Property taxes	11,381	-	-	-	11,381
Special assessments	-	-	23,593	332	23,925
Licenses and permits	2,264	-	-	19	2,283
Intergovernmental services	20,828	4,573	-	12,188	37,589
Charges for services	26,132	-	4	1,113	27,249
Investment earnings	360	589	5	53	1,007
Fines and forfeitures	6,715	-	-	1,237	7,952
Grants	-	18,074	-	27,701	45,775
Other revenue	350	28	3	4,157	4,538
Total revenues	<u>226,553</u>	<u>23,264</u>	<u>23,605</u>	<u>46,800</u>	<u>320,222</u>
EXPENDITURES					
Current					
General government	14,164	2,750	314	164	17,392
Public service	1,928	-	21,729	11,003	34,660
Public safety	158,979	-	-	6,266	165,245
Public utilities	-	-	-	1	1
Community environment	4,355	-	72	23,372	27,799
Health	13,511	-	548	3,960	18,019
Parks and recreation	2,750	-	101	167	3,018
Capital outlay	53	47,497	13	1,084	48,647
Debt service:					
Principal retirement	505	5,652	-	21,244	27,401
Interest and fiscal charges	221	2,113	1,134	6,967	10,435
Total expenditures	<u>196,466</u>	<u>58,012</u>	<u>23,911</u>	<u>74,228</u>	<u>352,617</u>
Excess (deficiency) of revenues over expenditures	<u>30,087</u>	<u>(34,748)</u>	<u>(306)</u>	<u>(27,428)</u>	<u>(32,395)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	10,456	34,614	-	28,165	73,235
Transfers out	(35,999)	(37,525)	-	-	(73,524)
Capital lease proceeds	-	3,001	-	-	3,001
Issuance of debt	-	41,455	-	-	41,455
Premium on bonds	-	1,498	-	-	1,498
Total other financing sources (uses)	<u>(25,543)</u>	<u>43,043</u>	<u>-</u>	<u>28,165</u>	<u>45,665</u>
Net change in fund balance	4,544	8,295	(306)	737	13,270
Fund balance (deficit) at beginning of year	326	35,678	(51,331)	29,868	14,541
Increase (decrease)for inventory	138	223	1,426	286	2,073
Fund balance (deficit) at year end	<u>\$ 5,008</u>	<u>\$ 44,196</u>	<u>\$ (50,211)</u>	<u>\$ 30,891</u>	<u>\$ 29,884</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, 2012
(amounts expressed in thousands)

Net change in **fund balances** - total governmental funds \$ 13,270

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 capital assets in the current period.

Capital outlay	\$ 44,625	
Depreciation expense	<u>(29,823)</u>	14,802

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	4,766	
Income taxes	(395)	
Delinquent property taxes	(20)	
Capital grants	(3,481)	
Operating grants	3,829	
Reimbursements from other governments	<u>1,130</u>	5,829

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.

6,208

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.

(365)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net position. This amount is the amount by which repayment of principal exceeds proceeds from issuance not reported as note payable in the governmental funds.

(18,550)

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 inventory	<u>2,073</u>	2,073
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Changes in net position of internal service funds reported with governmental activities.

(16)

Changes in **net position** of governmental activities

\$ 23,251

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

City of Toledo, Ohio

Statement of Net Position

Proprietary Funds

December 31, 2012

(amounts expressed in thousands)

	Business-type Activities - Enterprise					Governmental Activities - Internal Service Funds
	Water	Sewer	Utility Administrative Services	Nonmajor Enterprise	Total	
ASSETS						
Current assets:						
Cash and cash equivalents with treasurer	\$ 258	\$ 777	\$ -	\$ 98	\$ 1,133	\$ -
Cash and cash equivalents held by escrow agent	7,300	2,860	-	3	10,163	-
Cash and cash equivalents other	2	-	1,560	1	1,563	-
Investments	9,378	2,763	46,746	11,138	70,025	-
Restricted investments	44,680	3,112	-	5,827	53,619	15
Receivables (net of allowance)	6,133	17,028	4,791	9,396	37,348	321
Due from other:						
Funds	1,143	19,568	-	2,837	23,548	35,615
Governments	-	-	-	4	4	-
Inventory of supplies	4,010	514	30	-	4,554	639
Total current assets	72,904	46,622	53,127	29,304	201,957	36,590
Noncurrent assets:						
Deferred charges and other	2,070	514	-	64	2,648	-
Capital assets:						
Land and construction in progress	35,888	118,660	-	7,135	161,683	390
Other capital assets, net of accumulated depreciation	168,439	386,593	245	26,163	581,440	21,656
Total noncurrent assets	206,397	505,767	245	33,362	745,771	22,046
Total assets	279,301	552,389	53,372	62,666	947,728	58,636
LIABILITIES						
Current liabilities:						
Accounts payable	34	1,057	46	56	1,193	721
Customer deposits	3,288	2,097	-	420	5,805	290
Retainage	178	2,223	-	80	2,481	-
Due to other:						
Funds	-	-	49,364	1,469	50,833	-
Governments	15	152	-	-	167	-
Other current liabilities	-	-	-	-	-	19,490
Accrued interest payable	540	3,765	-	129	4,434	-
Accrued wages and benefits	683	895	386	186	2,150	460
Current portion of:						
Compensated absences payable	17	4	190	-	211	135
Bonds, loans and notes payable, net	5,844	15,502	-	1,575	22,921	3,770
Total current liabilities	10,599	25,695	49,986	3,915	90,195	24,866
Noncurrent liabilities:						
Compensated absences payable	1,474	1,972	840	399	4,685	-
Bonds, loans and notes payable, net	116,384	284,005	-	25,739	426,128	-
Total noncurrent liabilities	117,858	285,977	840	26,138	430,813	-
Total liabilities	128,457	311,672	50,826	30,053	521,008	24,866
NET POSITION						
Net investment in capital assets	134,079	211,718	245	30,033	376,075	18,276
Restricted for debt service	1,836	4,591	-	15	6,442	-
Restricted for improvement and replacement	7,065	16,251	-	3,463	26,779	-
Unrestricted	7,864	8,157	2,301	(898)	17,424	15,494
Total net position	\$ 150,844	\$ 240,717	\$ 2,546	\$ 32,613	\$ 426,720	\$ 33,770

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

City of Toledo, Ohio
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2012
(amounts expressed in thousands)

	Business-type Activities - Enterprise					Governmental Activities - Internal Service Funds
	Water	Sewer	Utility Administrative Services	Nonmajor Enterprise	Total	
OPERATING REVENUES						
Charges for services	\$ 44,031	\$ 66,405	\$ 12,458	\$ 12,176	\$ 135,070	\$ 25,985
Other revenue	81	203	4	413	701	347
Total operating revenue	<u>44,112</u>	<u>66,608</u>	<u>12,462</u>	<u>12,589</u>	<u>135,771</u>	<u>26,332</u>
OPERATING EXPENSES						
Personnel services	12,342	16,971	6,932	3,585	39,830	6,355
Contractual services	10,826	16,743	3,255	2,827	33,651	8,627
Materials and supplies	6,798	2,636	878	391	10,703	7,632
Utilities	3,031	3,591	72	123	6,817	1,095
Depreciation	4,706	17,796	154	1,419	24,075	2,622
Total operating expenses	<u>37,703</u>	<u>57,737</u>	<u>11,291</u>	<u>8,345</u>	<u>115,076</u>	<u>26,331</u>
Operating income	<u>6,409</u>	<u>8,871</u>	<u>1,171</u>	<u>4,244</u>	<u>20,695</u>	<u>1</u>
NON-OPERATING REVENUES (EXPENSES)						
Investment earnings	254	44	206	433	937	10
Intergovernmental grants	-	1,273	-	175	1,448	-
Interest expense and fiscal charges	(4,294)	(9,770)	-	(1,259)	(15,323)	(27)
Total non-operating revenues (expenses)	<u>(4,040)</u>	<u>(8,453)</u>	<u>206</u>	<u>(651)</u>	<u>(12,938)</u>	<u>(17)</u>
Income (loss) before transfers	2,369	418	1,377	3,593	7,757	(16)
Transfers in	-	-	-	1,385	1,385	4,705
Transfers out	-	-	-	(1,096)	(1,096)	(4,705)
Change in net position	2,369	418	1,377	3,882	8,046	(16)
Total net position - beginning, as restated	148,475	240,299	1,169	28,731	418,674	33,786
Total net position - ending	<u>\$ 150,844</u>	<u>\$ 240,717</u>	<u>\$ 2,546</u>	<u>\$ 32,613</u>	<u>\$ 426,720</u>	<u>\$ 33,770</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, 2012
(amounts expressed in thousands)

	Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Water	Sewer	Utility Administrative Services	Nonmajor	Total	
Operating activities:						
Cash received from customers	\$ 45,749	\$ 63,091	\$ 11,590	\$ 9,886	\$ 130,316	\$ 26,156
Cash paid to employees	(13,544)	(18,751)	(5,651)	(3,996)	(41,942)	(6,060)
Cash paid to suppliers	(23,513)	(30,590)	(8,405)	(1,702)	(64,210)	(14,759)
Other receipts	81	203	4	413	701	347
Net cash provided by (used by) operating activities	<u>8,773</u>	<u>13,953</u>	<u>(2,462)</u>	<u>4,601</u>	<u>24,865</u>	<u>5,684</u>
Noncapital financial activities:						
Transfers in	-	-	-	1,385	1,385	4,705
Transfers out	-	-	-	(1,096)	(1,096)	(4,705)
Net cash provided by (used by) noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>289</u>	<u>289</u>	<u>-</u>
Capital and related financing activities:						
Proceeds from capital grants and contributions	-	1,273	-	175	1,448	10
Purchases of property, plant and equipment	(3,736)	(38,159)	-	(2,904)	(44,799)	(7,972)
Principal payments	(5,796)	(13,626)	(236)	(1,129)	(20,787)	(1,465)
Proceeds from the issuance of bonds, loans, and notes	48,497	45,514	-	5,140	99,151	3,770
Interest and fiscal charges paid on bonds, loans and notes	(4,449)	(9,720)	-	(1,235)	(15,404)	(27)
Net cash provided by (used by) capital and related financing activities	<u>34,516</u>	<u>(14,718)</u>	<u>(236)</u>	<u>47</u>	<u>19,609</u>	<u>(5,684)</u>
Investing activities:						
Proceeds from sales and maturities of investments	26	5,994	47,640	11,001	64,661	-
Purchase of investments	(39,861)	(4,806)	(43,608)	(16,301)	(104,576)	-
Investment income received on investments	242	29	220	434	925	-
Net cash provided by (used by) investing activities	<u>(39,593)</u>	<u>1,217</u>	<u>4,252</u>	<u>(4,866)</u>	<u>(38,990)</u>	<u>-</u>
Increase in cash and cash equivalents	3,696	452	1,554	71	5,773	-
Cash and cash equivalents at beginning of year	3,864	3,185	6	31	7,086	-
Cash and cash equivalents at end of year	<u>\$ 7,560</u>	<u>\$ 3,637</u>	<u>\$ 1,560</u>	<u>\$ 102</u>	<u>\$ 12,859</u>	<u>\$ -</u>
Reconciliation of net operating income (loss) to net cash provided by (used by) operating activities:						
Operating income (loss)	\$ 6,409	\$ 8,871	\$ 1,171	\$ 4,244	\$ 20,695	\$ 1
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:						
Depreciation	4,706	17,796	154	1,419	24,075	2,622
Increase (decrease) in allowance for doubtful accounts	451	1,076	-	(199)	1,328	(8)
Changes in assets and liabilities:						
Receivables	1,267	(4,391)	(868)	(2,507)	(6,499)	(111)
Due to (from) other:						
Funds	(3,922)	(2,728)	(4,226)	1,531	(9,345)	4,239
Governments	-	6	-	346	352	-
Prepaid expenses	-	-	-	-	-	104
Inventory of supplies	679	153	32	-	864	348
Accounts payable	(432)	(1,089)	(6)	(280)	(1,807)	69
Customer deposits	780	(3,997)	-	416	(2,801)	290
Retainage	37	36	-	42	115	-
Other current liabilities	-	-	-	-	-	(2,153)
Accrued wages and benefits	426	547	251	52	1,276	148
Compensated absences	(1,628)	(2,327)	1,030	(463)	(3,388)	135
Net cash provided by (used by) operating activities	<u>\$ 8,773</u>	<u>\$ 13,953</u>	<u>\$ (2,462)</u>	<u>\$ 4,601</u>	<u>\$ 24,865</u>	<u>\$ 5,684</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
December 31, 2012
(amounts expressed in thousands)

	Agency Funds
ASSETS	
Cash and cash equivalents other	\$ 1,152
Receivables	2,209
Total assets	3,361
 LIABILITIES	
Accounts payable	60
Deposits	3,301
Total liabilities	\$ 3,361

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

**NOTES TO THE
FINANCIAL STATEMENTS**

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012
(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 Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. 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

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 \$53 in revenues from the JEDZ in 2012.

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 \$987 in revenues from the JEDZ in 2012.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012
(amounts expressed in thousands)
(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly Governed Organizations (continued)

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 \$18 in revenues from this agreement in 2012.

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 \$27 in revenues from the JEDD in 2012.

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 did not receive revenues from the JEDD in 2012.

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 did not receive revenues from the JEDD in 2012.

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, 2012
(amounts expressed in thousands)
(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly Governed Organizations (continued)

Corrections Commission of Northwest Ohio (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 \$5,128 for the operation of the Commission in 2012. Financial information can be obtained from the Commission’s administrative office located at 03151 Road 2425, Stryker, OH 43557-9418.

Basis of Presentation

The City’s basic Financial Statements consist of Government-Wide Statements, including a Statement of Net Position, and Statement of Activities, as well as 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.

Government-Wide Financial Statements:

The Statement of Net Position 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 activities 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 Position 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.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012
(amounts expressed in thousands)
(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 position, 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 enterprises: water, sewer and utility administrative services.

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.

Utility Administrative Services: To provide comprehensive billing, collections and customer services/ relations in an efficient, cost-effective and responsive manner to residents, businesses and governmental jurisdictions within the greater Toledo metropolitan areas, as well as administrative support for the Department of Public Utilities. Senior clerks are available to assist with water/sewer service contracts, billing problems, inspections, payment agreements, remote installations and many other customer service needs.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012
(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 Position, except Fiduciary Funds. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in net position.

Fund Financial Statements:

All Governmental Funds are accounted for using a flow of current financial resources measurement focus. Using this method, 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 Position. The Statement of Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The Statement of Cash Flows provides information about how the City finances and meets the cash flow needs of its Proprietary Activities.

Proprietary Funds distinguish operating revenues and expenses from non-operating 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 all major and non-major 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.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012
(amounts expressed in thousands)
(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Non-exchange 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 non-exchange 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.

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, 2012, but which were levied to finance year 2013 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, 2012, are recorded as Deferred Revenue.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012
(amounts expressed in thousands)
(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

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.

Cash and Cash Equivalents

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 Position 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, 2012.

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 at cost in Proprietary Funds and are expensed when used.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2012, 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.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012
(amounts expressed in thousands)
(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Assets

Restricted Assets are those which are legally restricted in their use by bond indentures, or other legal instruments.

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 Position, 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 Position 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 five hundred dollars. 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 balance amounts are eliminated in the Statement of Net Position.

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.

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.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012
(amounts expressed in thousands)
(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences (continued)

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, once Governmental Fund payables and accrued liabilities have incurred, they are paid in a timely manner and in full from current financial resources and reported as obligations of the funds. However, claims, 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 Refunding

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 Position.

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.

For advance refunding 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.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012
(amounts expressed in thousands)
(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interfund Activity (continued)

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 non-operating 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 non-spendable, restricted, committed, assigned and unassigned. Non-spendable 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 or 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, or resolution. 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.

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 Position

Net Position represents the difference between assets and liabilities. Net investment in capital assets 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 Position is 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.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012
(amounts expressed in thousands)
(continued)

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 needs 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.
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.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012
(amounts expressed in thousands)
(continued)

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

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, 2012, the carrying amount of the City's deposits was \$10,789 and the bank balance was \$15,965. Of the bank balance, the Federal Depository Insurance will cover up to \$250 per account. The City also has un-invested cash in the amount of \$10,163 being held by a third party trustee. This amount is greater than the previous year due to investments being called at the end of this year but not reinvested until 2013. 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, 2012, the carrying amount of the Toledo Municipal Court, an agency fund of the City, was \$1,152 and the bank balance was \$1,587. Of the bank balance, the Federal Depository Insurance will cover up to \$250 per account.

Cash and cash equivalents other

At December 31, 2012, the carrying amount of the Utility administration services, an enterprise fund of the City, was \$1,560 which represented cash application of customer accounts not deposited into the City's bank. The General fund has \$498 which represented a fiduciary deposit in transit. Both transactions are timing related and should not be reoccurring.

Investments

Investments are reported at fair value. As of December 31, 2012, the City had the following investments:

	Maturity		Total
	Within one year	More than one year but less than three years	
Federal Farm Credit Bureau	\$ -	\$ 42,256	\$ 42,256
Federal Home Loan Bank	-	31,478	31,478
Federal Home Loan Mortgage Corp	1,319	39,801	41,120
Federal National Mortgage Association	502	38,241	38,743
STAR Ohio	20,765	-	20,765
Certificates of deposit/savings	13	-	13
US Treasury	10,713	-	10,713
Total portfolio	\$ 33,312	\$ 151,776	\$ 185,088

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012
(amounts expressed in thousands)
(continued)

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Investments (continued)

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 years of the settlement date. The City's investment policy addresses interest risk requiring the consideration of market conditions and cash flow requirements in determining the term of the investments.

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 requirement that all investments are authorized by Code and that the portfolio be diversified both by types of 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 except for U.S. Treasury investments are registered and carry an AA+ rating by Standard and Poor's.

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.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012
(amounts expressed in thousands)
(continued)

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Investments (continued)

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.

The following is the City's allocation as of December 31, 2012:

	Fair Value	% of Total
Federal Farm Credit Bureau	\$ 42,256	22.83
Federal Home Loan Bank	31,478	17.00
Federal Home Loan Mortgage Corp	41,120	22.22
Federal National Mortgage Association	38,743	20.93
STAROhio	20,765	11.22
Certificates of deposit/savings	13	0.01
US Treasury	10,713	5.79
Total Portfolio	\$ 185,088	100.00

NOTE 3 – RECEIVABLES

Receivables at December 31, 2012 consist of the following:

	Taxes	Customer and Other	Special Assessments	Notes Receivable	Interest Receivable	Gross Receivables	Less: Allowance for Uncollectibles	Receivables Net
Governmental activities:								
General fund	\$ 43,475	\$ 9,710	\$ -	\$ -	\$ 22	\$ 53,207	\$ (12,795)	\$ 40,412
Capital improvement	-	7,940	-	2,750	-	10,690	(3,456)	7,234
Special assessment	-	96	56,526	-	-	56,622	-	56,622
Other governmental funds	-	1,352	926	30,613	3	32,894	(29,532)	3,362
Total governmental funds	43,475	19,098	57,452	33,363	25	153,413	(45,783)	107,630
Business type activities:								
Water	-	9,171	-	-	58	9,229	(3,096)	6,133
Sewer	-	23,828	-	-	10	23,838	(6,810)	17,028
Utility administrative services	-	4,734	-	-	57	4,791	-	4,791
Other business type activities	-	5,408	-	23,189	19	28,616	(19,220)	9,396
Total business type funds	-	43,141	-	23,189	144	66,474	(29,126)	37,348
Internal Service	-	673	-	-	-	673	(352)	321
Total	\$ 43,475	\$ 62,912	\$ 57,452	\$ 56,552	\$ 169	\$ 220,560	\$ (75,261)	\$ 145,299

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012
(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 was renewed January 1, 201 for an additional four years. Of this additional tax, .25% is also dedicated for capital improvements. The required transfers to the Capital Improvements Fund for 2012 have been completed. The City's voters passed Issue 5 in May, 2010 which allows the City to use a portion of the .75% for operating expenditures rather than for capital improvements. This allows money to move from the Capital Improvements Fund to the General Fund through December 31, 2012.

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 revalued 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. 2012 public utility property taxes became a lien on December 31, 2011, are levied on October 1, 2012 are collected in 2013 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes.

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, 2012 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 2012 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.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012
(amounts expressed in thousands)
(continued)

NOTE 5 – PROPERTY TAX (continued)

The full tax rate for all City operations for the year ended December 31, 2012 was \$4.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2012 property tax receipts were based are as follows:

Public utility real and tangible personal property	\$ 123,218
Real property (other than public utility)	<u>3,629,878</u>
Total assessed value	<u><u>\$ 3,753,096</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.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended December 31, 2012, was as follows:

	Balance 1/1/2012	Additions	Deletions	Balance 12/31/2012
<i>Governmental Activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 20,905	\$ -	\$ -	\$ 20,905
Construction in progress	58,809	44,203	-	103,012
Total capital assets not being depreciated	<u>79,714</u>	<u>44,203</u>	<u>-</u>	<u>123,917</u>
<i>Capital assets being depreciated:</i>				
Buildings	65,722	-	-	65,722
Furniture & Fixtures	6,907	-	-	6,907
Improvements	60,666	-	-	60,666
Infrastructure	807,634	-	-	807,634
Machinery & Equipment	131,535	8,310	-	139,845
Total capital assets being depreciated	<u>1,072,464</u>	<u>8,310</u>	<u>-</u>	<u>1,080,774</u>
<i>Less: accumulated depreciation</i>				
Buildings	28,913	803	-	29,716
Furniture & Fixtures	3,916	365	-	4,281
Improvements	17,581	2,442	-	20,023
Infrastructure	476,173	22,269	-	498,442
Machinery & Equipment	92,127	6,566	-	98,693
Total accumulated depreciation	<u>618,710</u>	<u>32,445</u>	<u>-</u>	<u>651,155</u>
Total capital assets being depreciated, net	<u>453,754</u>	<u>(24,135)</u>	<u>-</u>	<u>429,619</u>
Governmental type activities capital assets, net	<u><u>\$ 533,468</u></u>	<u><u>\$ 20,068</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 553,536</u></u>

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012
(amounts expressed in thousands)
(continued)

NOTE 6 – CAPITAL ASSETS (continued)

Depreciation expense was charged to functions of the Governmental Activities as follows:

General government	\$ 11,360
Public safety	6,189
Public utility	546
Community environment	10,388
Health	892
Parks and recreation	3,070
Total depreciation expense - governmental activities	<u>\$ 32,445</u>

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, 2012, 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, 2012, was as follows:

<i>Business-Type Activities:</i>	Balance 1/1/2012	Additions	Deletions	Balance 12/31/2012
<i>Capital assets not being depreciated:</i>				
Land	\$ 315	\$ 1,649	\$ -	\$ 1,964
Construction in progress	119,067	40,652	-	159,719
Total capital assets not being depreciated	119,382	42,301	-	161,683
<i>Capital assets being depreciated:</i>				
Buildings	51,005	930	-	51,935
Improvements	72,307	-	(1,041)	71,266
Furniture and fixtures	1,971	22	-	1,993
Distribution system	787,812	-	-	787,812
Machinery and equipment	115,426	1,921	-	117,347
Total capital assets being depreciated	1,028,521	2,873	(1,041)	1,030,353
<i>Less: accumulated depreciation</i>				
Buildings	42,384	1,091	-	43,475
Improvements	45,221	2,479	(666)	47,034
Furniture and fixtures	1,442	108	-	1,550
Distribution system	260,556	13,141	-	273,697
Machinery and equipment	75,901	7,256	-	83,157
Total accumulated depreciation	425,504	24,075	(666)	448,913
Total capital assets being depreciated, net	603,017	(21,202)	(375)	581,440
Business-type activities capital assets, net	<u>\$ 722,399</u>	<u>\$ 21,099</u>	<u>\$ (375)</u>	<u>\$ 743,123</u>

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012
(amounts expressed in thousands)
(continued)

NOTE 6 – CAPITAL ASSETS (continued)

Depreciation expense was charged to functions of the Business-Type Activities as follows:

Sewer	\$	17,796
Water		4,706
Utility Administrative Services		154
Non-major		1,419
Total depreciation expense - business-type activities		\$ 24,075

NOTE 7 – NOTES PAYABLE

The City's Notes Payable obligations at December 31, 2012 and a schedule of current year activity are as follows:

	Maturity Date	Interest Rate (%)	Original Issue Amount	Balance 1/1/2012	Increase	Decrease	Balance 12/31/2012	Amount Due In One Year
General obligations:								
Capital projects	2013	1.75	\$ 655	\$ 9,675	\$ 655	\$ (9,675)	\$ 655	\$ 655
Special assessments	2013	1.75	3,930	3,975	3,930	(3,975)	3,930	3,930
Internal service funds	2013	1.75	2,825	1,465	520	(1,465)	520	520
Building	2013	1.15	3,250	-	3,250		3,250	3,250
Revenue obligations:								
Assessed services 2010	2012	4.125	20,360	20,360	-	(20,360)	-	-
Assessed services 2011	2013	1.88	19,600	19,600	-	-	19,600	19,600
Assessed services 2012	2014	1.88	16,000	-	16,000	-	16,000	-
			\$ 55,075	\$ 24,355	\$ 24,355	\$ (35,475)	\$ 43,955	\$ 27,955

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012
(amounts expressed in thousands)
(continued)

NOTE 8 – LONG-TERM OBLIGATIONS

The City's Governmental Activities Long-Term Obligations at December 31, 2012 and a schedule of current year activity are as follows:

	Issue Date	Maturity Date	Interest Rate (%)	Original Issue Amount	Balance 1/1/2012	Increase	Decrease	Balance 12/31/2012	Amount Due In One Year
Government activities:									
General obligation bonds:									
Capital projects	Various	Various	1.5 - 6.08	\$ 196,655	\$ 99,704	\$ 40,203	\$ (21,253)	\$ 118,654	\$ 14,099
Special assessments	Various	Various	1.55 - 5.0	305	125	-	(25)	100	25
Loans outstanding:									
State agencies:									
State issue 2									
Capital projects	Various	Various	0	9,524	5,728	-	(709)	5,019	719
Ohio Water Dev Authority									
Capital projects	Various	Various	4.02 - 4.12	9,843	5,520	-	(504)	5,016	526
ODOD Chapter 166									
Capital projects	1998	2018	4	10,000	4,846	-	(629)	4,217	655
Economic Development	2012	2015	0	2,750	-	2,750	-	2,750	-
State Infrastructure Bank									
Capital projects	2009	2019	3	3,709	2,975	-	(244)	2,731	82
Federal agencies:									
HUD 108									
Capital projects	Various	Various	6.56 - 7.96	24,140	12,270	-	(1,445)	10,825	1,535
Other loans:									
Capital projects	Various	Various	0 - 6.55	18,201	13,459	-	(830)	12,629	907
Capital lease obligations:									
Fire trucks	2009	2013	4.638	2,923	1,215	-	(567)	648	648
Fire ambulances	2007	2012	6.391	840	188	-	(188)	-	-
Fire ambulances II	2010	2015	3.428	1,185	953	-	(226)	727	234
Police detective vehicles	2010	2012	3.1	2,125	708	-	(708)	-	-
Fire inspector vehicles	2011	2013	3	231	150	-	(73)	77	77
Ambulance	2012	2017	1.69	1,413	-	1,413	-	1,413	273
Landfill Vehicles	2012	2016	1.63	1,588	-	1,588	-	1,588	387
Other obligations:									
Landfill closure					14,719	365	-	15,084	-
Compensated absences					30,928	2,893	(9,416)	24,405	520
Total government activities					\$ 193,488	\$ 49,212	\$ (36,817)	\$ 205,883	\$ 20,687

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012
(amounts expressed in thousands)
(continued)

NOTE 8 – LONG-TERM OBLIGATIONS (continued)

The following is a schedule of Future Principal and Interest Payments to retire the Long-Term Obligations Outstanding and Notes Payable at December 31, 2012 for the City’s Governmental Activities:

Year	General Obligation Bonds		General Obligation Notes		Revenue Obligation Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 14,124	\$ 4,899	\$ 5,105	\$ 83	\$ 19,600	\$ 497
2014	15,524	4,332	-	-	16,000	301
2015	11,739	3,449	-	-	-	-
2016	9,625	3,312	-	-	-	-
2017	9,370	2,936	-	-	-	-
2018-2022	36,375	9,121	-	-	-	-
2023-2027	18,925	2,486	-	-	-	-
2028-2032	3,072	133	-	-	-	-
Total	<u>\$ 118,754</u>	<u>\$ 30,668</u>	<u>\$ 5,105</u>	<u>\$ 83</u>	<u>\$ 35,600</u>	<u>\$ 798</u>

Year	State Agency Loans		Federal and Other Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 1,982	\$ 450	\$ 2,442	\$ 884	\$ 43,253	\$ 6,813
2014	1,916	464	2,355	853	35,795	5,950
2015	2,374	298	2,483	775	16,596	4,522
2016	2,310	349	2,637	709	14,572	4,370
2017	4,963	280	2,625	635	16,958	3,851
2018-2022	4,305	559	4,992	2,282	45,672	11,962
2023-2027	1,720	42	3,135	1,429	23,780	3,957
2028-2032	163	-	2,785	569	6,020	702
Total	<u>\$ 19,733</u>	<u>\$ 2,442</u>	<u>\$ 23,454</u>	<u>\$ 8,136</u>	<u>\$ 202,646</u>	<u>\$ 42,127</u>

Landfill Closure and Post-closure 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 post-closure 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 Position for the closure and post-closure 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 45 years. The \$15,084 reported as landfill closure and post-closure care liability at December 31, 2012 represents the cumulative amount reported to date based on the use of 58.1% of the used capacity of the landfill. The City will recognize the remaining estimated cost of closure and post-closure care of \$10,861 as the remaining used capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2012 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 regulation.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012
(amounts expressed in thousands)
(continued)

NOTE 8 – LONG-TERM OBLIGATIONS (continued)

The City's Business-Type Activities Long-Term Obligations at December 31, 2012 and a schedule of current year activity are as follows:

Business-type activities	Issue	Maturity	Interest	Original	Balance	Increase	Decrease	Balance	Amount
	Date	Date	Rate (%)	Issue Amount	1/1/2012			12/31/2012	Due In One Year
General obligation bonds:									
Tow lot	2006	2014	4.0 - 5.0	\$ 2,835	\$ 2,035	\$ -	(160)	\$ 1,875	\$ 160
Property management	Various	Various	4.85 - 7.0	22,565	18,986	5,140	(698)	23,428	1,138
Revenue obligation bonds:									
Water system	Various	Various	1.25 - 6.20	139,940	67,442	48,311	(5,667)	110,086	5,208
Sanitary sewer system	Various	Various	2.0 - 6.45	49,300	28,515	-	(2,504)	26,011	2,603
Loans outstanding:									
State agencies:									
State issue 2									
Water system	Various	Various	0	1,704	1,317	-	(85)	1,232	85
Sanitary sewer system	Various	Various	0	7,044	6,186	773	(859)	6,100	310
Storm water system	Various	Various	0	2,084	1,507	-	(117)	1,390	117
Ohio Water Dev Authority									
Water system	2006	2028	3.25	16,012	10,768	186	(44)	10,910	551
Sanitary sewer system	Various	Various	3.75 - 8.31	397,949	231,868	44,741	(10,028)	266,581	12,329
ODOD Chapter 166									
Property management	2000	2016	4	1,500	775	-	(154)	621	160
Capital lease obligations:									
Ohio Building	1997	2012	4.75	8,276	236	-	(236)	-	-
Sewer cleaners II	2011	2015	4.99	1,389	1,050	-	(235)	815	260
Other obligations:									
Compensated absences					8,284	2,183	(5,571)	4,896	211
Total business-type activities					\$ 378,969	\$ 101,334	\$ (26,358)	\$ 453,945	\$ 23,132

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012
(amounts expressed in thousands)
(continued)

NOTE 8 – 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, 2012 for the City’s Business-Type Activities:

Year	General Obligation Bonds		Revenue Obligation Bonds		State Agency Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	1,298	38,398	7,811	4,435	13,552	7,549
2014	1,383	1,042	8,596	4,369	15,311	8,087
2015	1,479	1,008	8,811	4,081	15,925	7,880
2016	1,545	958	9,081	3,774	16,436	8,264
2017	1,640	925	9,488	3,439	16,837	7,740
2018-2022	7,693	3,697	22,365	13,817	91,875	31,405
2023-2027	9,340	1,629	26,832	8,565	80,802	15,660
2028-2032	925	46	17,255	3,333	24,080	2,906
2033-2035	-	-	25,858	841	12,016	220
Total	\$ 25,303	\$ 47,703	\$ 136,097	\$ 46,654	\$ 286,834	\$ 89,711

Year	Total	
	Principal	Interest
2013	22,661	50,382
2014	25,290	13,498
2015	26,215	12,969
2016	27,062	12,996
2017	27,965	12,104
2018-2022	121,933	48,919
2023-2027	116,974	25,854
2028-2032	42,260	6,285
2033-2035	37,874	1,061
Total	\$ 448,234	\$ 184,068

New Issues and Advanced Refunding

As interest rates are at historic lows, the City of Toledo refinanced many instruments and increased total debt to take advantage of the current market. The following list of new issues and advance refunding occurred;

In October of 2012, the City issued \$5,105 of General Obligation Notes for funding the construction of certain sidewalk improvements and the acquisition of certain motor vehicles and equipment.

In October of 2012, the City issued \$38,705 of General Improvement and Refunding Bonds for the purpose of funding certain permanent improvements and refunding existing obligations with a lower net interest cost.

In December of 2012, the City issued \$5,140 of General Obligation Bonds for the purpose of refunding at a lower interest cost the principal balance of the City’s 1995 Housing Improvement Bonds. The refinanced debt provides future cash flow savings and economic gains of \$148 over the life of the bond.

In October of 2012, the City issued \$10,620 of Water System Refunding Bonds for the purpose of refunding certain maturities of outstanding Water System Revenue Bonds at a lower interest cost. The refinanced debt provides future cash flow savings and economic gains of \$1,424 over the life of the bond.

In February of 2012 the City issued \$37,694 in new Water Revenue Bonds for the purpose of paying the cost 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.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012
(amounts expressed in thousands)
(continued)

NOTE 8 – LONG-TERM OBLIGATIONS (continued)

New Issues and Advanced Refunding (continued)

In 2012, the city issued \$16,000 in Special Assessment Notes for City Services. These notes mature on June 1 and December 1 of 2014.

State Infrastructure Bank Loans

The City has entered into State Infrastructure Bank loan agreements with the Ohio Department of Transportation (ODOT) pursuant to which ODOT provided to the City loans totaling \$2,808 to pay costs of certain street improvements in the City’s Marina District and a loan totaling \$901 to pay the City’s portion of the cost of improvements to the Martin Luther King Bridge. The aggregate outstanding principal amount of the City’s obligations under those ODOT loan agreements was \$2,731 as of December 31, 2012.

Ohio Public Works Commission

Ohio Public Works Commission (OPWC) 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.

Ohio Water Development Authority

Loans payable to the Ohio Water Development Authority (OWDA) are authorized by the Clean Water Act and authorized by 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, 2012 was \$280,776. Of this amount, \$10,910 is obligations incurred to help finance the water distribution system and are to be repaid from charges from water services. Of this amount, \$266,581 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 \$5,016 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.

NOTE 9 – LEASES AND OTHER COMMITMENTS

Operating Leases

In 1983, the City entered into a non-cancelable 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 for the year. 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 \$1,152 in 2012.

Future minimum lease payments on the building are as follows:

Year	Amount
2013	\$ 1,016
	<u>\$ 1,016</u>

The City also leases various facilities and equipment under various operating leases. Rental expense relating to these leases amounts to \$758 in 2012.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012
(amounts expressed in thousands)
(continued)

NOTE 9 – LEASES AND OTHER COMMITMENTS (continued)

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.

In 2009, the City entered into a non-cancelable 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 \$2,275 at December 31, 2012.

In 2010, the City entered into a non-cancelable 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 \$525.

In 2010, the City entered into a non-cancelable 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 \$638.

In 2011, the City entered into a non-cancelable long-term master equipment lease with Key Government Finance, Inc. for the lease of sewer cleaners. This lease replaced an existing lease in place from 2009. The 5 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 \$1,346 less accumulated depreciation of \$271.

In 2011, the City entered into a non-cancelable long-term master equipment lease with Ford Motor Credit for the lease of fire inspector vehicles. 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 \$231.

In 2012, the City entered into a non-cancelable long-term master equipment lease with PNC 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 \$1,413 less accumulated depreciation of \$141.

In 2012, the City entered into a non-cancelable long-term master equipment lease with PNC Equipment Finance for the lease of landfill equipment. The 4 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 \$1,588 less accumulated depreciation of \$159.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012
(amounts expressed in thousands)
(continued)

NOTE 9 – 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, 2012 are as follows:

Year Ending	Governmental Activities	Business-type Activities	Total
2013	\$ 1,700	\$ 296	\$ 1,996
2014	969	296	1,265
2015	969	296	1,265
2016	711	-	711
2017	297	-	297
Total minimum lease payments	4,646	888	5,534
Less: amount representing interest	(193)	(73)	(266)
Present value of net minimum lease payments	\$ 4,453	\$ 815	\$ 5,268

Other Commitments

Outstanding encumbrances for the Year Ended December 31, 2012 were as follows:

<i>Governmental Activities:</i>	
Capital improvements	\$ 4,472
Capital improvements - grants	3,560
Special assessments	190
Nonmajor governmental	5,700
 <i>Business-Type Activities:</i>	
Water - operating fund	2,951
Water - improvement fund	816
Water - replacement fund	1,353
Sewer - operating fund	905
Sewer - improvement fund	305
Sewer - replacement fund	68,887
Nonmajor enterprise	347
Internal service funds	2,760
	<u>\$ 92,246</u>

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012
(amounts expressed in thousands)
(continued)

NOTE 10 - 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, 2012 the Interfund Balances consist of the following individual Interfund receivables and payables as reported on the Fund Statements:

Interfund transfers for the Year Ended December 31, 2012, consisted of the following, as reported on the Fund Statements:

	Interfund Receivables	Interfund Payables
<i>Governmental activities:</i>		
General fund	\$ -	\$ 30,418
Capital improvement fund	10,134	-
Special assessment fund	-	16,928
Nonmajor governmental funds	30,226	1,344
Total governmental activities	<u>40,360</u>	<u>48,690</u>
<i>Business type activities:</i>		
Water	1,143	-
Sewer	19,568	-
Utility administrative services	-	49,364
Nonmajor enterprise activities	2,837	1,469
Internal service funds	35,615	-
Total business type activities	<u>59,163</u>	<u>50,833</u>
Total	<u>\$ 99,523</u>	<u>\$ 99,523</u>

Transfer Out	Transfer In					Total
	General Fund	Capital Improvement Fund	Nonmajor Governmental Fund	Nonmajor Enterprise Activities	Internal Service Funds	
<i>Governmental Activities:</i>						
General fund	\$ -	\$ 34,614	\$ -	\$ 1,385	\$ -	\$ 35,999
Capital improvement fund	9,360	-	28,165	-	-	37,525
Total governmental activities	<u>9,360</u>	<u>34,614</u>	<u>28,165</u>	<u>1,385</u>	<u>-</u>	<u>73,524</u>
<i>Business-Type Activities:</i>						
Nonmajor enterprise funds	1,096	-	-	-	-	1,096
Internal service funds	-	-	-	-	4,705	4,705
Total business-type activities	<u>1,096</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,705</u>	<u>5,801</u>
Total	<u>\$ 10,456</u>	<u>\$ 34,614</u>	<u>\$ 28,165</u>	<u>\$ 1,385</u>	<u>\$ 4,705</u>	<u>\$ 79,325</u>

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012
(amounts expressed in thousands)
(continued)

NOTE 11 – FUND BALANCE

A summary of Fund Balances as of December 31, 2012 by category with specific purpose information follows:

	General Fund	Capital Improvements	Special Assessment Services	Nonmajor Governmental Funds	Total
<i>Fund balances:</i>					
Nonspendable:					
Inventory	\$ 850	\$ 1,005	\$ 2,864	\$ 912	\$ 5,631
Total nonspendable	<u>850</u>	<u>1,005</u>	<u>2,864</u>	<u>912</u>	<u>5,631</u>
Restricted for:					
General government	5,406	-	218	-	5,624
Public service	-	41,914	-	19,876	61,790
Public safety	-	1,277	-	-	1,277
Total restricted	<u>5,406</u>	<u>43,191</u>	<u>218</u>	<u>19,876</u>	<u>68,691</u>
Committed to:					
General government	326	-	-	-	326
Community environment	-	-	-	12,462	12,462
Total committed	<u>326</u>	<u>-</u>	<u>-</u>	<u>12,462</u>	<u>12,788</u>
Unassigned	(1,574)	-	(53,293)	(2,359)	(57,226)
Total fund balances	<u>\$ 5,008</u>	<u>\$ 44,196</u>	<u>\$ (50,211)</u>	<u>\$ 30,891</u>	<u>\$ 29,884</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 2012, 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.

NOTE 12 – 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.

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 retirement 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.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012
(amounts expressed in thousands)
(continued)

NOTE 12 – PENSION PLANS (continued)

Ohio Public Employees Retirement System (continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

Authority to establish and amend benefits is provided in Chapter 145 of the ORC.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The ORC provides statutory authority for member and employer contributions. For 2012 member and employer contribution rates 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 divisions exist only within the Traditional Pension Plan. The 2012 member contribution rates were 10.00% of covered payroll for members in state and local classifications. Public safety and law enforcement members contributed 11.50% and 12.10%, respectively. Effective January 1, 2013, the member contribution rates for public safety and law enforcement members increased to 12.00% and 12.60% respectively. The 2012 employer contribution rate for state and local employers was 14.00% of covered payroll. The law enforcement and public safety division employer contribution rate was 18.10% of covered payroll.

The City's required contributions for all plans for years ended December 31, 2012, 2011, and 2010 were \$9,969, \$12,653, and \$9,924 respectively, or 91.0% of the required contribution for 2012 and equal to the required contributions for 2011 and 2010. The remaining employer contributions for 2012 were paid in the first quarter 2013.

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This accounting standard replaces GASB Statement 27, and it is effective for employer fiscal years beginning after June 15, 2014.

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%, respectively, for police officers and firefighters. The City contributions to OP&F for the years ending December 31, 2012, 2011 and 2010 approximated \$16,103, \$16,135 and \$15,247 respectively, or 75% of the required contribution for 2012 and equal to the required contributions for 2011 and 2010. The remaining employer contributions for 2012 were paid in the first quarter 2013.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012
(amounts expressed in thousands)
(continued)

NOTE 12 – 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 13 – 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 post-employment 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 Plan to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend the OPEB Plan is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, 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 employers to fund post retirement health care coverage 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 coverage.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, the City contributed at a rate of 14% of covered payroll and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. 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, 2012
(amounts expressed in thousands)
(continued)

NOTE 13 – 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 Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to the health care for members in the Traditional Plan was 4.0% during the calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2012. Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered to 1 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. 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, 2012, 2011, and 2010 approximated \$2,848, \$5,661 and \$3,603 respectively.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

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 Statement 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 is 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. That report is also available on OP&F's website at www.op-f.org.

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 of active pension plan members, currently, 19.5% and 24% of covered payroll for police and fire employers, 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.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012
(amounts expressed in thousands)
(continued)

NOTE 13 – POSTRETIREMENT BENEFIT PLANS (continued)

Ohio Police and Fire Pension Fund (continued)

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, 2012, 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 Trustees' 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, 2012, 2011 and 2010 approximated \$16,103, \$16,135 and \$15,790 respectively, of which \$5,046, \$5,041 and \$4,944 respectively, was allocated to the healthcare plan.

NOTE 14 – 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, 2012
(amounts expressed in thousands)
(continued)

NOTE 14 – RISK MANAGEMENT (continued)

Property and Liability (continued)

The City is fully insured through premium-based insurance policies for all other types of insurance. In 2012, the City contracted with various insurance companies to provide the following coverage:

	Coverage (in whole dollars)	Deductible (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, 2011 and 2012 were:

Year	Balance at Beginning of Year	Current Year Claims and Change in Estimate	Claims Payments	Balance at End of Year
2010	\$ 1,560	\$ 975	\$ 975	\$ 1,560
2011	1,560	1,340	1,340	1,560
2012	1,560	1,234	1,234	1,560

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.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012
(amounts expressed in thousands)
(continued)

NOTE 14 – RISK MANAGEMENT (continued)

Workers' Compensation

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 \$17,930 reported at December 31, 2012, 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 Position 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, 2011 and 2012 were:

Year	Balance at Beginning of Year	Current Year Claims and Change in Estimate	Claims Payments	Balance at End of Year
2010	\$ 18,575	\$ 7,678	\$ 6,922	\$ 19,331
2011	19,331	8,597	7,833	20,095
2012	20,095	3,894	6,059	17,930

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, 2011 and 2012 were:

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
2011	1,597	22,557	21,952	2,202
2012	2,202	18,540	18,090	2,652

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012
(amounts expressed in thousands)
(continued)

NOTE 15 – ACCOUNTABILITY AND COMPLIANCE

Fund Balance Deficits

The following deficit fund balances existed at December 31, 2012:

<i>Governmental funds:</i>	
Special assessment services fund	\$ 50,211
Nonmajor governmental funds:	
Federal block grants	131
Special assessment improvements fund	1,536
Toledo home program	163
 <i>Proprietary funds:</i>	
Property management	14,126

These deficits will be eliminated by future charges for services, reduction of expenditures or future bond sales, where appropriate.

Change in Accounting Principles

For 2012, the City has implemented GASB Statement No. 60, “*Accounting and Financial Reporting for Service Concession Arrangements*”, GASB Statement No. 62, “*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements*” and GASB Statement No. 63, “*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*”.

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a “facility”) in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the City.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the City’s financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012
(amounts expressed in thousands)
(continued)

NOTE 16 - 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, 2012.

Grants

In 2012, 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 17 – SUBSEQUENT EVENTS

In April 30, 2013, the City’s Council passed an agreement authorizing the issuance and sale of Water Revenue Bonds for paying the cost of various improvements to the city’s water supply, storage, and distribution to the tune of \$190 million. The various improvements are part of the city’s five-year capital improvement plan in response to mandate the Ohio Environmental Protection Agency and the U.S Environmental Protection Agency, and the Department of Public Utilities to make necessary public improvements to the Utility system. The proposed improvements will include replacing miscellaneous aging equipment and electrical components, installing new substations and distribution systems, constructing a 20 million-gallon per day treatment unit, and constructing an additional Alum storage and feed facilities at the Collins Park Water Treatment Facility.

In April 30, 2013, the City’s Council approved the issuance and sale of Water System Revenue Refunding Bonds not to exceed \$35 million for refunding outstanding water system revenue bonds of the city. The city finds and determines it is necessary and proper and its best interest to issues the 2013 Refunding Bonds for refunding the Refunded Bonds, and making any required deposits to the Debt Reserve Fund and paying costs of issuing the 2013 Refunding Bonds.

On February 5, 2013, City’s Council approved the issuance and sale of General Obligation bond anticipation notes in aggregate principal amount of \$3.25 million to pay for the costs of acquiring a building to serve as office space for the Department of Public Services. The Bonds are be dated April 1, 2014 and shall bear interest currently estimated at 4% per years, payable semiannually until principal amount is paid, and are estimated to mature in ten principal installments that are equal. The initial principal installment is estimated to be payable On December 1, 2015, and the first installment is estimated to be payable on December 1, 2014.

NOTE 18 – PRIOR PERIOD ADJUSTMENT

The Parkland Improvement fund has been reclassified as Parkland Replacement fund in Governmental Nonmajor Special Revenue funds due to the nature of the fund’s activities.

The Enterprise Water fund’s beginning balance has been restated due to incorrect capitalization of a capital asset in 2010.

	Water	Business-Type Activities
Fund balance/net position, as previously reported	\$ 149,475	\$ 419,674
Capital asset reclassification	(1,000)	(1,000)
Fund balance/net position, restated	\$ 148,475	\$ 418,674

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CITY OF TOLEDO, OHIO

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2012

<u>Federal Grantor/Program Title</u>	<u>Grant Number</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE			
Soil and Water Conservation	UG1410	10.902	\$ 123,567
Total U.S. Department of Agriculture			<u>123,567</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
CDBG Entitlement Cluster:			
Community Development Block Grants/Entitlement Grants			
36th Year CDBG Grant	G36000	14.218	140,103
37th Year CDBG Grant	G37000	14.218	4,091,228
38th Year CDBG Grant	G38000	14.218	3,556,088
2008 Neighborhood Stabilization	GNSP08	14.218	1,279,825
2010 Neighborhood Stabilization	GNSP10	14.218	738,002
<i>(Passed through Lucas Metropolitan Housing Authority):</i>			
LMHA 2012	G05572	14.218	260,240
ARRA - Community Development Block Grants ARRA Entitlement Grants	GSBG09	14.253	149,755
Total CDBG Entitlement Cluster			<u>10,215,241</u>
Emergency Solutions Grants Program			
25th Year Emergency Shelter	GE2502	14.231	194,906
26th Year Emergency Shelter	GE2602	14.231	119,682
			<u>314,588</u>
HOME Investment Partnerships Program	GH1402-GH2102	14.239	2,786,401
HOME Investment Partnerships Program	Outstanding Loans	14.239	1,223,850
			<u>4,010,251</u>
Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants	GED600	14.251	261,542
ARRA - Neighborhood Stabilization Program	G9NSP2	14.256	6,123,122
ARRA - Homelessness Prevention and Rapid Re-Housing Program	GHPF09	14.257	877,039
ARRA - Homelessness Prevention and Rapid Re-Housing Program	GFTLC9	14.257	104,820
			<u>981,859</u>
Total U.S. Department of Housing and Urban Development			<u>21,906,603</u>
U.S. DEPARTMENT OF THE INTERIOR			
<i>(Passed through Ohio Department of Natural Resources):</i>			
Great Lakes Restoration Program	G10390	15.662	337,065
Total U.S. Department of the Interior			<u>337,065</u>
U.S. DEPARTMENT OF JUSTICE			
ARRA - Public Safety Partnership and Community Policing Grants	G07739	16.710	1,231,712
JAG Program Cluster:			
Edward Byrne Memorial Justice Assistance Grant Program:			
FY2011 Justice Assistance	G07721	16.738	207,691
FY2012 Justice Assistance	G07722	16.738	161,048
2012 COVAW Grant	G13232	16.738	9,659
<i>(Passed through Ohio Department of Public Safety):</i>			
TCIRV Grant Grant	G07012	16.738	7,358
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant	G07012	16.803	48,142
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant	GF7109	16.804	364,465
Total JAG Program Cluster			<u>798,363</u>
<i>(Passed through Ohio's Office of Criminal Justice):</i>			
ARRA - Violence Against Women Formula Grants	G07332/G07333	16.588	31,296
<i>(Passed through Ohio Department of Public Safety):</i>			
Community Capacity Development Office	G05611-G0562	16.595	17,468
Total U.S. Department of Justice			<u>2,078,839</u>

(Continued)

CITY OF TOLEDO, OHIO

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2012

<u>Federal Grantor/Program Title</u>	<u>Grant Number</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>(Passed through Ohio Department of Transportation):</i>			
Highway Planning and Construction Cluster:			
SECOR ROAD WIDENING	75579	20.205	126,426
MANHATTAN BLV ENHANCEMENT	88671	20.205	17,972
SYLVANIA ODOT TIP	89079	20.205	1,900,960
HEATHERDOWNS ODOT TIP	81794	20.205	700,000
SOUTHWYCK-REYN TO REYN	90675	20.205	1,916,487
GLENDAL - REYN TO EASTGA	90964	20.205	500,749
MONROE-CENTRAL TO CRARY	81792	20.205	885,402
WOODVILLE HIGH LVL -CORP	GA6782	20.205	181,285
WOODVILLE HIGH LVL -CORP	91138	20.205	703,177
BROADWAY/SUMMIT WSTRN -LA	91131	20.205	615,509
DETROIT CENTRAL TO CALIF	87752	20.205	60,254
MONROE - PROMEDICA	87750	20.205	173,887
MONROE - PROMEDICA	GA8541	20.205	138,444
SUDER AVE BRIDGE REHAB	82151	20.205	1,484,354
GREENHOUSE ROW SIDEWALK	89716	20.205	77,265
Total Highway Planning and Construction Cluster			9,482,171
Highway Safety Cluster:			
<i>(Passed through Ohio Department of Highway Safety):</i>			
State and Community Highway Safety	G06705	20.600	43,438
State and Community Highway Safety	G06751	20.600	61,288
State and Community Highway Safety	G06752	20.600	12,142
Total Highway Safety Cluster			116,868
Total U.S. Department of Transportation			9,599,039
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Great Lakes Program	G10399	66.469	112,777
<i>(Passed through Ohio Environmental Protection Agency):</i>			
Nonpoint Source Implementation Grants	G10384	66.460	92,962
Air Pollution Control Program Support:			
2012 Title V	G2012V	66.001	239,982
2013 Title V	G2013V	66.001	62,388
Total U.S. Environmental Protection Agency			508,109
<u>EXECUTIVE OFFICE OF THE PRESIDENT</u>			
High Intensity Drug Trafficking Area (HIDTA) Grants - 2011	G04861	95.001	130,510
High Intensity Drug Trafficking Area (HIDTA) Grants - 2012	G04862	95.001	13,712
Total Executive Office of the President			144,222
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
<i>(Passed through Ohio Emergency Management Agency):</i>			
Emergency Management Performance Grants	G04551	97.042	14,896
Emergency Management Performance Grants	GA5420	97.042	105,117
			120,013
Assistance to Firefighters Grant	G05439	97.044	995,611
<i>(Passed through Toledo-Lucas County Port Authority):</i>			
Port Security Grant Program	G04521	97.056	68,310
Homeland Security Grant Program	GP1201	97.067	41,500
Homeland Security Grant Program	GP7212	97.067	93,558
			135,058
ARRA - Assistance to Firefighters Grant	G05439	97.115	2,542,179
Total U.S. Department of Homeland Security			3,861,171
Total Federal Awards			\$ 38,558,615

CITY OF TOLEDO, OHIO

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2012

<u>Federal Grantor/Program Title</u>	<u>Grant Number</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
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NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Toledo and is presented on the modified accrual basis of accounting, which is described in Note 1(c) to the City of Toledo, Ohio's (the City) Comprehensive Annual Financial Report. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - SUBRECIPIENTS

The City provided federal awards to various subrecipients on a pass-through basis as follows:

<u>Program</u>	<u>CFDA Number</u>	<u>Amount</u>
U.S. Department of Housing & Urban Development:		
Community Development Block Grants/Entitlement Grants	14.218	\$ 2,344,358
Emergency Shelter Grants Program	14.231	<u>314,588</u>
		<u>\$ 2,658,946</u>

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

INDEPENDENT AUDITORS' REPORT

To the Honorable Michael P. Bell, Mayor, Members of City Council and the Audit Committee
City of Toledo, Ohio:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Toledo, Ohio (the "City") as of and for the year ended December 31, 2012 and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 28, 2013, wherein we noted the City implemented Governmental Accounting Standards Board Statements No. 60, 62, and 63.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency listed as item 2012-1.

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Compliance And Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Toledo, Ohio
June 28, 2013

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

INDEPENDENT AUDITORS' REPORT

To the Honorable Michael P. Bell, Mayor, Members of City Council and the Audit Committee
City of Toledo, Ohio:

Report on Compliance for Each Major Federal Program

We have audited the City of Toledo, Ohio's (the "City") compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2012. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

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Basis for Qualified Opinions on CDBG Cluster (CFDA 14.218 and 14.253), HOME Investment Partnerships Program (CFDA 14.239), Neighborhood Stabilization Program (CFDA 14.256) and Homelessness Prevention and Rapid Re-Housing Program (CFDA 14.257)

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding the CDBG Cluster (CFDA 14.218 and 14.253), HOME Investment Partnerships Program (CFDA 14.239), Neighborhood Stabilization Program (CFDA 14.256) and Homelessness Prevention and Rapid Re-Housing Program (CFDA 14.257) as described in finding 2012-2 for Allowable Costs. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

As described in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient documentation supporting the compliance of the City with the CDBG Cluster (CFDA 14.218 and 14.253), as described in finding 2012-5 for Period of Availability, nor were we able to satisfy ourselves as to the City's compliance with those requirements by other auditing procedures.

Qualified Opinions on CDBG Cluster (CFDA 14.218 and 14.253), HOME Investment Partnerships Program (CFDA 14.239), Neighborhood Stabilization Program (CFDA 14.256) and Homelessness Prevention and Rapid Re-Housing Program (CFDA 14.257)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinions paragraph and except for the possible effects of the matter described in the Basis for Qualified Opinions paragraph, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the CDBG Cluster (CFDA 14.218 and 14.253), HOME Investment Partnerships Program (CFDA 14.239), Neighborhood Stabilization Program (CFDA 14.256) and Homelessness Prevention and Rapid Re-Housing Program (CFDA 14.257) for the year ended December 31, 2012.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2012.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, 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 2012-3 and 2012-4. Our opinion on each major federal program is not modified with respect to these matters

The City's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of compliance requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and 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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2012-2 and 2012-5 to be material weaknesses.

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 2012-3 and 2012-4 to be significant deficiencies.

The City's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the City as of and for the year ended December 31, 2012, and have issued our report thereon dated June 28, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Clark, Schaefer, Hackett & Co.

Toledo, Ohio
June 28, 2013

CITY OF TOLEDO, OHIO
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2012

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	None noted
• 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:	Unmodified for all major programs except for CDBG Cluster (CFDA 14.218/14.253) which was qualified and qualified for a scope limitation and HOME (CFDA 14.239), NSP (CFDA 14.256), and HPRP (CFDA 14.257) which were qualified.
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 – ARRA - Community Development Block Grant/Entitlement Grants
- CFDA 14.239 – HOME Investment Partnerships Program
- CFDA 14.256 – ARRA – Neighborhood Stabilization Program
- CFDA 14.257 – ARRA – Homelessness Prevention and Rapid Re-Housing Program
- CFDA 16.710 – ARRA – Public Safety Partnership and Community Policing Grants
- CFDA 97.115 – ARRA – Assistance to Firefighters Grants

Dollar threshold to distinguish between Type A and Type B Programs:	\$1,156,758
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

Finding 2012-1 – 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.

Management Response: *Management concurs.*

Section III – Federal Award Findings and Questioned Costs

Finding 2012-2 – Allowable Costs

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

CDBG – Entitlement Grants Cluster – CFDA Nos. 14.218 and 14.253 (ARRA), HOME Investment Partnerships Program – CFDA No. 14.239, Neighborhood Stabilization Program – CFDA No. 14.256 (ARRA) and Homelessness Prevention and Rapid Re-Housing Program – CFDA No. 14.257 (ARRA)

Criteria: 2 CFR 225, Appendix B requires where employees work on multiple activities or cost objectives, a distribution of their salaries and wages to be supported by personnel activity reports or equivalent documentation. Personnel activity reports are required under various circumstances, including when employees work on more than one federal award. Personnel activity reports must reflect after-the-fact distribution of actual activity of each employee, must account for the total activity for which each employee is compensated, must be prepared at least monthly and must be signed by the employee. 2 CFR 225, Appendix B goes on to state, budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards.

Condition: We performed tests to determine if the City was in compliance with time and effort documentation requirements for payroll charged to the federal program. The City allocates payroll and benefits for certain employees working on the federal program. Employees spending less than 100% of their time on the program do not track actual time spent on the program, and instead their time is charged based on a budget estimate.

Context: Total payroll of \$4,317,330 was charged to CDBG. The timesheets were completed using budgeted hours instead of actual. Of this amount \$861,101 was charged by employees that were 100% assigned to CDBG. The Department of Neighborhoods subsequently had these employees complete forms certifying that they worked 100% on CDBG funded activities.

Total payroll of \$207,622 was charged to HOME. The timesheets were completed using budgeted hours instead of actual.

Total payroll of \$423,188 was charged to NSP. The timesheets were completed using budgeted hours instead of actual.

Total payroll of \$45,959 was charged to HPRP. The timesheets were completed using budgeted hours instead of actual.

Cause: The Department of Neighborhoods was unaware of time and effort documentation requirements for employees charging less than 100% to the program.

Effect: Unallowable costs may have been charged to these programs due to the lack of tracking actual time instead of budgeted. As noted above, payroll costs charged to the programs were not properly supported and thus are considered questioned costs.

Recommendation: The City should establish procedures to ensure that payroll charges to the grants are supported by accurately prepared and reviewed personnel activity reports or periodic time studies.

Views of Responsible Officials: Management concurs.

Finding 2012-3 – Reporting

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Homelessness Prevention and Rapid Re-Housing Program – CFDA No. 14.257 (ARRA)

Criteria: The City must file quarterly 1512 reports as required with ARRA funded programs as well as quarterly performance reports. These reports must be supported by underlying data to verify that the data was accumulated and summarized accurately in accordance with these reporting requirements.

Condition: The 1st and 3rd quarter 1512 reports for HPRP included errors related to agency disbursements with some being overstated, others understated and certain items being excluded altogether.

Cause: The City did not maintain accurate supporting disbursement documentation for the 1512 and performance reports.

Effect: The City may not be in compliance with reporting requirements of this grant.

Recommendation: The City should establish controls to ensure all reports are properly supported by accurate documentation and review prior to submission.

Views of Responsible Officials: Management concurs.

Finding 2012-4 – Allowable Costs

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOME Investment Partnerships Program – CFDA No. 14.239

Criteria: Program costs must be allowable under the provisions of OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*. The general criteria for allowability of costs include appropriate cost documentation in accordance with the A-102 Common Rule for State, local and Indian tribal governments.

Condition: Per the HUD guidelines, the maximum allowable for Down Payment Assistance (“DPA”) is the greater of 6% of the purchase price or \$10,000. The City established a maximum of \$6,500 for DPA. The City did not follow guidelines for the maximum allowable amount for DPA.

Context: We noted that the City paid one homeowner \$23,200 for DPA which was \$16,700 greater than the allowable amount. Per discussion with the Department of Neighborhoods (“DON”), the prior DON administration had an agreement with a Community Housing Development Organization to always pay 20% for DPA. Therefore, this was an agreement under the previous administration, and the new administration elected to follow the agreement.

Cause: The City approved a transaction which exceeded the maximum allowable DPA.

Effect: As noted above, DPA costs of \$16,700 charged to the programs were not in accordance with required guidelines and are considered questioned costs.

Recommendation: The City should ensure they are complying with all guidelines related to DPA.

*Views of
Responsible
Officials:* Management concurs.

Finding 2012-5 – Period of Availability

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

CDBG – Entitlement Grants Cluster – CFDA Nos. 14.218 and 14.253 (ARRA)

Criteria: Per 24 CFR 570.902, CDBG funded activities must be carried out in a timely manner.

Condition: The amount of entitlement grant funds available to the recipient under grant agreements but undisbursed by the U.S. Treasury must be less than 1.5 times the entitlement grant amount for its current program year.

Context: We noted per discussion with the Department of Neighborhoods that the report used to determine proper period of availability was not available for review.

Cause: The Department of Neighborhoods stated that they routinely run and review the report; however, they did not retain this documentation. Therefore, no testing was able to be performed.

Effect: The City may not be in compliance with period of availability requirements of the grant.

Recommendation: The City should ensure they are documenting and retaining their review of required timeliness reports under the CDBG program.

*Views of
Responsible
Officials:* Management concurs.

Financial Statement Prior Audit Findings

Finding 2011-1 – Audit Adjustments and 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 state entitlements and grants resulting in increases in intergovernmental receivables and revenue. In addition, numerous corrections were necessary to the financial statements prepared by management related to classification and presentation of accounts and balances within the financial statements.

Status: *Corrected in 2012.*

Finding 2011-2 – 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.

Status: *Repeated as Finding 2012-1.*

We further noted that utility employees can access their own utility accounts within the system.

Status: *Corrected in 2012.*

Finding 2011-3 – Schedule of Expenditures of Federal Awards

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.

Status: *Corrected in 2012.*

Federal Award Prior Audit Findings

Finding 2011-4 – Matching for HOME (CFDA 14.239)

The City did not maintain supporting documentation for the amounts used in the matching calculation. Therefore, we could not determine the accuracy of the calculations.

Status: *Corrected in 2012.*

Finding 2011-5 – Eligibility for HOME (CFDA 14.239)

The City's controls over eligibility include an approval and sign off by an authorized individual. We noted that one of the four applications for down payment assistance tested did not contain the proper approval.

Status: *Corrected in 2012.*

Finding 2011-6 – Allowable Costs for CDBG (14.218, 14.253) and HOME (CFDA 14.239)

The City charged payroll to the programs which was not supported by accurate personnel activity reports or periodic time studies.

Status: Repeated as Finding 2012-2.

Finding 2011-7 – Subrecipient Monitoring for EECBG (CFDA 81.128)

The City is not monitoring subrecipients to determine that subrecipients expending \$500,000 or more of Federal awards are receiving the audit required by OMB Circular A-133.

Status: Corrected in 2012.

Finding 2011-8 – Reporting for NSP (14.256) and HPRP (14.257)

The 2nd and 4th quarter 1512 and performance reports for NSP included errors related to administrative costs that could not be accurately agreed back to supporting documentation.

The 4th quarter 1512 report for HPRP included errors related to agency disbursements with some being overstated, others understated and certain items being excluded altogether.

Status: Repeated as Finding 2012-3.

Finding 2011-9 – Cash Management for NSP (14.256)

The City did not maintain accurate supporting detail expenditure documentation for each reimbursement request during the audit period. Further, we noted instances in which it appeared the City paid certain grant expenditures after the reimbursement request.

Status: Corrected in 2012.

APPENDIX C

**Basic Financial Statements for Fiscal Year 2013
(unaudited)**

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UNAUDITED

City of Toledo, Ohio
Statement of Net Position
December 31, 2013
(Amounts in Thousands)

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents with Treasurer	\$ 8,463	\$ 10,773	\$ 19,236
Cash and Cash Equivalents Held by Escrow Agent	-	21,093	21,093
Cash and Cash Equivalents Other	12	3	15
Investments	34,038	68,206	102,244
Restricted Investments	18,295	225,087	243,382
Receivables (Net of Allowance)	100,069	35,070	135,139
Due From Other Governments	21,213	-	21,213
Internal Balances	12,963	(12,963)	-
Inventory	6,297	5,076	11,373
Capital Assets:	-		
Land and Construction in Progress	124,930	185,924	310,854
Other Capital Assets, net of Accumulated Depreciation	446,289	613,339	1,059,628
Total Assets	772,569	1,151,608	1,924,177
DEFERRED OUTFLOWS OF RESOURCES			
Debt Insurance Costs	-	178	178
LIABILITIES			
Accounts Payable	9,095	4,669	13,764
Customer Deposits	3,043	4,846	7,889
Accrued Wages and Benefits	11,269	2,313	13,582
Accrued Interest Payable	852	5,960	6,812
Retainages	687	1,708	2,395
Other Current Liabilities	20,508	-	20,508
Current Portion of Long-Term Liabilities:			
Compensated Absences	1,172	368	1,540
Bonds, Notes, Loans and Other Obligations	46,604	26,112	72,716
Long-Term Liabilities:			
Compensated Absences	29,749	5,722	35,471
Bonds, Notes, Loans and Other Obligations	173,344	633,436	806,780
Total Liabilities	296,323	685,134	981,457
DEFERRED INFLOWS OF RESOURCES			
Revenues Levied for the Next Year	11,976	-	11,976
NET POSITION			
Net Investment in Capital Assets	379,066	372,533	751,599
Restricted For:			
Debt Service	-	33,580	33,580
Replacement	-	40,398	40,443
Capital Improvement	32,266	14,876	47,195
Community Programs	21,384	-	21,384
Other Purposes	5,359	-	5,359
Unrestricted	26,195	5,265	31,362
Total Net Position	\$ 464,270	\$ 466,652	\$ 930,922

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, 2013
(Amounts in Thousands)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General Government	\$ 35,031	\$ 37,121	\$ -	\$ -	\$ 2,090	\$ -	\$ 2,090
Public Service	55,070	26,198	-	-	(28,872)	-	(28,872)
Public Safety	173,274	17,042	1,303	167	(154,762)	-	(154,762)
Public Utilities	1,876	-	-	10,103	8,227	-	8,227
Community Environment	20,090	2,527	16,598	-	(965)	-	(965)
Health	9,265	11,709	2,591	360	5,395	-	5,395
Parks and Recreation	6,443	164	-	-	(6,279)	-	(6,279)
Interest and Fiscal Charges	8,003	-	-	-	(8,003)	-	(8,003)
Total Governmental Activities	309,052	94,761	20,492	10,630	(183,169)	-	(183,169)
Business-Type Activities:							
Water	46,912	52,476	-	-	-	5,564	5,564
Sewer	51,310	69,719	-	640	-	19,049	19,049
Storm Utility	6,801	9,620	-	-	-	2,819	2,819
Utilities Administration	11,285	9,945	-	-	-	(1,340)	(1,340)
Property Management	895	-	-	-	-	(895)	(895)
Small Business Development	63	-	-	-	-	(63)	(63)
Municipal Tow Lot	963	2,536	-	-	-	1,573	1,573
Erie Street Market	48	146	-	-	-	98	98
Toledo Public Power	567	588	-	-	-	21	21
Total Business-Type Activities	118,844	145,030	-	640	-	26,826	26,826
Total	\$ 427,896	\$ 239,791	\$ 20,492	\$ 11,270	\$ (183,169)	\$ 26,826	\$ (156,343)
General Revenues:							
Income Taxes					158,176	-	158,176
Property Taxes					9,708	-	9,708
Investments Earnings					508	1,132	1,640
Intergovernmental Services					2,215	-	2,215
Gain on Sale of Capital Assets					87	-	87
Other Revenue					8,728	-	8,728
Transfers					238	(238)	-
Total General Revenues and Transfers					179,660	894	180,554
Changes in Net Position					(3,509)	27,720	24,211
Net Position - Beginning, as restated					467,779	438,932	906,711
Net Position - Ending					\$ 464,270	\$ 466,652	\$ 930,922

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

UNAUDITED

City of Toledo, Ohio
Balance Sheet
Governmental Funds
December 31, 2013
(Amounts in Thousands)

	<u>General</u>	<u>Capital Improvements</u>	<u>Special Assessments Services</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Equivalents:					
Cash and Equivalents with Treasurer	\$ 8,463	\$ -	\$ -	\$ -	\$ 8,463
Cash and Equivalents Held by Escrow Agent	-	-	-	-	-
Cash and Equivalents Other	10	-	-	2	12
Investments	32,912	164	-	79	33,155
Restricted Investments	5,420	10,663	1,509	1,571	19,163
Receivables (Net of Allowance)	41,222	4,798	48,777	4,740	99,537
Due From Other:					
Funds	-	9,749	-	35,594	45,343
Governments	3,501	2,356	99	15,257	21,213
Inventory of Supplies	1,143	1,239	1,743	889	5,014
Total Assets	<u>92,671</u>	<u>28,969</u>	<u>52,128</u>	<u>58,132</u>	<u>231,900</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities:					
Accounts Payable	1,553	5,000	285	1,487	8,325
Deposits	530	207	-	1,989	2,726
Retainage	-	676	-	11	687
Due To Other:					
Funds	44,484	-	17,762	232	62,478
Accrued Wages and Benefits	10,197	87	316	365	10,965
Other Current Liabilities	-	2,750	-	-	2,750
Compensated Absences Payable	955	14	75	96	1,140
Notes Payable	-	574	35,800	3,760	40,134
Total Liabilities	<u>57,719</u>	<u>9,308</u>	<u>54,238</u>	<u>7,940</u>	<u>129,205</u>
Deferred Inflows of Resources:					
Revenues Levied for the Next Year and Unavailable Revenue	26,975	360	48,684	12,677	88,696
Fund Balances:					
Nonspendable	1,143	1,239	1,743	889	5,014
Restricted	5,420	18,062	1,509	25,080	50,071
Committed	326	-	-	13,993	14,319
Unassigned	1,088	-	(54,046)	(2,447)	(55,405)
Total Fund Balances	<u>7,977</u>	<u>19,301</u>	<u>(50,794)</u>	<u>37,515</u>	<u>13,999</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 92,671</u>	<u>\$ 28,969</u>	<u>\$ 52,128</u>	<u>\$ 58,132</u>	<u>\$ 231,900</u>

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 Position
Governmental Funds
December 31, 2013
(Amounts in Thousands)

Total fund balances for governmental funds		\$ 13,999
Total net position reported for governmental activities in the statement of net position 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		548,319
Revenue will be collected beyond the 60 day period use statements or levied for next year. Revenue and a corresponding receivable are included in the government-wide statements		
Special Assessments	\$ 49,608	
Income Taxes	8,208	
Delinquent Property Taxes	2,778	
Capital Grants	360	
Operating Grants	9,170	
Reimbursements From Other Governments	6,596	76,720
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 position.		32,117
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 position. Balances at December 31, 2013 are as follows:		
General Obligation Bonds	(116,598)	
Compensated Absences	(29,749)	
Loans Outstanding From Federal Agencies	(20,652)	
Loans Outstanding From State Agencies	(18,235)	
Accrued Interest	(852)	
Landfill Closure	(15,256)	
Capital Leases	(5,543)	(206,885)
Total net position of governmental activities		\$ 464,270

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 Balances
Governmental Funds
For the Year Ended December 31, 2013
(Amounts in Thousands)

	General	Capital Improvements	Special Assessment Services	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Income Taxes	\$ 158,775	\$ -	\$ -	\$ -	\$ 158,775
Property Taxes	9,598	-	-	-	9,598
Special Assessments	-	-	25,165	285	25,450
Licenses and Permits	2,408	-	-	6	2,414
Intergovernmental Services	21,044	4,592	-	12,384	38,020
Charges for Services	26,296	-	861	973	28,130
Investment Earnings	135	364	4	5	508
Fines and Forfeitures	7,118	-	-	1,472	8,590
Grants	-	10,270	-	17,229	27,499
Other Revenue	620	2	54	7,829	8,505
Total Revenues	225,994	15,228	26,084	40,183	307,489
EXPENDITURES					
Current:					
General Government	27,112	779	283	291	28,465
Public Service	1,674	-	23,978	9,410	35,062
Public Safety	159,264	-	-	4,301	163,565
Public Utilities	1	-	-	-	1
Community Environment	4,671	-	-	14,602	19,273
Health	4,767	-	515	2,658	7,940
Parks and Recreation	2,947	-	178	362	3,487
Capital Outlay	1	52,428	9	736	53,174
Debt Service:					
Principal Retirement	526	6,095	-	16,686	23,307
Interest and Fiscal Charges	200	1,580	583	4,761	7,124
Total Expenditures	201,163	60,882	25,546	53,807	341,398
Excess (Deficiency) of Revenues over (under) Expenditures	24,831	(45,654)	538	(13,624)	(33,909)
OTHER FINANCING SOURCES (USES)					
Transfers In	12,477	35,795	-	21,868	70,140
Transfers (Out)	(34,657)	(33,636)	-	(1,609)	(69,902)
Capital Lease Inception	-	3,386	-	-	3,386
Issuance of Bonds	-	14,046	-	-	14,046
Premium on Bonds	-	884	-	-	884
Proceeds from Sale of Capital Assets	25	50	-	12	87
Total Other Financing Sources (Uses)	(22,155)	20,525	-	20,271	18,641
Net Change in Fund Balance	2,676	(25,129)	538	6,647	(15,268)
Fund Balance (Deficit) at Beginning of Year	5,008	44,196	(50,211)	30,891	29,884
Increase (Decrease) for Inventory	293	234	(1,121)	(23)	(617)
Fund Balance (Deficit) at Year End	\$ 7,977	\$ 19,301	\$ (50,794)	\$ 37,515	\$ 13,999

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, 2013
(Amounts in Thousands)

Net change in **fund balances** - total governmental funds \$ (15,268)

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.

Capital Outlay	\$ 53,455	
Depreciation Expense	<u>(36,710)</u>	16,745

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	(7,843)	
Income Taxes	(599)	
Delinquent Property Taxes	110	
Capital Grants	360	
Operating Grants	3,263	
Reimbursements From Other Governments	<u>2,215</u>	(2,494)

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. (5,864)

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. (172)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net position. This amount is the amount by which repayment of principal exceeds proceeds from issuance not reported as notes payable in the governmental funds. 5,814

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 Inventory	<u>(617)</u>	(617)
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Changes in net position of internal service funds reported with governmental activities. (1,653)

Changes in **net position** of governmental activities \$ (3,509)

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

City of Toledo, Ohio
Statement of Net Position
Proprietary Funds
December 31, 2013
(Amounts in Thousands)

	Business-type Activities - Enterprise Funds					Governmental
					Total	Activities
	Water	Sewer	Utility Administrative Services	Nonmajor Enterprise	Enterprise Funds	Internal Service Funds
ASSETS						
<u>Current:</u>						
Cash and Equivalents with Treasury	\$ 518	\$ 1,016	\$ 9,210	\$ 29	\$ 10,773	\$ -
Cash and Equivalents Held by Escrow	18,276	2,814	-	3	21,093	-
Cash and Equivalents Other	2	-	-	1	3	-
Investments	3,829	1,011	52,567	10,799	68,206	-
Restricted Investments	222,962	1,756	-	369	225,087	15
Receivables (Net of Allowance)	9,713	16,701	41	8,615	35,070	532
Due From Other:						
Funds	72	40,528	-	6,143	46,743	30,098
Inventory of Supplies	4,416	585	75	-	5,076	1,283
Total Current Assets	259,788	64,411	61,893	25,959	412,051	31,928
<u>Noncurrent:</u>						
Land and Construction in Progress	37,986	146,196	-	1,742	185,924	465
Other Capital Assets, net of Accumulated Depreciation	176,862	403,153	173	33,151	613,339	22,435
Total Noncurrent Assets	214,848	549,349	173	34,893	799,263	22,900
Total Assets	474,636	613,760	62,066	60,852	1,211,314	54,828
DEFERRED OUTFLOWS OF RESOURCES						
Debt Insurance Costs	158	20	-	-	178	-
LIABILITIES						
<u>Current:</u>						
Accounts Payable	2,447	2,040	62	120	4,669	770
Customer Deposits	3,410	690	328	418	4,846	317
Retainage	273	1,358	-	77	1,708	-
Due to Other:						
Funds	-	-	58,874	832	59,706	-
Other Current Liabilities	-	-	-	-	-	17,758
Accrued Interest Payable	1,897	3,989	-	74	5,960	-
Accrued Wages and Benefits	737	961	407	208	2,313	304
Current Portion of:						
Compensated Absences Payable	102	157	84	25	368	32
Bonds, Loans and Notes Payable, net	7,575	17,275	-	1,230	26,080	3,530
Total Current Liabilities	16,441	26,470	59,755	2,984	105,650	22,711
<u>Noncurrent:</u>						
Compensated Absences Payable	1,765	2,523	1,010	424	5,722	-
Bonds, Loans and Notes Payable, net	299,393	314,379	-	19,696	633,468	-
Total Noncurrent Liabilities	301,158	316,902	1,010	20,120	639,190	-
Total Liabilities	317,599	343,372	60,765	23,104	744,840	22,711
NET POSITION						
Net Investment in Capital Assets	116,513	223,942	173	31,905	372,533	19,385
Restricted:						
Debt Service	30,901	2,665	-	14	33,580	-
Replacement	8,500	16,371	-	15,527	40,398	-
Improvement	530	11,695	-	2,651	14,876	-
Unrestricted	751	15,735	1,128	(12,349)	5,265	12,732
Total Net Position	\$ 157,195	\$ 270,408	\$ 1,301	\$ 37,748	\$ 466,652	\$ 32,117

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

City of Toledo, Ohio
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the year ended December 31, 2013
(Amounts in Thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water	Sewer	Utility Administrative Services	Nonmajor Enterprise	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES						
Charges for Services	\$ 52,413	\$ 69,522	\$ 9,945	\$ 12,384	\$ 144,264	\$ 23,249
Other Revenue	63	197	-	506	766	223
Total Operating Revenue	<u>52,476</u>	<u>69,719</u>	<u>9,945</u>	<u>12,890</u>	<u>145,030</u>	<u>23,472</u>
OPERATING EXPENSES						
Personnel Services	13,192	18,484	7,248	3,475	42,399	6,716
Contractual Services	7,017	4,605	3,329	2,238	17,189	8,211
Materials and Supplies	7,797	3,036	604	480	11,917	6,756
Utilities	2,713	3,196	33	552	6,494	970
Depreciation	5,109	14,395	71	1,722	21,297	2,445
Total Operating Expenses	<u>35,828</u>	<u>43,716</u>	<u>11,285</u>	<u>8,467</u>	<u>99,296</u>	<u>25,098</u>
Operating Income (Loss)	16,648	26,003	(1,340)	4,423	45,734	(1,626)
NONOPERATING REVENUES (EXPENSES)						
Investment Earnings	873	8	95	156	1,132	-
Interest Expense and Fiscal Charges	(11,084)	(7,594)	-	(870)	(19,548)	(27)
Total Nonoperating Revenues (Expenses)	<u>(10,211)</u>	<u>(7,586)</u>	<u>95</u>	<u>(714)</u>	<u>(18,416)</u>	<u>(27)</u>
Income (Loss) Before Transfers and Contributions	6,437	18,417	(1,245)	3,709	27,318	(1,653)
Capital Contributions	-	640	-	-	640	-
Transfers In	-	-	-	1,558	1,558	-
Transfers Out	(75)	(75)	-	(1,646)	(1,796)	-
Change in Net Position	6,362	18,982	(1,245)	3,621	27,720	(1,653)
Net Position at January 1, as restated	<u>150,833</u>	<u>251,426</u>	<u>2,546</u>	<u>34,127</u>	<u>438,932</u>	<u>33,770</u>
Net Position at December 31	<u>\$ 157,195</u>	<u>\$ 270,408</u>	<u>\$ 1,301</u>	<u>\$ 37,748</u>	<u>\$ 466,652</u>	<u>\$ 32,117</u>

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

UNAUDITED

**City of Toledo, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2013
(Amounts in Thousands)**

	Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Water	Sewer	Utility Administrative Services	Nonmajor	Total	
Operating Activities:						
Cash Received from Customers	\$ 49,158	\$ 69,842	\$ 24,165	\$ 13,168	\$ 156,333	\$ 23,065
Cash Paid to Employees	(12,762)	(17,714)	(7,163)	(3,404)	(41,043)	(6,975)
Cash Paid to Suppliers	(14,247)	(33,309)	(3,667)	(7,152)	(58,375)	(12,747)
Other Receipts	63	197	-	506	766	223
Net Cash Provided by (Used by) Operating Activities	<u>22,212</u>	<u>19,016</u>	<u>13,335</u>	<u>3,118</u>	<u>57,681</u>	<u>3,566</u>
Noncapital Financial Activities:						
Transfers In	-	-	-	1,558	1,558	-
Transfers Out	(75)	(75)	-	(1,646)	(1,796)	-
Net Cash Provided by (Used by) Noncapital Financing Activities	<u>(75)</u>	<u>(75)</u>	<u>-</u>	<u>(88)</u>	<u>(238)</u>	<u>-</u>
Capital and Related Financing Activities:						
Proceeds from Capital Grants and Contributions	-	640	-	-	640	-
Proceeds from the Sales of Assets	-	-	1	-	1	-
Purchases of Property, Plant and Equipment	(15,641)	(47,782)	-	(1,803)	(65,226)	(3,299)
Principal Payments on Bonds and Loans	(35,249)	(28,703)	-	(9,501)	(73,453)	(3,770)
Proceeds from the Issuance of Bonds, Loans, and Notes	219,989	60,850	-	3,113	283,952	3,530
Interest and Fiscal Charges Paid on Bonds, Loans and Notes	(7,815)	(6,876)	-	(861)	(15,552)	(27)
Net Cash Provided by (Used by) Capital and Related Financing Activities	<u>161,284</u>	<u>(21,871)</u>	<u>1</u>	<u>(9,052)</u>	<u>130,362</u>	<u>(3,566)</u>
Investing Activities:						
Proceeds from Sales and Maturities of Investments	120,077	6,108	40,319	17,592	184,096	-
Purchase of Investments	(292,810)	(3,000)	(46,140)	(11,795)	(353,745)	-
Investment Income Received on Investments	548	15	135	156	854	-
Net Cash Provided by (Used by) Investing Activities	<u>(172,185)</u>	<u>3,123</u>	<u>(5,686)</u>	<u>5,953</u>	<u>(168,795)</u>	<u>-</u>
Increase (Decrease) in Cash and Cash Equivalents	11,236	193	7,650	(69)	19,010	-
Cash and Cash Equivalents at Beginning of Year	7,560	3,637	1,560	102	12,859	-
Cash and Cash Equivalents at End of Year	<u>\$ 18,796</u>	<u>\$ 3,830</u>	<u>\$ 9,210</u>	<u>\$ 33</u>	<u>\$ 31,869</u>	<u>\$ -</u>
Reconciliation of Net Operating Income (Loss) to Net Cash Provided by (Used by) Operating Activities:						
Operating Income (Loss)	\$ 16,648	\$ 26,003	\$ (1,340)	\$ 4,423	\$ 45,734	\$ (1,626)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used by) Operating Activities:						
Depreciation	5,109	14,395	71	1,722	21,297	2,445
Increase (Decrease) in Allowance for Doubtful Accounts	1,168	1,258	-	695	3,121	-
Changes in Assets and Liabilities:						
Receivables	(4,423)	(938)	4,710	86	(565)	(211)
Due To (From) Other:						
Funds	1,071	(20,960)	9,510	(3,943)	(14,322)	5,517
Governments	(15)	(152)	-	4	(163)	-
Inventory of Supplies	(406)	(71)	(45)	-	(522)	(644)
Accounts Payable	2,413	983	16	64	3,476	49
Customer Deposits	122	(1,407)	328	(2)	(959)	27
Retainage	95	(865)	-	(3)	(773)	-
Deferred and Other Liabilities	-	-	-	-	-	(1,732)
Accrued Wages and Benefits	54	66	21	22	163	(156)
Compensated Absences Payable	376	704	64	50	1,194	(103)
Net Cash Provided by (Used by) Operating Activities	<u>\$ 22,212</u>	<u>\$ 19,016</u>	<u>\$ 13,335</u>	<u>\$ 3,118</u>	<u>\$ 57,681</u>	<u>\$ 3,566</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
December 31, 2013
(Amounts in Thousands)

	<u>Agency Funds</u>
ASSETS	
Cash and Equivalents:	
Cash and Equivalents Other	\$ 1,076
Receivables (Net of Allowance)	<u>2,649</u>
Total Assets	<u><u>3,725</u></u>
LIABILITIES	
Accounts Payable	66
Deposits	<u>3,659</u>
Total Liabilities	<u><u>\$ 3,725</u></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 the Basic Financial Statements
For the Year Ended December 31, 2013
(Amounts 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 Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. 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*City of Toledo-City of Rossford*

In February 1992, the City 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.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013
(Amounts in Thousands)
(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly Governed Organizations (continued)

The zone has helped foster successful retail and other developments in the zone. 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 \$16 in revenues from the JEDZ in 2013.

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 \$304 in revenues from the JEDZ in 2013.

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 \$12 in revenues from this agreement in 2013.

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 \$13 in revenues from the JEDD in 2013.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013
(Amounts in Thousands)
(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly Governed Organizations (continued)

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 did not receive revenues from the JEDD in 2013.

City of Toledo-Troy Township

In September 2010, the City 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 \$43 in revenues from the JEDD in 2013.

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, 2013
(Amounts in Thousands)
(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly Governed Organizations (continued)

Corrections Commission of Northwest Ohio (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 \$ 4,998 for the operation of the Commission in 2013. Financial information can be obtained from the Commission's administrative office located at 3151 County Road 2425, Stryker, OH 43557-9418.

Basis of Presentation

The City's basic Financial Statements consist of Government-Wide Statements, including a Statement of Net Position, and Statement of Activities, as well as Fund Financial Statements which provide a more detailed level of financial information. The Government-Wide Statements report all of the assets, deferred outflows, liabilities, deferred inflows, 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.

Government-Wide Financial Statements:

The Statement of Net Position 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 activities 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 Position presents the financial condition of the Governmental and Business-Type Activities of the City at year-end.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013
(Amounts in Thousands)
(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

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 specific 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 a 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.

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, Liabilities and Deferred Inflows is reported as Fund Balance.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013
(Amounts in Thousands)
(continued)

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Accounting (continued)

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 position, 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 enterprises: water, sewer, and utility administrative services.

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, 2013
(Amounts in Thousands)
(continued)

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Accounting (continued)

Utility Administrative Services: To provide comprehensive billing, collections and customer services/ relations in an efficient, cost-effective and responsive manner to residents, businesses and governmental jurisdictions within the greater Toledo metropolitan areas, as well as administrative support for the Department of Public Utilities. Senior clerks are available to assist with water/sewer service contracts, billing problems, inspections, payment agreements, remote installations, and many other customer service needs.

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, deferred outflows, liabilities and deferred inflows associated with the operation of the City are included on the Statement of Net Position, except within Fiduciary Funds. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in net position.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013
(Amounts in Thousands)
(continued)

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus (continued)

Fund Financial Statements:

All Governmental Funds are accounted for using a flow of current financial resources measurement focus. Using this method, only current assets, current liabilities and deferred inflows 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, deferred outflows of resources, and liabilities associated with the operation of these funds are included on the Statement of Net Position. The Statement of Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The Statement of Cash Flows provides information about how the City finances and meets the cash flow needs of its Proprietary Activities.

Proprietary Funds distinguish operating revenues and expenses from non-operating 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 all major and non-major 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 inflows and in the presentation of expenses versus expenditures.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013
(Amounts in Thousands)
(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

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.

Non-exchange 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 non-exchange 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.

Deferred Outflows/Inflows of Resources

The statement of financial position will sometimes report a section separate from assets for *deferred outflows of resources*. This separate element of the financial statement represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources until then. Currently, the City has one item that qualifies for reporting in this category – which is the costs associated with prepaid debt insurance.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013
(Amounts in Thousands)
(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

The statement of financial position will sometimes report a section separate from liabilities for *deferred inflows of resources*. This separate element of the financial statement represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources until then. Property taxes for which there is an enforceable legal claim as of December 31, 2013, but which were levied to finance year 2014 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as Deferred Inflows. In addition, income taxes, special assessments, and receivables not received within the available period; as well as grants and entitlements received before the eligibility requirements are met have been reported on the governmental funds report as Deferred Inflows.

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.

Cash and Cash Equivalents

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 Position 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.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013
(Amounts in Thousands)
(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents (continued)

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, 2013.

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 both Governmental and Proprietary Funds and are expensed when used.

Restricted Assets

Restricted Assets are those that are legally restricted in their use by bond indentures, or other legal instruments.

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 Position, 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 Position 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 five hundred dollars. 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.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013
(Amounts in Thousands)
(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets (continued)

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 balance amounts are eliminated in the Statement of Net Position.

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.

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.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013
(Amounts in Thousands)
(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences (continued)

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, once Governmental Fund payables and accrued liabilities have incurred, they are paid in a timely manner and in full from current financial resources and reported as obligations of the funds. However, claims, 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.

Premiums, Discounts and Deferred Amount on Refunding

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.

For advance refunding 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 a deferred outflow.

Interfund Activity

Transfers between Governmental and Business-Type Activities on the Government-Wide Statements are reported in the same manner as general revenues.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013
(Amounts in Thousands)
(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interfund Activity (continued)

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 non-operating 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 Balances 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 Balances are non-spendable, restricted, committed, assigned and unassigned. Non-spendable 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 or pursuant to enabling 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, or resolution. The Unassigned Fund Balance represents the residual net resources in the General Fund and deficits in other Governmental Funds.

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, 2013
(Amounts 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 Position

Net Position represents the difference between assets, deferred outflows, liabilities and deferred inflows. Net investment in capital assets 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 Position is 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.

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;

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013
(Amounts in Thousands)
(continued)

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

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 needs 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.
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.
9. Negotiable or non-negotiable interest-bearing time certificates of deposit representing deposits of the City placed in an institution having all of the qualifications of a Depository except that it need only have an office located in the State rather than in the City.
10. Federally insured certificates of deposit initiated through a Federal Deposit Insurance Corporation member bank or savings and loan association having an office in Lucas County and under an arrangement whereby the full amount of the deposit is allocated among a reciprocal network of participating Federal Deposit Insurance Corporation member banks or savings and loan associations, wherever located, such that the full amount of the City's deposit is covered by federal deposit insurance.
11. The STAR Plus Federally Insured Cash Account, an investment program offered in conjunction with STAR Ohio under which funds invested through the program are deposited in various federally insured banks, savings banks or savings and loan associations located anywhere in the United States in such a manner that the full amount of the public moneys deposited is covered by federal deposit insurance.

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

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013
(Amounts in Thousands)
(continued)

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

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 Long Term Issuer Default Rating by Fitch of BBB 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, 2013, the carrying amount of the City's deposits was \$19,236 and the bank balance was \$21,887. Of the bank balance, the Federal Depository Insurance will cover up to \$250 per account. The City also has un-invested cash in the amount of \$21,093 being held by a third party trustee. This amount is greater than the previous year due to the sale of additional City bonds and the resulting requirement for additional reserves. The City also has petty cash funds of \$13 held by departments that are not covered by Federal Depository Insurance or collateralized.

At December 31, 2013, the carrying amount of the Toledo Municipal Court, an agency fund of the City, was \$1,076 and the bank balance was \$1,294. Of the bank balance, the Federal Depository Insurance will cover up to \$250 per account.

Cash and cash equivalents other

At December 31, 2013, the carrying amount of the City's other cash and cash equivalents were \$15 representing a fiduciary deposit in transit.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013
(Amounts in Thousands)
(continued)

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)**Investments**

Investments are reported at fair value. As of December 31, 2013, the City had the following investments:

	Maturity		Total
	Within One Year	More than One Year but Less than Three Years	
Federal Farm Credit Bank	\$ 2,000	\$ 82,375	\$ 84,375
Federal Home Loan Bank	-	58,021	58,021
Federal Home Loan Mortgage Corp	-	77,810	77,810
Federal National Mortgage Association	838	85,614	86,452
STAR Ohio	27,098	-	27,098
Certificates of Deposit/Savings	13	-	13
US Treasury	11,857	-	11,857
	\$ 41,806	\$ 303,820	\$ 345,626

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 years of the settlement date. The City's investment policy addresses interest risk requiring the consideration of market conditions and cash flow requirements in determining the term of the investments.

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.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013
(Amounts in Thousands)
(continued)

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Investments (continued)

Credit Risk for investments is addressed by the City's investment policy requirement that all investments are authorized by Code and that the portfolio be diversified both by types of 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 except for U.S. Treasury investments are registered and carry an AA+ rating by Standard and Poor's.

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. Within this 40 percent, up to \$15,000,000 may be further invested through a STAR Plus Federally Insured Cash Account.
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.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013
(Amounts in Thousands)
(continued)

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Investments (continued)

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 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 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.

The following is the City's allocation as of December 31, 2013:

	<u>Fair Value</u>	<u>% of Total</u>
Federal Farm Credit Bank	\$ 84,375	24.41
Federal Home Loan Bank	58,021	16.79
Federal Home Loan Mortgage Corp	77,810	22.51
Federal National Mortgage Association	86,452	25.01
STAROhio	27,098	7.84
Certificates of Deposit/Savings	13	0.00
US Treasury	11,857	3.43
	<u>11,857</u>	<u>3.43</u>
Total Portfolio	<u>\$ 345,626</u>	<u>100.00</u>

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013
(Amounts in Thousands)
(continued)

NOTE 3 – RECEIVABLES

Receivables at December 31, 2013 consist of the following:

	Taxes	Customer and Other	Special Assessments	Notes Receivable	Interest Receivable	Gross Receivables	Less: Allowance for Receivables Uncollectibles	Net
Governmental Activities:								
General Fund	\$ 38,433	\$ 16,133	\$ -	\$ -	\$ 34	\$ 54,600	\$ (13,378)	\$ 41,222
Capital Improvement	-	5,504	-	2,750	-	8,254	(3,456)	4,798
Special Assessment	-	93	48,684	-	-	48,777	-	48,777
Other Governmental Funds	-	2,726	924	30,614	-	34,264	(29,524)	4,740
Total Governmental Funds	38,433	24,456	49,608	33,364	34	145,895	(46,358)	99,537
Business-Type Activities:								
Water	-	13,591	-	-	383	13,974	(4,261)	9,713
Sewer	-	24,765	-	-	3	24,768	(8,067)	16,701
Utility Administrative Services	-	2	-	-	39	41	-	41
Other Business-Type Activities	-	5,599	-	22,914	16	28,529	(19,914)	8,615
Total Business-Type Activities	-	43,957	-	22,914	441	67,312	(32,242)	35,070
Internal Service	-	879	-	-	-	879	(346)	532
Total	\$ 38,433	\$ 69,292	\$ 49,608	\$ 56,278	\$ 475	\$ 214,086	\$ (78,946)	\$ 135,139

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 was renewed January 1, 2013 for an additional four years. Of this additional tax, .25% is also dedicated for capital improvements. The required transfers to the Capital Improvements Fund for 2013 have been completed. The City's voters renewed Issue 5 in January 2013 which allows the City to use a portion of the .75% for operating expenditures rather than for capital improvements. This allows money to move from the Capital Improvements Fund to the General Fund through December 31, 2016.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013
(Amounts in Thousands)
(continued)

NOTE 4 – INCOME TAXES (continued)

Employers within the City are required to withhold income tax on employee compensation and to 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 proceeding 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 34.4 percent of true value. The 2013 public utility property taxes became a lien on December 31, 2012, were levied on October 1, 2013 and will be collected in 2014 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes.

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, 2013 and for which there is an enforceable legal claim. In the Government Funds, the current portion receivable has been offset by deferred inflow of resources since the current taxes were not levied to finance 2013 operations and the collection of delinquent taxes has been offset by a deferred inflow 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 represented as a deferred inflow.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013
(Amounts in Thousands)
(continued)

NOTE 5 – PROPERTY TAX (continued)

The full tax rate for all City operations for the year ended December 31, 2013 was \$4.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2013 property tax receipts were based are as follows:

Public Utility Real and Tangible Personal Property	\$	150,560
Real Property (Other than Public Utility)		3,060,991
Total Assessed Value	\$	3,211,551

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 5 or 10 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, 2013
(Amounts in Thousands)
(continued)

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the Governmental Activities for the year ended December 31, 2013, was as follows:

	Balance 1/1/2013 as Restated	Additions	Deletions	Balance 12/31/2013
<i>Governmental Activities:</i>				
<i>Capital Assets not being Depreciated:</i>				
Land	\$ 25,002	\$ -	\$ (361)	\$ 24,641
Construction in Progress	84,159	16,130	-	100,289
Total Capital Assets not being Depreciated	109,161	16,130	(361)	124,930
<i>Capital Assets being Depreciated:</i>				
Buildings	68,946	-	-	68,946
Furniture & Fixtures	9,735	5	-	9,740
Improvements	60,666	13,556	-	74,222
Infrastructure	820,153	8,941	-	829,094
Machinery & Equipment	148,128	18,567	-	166,695
Total Capital Assets being Depreciated	1,107,628	41,069	-	1,148,697
<i>Less: Accumulated Depreciation</i>				
Buildings	30,282	1,397	-	31,679
Furniture & Fixtures	4,965	507	-	5,472
Improvements	20,375	3,536	-	23,911
Infrastructure	497,902	23,440	-	521,342
Machinery & Equipment	109,729	10,275	-	120,004
Total Accumulated Depreciation	663,253	39,155	-	702,408
Total Capital Assets being Depreciated, net	444,375	1,914	-	446,289
Governmental Type Activities Capital Assets, net	\$ 553,536	\$ 18,044	\$ (361)	\$ 571,219

Depreciation expense was charged to functions of the Governmental Activities as follows:

General Government	\$ 4,758
Public Service	21,218
Public Safety	6,608
Public Utility	1,993
Community Environment	401
Health	1,033
Parks and Recreation	3,144
Total Depreciation Expense - Governmental Activities	<u>\$ 39,155</u>

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013
(Amounts 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, 2013, the Department owned approximately 161 parcels at an estimated historical cost of \$4,158. 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, 2013, was as follows:

<i>Business-Type Activities:</i>	Balance 1/1/2013 as Restated	Additions	Deletions	Balance 12/31/2013
<i>Capital Assets not being Depreciated:</i>				
Land	\$ 4,322	\$ -	\$ -	\$ 4,322
Construction in Progress	154,468	27,134	-	181,602
Total Capital Assets not being Depreciated	158,790	27,134	-	185,924
<i>Capital Assets being Depreciated:</i>				
Buildings	51,437	498	-	51,935
Furniture & Fixtures	1,993	-	-	1,993
Improvements	71,266	25,035	-	96,301
Infrastructure	790,596	9,804	-	800,400
Machinery & Equipment	117,437	2,754	-	120,191
Total Capital Assets being Depreciated	1,032,729	38,091	-	1,070,820
<i>Less: Accumulated Depreciation</i>				
Buildings	26,439	1,347	-	27,786
Furniture & Fixtures	1,359	108	-	1,467
Improvements	24,852	3,129	-	27,981
Infrastructure	313,174	9,068	-	322,242
Machinery & Equipment	70,360	7,645	-	78,005
Total Accumulated Depreciation	436,184	21,297	-	457,481
Total Capital Assets being Depreciated, net	596,545	16,794	-	613,339
Business-Type Activities Capital Assets, net	<u>\$ 755,335</u>	<u>\$ 43,928</u>	<u>\$ -</u>	<u>\$ 799,263</u>

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013
(Amounts in Thousands)
(continued)

NOTE 6 – CAPITAL ASSETS (continued)

Depreciation expense was charged to functions of the Business-Type Activities as follows:

Water	\$ 5,109
Sewer	14,395
Utility Administrative Services	71
Non-Major	1,722
Total Depreciation Expense - Business-Type Activities	<u>\$ 21,297</u>

NOTE 7 – NOTES PAYABLE

The City's Governmental Activities Notes Payable obligations at December 31, 2013 and a schedule of current year activity are as follows:

	Maturity Date	Interest Rate (%)	Original Issue Amount	Balance 1/1/2013	Increase	Decrease	Balance 12/31/2013	Amount Due In One Year
General Obligations:								
Capital Projects	2014	1.375	\$ 574	\$ 655	\$ 574	\$ (655)	\$ 574	\$ 574
Special Assessments	2014	1.375	3,760	3,930	3,760	(3,930)	3,760	3,760
Internal Service Funds	2014	1.375	275	520	275	(520)	275	275
Building	2014	1.00	3,255	3,250	3,255	(3,250)	3,255	3,255
Revenue Obligations:								
Assessed Services 2011	2013	1.88	19,600	19,600	-	(19,600)	-	-
Assessed Services 2012	2014	1.36	16,000	16,000	-	-	16,000	16,000
Assessed Services 2013	2015	1.25	19,800	-	19,800	-	19,800	-
				<u>\$ 43,955</u>	<u>\$ 27,664</u>	<u>\$ (27,955)</u>	<u>\$ 43,664</u>	<u>\$ 23,864</u>

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013
(Amounts in Thousands)
(continued)

NOTE 8 – LONG-TERM OBLIGATIONS

The City's Governmental Activities Long-Term Obligations at December 31, 2013 and a schedule of current year activity are as follows:

Government Activities:	Issue Date	Maturity Date	Interest Rate (%)	Original Issue Amount	Balance 1/1/2013	Increase	Decrease	Balance 12/31/2013	Amount Due In One Year
General Obligation Bonds:									
Capital Projects	Various	Various	1.5 - 6.08	\$ 169,979	\$ 118,654	\$ 14,529	\$ (16,661)	\$ 116,522	\$ 16,191
Special Assessments	Various	Various	1.55 - 5.0	235	100	-	(25)	75	10
Loans Outstanding:									
State Agencies:									
Ohio Public Works Commission									
Capital Projects	Various	Various	0	9,539	5,019	15	(719)	4,315	686
Ohio Water Dev Authority									
Capital Projects	Various	Various	4.02 - 4.12	9,843	5,016	-	(526)	4,490	548
ODOD Chapter 166									
Capital Projects	1998	2018	4	10,000	4,217	-	(655)	3,562	682
Economic Development	2010	2020	1.00	2,750	2,750	-	-	2,750	-
State Infrastructure Bank									
Capital Projects	2009	2019	3	4,095	2,731	386	-	3,117	-
Federal Agencies:									
HUD 108									
Capital Projects	Various	Various	6.56 - 7.96	24,140	10,825	-	(1,535)	9,290	1,620
Other Loans:									
Capital Projects	Various	Various	0 - 6.55	18,201	12,629	-	(916)	11,713	735
Capital Lease Obligations:									
Fire Trucks	2009	2013	4.638	2,923	622	-	(622)	-	-
Fire Ambulances II	2010	2015	3.428	1,185	727	-	(234)	493	242
Police Vehicles	2013	2015	1.15	3,386	-	3,386	(677)	2,709	1,354
Fire Inspector Vehicles	2011	2013	3	231	77	-	(77)	-	-
Ambulance	2012	2017	1.66	1,413	1,413	-	(273)	1,140	278
Landfill Vehicles	2012	2016	1.60	1,588	1,588	-	(387)	1,201	394
Other Obligations:									
Landfill Closure					15,084	172	-	15,256	-
Compensated Absences					24,405	9,142	(2,626)	30,921	1,172
Total Governmental Activities					\$ 205,857	\$ 27,630	\$ (25,933)	\$ 207,554	\$ 23,912

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013
(Amounts in Thousands)
(continued)

NOTE 8 – LONG-TERM OBLIGATIONS (continued)

The following is a schedule of Future Principal and Interest Payments to retire the Long-Term Obligations Outstanding and Notes Payable at December 31, 2013 for the City's Governmental Activities:

Year	General Obligation Bonds		General Obligation Notes		Revenue Obligation Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 16,201	\$ 4,706	\$ 7,864	\$ 83	\$ 16,000	\$ 301
2015	12,530	4,112	-	-	19,800	301
2016	10,417	3,661	-	-	-	-
2017	10,187	3,272	-	-	-	-
2018	9,720	3,420	-	-	-	-
2019-2023	37,025	9,952	-	-	-	-
2024-2028	19,988	3,181	-	-	-	-
2029-2033	529	25	-	-	-	-
Total	<u>\$ 116,597</u>	<u>\$ 32,329</u>	<u>\$ 7,864</u>	<u>\$ 83</u>	<u>\$ 35,800</u>	<u>\$ 602</u>

Year	State Agency Loans		Federal and Other Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 1,916	\$ 469	\$ 2,355	\$ 853	\$ 44,336	\$ 6,412
2015	2,395	414	2,483	775	37,208	5,602
2016	2,332	346	2,637	709	15,386	4,716
2017	2,318	275	2,625	635	15,130	4,182
2018	2,124	203	3,493	564	15,337	4,187
2019-2023	5,126	406	2,889	2,073	45,040	12,431
2024-2028	1,921	15	2,375	1,256	24,284	4,452
2029-2033	102	-	2,146	388	2,777	413
Total	<u>\$ 18,234</u>	<u>\$ 2,128</u>	<u>\$ 21,003</u>	<u>\$ 7,253</u>	<u>\$ 199,498</u>	<u>\$ 42,395</u>

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013
(Amounts in Thousands)
(continued)

NOTE 8 – LONG-TERM OBLIGATIONS (continued)

Landfill Closure and Post-closure 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 post-closure 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 Position for the closure and post-closure 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 55 years. The \$15,256 reported as landfill closure and post-closure care liability at December 31, 2013 represents the cumulative amount reported to date based on the use of 57.99% of the used capacity of the landfill. The City will recognize the remaining estimated cost of closure and post-closure care of \$11,052 as the remaining used capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2013 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 regulation.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013
(Amounts in Thousands)
(continued)

NOTE 8 – LONG-TERM OBLIGATIONS (continued)

The City's Business-Type Activities Long-Term Obligations at December 31, 2013 and a schedule of current year activity are as follows:

Business-Type Activities	Issue Date	Maturity Date	Interest Rate (%)	Original Issue Amount	Balance 1/1/2013	Increase	Decrease	Balance 12/31/2013	Amount Due In One Year
General Obligation Bonds:									
TowLot	2006	2024	4.0 - 5.0	\$ 2,835	\$ 1,875	\$ -	(160)	\$ 1,715	\$ 160
Property Management	Various	Various	2.0 - 7.0	22,971	23,428	3,113	(9,064)	17,477	797
Revenue Obligation Bonds:									
Water System	Various	Various	1.25 - 6.20	359,929	110,086	219,989	(34,613)	295,462	6,924
Sanitary Sewer System	Various	Various	2.0 - 6.45	50,835	26,011	14,610	(17,236)	23,385	2,802
Loans Outstanding:									
State Agencies:									
Ohio Public Works Commission									
Water System	Various	Various	0	1,704	1,232	-	(85)	1,147	81
Sanitary Sewer System	Various	Various	0	7,924	6,100	347	(310)	6,137	310
Storm Water System	Various	Various	0	2,084	1,390	-	(117)	1,273	107
Ohio Water Dev Authority									
Water System	2006	2028	3.25	16,012	10,910	-	(551)	10,359	570
Sanitary Sewer System	Various	Various	2.38-4.8	443,842	266,581	45,893	(10,897)	301,577	13,890
OODOD Chapter 166									
Property Management	2000	2016	4	1,500	621	-	(160)	461	167
Capital Lease Obligations:									
Sewer Cleaners II	2011	2015	4.99	1,389	815	-	(260)	555	272
Other Obligations:									
Compensated Absences					4,896	1,577	(383)	6,090	368
Total Business-Type Activities					\$ 453,945	\$ 285,529	\$ (73,836)	\$ 665,638	\$ 26,448

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013
(Amounts in Thousands)
(continued)

NOTE 8 – 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, 2013 for the City's Business-Type Activities:

Year	General Obligation Bonds		Revenue Obligation Bonds	
	Principal	Interest	Principal	Interest
2014	957	891	9,726	14,773
2015	1,204	858	9,912	14,494
2016	1,235	819	11,182	13,135
2017	1,305	776	10,637	12,828
2018	1,370	719	8,827	12,212
2019-2023	7,154	2,606	50,625	55,436
2024-2028	5,967	797	62,057	43,576
2029-2033	-	46	69,680	29,563
2034-2038	-	-	86,201	9,881
Total	\$ 19,192	\$ 7,512	\$ 318,847	\$ 205,898

Year	State Agency Loans		Total	
	Principal	Interest	Principal	Interest
2014	15,125	8,065	25,808	23,729
2015	15,990	8,084	27,106	23,436
2016	17,594	8,950	30,011	22,904
2017	18,028	8,403	29,970	22,007
2018	18,727	7,339	28,924	20,270
2019-2023	98,014	27,608	155,793	85,650
2024-2028	90,352	12,782	158,376	57,155
2029-2033	29,105	2,991	98,785	32,600
2034-2036	18,019	186	104,220	10,067
Total	\$ 320,954	\$ 84,408	\$ 658,993	\$ 297,818

New Issues and Advanced Refunding

As interest rates continue to remain at historic lows, the City of Toledo refinanced several bond issues and issued new debt. The following list of new issues and advanced refunding occurred in 2013;

In 2013, the City issued \$4,609 of General Obligation Notes for funding the construction of certain sidewalk improvements and the acquisition of certain motor vehicles and equipment.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013
(Amounts in Thousands)
(continued)

NOTE 8 – LONG-TERM OBLIGATIONS (continued)

New Issues and Advanced Refunding (continued)

In 2013, the City issued \$13,645 of General Obligation Bonds, with a bond premium of \$885 for the purpose of funding certain permanent improvements and refunding existing obligations with a lower net interest cost.

In 2013, the City issued \$3,100 of General Obligation Bonds, with a bond premium of \$13, for the purpose of refunding at a lower net interest cost the principal balance of the City's 1995 Housing Improvement Bonds. The refinanced debt provides future cash flow savings of \$474 and economic gains of \$375 over the life of the bond.

In 2013, the City issued \$197,130, with a bond premium of \$17,714, for the purpose of refunding certain maturities of outstanding Water System Revenue Bonds and paying the cost 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.

As part of the \$197,130, the City issued \$10,475 of Water Refunding Bonds to provide resources for the purchase of US Government Securities. Of that amount, \$10,855 was placed in an escrow account for the purpose of retiring debt service obligations in November 2015. As a result, the \$10,855 is considered to be defeased and the liability has been removed from the Enterprise activities in the statement of net position. The refinanced debt provides future cash flow savings of \$711 and economic gains of \$572 over the life of the bond.

In August of 2013, the City issued \$5,145 of Water System Refunding Bonds for the purpose of refunding certain maturities of outstanding Water System Revenue Bonds at a lower interest cost. The refinanced debt provides future cash flow savings of \$398 and economic gains of \$355 over the life of the bond.

In 2013, The City issued \$13,620, with a bond premium of \$990 of Sewer System Revenue Refunding Bonds for the purpose of refunding at a lower net interest cost certain maturities of outstanding Sewer System Revenue Refunding Bonds. The refinanced debt provides future cash flow savings of \$1,871 and economic gains of \$1,494 over the life of the bond.

In 2013, the City issued \$19,800 in Special Assessment Notes for City Services. These notes mature on June 1 and December 1 of 2015.

In 2013, the City renewed \$3,255 of Building Acquisition Notes to mature in April of 2014.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013
(Amounts in Thousands)
(continued)

NOTE 8 – LONG-TERM OBLIGATIONS (continued)

State Infrastructure Bank Loans

The City has entered into State Infrastructure Bank loan agreements with the Ohio Department of Transportation (ODOT) pursuant to which ODOT provided to the City loans totaling \$3,194 to pay costs of certain street improvements in the City's Marina District and a loan totaling \$901 to pay the City's portion of the cost of improvements to the Martin Luther King Bridge. The aggregate outstanding principal amount of the City's obligations under those ODOT loan agreements was \$3,117 as of December 31, 2013.

Ohio Public Works Commission

Ohio Public Works Commission (OPWC) 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.

Ohio Water Development Authority

Loans payable to the Ohio Water Development Authority (OWDA) are authorized by the Clean Water Act and authorized by 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, 2013 was \$316,426. Of this amount, \$10,359 is obligations incurred to help finance the water distribution system and are to be repaid from charges from water services. Obligations of \$301,577 were incurred to help finance the sanitary sewage facilities and are to be repaid from charges from sanitary sewer services. The remaining amount of \$4,490 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.

NOTE 9 – LEASES AND OTHER COMMITMENTS

Operating Leases

In 1983, the City entered into a non-cancelable long-term lease with the Ohio Building Authority for the office space it occupies in One Government Center. The 30 year lease, expired on August 1, 2013 and currently operating on a month-to-month basis, is classified as an operating lease. The City made quarterly rental payments totaling \$386 for the year.

The City also leases various facilities and equipment under various operating leases. Rental expense relating to these leases amounts to \$1,094 in 2013.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013
(Amounts in Thousands)
(continued)

NOTE 9 – LEASES AND OTHER COMMITMENTS (continued)

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.

In 2009, the City entered into a non-cancelable 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 \$1,218.

In 2010, the City entered into a non-cancelable 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 \$415.

In 2011, the City entered into a non-cancelable long-term master equipment lease with Key Government Finance, Inc. for the lease of sewer cleaners. This lease replaced an existing lease in place from 2009. The 5 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 \$578.

In 2011, the City entered into a non-cancelable long-term master equipment lease with Ford Motor Credit for the lease of fire inspector vehicles. 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 \$231 less accumulated depreciation of \$66.

In 2012, the City entered into a non-cancelable long-term master equipment lease with PNC 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 \$1,413 less accumulated depreciation of \$165.

In 2012, the City entered into a non-cancelable long-term master equipment lease with PNC Equipment Finance for the lease of landfill equipment. The 4 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 \$1,588 less accumulated depreciation of \$185.

In 2013, the City entered into a non-cancelable-long term lease with PNC Equipment Finance, LLC for the lease of police vehicles. 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 \$3,386 less accumulated depreciation of \$339.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013
(Amounts in Thousands)
(continued)

NOTE 9 – LEASES AND OTHER COMMITMENTS (continued)

Future minimum lease payments on these capital leases together with the present value of the net minimum lease payments as of December 31, 2013 are as follows:

Year Ending	Governmental Activities	Business-Type Activities	Total
2014	\$ 2,356	\$ 296	\$ 2,652
2015	2,356	296	2,652
2016	710	-	710
2017	297	-	297
Total Minimum Lease Payments	5,719	592	6,311
Less: Amount Representing Interest	(176)	(37)	(213)
Present Value of net Minimum Lease Payments	<u>\$ 5,543</u>	<u>\$ 555</u>	<u>\$ 6,098</u>

Other Commitments

The City of Toledo and the Toledo-Lucas County Port Authority (“Port Authority”) have partnered to create an Energy Special Improvement District (“District”). A non-profit corporation, known as the Toledo Ohio Advanced Energy Improvement Corporation (“Corporation”), with representatives of the City and the Port Authority, governs the District. The City, the Port Authority and the Corporation entered into an Energy Services Agreement which sets forth a process by which the parties will cooperate with one another to provide certain special energy improvement projects, including energy efficiency improvements to City buildings and facilities. As part of the agreement the City has begun a special assessment process whereby the City is assessed on a semi-annual basis beginning in calendar year 2014.

The initial funding for those energy efficiency improvements is being provided by bonds issued by the Port Authority in the approximate amount of \$5.3 million. Those funds will be loaned to the Corporation for purpose of paying the contractors doing the work and paying the other costs of the various improvements.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013
(Amounts in Thousands)
(continued)

NOTE 9 – LEASES AND OTHER COMMITMENTS (continued)

Other Commitments (continued)

Outstanding encumbrances for the Year Ended December 31, 2013 were as follows:

<i>Governmental Activities:</i>	
General	\$ 3,944
Capital Improvements	205
Special Assessments	92
Nonmajor Governmental	31
 <i>Business-Type Activities:</i>	
Water - Operating Fund	8,540
Water - Improvement Fund	4
Water - Bond Improvement	580
Water - Replacement Fund	24
Sewer - Operating Fund	1,467
Sewer - Bond Improvement F	20
Sewer - Replacement Fund	120
Sewer - Utility Administrative	279
Nonmajor Enterprise	69
Internal Service Funds	38
	<u>\$ 15,413</u>

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013
(Amounts in Thousands)
(continued)

NOTE 10 - INTERFUND ACTIVITY

Interfund balances are a function of 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, 2013 the interfund balances consist of the following individual balances due from other funds and due to other funds as reported on the Fund Statements:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
<i>Governmental Activities:</i>		
General Fund	\$ -	\$ 44,484
Capital Improvement Fund	9,749	-
Special Assessment Fund	-	17,762
Nonmajor Governmental Funds	35,594	232
Internal Service Funds	30,098	-
Total Governmental Activities	<u>75,441</u>	<u>62,478</u>
<i>Business-Type Activities:</i>		
Water	72	-
Sewer	40,528	-
Utility Administrative Services	-	58,874
Nonmajor Enterprise Activities	6,143	832
Total Business-Type Activities	<u>46,743</u>	<u>59,706</u>
Total	<u>\$ 122,184</u>	<u>\$ 122,184</u>

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013
(Amounts in Thousands)
(continued)

NOTE 10 - INTERFUND ACTIVITY (continued)

Interfund transfers for the Year Ended December 31, 2013, consisted of the following, as reported on the Fund Statements:

Transfer Out	Transfer In				Total
	General Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	
Governmental Activities:					
General Fund	\$ -	\$ 34,657	\$ -	\$ -	\$ 34,657
Capital Improvement Fund	10,660	-	21,418	1,558	33,636
Nonmajor Governmental Funds	246	1,138	225	-	1,609
Total Governmental Activities	10,906	35,795	21,643	1,558	69,902
Business-Type Activities:					
Water	-	-	75	-	75
Sewer	-	-	75	-	75
Nonmajor Enterprise Funds	1,571	-	75	-	1,646
Total Business-Type Activities	1,571	-	225	-	1,796
Total	\$ 12,477	\$ 35,795	\$ 21,868	\$ 1,558	\$ 71,698

In 2013, the General Fund transferred \$34,657 into the Capital Improvement Fund. This amount is a percentage of the income tax collections in 2013 that is authorized by Toledo City Council and the Mayor for transfer.

In 2013, The Capital Improvement Fund transferred \$10,660 to the General Fund. City of Toledo voters approved a portion of the City income tax transferred to the Capital Improvement Fund to be reallocated to the General Fund for operating expenses.

In 2013, the Capital Improvement fund transferred \$21,418 to various nonmajor governmental funds for the purpose of debt management.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013
(Amounts in Thousands)
(continued)

NOTE 11 – FUND BALANCE

A summary of Fund Balances as of December 31, 2013 by category with specific purpose information follows:

	General Fund	Capital Improvements	Special Assessment Services	Nonmajor Governmental Funds	Total
<i>Fund Balances:</i>					
Nonspendable:					
Inventory	\$ 1,143	\$ 1,239	\$ 1,743	\$ 889	\$ 5,014
Total Nonspendable	<u>1,143</u>	<u>1,239</u>	<u>1,743</u>	<u>889</u>	<u>5,014</u>
Restricted for:					
General Government	5,420	-	1,509	230	7,159
Public Service	-	18,062	-	11,034	29,096
Public Safety	-	-	-	-	-
Community Environment	-	-	-	13,816	13,816
Total Restricted	<u>5,420</u>	<u>18,062</u>	<u>1,509</u>	<u>25,080</u>	<u>50,071</u>
Committed to:					
General Government	326	-	-	12,756	13,082
Community Environment	-	-	-	1,237	1,237
Total Committed	<u>326</u>	<u>-</u>	<u>-</u>	<u>13,993</u>	<u>14,319</u>
Unassigned	<u>1,088</u>	<u>-</u>	<u>(54,046)</u>	<u>(2,447)</u>	<u>(55,405)</u>
Total Fund Balances	<u>\$ 7,977</u>	<u>\$ 19,301</u>	<u>\$ (50,794)</u>	<u>\$ 37,515</u>	<u>\$ 13,999</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 2013, 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.

NOTE 12 – 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.

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.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013
(Amounts in Thousands)
(continued)

NOTE 12 – PENSION PLANS (continued)

Ohio Public Employees Retirement System (continued)

Combined Plan: A cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement 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 Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

Authority to establish and amend benefits is provided in Chapter 145 of the ORC.

OPERS issue a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The ORC provides statutory authority for member and employer contributions. For 2013 member and employer contribution rates 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 divisions exist only within the Traditional Pension Plan. The 2013 member contribution rates were 10.00% of covered payroll for members in state and local classifications. Public safety and law enforcement members contributed 12.00% and 12.60%, respectively. The 2013 employer contribution rate for state and local employers was 14.00% of covered payroll. The law enforcement and public safety division employer contribution rate was 18.10% of covered payroll.

The City's required contributions for all plans for years ended December 31, 2013, 2012, and 2011 were \$10,204, \$9,969 and \$12,653 respectively, or 95.0% of the required contribution for 2013 and equal to the required contributions for 2012 and 2011. The remaining employer contributions for 2013 were paid in the first quarter 2014.

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This accounting standard replaces GASB Statement 27, and it is effective for employer fiscal years beginning after June 15, 2014.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013
(Amounts in Thousands)
(continued)

NOTE 12 – PENSION PLANS (continued)**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.

From January 1 through July 1, 2013, plan members were required to contribute 10% of their annual salary. From July 2 through December 31, 2013, plan members are required to contribute 10.75% of their annual salary. However, employers are required to contribute 19.5% and 24% respectively for police officers and firefighters. The City contributions to OP&F for the years ending December 31, 2013, 2012 and 2011 approximated \$16,728, \$16,103 and \$16,135 respectively, or 75% of the required contribution for 2013 and equal to the required contributions for 2012 and 2011. The remaining employer contributions for 2013 were paid in the first quarter 2014.

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 13 – 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.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013
(Amounts in Thousands)
(continued)

NOTE 13 – POSTRETIREMENT BENEFIT PLANS (continued)

Ohio Public Employees Retirement System (continued)

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 post-employment 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 Plan to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend the OPEB Plan is provided in Chapter 145 of the Ohio Revised Code. OPERS issue a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, 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 employers to fund post retirement health care coverage 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 coverage.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, the City contributed at a rate of 14% of covered payroll and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. 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, 2013
(Amounts in Thousands)
(continued)

NOTE 13 – 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 Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to the health care for members in the Traditional Plan was 1.0% during the calendar year 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 1.0% during calendar year 2013. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. 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, 2013, 2012, and 2011 approximated \$729, \$2,848 and \$5,661 respectively.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

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 Statement 45.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013
(Amounts in Thousands)
(continued)

NOTE 13 – POSTRETIREMENT BENEFIT PLANS (continued)

Ohio Police and Fire Pension Fund (continued)

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 is 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. That report is also available on OP&F's website at www.op-f.org.

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 of active pension plan members, currently, 19.5% and 24% of covered payroll for police and fire employers, 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, 2013, the employer contributions allocated to the health care plan was 4.69% of covered payroll from January 1, 2013 through May 31, 2013 and 2.85% of covered payroll from June 1, 2013 through December 31, 2013. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' 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, 2013, 2012 and 2011 approximated \$16,728, \$16,103 and \$16,135 respectively, of which \$5,863, \$5,046 and \$5,041 respectively, was allocated to the healthcare plan.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013
(Amounts in Thousands)
(continued)

NOTE 14 – RISK MANAGEMENT**Property and Liability**

The City has elected pursuant to ORC §2744.08(A)(2)(a) to use public funds 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 within 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.

The City is fully insured through premium-based insurance policies for all other types of insurance. In 2013, the City contracted with various insurance companies to provide the following coverage:

	<u>Coverage</u> (in Whole Dollars)	<u>Deductible</u> (in Whole Dollars)
Property Policy for the City	\$ 500,000,000	\$ 250,000
Professional Liability for TMC	10,000,000	-
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
Hull/Liability Policy for Helicopter	1,000,000	-
Ocean Marine Policy	1,000,000	1,000
Employee Tool Insurance	211,000	500
BUSTR/Cleanup for Underground Fuel Tanks	50,000	-
Community Probation Program	25,000	-

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013
(Amounts in Thousands)
(continued)

NOTE 14 – RISK MANAGEMENT (continued)

Changes in the funds' claim liability amount in 2011, 2012 and 2013 were:

Year	Balance at Beginning of Year	Current Year Claims and Change in Estimate	Claims Payments	Balance at End of Year
2011	\$ 1,560	\$ 1,340	\$ 1,340	\$ 1,560
2012	1,560	1,234	1,234	1,560
2013	1,560	1,306	1,306	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.

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 \$16,198 reported at December 31, 2013, 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 Position 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.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013
(Amounts in Thousands)
(continued)

NOTE 14 – RISK MANAGEMENT (continued)**Workers' Compensation (continued)**

Changes in the funds' claim liability amount in 2011, 2012 and 2013 were:

Year	Balance at Beginning of Year	Current Year Claims and Change in Estimate	Claims Payments	Balance at End of Year
2011	\$ 19,331	\$ 8,597	\$ 7,833	\$ 20,095
2012	20,095	3,894	6,059	17,930
2013	17,930	4,289	6,021	16,198

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 2011, 2012 and 2013 were:

Year	Balance at Beginning of Year	Current Year Claims and Change in Estimate	Claims Payments	Balance at End of Year
2011	\$ 1,597	\$ 22,557	\$ 21,952	\$ 2,202
2012	2,202	18,540	18,090	2,652
2013	2,652	17,305	17,197	2,760

NOTE 15 – ACCOUNTABILITY AND COMPLIANCE**Fund Balance Deficits**

The following deficit fund balances existed at December 31, 2013:

Governmental Funds:

Special Assessment Services Fund	\$ 50,794
Non-Major Governmental Funds:	
Special Assessment Improvements Fund	1,570

Proprietary Funds:

Property Management	13,338
Storeroom and Printshop	72

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013
(Amounts in Thousands)
(continued)

NOTE 15 – ACCOUNTABILITY AND COMPLIANCE (continued)

Fund Balance Deficits (continued)

These deficits will be eliminated by future charges for services, reduction of expenditures or future bond sales, where appropriate.

Change in Accounting Principles

For 2013, the City has implemented the following standards of the Governmental Accounting Standards Board (GASB):

GASB Statement No. 61, *“The Financial Reporting Entity: Omnibus”*, GASB Statement No. 65, *“Items Previously Reported as Assets and Liabilities”* and GASB Statement No. 66, *“Technical Corrections-2012- an amendment of GASB Statements No. 10 and No. 62”*.

GASB Statement No. 61 requires governments to perform a re-evaluation of current and potential component units. Some of the significant changes that could impact the determinations include: new financial benefit or burden criteria was added to the discretely presented component unit determination; there was clarification on the component unit inclusion based on the misleading to exclude determination; for blended components there were additional requirements added to the substantively same governing body; and added criteria to blend if component unit debt is expected to be repaid by the primary government

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations.

GASB Statement No. 66 improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity’s risk financing activities to the general fund and the internal service fund type.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013
(Amounts in Thousands)
(continued)

NOTE 16 - CONTINGENCIES**Litigation**

In 2011, Bradley Walker filed a class action lawsuit in the Lucas County Court of Common Pleas against the City of Toledo and RedFlex Traffic Systems, Inc. The lawsuit challenged the constitutionality of Toledo's photo-enforcement traffic program that assessed civil penalties against certain types of traffic offenders. The suit sought, amongst other things, that the civil penalties be refunded to persons who had paid a civil fine during the life of the program. Before a class was certified, the trial court dismissed Walker's claim. Walker appealed and in 2013 the Court of Appeals reversed and found Toledo's program was unconstitutional. Toledo appealed to the Ohio Supreme Court and the matter is pending in that court.

The City is currently a defendant in several other lawsuits as well. Except as mentioned above, it is the opinion of legal counsel that none of the other litigation has the potential to have a material adverse affect on the financial condition of the City. Additionally, there are many known unasserted claims, the results of which, if asserted would not have a material effect on the financial statements at December 31, 2013.

Grants

In 2013, the City received Federal, State and Local 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 17 – SUBSEQUENT EVENTS

In March 27, 2014, the City's Council passed an agreement authorizing the acceptance of loan proceeds from the Ohio Environmental Protection Water Pollution Loan Fund (WPCLF) and the Ohio Water Authority (OWDA) not to exceed \$93.6 million. The loan proceeds will designated to the Ottawa River Storage Facility Phase II Consent Decree Project, which is for the design and constructions of an underground 36.3 million gallons combined sewer overflow (CSO) storage basin and above ground pumping station in Joe E. Brown Park; connecting structures and pipelines in Manhattan, Lagrange and Windermere areas. The project includes complete restoration of the park facilities.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013
(Amounts in Thousands)
(continued)

NOTE 17 – SUBSEQUENT EVENTS (continued)

In March 27, 2014, the City's Council passed an agreement to accept grant proceeds of \$8.1 million from the State of Ohio Department of Transportation (ODOT) for multiple Capital Improvement Projects. The Projects includes the reconstruction of Bancroft Street from Glenwood to Ashland, and improvements to the "Thousand Islands" area including new roundabouts at the Detroit/Berdan and Cherry Manhattan intersections, restoration work on the Boyer/Schoonmaker Museum Ship, and for construction of the Summit/Front Bike Path Phase 2 from Jamie Farr Park to Manhattan, and reconstruction of Collingwood Boulevard from Monroe to Central.

In March 11, 2014, the City's Council agreed to the issuance and sale of general obligation bond anticipation notes in the aggregate principal amount of \$3.2 million. The anticipation notes will pay for the costs of acquiring a building, adjacent real estate, office space, and other facilities to use in carrying out functions of the Department of Public Services.

In March 25, 2014, the City's Council passed an agreement authorizing the acceptance of loan proceeds from the Ohio Environmental Protection Agency Water Pollution Loan Fund (WPCLF) and the Ohio Water Authority (OWDA) not to exceed \$18.3 million. The loan proceeds will be deposited into the Sanitary Sewer Replacement Fund for the Long Term Control Plan 2C Design Consent Decree Project. The project is to upgrade wastewater treatment and sanitary facilities as specified in the Clean Water Act consent decree negotiated with the State of Ohio and the United States.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013
(Amounts in Thousands)
(continued)

NOTE 18 – PRIOR PERIOD ADJUSTMENT

The beginning balance (1/1/2013) of capital asset activity for Governmental Activities (Note 6) has been restated due to incorrect settlement of capital asset activity in prior years.

<i>Governmental Activities:</i>	Balance 1/1/2013	Adjustment	Adjusted Balance 1/1/2013
<i>Capital Assets not being Depreciated:</i>			
Land	\$ 20,905	\$ 4,097	\$ 25,002
Construction in Progress	103,012	(18,853)	84,159
Total Capital Assets not being Depreciated	<u>123,917</u>	<u>(14,756)</u>	<u>109,161</u>
<i>Capital Assets being Depreciated:</i>			
Buildings	65,722	3,224	68,946
Furniture & Fixtures	6,907	2,828	9,735
Improvements	60,666	-	60,666
Infrastructure	807,634	12,519	820,153
Machinery & Equipment	139,845	8,283	148,128
Total Capital Assets being Depreciated	<u>1,080,774</u>	<u>26,854</u>	<u>1,107,628</u>
<i>Less: Accumulated Depreciation</i>			
Buildings	29,716	566	30,282
Furniture & Fixtures	4,281	684	4,965
Improvements	20,023	352	20,375
Infrastructure	498,442	(540)	497,902
Machinery & Equipment	98,693	11,036	109,729
Total Accumulated Depreciation	<u>651,155</u>	<u>12,098</u>	<u>663,253</u>
Total Capital Assets being Depreciated, net	<u>429,619</u>	<u>14,756</u>	<u>444,375</u>
Governmental Type Activities Capital Assets, net	<u>\$ 553,536</u>	<u>\$ -</u>	<u>\$ 553,536</u>

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013
(Amounts in Thousands)
(continued)

NOTE 18 – PRIOR PERIOD ADJUSTMENT (continued)

The beginning balance (1/1/2013) of capital asset activity for Business-Type Activities (Note 6) has been restated due to incorrect settlement of capital asset activity in prior years.

<i>Business-Type Activities:</i>	Balance 1/1/2013	Adjustment	Adjusted Balance 1/1/2013
<i>Capital Assets not being Depreciated:</i>			
Land	\$ 1,964	\$ 2,358	\$ 4,322
Construction in Progress	159,719	(5,251)	154,468
Total Capital Assets not being Depreciated	<u>161,683</u>	<u>(2,893)</u>	<u>158,790</u>
<i>Capital Assets being Depreciated:</i>			
Buildings	51,935	(498)	51,437
Furniture & Fixtures	1,993	-	1,993
Improvements	71,266	-	71,266
Infrastructure	787,812	2,784	790,596
Machinery & Equipment	117,347	90	117,437
Total Capital Assets being Depreciated	<u>1,030,353</u>	<u>2,376</u>	<u>1,032,729</u>
<i>Less: Accumulated Depreciation</i>			
Buildings	43,475	(17,036)	26,439
Furniture & Fixtures	1,550	(191)	1,359
Improvements	47,034	(22,182)	24,852
Infrastructure	273,697	39,477	313,174
Machinery & Equipment	83,157	(12,797)	70,360
Total Accumulated Depreciation	<u>448,913</u>	<u>(12,729)</u>	<u>436,184</u>
Total Capital Assets being Depreciated, net	<u>581,440</u>	<u>15,105</u>	<u>596,545</u>
Business-Type Activities Capital Assets, net	<u>\$ 743,123</u>	<u>\$ 12,212</u>	<u>\$ 755,335</u>

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013
(Amounts in Thousands)
(continued)

NOTE 18 – PRIOR PERIOD ADJUSTMENT (continued)

The Enterprise Water, Sewer, and Storm Sewer funds' beginning balance has been restated due to incorrect depreciation for capital assets relating to the City's distribution system in prior years.

	<u>Water</u>	<u>Sewer</u>	<u>Storm Sewer</u>	<u>Business-Type Activities</u>
Fund Balance/Net Position, as Previously Reported	\$ 150,844	\$ 240,717	\$ 46,054	\$ 426,720
Capital Asset Reclassification	<u>(11)</u>	<u>10,709</u>	<u>1,514</u>	<u>12,212</u>
Fund Balance/Net Position, Restated	<u>\$ 150,833</u>	<u>\$ 251,426</u>	<u>\$ 47,568</u>	<u>\$ 438,932</u>