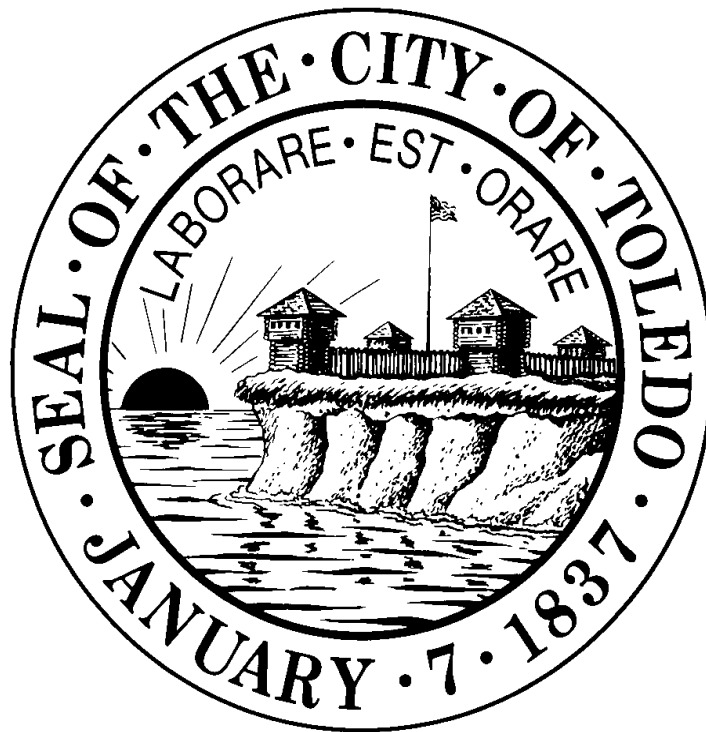


CITY OF TOLEDO, OHIO

2015

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
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Toledo, Ohio 43604-2293
Telephone (419) 245-1648
E-Mail: george.sarantou@toledo.oh.gov

The date of this Annual Information Statement is July 1, 2015.

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.

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INTRODUCTORY STATEMENT

This “Annual Information Statement in connection with Bonds and Notes of the City of Toledo” (the Annual Statement) has been prepared by the City of Toledo, Ohio (the City), to provide financial and other information and operating data relating to the City for its Fiscal Year 2014 and as of its date. 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 has entered into continuing disclosure agreements (collectively, the Continuing Disclosure Agreements) required pursuant to Securities and Exchange Commission (SEC) Rule 15c2-12 (the Rule) in connection with the primary offerings and issuances by the City of certain of its bond issues that require the provision and dissemination of annual financial information and operating data for its immediately preceding fiscal year of the type included in the final official statements for those offerings and timely notification of certain “material” events.

This Annual Statement includes the annual financial information and operating data agreed to be provided under the Continuing Disclosure Agreements for Fiscal Year 2014. It also includes certain such information pertaining to post-Fiscal Year 2014 events as of its date.

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 Municipal Advisory Council, Ohio’s state information depository (OMAC or the SID). In accordance with 2008 amendments to 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 the Continuing Disclosure Agreements and 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 2014”) 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. 64, passed by the Ohio General Assembly and signed by the Governor on June 30, 2015, providing State appropriations for its 2016-2017 biennium (the period from July 1, 2015 through June 30, 2017) 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 (65.01%), Commercial (30.25%), Industrial (4.56%), Railroad (0.15%) and Agricultural (0.03%). Source: Ohio Department of Taxation data.

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 commercial 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 three local commercial banks and savings and loan associations and local offices of 16 banks and savings and loan associations having principal offices elsewhere.

Five acute care hospitals are located within the City: ProMedica's Toledo Hospital (794 beds) and Toledo Children's Hospital (151 beds); Mercy St. Vincent Medical Center (431 beds); The University of Toledo Medical Center (319 beds) and Mercy St. Anne's Community Hospital (96 beds). ProMedica's Flower Hospital, a 311-bed facility, and Bay Park Hospital, a 72-bed facility, are located in the adjacent Cities of Sylvania and Oregon within the County.

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 on a 36-acre campus in the City, is a privately endowed, nonprofit institution noted for the quality of its permanent collection, art education programs and architecturally significant buildings, as well as for its displays of traveling exhibits. It is home to 30,000 works of art that include American and European paintings, works demonstrating the history of art in glass, ancient Greek, Roman, and Egyptian works, Asian and African art, medieval art, sculpture, decorative arts, graphic arts, and modern and contemporary art. Among other facilities, the main Museum building has 45 galleries, 15 classroom studios, a 1,750-seat Peristyle concert hall, a 176-seat lecture hall, and resource center for educators. The Museum's 57,600-square-foot Glass Pavilion, opened in 2006, celebrates the City's role as the Glass City and features five galleries, a glass study room, classrooms, two hotshops, a multipurpose GlasSalon and public and private courtyard space.

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 **Economic and Community Development Activities – Industry and Commerce –Recent Development Activities**.

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 Opera and the Ballet Theater of Toledo, 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 Ballet, Toledo Repertoire and 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 18 branch libraries throughout the County. It has the fifth largest public library collection in the State.

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, recently completed a major 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 most recently 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. The Mud Hens play in a 10,000-seat County-owned baseball stadium opened in 2002 in the Warehouse District of the Downtown area of the City. The team is proceeding with a \$19 million "Hensville" project to renovate three Warehouse District buildings it owns that are adjacent to the stadium and are to be part of an entertainment district. See **Economic and Community Development Activities – Industry and Commerce –Recent Development Activities**.

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, eight of whom are Democrats, two of whom are Republicans, and two of whom are Independents are as follows:

	<u>Name</u>	<u>Years of Service As of July 1, 2015</u>	<u>Occupation in Private Life</u>
At-Large	Cecilia Adams (D)	(a)	Retired school administrator
At-Large	Theresa Gabriel (I)	1½ years	Retired City administrator
At-Large	Rob Ludeman (R)	5 years(b)	Realtor
At-Large	Sandy Spang (I)	1½ years	Business owner
At-Large	Steven Steel (D)(c)	6 years	College professor
At-Large	Larry Sykes (D)	1½ years	Retired bank executive
District 1	Tyrone Riley (D)	3½ years	Attorney
District 2	Matt Cherry (D)	1½ years	Business agent
District 3	Mike Craig (D)	9 years	Civic leader
District 4	Yvonne Harper (D)	(d)	Retired court bailiff
District 5	Tom Waniewski (R)	7 years	Development director
District 6	Lindsay Webb (D)	7 years	Coordinator, nonprofit corporation

(a) Dr. Adams was appointed by the Council on April 14, 2015, to fill a vacancy created by the passing of Jack Ford, who had 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 also previously served on Council for 14 years from 1994 through 2007 when he was barred from running again by term limits.

(c) On March 3, 2015, Mr. Steel was elected by his colleagues on the Council to serve as President of Council for the remainder of 2015 after the former President of Council, Ms. Paula Hicks-Hudson, was sworn in as the City's Mayor.

(d) Ms. Harper was elected to complete an unexpired term ending January 3, 2016, at the special election held on May 5, 2015, and took office on May 21, 2015. At that election, Ms. Harper defeated, among others, Scott Ramsey who was appointed by the Council on March 3, 2015, to fill the vacant Council seat created when Ms. Hicks-Hudson became the City's Mayor. Mr. Ramsay served until Ms. Harper took office.

Under provisions of the Charter, Dr. Adams is to serve as a Council member at-large until she or a successor is elected by voters of the City at an election on November 3, 2015 to serve for the remainder of an unexpired term ending on January 3, 2018, and Ms. Harper is to serve as the Council member for District 4 for the remainder of an unexpired term ending January 3, 2016. The current terms of all other at-large members of Council expire on January 3, 2018, and those of all other members of Council elected from Districts expire on January 3, 2016.

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

Mayor – Paula Hicks-Hudson

Ms. Hicks-Hudson was sworn in as Mayor of the City following the passing of former Mayor D. Michael Collins on February 6, 2015, and under provisions of the Charter, is to serve in that capacity until she or a successor is elected by voters of the City at an election on November 3, 2015 to serve for the remainder of the unexpired term ending on January 3, 2018. Prior to succeeding Mayor Collins in that position, Ms. Hicks-Hudson served as President of Council and Chairman of its Finance Committee for two years and as the member of Council for District 4 for 4 years, having first been appointed by the Council on January 11, 2011 to fill a vacancy and then elected by voters of the District

in May 2011 for an unexpired term ending December 31, 2011 and again in November 2011 for a four-year term. Ms. Hicks-Hudson also served the City as a Legislative Director for Toledo City Council from 1999 through 2002, Lucas County as Director of its Board of Elections from 2002 through 2004 and the State of Ohio as Chief Legal Counsel in its Office of Budget and Management from 2006 through 2010.

Ms. Hicks-Hudson was born and raised in the City of Hamilton in Butler County, Ohio, one of eight children from a combined family. Her father, who worked for the City of Hamilton in its Streets Department garage, encouraged his children to pursue higher education. She earned a bachelor's degree from Spelman College in 1973 and a master's degree in communications development from Colorado State University in 1975. Returning to Ohio, she worked from 1975 through 1978 in the Upward Bound program at Central State University in Wilberforce, a readiness skills program for underprepared students. She then earned a law degree from The University of Iowa, graduating in 1982.

Chief of Staff – Robert Reinbolt

Mr. Reinbolt was appointed as the City's Chief of Staff/Safety Director by former Mayor Collins 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 Bachelor's degrees 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 as the City's Assistant Chief of Staff by former Mayor Collins 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 the brownfield redevelopment section in its Division of Environmental Services. In that position, Mr. Mazur oversaw the cleanup and restoration of the former sites of a power plant, an office tower, an automotive manufacturing plant and a rubber manufacturer. He also oversaw the use of federal and state grant moneys 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 as the City's Director of Finance by former Mayor Collins 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 of Science 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 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 Economic and Business Development – Matt Sapara

Mr. Sapara was appointed as the City's Director of Economic and Business Development by former Mayor Collins in January 2014. In this capacity, Mr. Sapara is responsible for developing and implementing a comprehensive economic development strategy, acting as the primary liaison with federal, state and local officials on economic development issues and managing the City's real estate portfolio. Mr. Sapara was previously employed by the Port Authority, serving as its Chief Operating Officer from 2009 through 2013, as its Vice President of Development in 2008 and 2009 and as its Property Development Manager from 2002 through 2007. Mr. Sapara has a Bachelor of Arts degree and a Juris Doctorate degree from The University of Toledo. He also currently is a member of the Bar of the State of Ohio and of the Boards of Directors of Cardinal Stritch High School and Toledo Maritime Academy.

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 former Mayor Collins. He had previously served the City in various capacities, including as Commissioner of Sewer and Drainage Services, as Commissioner of Streets, Bridges and Harbor, as Director of Public Service and as Commissioner of Engineering Services in its Department of Public Utilities. He has degrees in Managerial Accounting from Davis College and Construction Engineering Technology from The University of Toledo and an Executive Master's Degree in Business Administration. 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 – Bryan Benner

Mr. Benner was appointed to his current position of Commissioner of Debt/Capital Program Financing and Purchasing by the Director of Finance in 2015. Previously, he served the City in the positions of Commissioner of Purchasing and Commissioner of Administration assisting all City finance divisions. Prior to his appointments with the City, Mr. Benner had worked for 12 years in healthcare finance and for 19 years in higher education finance and administration. Mr. Benner has a Bachelor of Arts degree and a Masters degree in Public Administration from The University of Toledo.

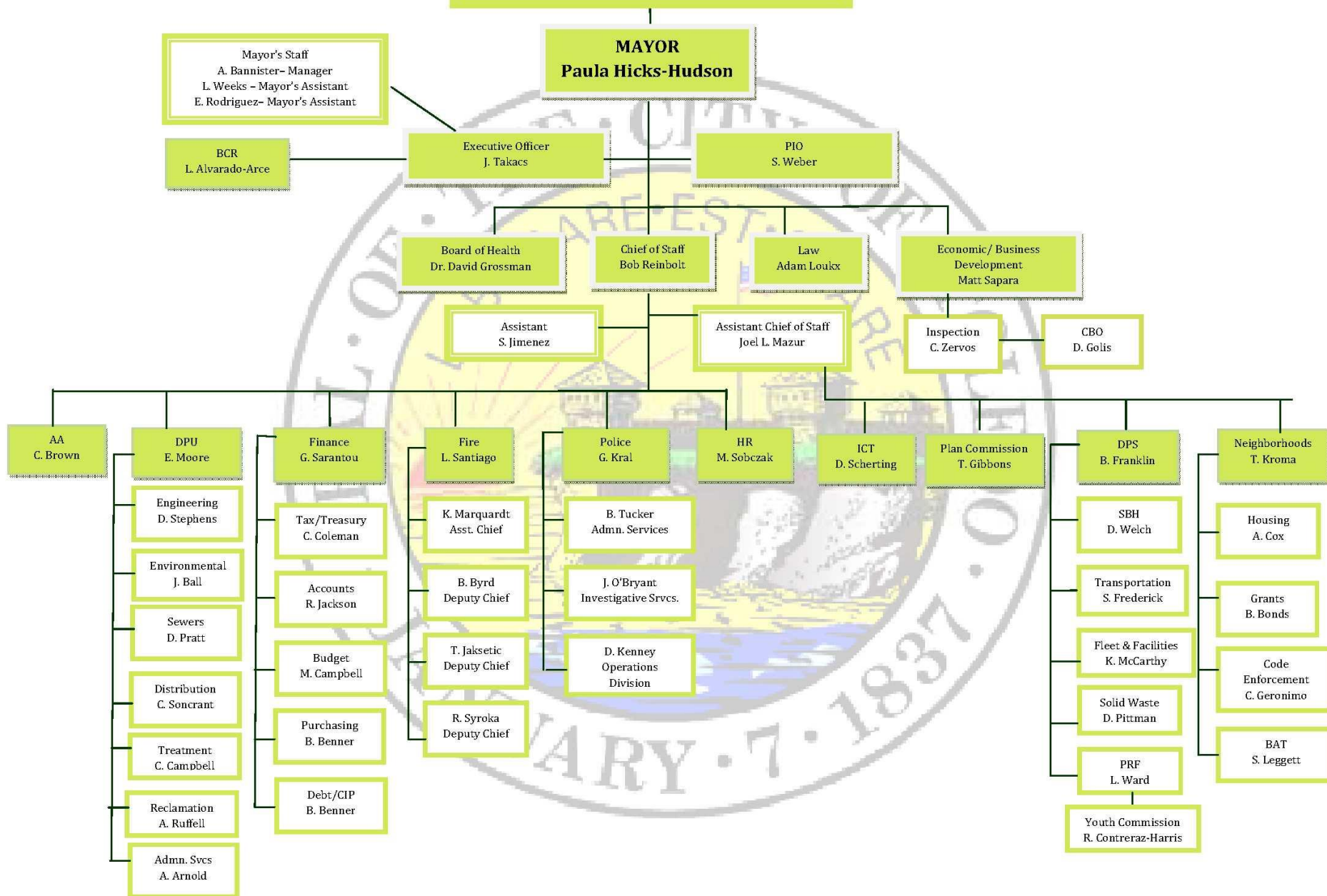
City Auditor – John Jaksetic, CPA

Mr. Jaksetic was appointed by the Council as City Auditor in October 2014. Mr. Jaksetic holds a Bachelor of Business Administration degree with a major in Accounting from The University of Toledo and is a licensed Certified Public Accountant. Mr. Jaksetic brings to the Auditor's position over twenty years of experience in private industry. As City Auditor, he will assist the various City departments in establishing and maintaining internal control procedures and advise Council members on various topics.

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

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Citizens of Toledo



Employees

The City has approximately 2,730 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. The State'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	774	June 30, 2017
Ohio Council 8 of AFSCME, Local 7, Communications Operators	72	June 30, 2017
Toledo Police Patrolman's Association	505	December 31, 2017
International Association of Fire Fighters, Local 92	491	December 31, 2017
International Brotherhood of Teamsters, Local 20	87	December 31, 2016
Ohio Council 8 of AFSCME, Local 2058, Supervisors	218	May 31, 2015(a)
Ohio Council 8 of AFSCME, Local 2058, Communication Supervisors	6	May 31, 2015(a)
Toledo Police Command Officers' Association	136	December 31, 2017
United Auto Workers, Local 12	7	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, 2017

(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 three-year labor contracts with the named bargaining units that have been ratified in 2012 through 2015 reflect the City's continuing efforts to make structural changes that realign revenues and expenditures for the long-term.

In negotiating their most recent contracts, the City and its bargaining units have successfully utilized a new collaborative process of interest-based bargaining. In July 2014, the City and the AFSCME Local 7 unit representing approximately 774 City employees entered into a new three-year contract through June 30, 2017. Under the terms of that contract, employees in that bargaining unit received a 1.5% pay increase on January 1, 2015 and are to receive additional 1.5% pay increases on January 1 in each of the years

2016 and 2017. The contract also has provided substantially strengthened rights for City management to discipline employees who have alcohol or drug violations and/or attendance-related issues and to create incentives for productive employees who meet attendance goals and other requirements.

The City's latest three-year contract with the AFSCME Local 7, Communications Operators, collective bargaining unit also calls for 1.5% wage increases effective January 1, 2015, January 1, 2016 and January 1, 2017, respectively.

In 2015, the City reached new agreements with the International Association of Fire Fighters, Local 92, the Toledo Police Command Officers Association and the Toledo Fire Chiefs Association, three of the four collective bargaining units representing members of its safety forces. Those employee units each agreed with the City to new three-year contracts through December 31, 2017, providing for 0.75% wage increases effective January 1, 2015, January 1, 2016 and January 1, 2017, respectively. Following completion of a fact-finding process, the City also entered into a three-year contract through December 31, 2017 with the Toledo Police Patrolman's Association (TPPA), the other collective bargaining unit representing members of its safety forces. The City's new contract with the TPPA provides for 0.75% base wage increases effective January 1, 2015, January 1, 2016 and January 1, 2017, respectively, and for an annual stipend of approximately \$1,800 to be paid each July 1 to officers with ten or more years of service.

The economic concessions achieved through the negotiation of recent contracts have included reductions and the eventual elimination of so-called "pension pick-ups," a practice under which the City paid its employees' State-mandated contributions 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 contributions. Most recently, City pension pick-ups were reduced from 3% to 0% effective in July 2014 for members of the AFSCME, Local 7 bargaining unit, from 4% to 0% effective in January 2015 for members of the AFSCME, Local 7, Communications Operators, bargaining unit and from 1% to 0% effective in April 2015 for members of the International Brotherhood of Teamsters, Local 20, bargaining unit under their new contracts with the City, with no corresponding lump sum payment or other offsets for those concessions, lessening the impact of the scheduled wage increases. See **Retirement Expenses**. The City's only remaining pick-up obligations are those with respect to the seven employees in the United Auto Workers, Local 12 bargaining unit. Those pension pick-up obligations will be expire on July 1, 2016.

The collective bargaining agreements negotiated by the City in 2014 and 2015 have continued increased monthly health care cost contributions or "co-premiums" originally negotiated in 2012 and 2013; however, the City has agreed to reconvene negotiations with all of its bargaining units in 2015 in order to establish a uniform health care and benefits plan.

In 2010, the City imposed unilateral changes to its then-existing labor contracts with six of the collective bargaining units 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 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. All resulting legal proceedings have now been resolved and/or dismissed pursuant to a settlement agreement reached between the City and TPCOA in early 2015. Under the terms of that settlement agreement, the City agreed to pay \$1,272,165 to the TPCOA and its affected members and to dismiss an action that was pending for review before the Ohio Supreme Court. In exchange, the TPCOA agreed to dismiss all claims then pending in Federal court, and to waive the TPCOA's ability to pursue any arbitration claim over the City's "exigent circumstances" determination, including the arbitration of any grievance related to that determination.

In the judgment of the City, its employee relations are currently good and moral in most units is improved over previous years, though the members of the International Association of Fire Fighters, Local 92, bargaining unit have recently expressed their lack of confidence in the City's Fire Chief in a dispute related to a number of his management decisions and his leadership style (and not contractual issues).

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 Activities

In May 2015, the ProMedica Health System, the largest employer in the Toledo MSA, announced that it would be undertaking a \$350 million project to extensively renovate existing facilities and construct a new 615,000 square foot tower for patient rooms and a new intensive care unit in its children's hospital on its Toledo Hospital campus in the City. ProMedica also announced that the project is to be financed from private sources, and no government subsidies or tax credits are anticipated to be required. The project is expected to commence in 2016 and to be completed in 2019. The City has provided certain infrastructure improvements, including an interchange on Interstate 475 in the area of the Hospital campus, that will support the project.

ProMedica previously announced in November 2014 a plan to relocate its headquarters to a central campus in the Downtown area of the City. That plan provides for the renovation of an historic building, the former Toledo Edison Steam Plant, and an adjacent office building on the Maumee River and the construction of a six-story parking garage. The City and ProMedica have entered into a development agreement pursuant to which ProMedica has agreed to invest at least \$50 million in the campus and the City has agreed to provide certain land for the parking garage and infrastructure improvements in support of the project, to maintain and improve an adjacent park to be incorporated as a part of the campus and to provide a seven-year property tax abatement and other financial incentives after it is completed. On June 30, 2015, the State announced that the renovation of the Toledo Edison Steam Plant will receive \$5 million in Ohio Historic Preservation Tax Credits. The project is expected to be completed in 2016. When completed, ProMedica is anticipated to have 1,000 administrative staff members in the headquarters facilities, including 525 who are currently working outside the City. ProMedica has committed to having 2,500 total jobs, having an average salary \$48,000, at the new headquarter facilities by 2019. The City expects the project to promote additional development in the Downtown area of the City.

Faurecia Automotive Holdings, one of the world's largest automotive parts suppliers, announced in September 2014 that it would invest \$20 million to construct and equip a 90,000 square foot addition to its exhaust systems and component manufacturing plant in the City. The State and the City agreed to provide certain financial incentives for the project, which is expected to result in 150 new jobs and the retention of the 100 existing jobs as the company consolidates certain of its Michigan operations with those in the City at the site. The company cited the Toledo area's workforce and infrastructure as key factors in its decision to expand the plant. Construction of the addition is underway and expected to be completed in 2015.

In April 2014, The Toledo Mud Hens Baseball Club, Inc. announced its plan for an estimated \$19 million public/private partnership project to renovate three 19th-century buildings and create a "Hensville" entertainment district with dining, event and retail space adjacent to Fifth Third Field in the Warehouse District in the Downtown area of the City. The project, which also includes the redevelopment of a parking lot in that District into a park to accommodate larger gatherings for concerts, theater and food festivals, sporting events and other activities, is now under construction and is expected to be completed by April 2016. Funding for the project includes approximately \$12 million in support from the federal government, the State, the County, the City and the Local Initiatives Support Corporation of Toledo, with the balance being provided by the Mud Hens.

In 2013, Chrysler Group LLC, the largest manufacturing employer in the City and now a part of the new Fiat Chrysler Automobiles (Fiat Chrysler), 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 of 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. Those projects required an estimated investment of \$500 million by the company 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 Assembly Complex has increased substantially as a result of production of that new model and the demand for the Jeep Wrangler and other models being produced at the Assembly Complex. See **Industry and Major Employers**.

The project completed by Fiat 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 was completed in 2014.

In 2014, Fiat Chrysler, which produced a record 240,000 Jeep Wranglers at the Toledo Assembly Complex in 2014, announced that it would require a new or significantly updated plant for the production of the next generation of the Wrangler model. Though Fiat Chrysler's leadership has asserted that its employment at the Assembly Complex would not be reduced if production of the new Wrangler were moved to a new site, the City is actively seeking to retain production of the Wrangler in the City, the only place the model has been manufactured in its history. The City has assembled and is remediating and preparing a 105-acre site adjacent to the Assembly Complex that would be suitable for such a plant and, in cooperation with the County, the Port Authority and the State, has submitted a proposal to provide substantial assistance to Fiat Chrysler in financing and constructing a plant for the manufacturing of the new Wrangler on that site.

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 - a \$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 2005, and with them the company will have invested more than \$1.1 billion in the plant during that period. In 2013, the company completed two investments announced in 2011: a \$204 million project to prepare the plant for production of the fuel-efficient 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, began in Fall 2014 and is to be completed in Summer 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 metropolitan 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 corporate headquarters facility in the Downtown area of the City 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 a State grant, will provide funds for

such improvements. In return, 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 Major Employers**.

A new National Museum of the Great Lakes, located in the City's Marina District, was 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 for the Museum 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 \$8.535 million cost of the project was funded with proceeds of an Ohio Cultural Facilities Commission grant of \$6.1 million and money from private sources. The Museum drew 14,000 visitors in 2014 and is expected to draw approximately 40,000 visitors annually in the future.

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 \$5.602 million in revenue from that tax in 2014.

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 it in financing leasehold improvements and worker training. Additionally, Libbey signed a new five-year lease for its Libbey Glass factory outlet store at the Erie Street Market also in the Downtown area of the City.

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 the remaining funds required for the project. In 2014, Norfolk Southern sought and received approval from the Toledo Lucas County Plan Commission for a major expansion of that facility. 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. Norfolk Southern now employs approximately 500 in the Toledo MSA. See **Industry and Major Employers**.

In 2011, the City, in cooperation with the Toledo-Lucas County Port Authority, secured grant funding for the Port Authority 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 Fiat 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. A 100,000-square-foot spec building is being constructed on a 10-acre site by a local industrial developer with national experience in the development of manufacturing, warehousing and logistics operations.

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 announced that it planned 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. No redevelopment of the site has commenced to date.

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 principal economic development financing programs, approximately 340 projects have been financed for more than \$1.9 billion since 1988. These projects have helped create or retain approximately 18,500 jobs. In 2010, the Port Authority established its Better Buildings Northwest Ohio program to promote energy efficiency and alternative energy implementation, with a goal of 20% energy savings on each project in support of economic development in the region and, since that time, has approved 133 additional projects for such energy improvements and financed approximately \$20.1 million of the aggregate project costs totaling about \$24.7 million.

Public Projects

The City currently 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**.

In March 2015, The Toledo Zoological Society completed a \$25 million project to renovate its aquarium. That project was funded from proceeds of an existing ad valorem property tax levy (80%) and private donations (20%).

The Toledo City School District recently completed 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 total cost of the Classroom Facilities Project was \$658,357,317, with the District providing \$151,422,182 for the local share of project costs (23%), and the OSFC providing the remaining \$506,935,134 (77%).

In addition to the Classroom Facilities Project, the School District has also recently completed 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 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 provide modern 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 to promote further development and the enhancement of housing available in its Downtown and

Uptown areas of the City 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 also fell behind in their loan payments to the City. As a result, through the end of 2014, the City had made an aggregate of \$14.374 million in debt service payments (including \$989,812 in Fiscal Year 2014) on the general obligation bonds for which it has not been reimbursed. 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 Fiscal Year 2015 and future years through 2025. The City has set aside approximately \$1.194 million from General Fund sources for such payments on the bonds for the Commodore Perry Apartments, the Hillcrest Apartments and the Museum Place Apartments for Fiscal Year 2015. The owners of the LaSalle Apartments timely made all of the debt service payments to the City and, upon the sale of those Apartments in 2014, the remainder of the City's general obligation bonds issued for that project were defeased.

As was planned, those four projects have served as a catalyst for market-rate housing projects in the Downtown area of the City and other nearby neighborhoods. The Hillcrest has been converted to market-rate apartments and attained full occupancy in 2014. Four other projects, the Bartley Lofts, the Ottawa, the River West Townhouses and the One Hundred South Huron Condominiums, have been completed, adding over 140 market-rate condominium units in the Downtown area and the Warehouse District. Nearly 65 other new market-rate rental units have been completed in the Downtown area and nearby Uptown and Warehouse District areas, and 336 apartments in the same areas have been substantially renovated in recent years.

In 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 Lofts have announced their intention to undertake an estimated \$14 million renovation of the Berdan Building to create approximately 150 additional living units. Construction of that project is scheduled to begin in Fall 2015.

A number of additional housing projects for market-rate housing units and one for low/moderate income housing units in the Downtown area are already underway, 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 eleven buildings.

Two major renovation projects near to the Downtown area are expected to begin in 2015, including the renovation of the Newtown Apartments, an eleven-building, 100-apartment complex, and the renovation of Vistula Heritage Village, a multi building, 250-apartment complex.

The current strong demand for market-rate living accommodations in the Downtown area is evidenced by occupancy levels reported to have reached 98% and, with additional development projects including the relocation of the ProMedica Health System headquarters (see **Economic and Community Development Activities – Industry and Commerce –Recent Development Activities**) and the announced intentions of The Lathrop Company, a construction management firm, and The Huntington National Bank to relocate offices to the area, that demand is expected to increase. More than 7,500 people now live in the Downtown area, and the City projects that number to increase significantly in the near future. With residential occupancy levels increasing, many new businesses including restaurants, retail establishments, art galleries and a new microbrewery are following.

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, 2015 through

June 30, 2016 will be \$6,781,364, with the City receiving an allocation of approximately \$1,548,474 in HOME funding during that program year.

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 that will enable the City to further improve neighborhoods with the demolition of approximately 600 homes. The City and the Landbank conducted 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. A final evaluation of this data is underway.

The City's Department of Neighborhoods has created a program targeted to the abatement of lead paint in homes in the City built prior to 1978 with children under the age of 6 that are exposed to lead hazards. The City has received a Lead Abatement Grant of approximately \$2.9 million to assist in funding the program.

Education

The Toledo City School District is the principal school system in the City and the fourth largest school system in the State. See also **Overlapping Governmental Entities**. It serves approximately 21,861 pupils in 51 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 \$300 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. In 2014, the District completed the final phases of a major classroom facilities improvement program pursuant to which all of the District's school facilities have been renovated or replaced. See **Public Projects**. At an election in November 2014, voters of the District approved an 5.8-mill ad valorem property tax levy that is expected to generate approximately \$13.34 million annually (approximately \$9.9 million for current operating expenses and \$3.5 million for general permanent improvements) a period of five years, commencing in 2015.

The University of Toledo is a State university located in the City that traces its origins to 1872. The University has an enrollment of more than 20,000 students, making it the seventh largest of 14 public universities in the State. The University and its Medical Center together have approximately 6,485 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 15 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.

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 main campus enrollment of approximately 16,400 undergraduate and 2,600 graduate students, and Lourdes University an enrollment of approximately 2,100. In addition, approximately 18,685 students are 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, glass products, 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 2015 Fortune 500 corporation, has its headquarters in the City, and two other of the 2015 Fortune 500 corporations, Dana Holding Corporation and Owens-Illinois, Inc., have their corporate headquarters in the Toledo MSA. The Andersons, Inc., a 2014 Fortune 500 corporation and now ranked 569th, also has its 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		7,052
The University of Toledo	University and Medical Center		6,485
Bowling Green State University	University		6,175
Fiat Chrysler Automobiles	Automobile manufacturer	5,998(b)	
Toledo City School District	Education		3,771(c)
Lucas County	Government		3,511
The Kroger Company	Retail grocery		2,924
The City	Government		2,730(d)
Sauder Woodworking Co.	Furniture, cabinets	2,400	
Wal-Mart	Retail sales		2,375
State of Ohio	Government		2,083
General Motors Corp./GM Powertrain Division	Automotive manufacturer	2,026(g)	
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
Owens Community 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(e)
Lott Industries	Packaging services		1,200
Toledo Edison Company	Electric utility		1,200
Wood County	Government		1,166
Toledo Clinic, Inc.	Medical clinic		1,040
Johnson Controls	Industrial equipment	1,026	
First Solar LLC	Solar cell manufacturer	1,000	
Hollywood Casino	Casino		944
Washington Local School District	Education		860
Sylvania City School District	Education		823(c)
Bennett Enterprises	Motor inns and restaurants		800
International Automotive Components	Automotive interior systems	780(f)	
Owens-Illinois, Inc.	Glass manufacturer		775(e)
Buckeye Cable System	Cable television		723
Wood County Hospital	Medical facility		711
Dana Holding Corporation	Automotive and industrial components		700(e)
Continental Secret Service Bureau	Security services		675
Materion Brush	Beryllium manufacturer	635	
NSG Pilkington	Glass manufacturer	626	
Sunshine, Inc.	Children's home		625
BP Oil Co.	Petroleum refiner	600	
CSX Corp.	Transportation		600
FedEx Ground	Mail – ground service		552
Ottawa County	Government		550
The Huntington National Bank	Financial institution		546
Luther Home of Mercy	Mentally handicapped		507
Home Depot	Retail		500
Lowe's Home Improvement	Retail		500
Norfolk Southern	Transportation		500
Toledo Refining Co.	Petroleum refiner		500

(a) As of Spring/Summer 2014, except as otherwise noted.

(b) As reported on the employer's website as of February 2015.

(c) As reported by the employer as of April 2015.

(d) As of June, 2015.

(e) 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.

(f) Formerly Lear Corp.

(g) As reported on the employer's website as of March 19, 2015.

Sources: The Toledo Regional Growth Partnership and Dun & Bradstreet reports, 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. Both of these systems have aggressively expanded and improved their facilities and property holdings within the City in the past decade. See **Economic and Community Development Activities – Industry and Commerce –Recent Development Activities**.

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. Office and industrial parks for such enterprises are located near both campuses.

Fiat Chrysler Automobiles, the largest manufacturing employer in the Toledo MSA, completed approximately \$600 million of improvement and expansion projects at its area plants in 2013 and 2014. With those projects having been completed and its plants in full operation, Fiat Chrysler announced in February 2015 that employment at its Toledo Assembly Complex located on 312 acres in the City, where it now produces Jeep Wranglers and Jeep Cherokees, had increased to 4,938 workers and employment at its Toledo Machine Plant in nearby Perrysburg had increased to 1,060. Fiat Chrysler produced more than 500,000 vehicles at the Assembly Complex in 2014, substantially exceeding the prior record of 378,000 as demand for the models produced at the Assembly Complex was exceptional. That made it the second busiest automobile manufacturing plant in the United States in 2014. Fiat Chrysler announced in 2014 that it would require a new or significantly updated plant for the production of the next generation of the Jeep Wrangler model beginning in 2017. Fiat Chrysler's leadership has asserted that its employment at the Assembly Complex would not be reduced if production of the new Wrangler were moved to a new site; however, the City is actively seeking to retain that production in Toledo. See also **Economic and Community Development Activities – Industry and Commerce –Recent Development Activities**.

General Motors' Powertrain Division manufactures and assembles both front-wheel and rear-wheel transmissions at a 1.68-million-square-foot facility located on 185 acres in the City. According to newspaper reports, that facility has been recognized by *Harbour Report* as the most productive powertrain plant in North America on many occasions. Rear-wheel transmissions produced at the plant are used in light trucks and sport utility vehicles, and the front-wheel drive transmissions in five small, fuel-efficient vehicles. Since 2007, General Motors has invested more than \$1.0 billion in improvements and equipment for the plant and now has more than \$80 million of additional projects underway. See **Economic and Community Development Activities – Industry and Commerce –Recent Development Activities**. GM reported that it employed 2,026 workers at the plant as of March 19, 2015, an addition of 136 since 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 2014, employs approximately 15,000 in 26 countries, including approximately 1,229 in the Toledo MSA. The Owens Corning headquarters are located in the Downtown area of the City and, in October, 2013, the company 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 with sales of \$6.6 billion in 2014, 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.

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." Fiat Chrysler Automobiles, General Motors Company and Dana Holding Corporation continue to provide a major automotive industry presence 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 19% 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 2010 through 2014 and for March 2014 and March 2015.

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

Industries	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	March <u>2014</u>	<u>2015^(b)</u>
Service Providing							
Transportation and Utilities	23.0	23.8	23.7	23.7	24.6	23.9	25.1
Wholesale and Retail Trade	42.1	42.5	42.9	43.4	43.5	42.9	42.2
Finance, Insurance and Real Estate	10.6	10.5	10.2	10.0	10.2	10.1	10.2
Services	114.1	119.0	124.1	127.5	130.2	125.0	127.3
Government	<u>46.1</u>	<u>45.1</u>	<u>45.4</u>	<u>45.3</u>	<u>44.8</u>	<u>46.7</u>	<u>45.8</u>
Total Service Providing	235.9	240.9	246.3	249.9	253.3	248.6	250.6
Goods Producing							
Manufacturing							
Durable Goods	24.8	26.6	28.4	30.0	32.5	31.0	33.8
Nondurable Goods	10.7	10.5	10.3	10.0	10.0	9.8	11.3
Total Manufacturing	35.5	37.1	38.7	40.0	42.5	40.8	45.1
Construction	10.5	11.2	12.1	11.3	12.1	10.2	11.4
Mining	*	*	*	*	*	*	*
Total Goods Producing	46.0	48.2	50.7	51.3	54.5	51.0	56.5
Total Employment	<u>281.9</u>	<u>289.1</u>	<u>297.0</u>	<u>301.2</u>	<u>307.8</u>	<u>299.6</u>	<u>307.1</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 2004 through 2013, and for the first three quarters of 2013 and 2014, broken down by type of employment.

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

	Agriculture Forestry and Fishing	Mining and Quarrying	Construc- tion	Manufac- turing	Transporta- tion and Utilities	Wholesale and Retail Trade	Insurance Finance and Real Estate	Services	State and Local Govern- ment	Total All Industries^(b)
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
2013	6,846	8,766	430,444	1,461,360	292,029	969,952	441,400	3,699,691	1,241,266	8,551,752
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
2014(c)	5,159	6,067	345,108	1,181,733	230,001	714,142	363,415	2,772,483	939,964	6,558,073

(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	Employed in			Unemployment Rate				
	City	County	MSA	City	County	MSA	State	U.S.
2010	118,400	192,300	274,500	12.5%	11.5%	11.2%	10.3%	9.6%
2011	118,200	192,200	275,400	10.8	9.9	9.5	8.8	8.9
2012	118,400	192,900	277,500	9.1	8.3	8.0	7.4	8.1
2013	118,200	192,900	278,000	9.4	8.7	8.2	7.5	7.4
2014	120,000	195,900	282,200	6.9	6.3	6.0	5.7	6.2
2015								
Jan.	118,700	193,600	279,300	7.4	6.8	6.5	6.1	6.1
Feb.	118,400	193,200	278,600	6.8	6.2	5.9	5.6	5.8
Mar.	119,700	195,300	281,200	6.5	6.0	5.7	5.4	5.6
Apr.	120,900	197,300	284,200	5.5	5.0	4.7	4.6	5.1
May	123,800	201,900	290,800	5.6	5.1	4.8	4.9	5.3

(a) Not seasonally adjusted.

Source: Ohio Department of Job and Family Services.

Income and Spending

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

INCOME INDICATORS

	<u>OHIO COUNTIES</u>								<u>OHIO</u>	<u>U.S.</u>
	<u>Lucas</u>	<u>Cuyahoga</u>	<u>Franklin</u>	<u>Hamilton</u>	<u>Mahoning</u>	<u>Montgomery</u>	<u>Stark</u>	<u>Summit</u>		
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 2013 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	\$163,071
Springfield Local School District	63,893
Sylvania City School District	84,658
Toledo City School District	36,866
Washington Local School District	41,792
All Ohio School Districts	70,888

(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	\$ 83,600	35.3%	139,880	138,039	-1.33%
County	108,700	27.3	196,259	202,630	+3.2
State	130,800	21.1	4,783,051	5,127,508	+7.2

(a) Source: U.S. Census Bureau Selected Source Characteristics in the United States 2009-2013.

(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>
2010	2,346	\$272,192,387 ^(a)
2011	3,631	297,671,695 ^(a)
2012	3,492	140,435,657
2013	5,032	101,687,216
2014	4,662	162,652,810

(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 Highway 80/90) and Interstate Highways 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.

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.

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

The City is also a major rail center. Four freight rail systems utilize more than 1,200 miles of track within the City. Norfolk Southern and CSX Corp. both operate freight 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>
2010	3,952,992
2011	3,357,675 ^(a)
2012	3,415,007
2013	3,448,956
2014	3,224,055

(a) 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 to 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. The location of that terminal has yet to be determined.

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. The Port Authority is nearing completion of the rehabilitation of the main commercial taxiway on the north (terminal) side of the primary 10,600 foot Runway 7/25 at Toledo Express Airport. This \$7.14 million project, including LED lighting upgrades, follows the \$9.81 million rehabilitation of that runway completed in 2013. Ninety percent of the costs of both projects were funded through federal (FAA) grants, with 10% funded from local sources including Airport revenues and reserves.

Toledo Express Airport is served by two commercial airlines that offer approximately four scheduled flights each day. The number of passengers enplaning at the airport had decreased substantially in recent years before increases averaging approximately 10% per year in 2013 and 2014 with 2013 providing 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 first full year of operations, BX Solutions, Inc. sorted and transshipped approximately 30 million packages at the facility. After withdrawal by a major sortation customer, BXS and the Port Authority transitioned the facility in 2014 to trucking and logistics, and are actively engaged in discussions regarding potential uses of the facility.

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
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
2014	88,745	61,446,693	5,268	2,292	32,312

(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 was completed in late 2013, 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 2014, over 277,000 tons of material were discharged from vessels at the site. The site is very active with the transloading of material between rail car, truck and vessel.

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 2006 through 2014.

PORT AUTHORITY VESSEL AND CARGO STATISTICS 2006-2014

	<u>Vessel Traffic</u>		<u>Net Tons of Cargo Handled</u>				
	Foreign(a)	Total	Total Receipts and Shipments	Coal	Iron Ore	Grain	All Overseas
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
2014	47	604	11,653,430	3,491,719	4,127,015	1,582,756	1,328,504

(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 has since 1983 leased 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. The Ohio Building Authority is requesting a substantial increase (to \$9.18 per square foot) in the ongoing negotiations. The City continues to occupy its space in One Government Center but stopped paying rent starting in mid-2013, when the lease expired and negotiations started, and currently owes back rent to the State in an amount it calculates to be approximately \$2.5 million. On June 30, 2015, City Council passed an ordinance authorizing the Mayor to negotiate the City's acceptance of a conveyance of ownership of the building from the State at no cost to the City. The City believes that the building is in need of repairs and deferred maintenance expected to cost at least \$5.4 million. The State Budget Act authorizes State transfer of the building if negotiations result in terms acceptable to the Director of the State's Department of Administrative Services. 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. The City's current lease for those spaces runs 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 2014 produced an average of 72.5 million gallons of water per day, with a peak flow of 102.8 million gallons of water per day, for approximately 125,000 residential, commercial/institutional and industrial customers in the City and certain surrounding areas in Northwest Ohio and Southeast Michigan. 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, which has a capacity of 120 million gallons of water per day, 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 the 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 2014, unencumbered cash-basis available reserves amounted to \$21.3 million for replacements and \$100,000 for improvements and extensions, compared to \$8.5 million for replacements and \$530,000 for improvements and extensions at December 31, 2013. The City has spent an average of approximately \$14.8 million annually for replacements, improvements and extensions for the Water System over the past 10 years, as a part of the program described below, and expects to spend approximately \$69.2 million (including funds already borrowed) for those purposes in 2015.

The City has begun a major program of improvements to rehabilitate and replace portions of the Water System's intake, treatment and distribution facilities. That program, which is to implement recommendations and address several deficiencies identified by the Ohio Environmental Protection Agency (Ohio EPA) following a sanitary survey in 2012 and discussions with City officials, was originally expected to be completed in 2019, but additional work will be required to mitigate the possibility of events similar to the one resulting from a large algae bloom in Lake Erie and the Water System experienced in August 2014 (the August 2014 Water System Event). The first phase of the program, including improvements to the Collins Park Water Treatment Plant, began in 2013. The City is not under formal orders from the Ohio EPA, but both the City and Ohio EPA believe immediate action is required to insure continuing compliance with existing State and Federal requirements and proposed new Federal safe drinking water standards and to mitigate the possibility of water events caused by algal toxins or other water treatment issues. As a result, the City is accelerating and enhancing certain of the improvements that will be included in the program. See **August 2014 and March 2015 Water System Events**. The City and Arcadis, its outside engineering firm, initially estimated that the improvements to be undertaken as a part of the program would cost approximately \$314 million in the aggregate. That construction estimate included contingencies to cover unanticipated costs or cost increases.

Following the August 2014 Water System Event, the City formed an independent blue-ribbon panel, financed with one of the Ohio EPA loans discussed below, to review the City's program and identify any additional improvements to the Water System that will be required to address its water treatment needs and mitigate the possibility of future water events caused by harmful algal toxins. Based on its review, the panel endorsed the program and recommended one additional improvement, to provide ozone treatment capability at Collins Park Water Treatment Plant, estimated to cost approximately \$40 million, and the City now plans to complete both the original program and the additional improvement by 2019.

The City is actively pursuing State and Federal grants; however, it expects the most of the costs of the Water System improvements described above to be paid from the proceeds of Water 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, and the City anticipates issuing Water System Revenue Bonds in 2016 to pay additional costs. See **Future Financings**. In Spring 2015, the City received two interest-free loans from Ohio EPA intended to assist the City in its efforts to mitigate the possibility of future water events caused by a toxin derived from algae blooms: (i) a \$5.14 million loan to fund the construction of powdered activated carbon storage silos at Collins Park Water Treatment Plant, a low-service pump station and upgrades to the plant's filtering systems, and (ii) a \$1.457

million loan to fund a three-part project comprised of an in-depth evaluation of long-term treatment alternatives for algal toxins to identify a preferred treatment process technology, formation of an independent blue-ribbon panel to review the City's water treatment needs, and conversion of a conventional filter at the treatment plant to a new granular activated carbon filter as a part of a pilot study on removal efficiency of algal toxins. See **August 2014 and March 2015 Water System Events**. If actual construction costs exceed current estimates, City officials believe that the contingencies included in its estimates and existing and projected Water System reserves and revenues anticipated from approved rate increases will be sufficient to absorb the additional costs.

Service Area and Users

In 2014, the Water System sold approximately 143.6 million cubic feet (mcf) of treated water to Monroe County (Michigan) for resale to and use by its water customers, approximately 132.5 mcf of treated water to the City of Perrysburg, approximately 101.8 mcf of treated water to the City of Maumee, and approximately 91.8 mcf to the City of Sylvania for resale to and use by water customers in and adjacent to those cities, and 84.6 mcf of treated water to adjacent Fulton County through Lucas County, and 135.7 mcf of treated water to Wood County (Northwest Water & Sewer District) for resale to and use by its water customers.

Toledo Refining & Marketing Co. (formerly Sun Oil Co.) was the Water System's largest private user by volume in 2014 at 313.0 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	2010	2011	2012	2013	2014
Inside – Direct	1,604,003	1,629,476	1,442,163	1,499,183	1,520,711
Outside – Direct	519,723	449,131	439,041	389,465	382,520
Outside – Bulk	592,562	578,002	763,738	718,510	742,426
Total	2,716,288	2,656,609	2,644,942	2,607,158	2,645,657

Over the past five years, residential usage has accounted for approximately 39% of total usage, commercial usage for 14%, industrial usage for 21%, and bulk and hydrant meter usage for 26%. The user volume for each category of user for the years 2010 through 2014 was as follows:

User Volume (in thousands of cubic feet)

Description	2010	2011	2012	2013	2014
Residential	1,154,939	1,110,999	937,352	1,034,966	996,380
Commercial	411,513	398,585	379,828	371,133	368,715
Industrial	557,274	569,023	564,024	482,549	534,477
Other (Bulk & Hydrant Meters)	592,562	578,002	763,738	718,510	746,084
Total	2,716,288	2,656,609	2,644,942	2,607,158	2,645,657

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	2010	2011	2012	2013	2014	Contract Expires
Toledo Inside	1,605,135	1,564,406	1,445,812	1,500,486	1,520,711	n/a
Maumee	99,539	110,113	99,719	97,218	101,804	2026
Perrysburg	132,250	136,166	135,552	128,459	132,508	2027
Sylvania	97,500	89,268	97,133	88,020	91,795	2028
Monroe County	142,490	118,013	153,046	136,507	143,567	2031
Lucas County	437,916	429,219	488,914	434,246	434,569	2024
Wood County(1)	93,653	105,066	144,400	141,500	135,625	2024
Northwood(1)	10,291	6,632	-	-	-	2031
Rossford(1)	25,595	20,399	-	-	-	2031
Fulton County	71,919	77,327	79,925	80,297	84,611	2016
Berkey	0	0	441	425	467	2042
Total:	2,716,288	2,656,609	2,644,942	2,607,158	2,645,657	

(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 2014:

	Water Revenue (\$)	% of Total Revenue
Monroe County	\$ 4,085,008	7.40%
Toledo Refining & Marketing	2,908,027	5.27
Northwest Water & Sewer District	2,839,547	5.15
City of Sylvania	2,637,285	4.78
Fulton County	2,414,462	4.38
City of Perrysburg	1,844,010	3.30
City of Maumee	1,375,387	2.50
City of Waterville	525,169	0.95(a)
Lucas County Metropolitan Housing Authority	457,948	0.83
Village of Whitehouse	435,905	0.79
Top 10 Largest Users Total	\$19,522,748	35.35%

(a) The City of Waterville, which currently receives most of its water from the Water System, has announced plans to contract with the City of Bowling Green for its water, build a pipe to City of Bowling Green's Water Treatment Plant, and start receiving water from the City of Bowling Green.

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 Water 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 Water System.

The Council has authority to increase water rates as may be necessary. Current water rates are expected to generate approximately \$65.2 million from metered sales in Fiscal Year 2015. 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 \$37.24.

Single service residential homeowner 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, and a 15% discount is available for Poverty Level customers of any age. 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 2013, 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, 2014, Water System accounts totaling \$5.8 million were delinquent for more than 30 days, \$5.2 million of which were delinquent for more than 90 days. The Water System collection rate for 2014 was 99.9%.

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Operating Results

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

	(in thousands of dollars)					
	2009	2010	2011	2012	2013	2014(a)
Operating revenues:						
Charges for services	\$35,813	\$42,199	\$43,211	\$44,031	\$52,413	\$57,205
Other revenue	<u>100</u>	<u>288</u>	<u>39</u>	<u>81</u>	<u>63</u>	<u>0</u>
Total operating revenues	\$35,913	\$42,487	\$43,250	\$44,112	\$52,476	\$57,205
Operating expenses:						
Personnel services	\$11,135	\$12,415	\$13,872	\$12,342	\$13,192	\$13,564
Contractual services	7,872	7,400(c)	9,930	10,826	7,017	10,351
Materials and supplies	5,498(b)	5,653	6,172	6,798	7,797	8,739
Utilities	2,342	2,581	2,625	3,031	2,713	2,646
Depreciation	<u>5,438</u>	<u>4,802</u>	<u>4,766</u>	<u>4,706(d)</u>	<u>5,109</u>	<u>5,471</u>
Total operating expenses	<u>\$32,285</u>	<u>\$32,851</u>	<u>\$37,365</u>	<u>\$37,703</u>	<u>\$35,828</u>	<u>\$40,771</u>
Operating income (loss)	\$3,628	\$9,636	\$5,885	\$6,409	\$16,648	\$16,434
Nonoperating revenues (expenses):						
Investment earnings	\$ 349	\$ 195	\$ 202	\$ 254	\$ 873	\$ 1,367
Interest expense and fiscal charges	(4,271)	(6,287)	(3,821)	(4,294)	(11,084)	(12,701)
Other revenues (expenses)	<u>25</u>	<u>(6)</u>	<u>226</u>	<u>-</u>	<u>-</u>	<u>17</u>
Total nonoperating revenues (expenses)	\$(3,897)	\$(6,098)	\$(3,393)	\$(4,040)	\$(10,211)	\$(11,317)
Income before operating transfers	\$ (269)	\$ 3,538	\$ 2,492	\$ 2,369	\$ 6,437	\$ 5,117
Net Operating transfers in (out)	(90)	(14)	(75)	-	(75)	(75)
Net Income	<u>\$ (359)</u>	<u>\$ 3,524</u>	<u>\$ 2,417</u>	<u>\$ 2,369</u>	<u>\$ 6,362</u>	<u>\$ 5,042</u>
Retained earnings at beginning of year	\$143,893	\$143,534	\$147,058	\$148,475(c)	\$150,833(d)	\$157,195
Retained earnings, end of year	\$143,534	\$147,058(c)	\$149,475	\$150,844	\$157,195	\$162,237

(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, 2014, had) outstanding an aggregate principal amount of \$267,570,000 of Water 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 Water 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 Water System revenues after payment of operating and maintenance expenses of the Water System. The City's remaining annual debt service requirements on the Water Bonds outstanding on December 31, 2015, were as follows:

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

(a) This amount includes \$12,381,873.93 of interest that was paid on May 15, 2014.

The City also has (and as of December 31, 2014, had) \$29,460,032 of outstanding loans from OWDA and OPWC payable from revenues of the Water System after provision for costs of operating and maintaining the Water 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**.

As discussed above, in 2015, the City also obtained \$6.597 million of loans from the Ohio EPA, administered by OWDA, payable from revenues of the Water System after provision for costs of operating and maintaining the Water System and the payment of debt service on the Water Bonds has been made. See **Water System – Facilities and Operations** and **Long-Term Financial Obligations Other than Bonds and Notes – Ohio Environmental Protection Agency Loans**.

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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)					
	2009(a)	2010(b)	2011	2012	2013	2014(c)
Operating Revenues	\$35,913	\$42,487	\$43,250	\$44,112	\$52,476	\$57,205
Nonoperating Revenues(d)	<u>349</u>	<u>195</u>	<u>428</u>	<u>254</u>	<u>873</u>	<u>1,367</u>
Total Revenues	\$36,262	\$42,682	\$43,678	\$44,366	\$53,349	\$58,572
Total Operating Expenses (net of depreciation)	<u>\$26,847</u>	<u>\$28,049</u>	<u>\$32,599</u>	<u>\$32,997</u>	<u>\$30,719</u>	<u>\$35,300</u>
Net Revenues available for Debt Service	\$9,415	\$14,633	\$11,079	\$11,369	\$22,630	\$23,272
Total Debt Service on Bonds	\$8,657	\$8,903	\$8,340	\$9,313	\$11,145(e)	\$10,458(e)
Debt Service Coverage Ratio on Outstanding Bonds	1.09	1.64	1.32	1.22	2.03	2.23

- (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) Consistently with indenture provisions, these amounts exclude nonoperating revenues that are proceeds from the sale of capital assets, which proceeds are excluded in determining the Debt Service Coverage Ratio and compliance with the City's rate covenant.
- (e) Amount does not include interest on bonds issued in 2013 that was capitalized with proceeds of those bonds.

August 2014 and March 2015 Water System Events

On August 2, 2014, the City issued a water advisory (the Water Advisory) at the recommendation of the Ohio EPA to Water System users instructing them to refrain from ingesting tap water. The Water Advisory followed the detection of an unacceptable level of microcystin, a toxin derived from a large algae bloom in Lake Erie, in water that had been treated by the Water System. The elevated algal levels are generally believed to have been caused by nutrients in increased runoff from fertilized fields and livestock farms, lawn chemicals, effluent from septic systems in unsewered areas and combined sewer overflows. Although the algae bloom remained in Lake Erie, the level of microcystin in the Water System's treated water was reduced to acceptable levels by August 4, 2014 and has remained at acceptable levels since that time. The City is continuing to conduct regular tests for the microcystin toxin in cooperation with the Ohio EPA and the United States Environmental Protection Agency.

The City advised customers not to ingest water during the two-day period of the Water Advisory; however, service was never terminated. The Water System's diverse customer base supported steady usage during the two-day period of the Water Advisory. The average daily demand for August 2014 was 80.95 million gallons per day (MGD), compared to an average daily demand of 80.53 MGD for August 2013. The City estimates that it incurred \$174,600 of additional operating expenses due to the event, all of which have been or are to be paid from its water revenue fund. The City has not incurred, and does not expect to incur, liabilities for damages caused by the Water Advisory or the conditions that required it.

To mitigate the possibility of similar events resulting from harmful algae blooms and to address other water treatment issues, the City is accelerating certain of its previously planned improvements to the Water System, including significant improvements to its activated carbon feeding capacity and potassium permanganate treatment capacity. In the Spring of 2015, the City installed early warning water quality

monitoring buoys and sondes. Additionally, the City plans to provide for ozone treatment at the Collins Park Water Treatment Plant by 2019. See **Water System - Facilities and Operations**.

On April 13, 2015, the Ohio EPA notified the City of a violation resulting from two percent of the water treated on March 18 at the Collins Park Water Treatment Plant not having enough contact time with chlorine for disinfection. Water treated at that time required more contact time with chlorine to disinfect the water due to ice flow jams in the Maumee River during spring thaws that brought up large amounts of organic matter. Although the City did use an alternative method to treat the water, it was not one approved by the Ohio EPA. The City met the 30-day deadline after receiving a formal violation to alert the public as required by the Ohio EPA. All City sample analysis indicated the water was safe to drink during the time covered by the alert. To help mitigate the possibility of similar events, the City is accelerating certain of its previously planned improvements to the Water System: additional chemical feed capability at the City's water intake crib and low-service pump station, constructing a new chlorine facility at Collins Park Water Treatment Plant, and increasing sludge removal at the Collins Park Water Treatment Plant. The City completed those projects in the Spring of 2015.

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 2014 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 sewered area carry only sanitary sewage, while the remaining 20% of the City's sewered area is served by 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 Bay View 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 WWTP is an 102 million gallons per day (MGD) activated sludge plant, a biological process, that practices nitrification and chemical phosphorous removal. The plant is designed with a firm capacity to provide full treatment to 195 MGD. In addition, the plant is equipped with a WWTF that has a firm capacity to treat 185 MGD of storm flows through a chemical process. This brings its total capacity to 380 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 Sewer System as necessary and of constructing certain extensions and improvements. At December 31, 2014, its unencumbered cash basis reserves amounted to \$9.027 million for replacements and \$100,000 for improvements and extensions, compared to \$15.735 million for replacements and \$11.695 million for improvements and extensions at December 31, 2013. The City has spent an average of approximately \$43.6 million for replacements, extensions and improvements for the Sewer System annually over the past 10 years, and expects to spend up to \$42.9 million (including loan and bond funds) for those purposes in 2015.

The City's current NPDES permit to operate WWTP 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 that 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 \$492.5 million on capital improvement and replacement projects for the Sewer System and expects to spend up to \$42.9 million on replacement and improvement projects in 2015 and \$367.1 million from 2015 through 2020, inclusive. Consent Decree projects to date have been funded with approximately \$21.8 million of State and federal grants, \$316.2 million of State loans and \$19.5 million cash.

Service Area and Users

The Sewer System supplies wastewater collection and treatment service to approximately 98,496 residential, commercial/institutional and industrial users in the City, and approximately 5,285 such users outside the City. It is the sole provider of such service in the City.

The user volume by each category of users for the years 2010 through 2014 was as follows:

<u>User Volume (in thousands of cubic feet)</u>					
Category	2010	2011	2012	2013	2014
Residential	836,701	728,748	691,707	755,590	675,868
Commercial	248,565	203,915	190,321	203,991	278,432
Industrial	287,862	301,144	263,245	256,131	207,201
Governmental	19,637	14,991	16,053	162,766	181,957
Total	1,392,765	1,248,798	1,161,326	1,378,478	1,343,458

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 \$71.6 million in charges for services in Fiscal Year 2015. Individual customers are billed based on their water meter size, and special rates are imposed for metered industrial and nonindustrial users.

In 2014, the Council enacted a 7.1 % rate increase effective each January 1 starting in 2015 through and including 2019, and a 7.9% increase effective January 1, 2020. These increases raised normal quarterly fixed charges to \$29.12 for regular users and added the Consent Decree fixed charge of \$16.94 for regular users bringing a total fixed charge of \$46.06 per quarter for regular users. Sewer volume charges for regular users using 2,000 cubic feet of water are \$76.44 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**.

Single service residential customers in Toledo, 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 they are furnished per quarter.

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, 2014, Sewer System accounts totaling \$10.4 million were delinquent for more than 30 days, \$9.1 million of which were delinquent for more than 90 days. The Sewer System's collection rate for Fiscal Year 2014 was 97.7%.

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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)					
	2009	2010	2011	2012	2013	2014(a)
Operating revenues:						
Charges for services	\$54,094	\$57,010	\$65,271	\$66,405	\$69,522	\$69,688
Other revenue	<u>95</u>	<u>344</u>	<u>337</u>	<u>203</u>	<u>197</u>	<u>202</u>
Total operating revenues	\$54,189	\$57,354	\$65,608	\$66,608	\$69,719	\$69,890
Operating expenses:						
Personnel services	\$14,451	\$16,827	\$18,810	\$16,971	\$18,484	\$17,503
Contractual services	10,424	10,837	12,989	16,743	4,605	13,994
Materials and supplies	2,297	2,880	2,862	2,636	3,036	2,604
Utilities	3,438	3,192	3,359	3,591	3,196	3,301
Depreciation	<u>8,202</u>	<u>15,348</u>	<u>17,993</u>	<u>17,796(c)</u>	<u>14,395</u>	<u>14,800</u>
Total operating expenses	<u>\$38,812</u>	<u>\$49,084</u>	<u>\$56,013</u>	<u>\$57,737</u>	<u>\$43,716</u>	<u>\$52,202</u>
Operating income (loss)	\$15,377	\$8,270	\$9,595	\$8,871	\$26,003	\$17,688
Nonoperating revenues (expenses):						
Capital grants and contributions	\$ 0	\$4,171	\$2,236	\$1,273	\$ 640	\$ 1,611
Interest revenue	122	206	64	44	8	13
Interest expense and fiscal charges	(10,632)	(7,804)	(8,743)	(9,770)	(7,594)	(10,972)
Other revenues (expenses)	<u>(530)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total nonoperating revenues (expenses)	\$(11,040)	\$(3,427)	\$(6,443)	\$(8,453)	\$(6,946)	\$(9,348)
Income before operating transfers	\$4,337	\$4,843	\$3,152	\$418	\$19,057	\$8,340
Net Operating transfers in (out)	<u>(168)</u>	<u>(16)</u>	<u>(75)</u>	<u>0</u>	<u>(75)</u>	<u>(75)</u>
Net Income	\$4,169	\$4,827	\$3,077	\$418	\$18,982	\$8,265
Retained earnings at beginning of year	<u>\$228,226(b)</u>	<u>\$232,395</u>	<u>\$237,222</u>	<u>\$240,299</u>	<u>\$251,426(c)</u>	<u>\$270,408</u>
Retained earnings, end of year	\$232,395	\$237,222	\$240,299	\$240,717	\$270,408	\$278,673

(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, 2014, had) outstanding an aggregate principal amount of \$19,405,000 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 Sewer System. The City's remaining annual debt service requirements on the Sewer Bonds outstanding on January 1, 2015, were as follows:

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

(a) This amount includes \$752,270.00 of interest that was paid on May 15, 2015.

As of December 31, 2014, the City had approximately \$320,121,000 of outstanding loans from OWDA and OPWC (the OWDA and OPWC Loans) payable from revenues of the Sewer System after provision for costs of operating and maintaining the Sewer 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)					
	2009	2010	2011	2012	2013	2014(a)
Operating Revenues	\$54,189	\$57,354	\$65,271	\$66,405	\$69,719	\$69,890
Nonoperating Revenues	<u>122</u>	<u>4,377</u>	<u>337</u>	<u>203</u>	<u>648</u>	<u>1,624</u>
Total Revenues	\$54,311	\$61,731	\$65,608	\$66,608	\$70,367	\$71,514
Total Operating Expenses (exclusive of depreciation)	<u>\$30,610</u>	<u>\$33,736</u>	<u>\$38,020</u>	<u>\$39,941</u>	<u>\$29,321</u>	<u>\$37,402</u>
Net Revenues	\$23,701	\$27,995	\$27,588	\$26,667	\$41,046	\$34,112
Total Debt Service on Bonds	<u>\$ 4,636</u>	<u>\$ 4,640</u>	<u>\$ 3,665</u>	<u>\$ 3,674</u>	<u>\$ 3,754</u>	<u>\$ 3,562</u>
Debt Service Coverage Ratio on Outstanding Bonds	5.11	6.03	7.52	7.26	10.93	9.58
Net Revenues Available for Other Utility Obligations	\$19,065	\$23,355	\$23,923	\$22,993	\$33,452	\$30,550
Repayment of OWDA and OPWC Loans	\$17,041	\$14,717	\$19,635	\$17,400	\$18,431	\$21,754

(a) Unaudited.

2015 Strategic Plan

The City's Department of Public Utilities (the Department) is implementing recommendations from a comprehensive independent performance audit of the Department conducted in the second half of 2014 and released in December 2014. The performance audit highlighted areas for improvement within the Department, including the Water System and Sewer System, in five categories: performance measurement, administrative services, safety, operations and organization and human resources. Twenty-two of the total 34 recommendations were prioritized to be accomplished within 12 months of the audit's release. These recommendations were incorporated into the Department's 2015 Strategic Plan. A detailed report which includes in which quarter the improvements are scheduled, progress achieved by percentage, and the person responsible for the activity, is provided on a regular basis to City Council.

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, enacted by the Council in 2008, 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.

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The following summarizes operating results of the Storm Water System in Fiscal Years 2011, 2012, 2013 and 2014, presented in accordance with generally accepted accounting principles as applicable to governments.

	(in thousands of dollars)			
	2011	2012	2013	2014(a)
Operating revenues:				
Charges for services	\$10,207	\$10,318	\$9,605	\$9,328
Other revenue	<u>27</u>	<u>13</u>	<u>15</u>	<u>1,718</u>
Total operating revenues	\$10,234	\$10,331	\$9,620	\$11,046
Operating expenses:				
Personal services	\$4,002	\$3,557	\$3,476	\$3,431
Contractual services	2,420	1,881	1,347	1,590
Materials and supplies	432	381	464	434
Utilities	0	0	0	0
Depreciation and amortization	<u>1,151</u>	<u>1,211</u>	<u>1,514</u>	<u>883</u>
Total operating expenses	<u>\$8,005</u>	<u>\$7,030</u>	<u>\$6,801</u>	<u>\$6,338</u>
Operating income (loss)	\$2,229	\$3,301	\$2,819	\$4,708
Nonoperating revenues (expenses):				
Capital grants and contributions	\$ 247	\$ 175	\$ 0	\$ 0
Interest revenue	129	76	29	72
Interest expense and fiscal charges	0	(37)	0	(20)
Gain on sale of capital assets	<u>237</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total nonoperating revenues (expenses)	<u>\$ 613</u>	<u>\$ 214</u>	<u>\$ 29</u>	<u>\$ 52</u>
Income before operating transfers	\$2,842	\$3,515	\$2,848	\$4,760
Capital Contributions	0	0	0	872
Net Operating transfers in (out)	<u>(175)</u>	<u>0</u>	<u>(75)</u>	<u>(75)</u>
Net Income	\$2,667	\$3,515	\$2,773	\$5,557
Retained earnings at beginning of year	<u>\$39,872</u>	<u>\$42,539</u>	<u>\$47,568(b)</u>	<u>\$50,341</u>
Retained earnings, end of year	\$42,539	\$46,054	\$50,341	\$55,898

(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 \$3.3 million annually for replacements and improvements for the Storm Water System over the past ten Fiscal Years, and expects to spend approximately \$2.3 million for those purposes in Fiscal Year 2015.

Over the past five Fiscal Years, additional improvements to the Storm Water System have been funded with the proceeds of State and federal grants in the amount of \$2,274,100, \$803,209 of OPWC (State Issue 2) loans, and \$50,000 from other sources.

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 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 2013. Clark, Schaefer, Hackett & Co. has not yet completed its audit for Fiscal Year 2014, 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 2013, and is currently completing the preparation of a CAFR for 2014. 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 2014 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 2013. The City expects to submit its CAFR for 2014 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 2015. **Appendices B and C** include the City's Basic Financial Statements for Fiscal Years 2013 (audited) and 2014 (unaudited), respectively. In accordance with the Continuing Disclosure Agreements, the City will file its audited Basic Financial Statements for Fiscal Year 2014 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, 2014, the City's total portfolio of deposits and investments was approximately \$339.97 million. The weighted average maturity of deposits and investments, was approximately 1.9 years, with approximately 10.6% of those investments and deposits having a maturity of one year or less, 39.8% having a maturity of one to two years, 49.6% having a maturity of two to three years, and none having a maturity of greater than three years. That weighted average maturity and allocation will necessarily change from time to time as City funds are received, invested and reinvested.

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, ad valorem property taxes levied by the City, charges for services and certain other nontax revenues, and local governmental assistance distributions from the State. The City's budget for Fiscal Year 2015 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 2015. For detailed information concerning historical (and budgeted Fiscal Year 2015) 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 decreases were 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. Revenues from that tax have increased in each Fiscal Year since - to \$144.6 million in Fiscal Year 2010, \$153.6 million in Fiscal Year 2011, \$158.5 million in Fiscal Year 2012, \$158.7 million in Fiscal Year 2013, and \$164.8 million in Fiscal Year 2014 - on the strength of a recovering local economy.

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) have decreased from \$18.5 million in Fiscal Year 2008 to \$13.4 million in Fiscal Year 2014. See **Assessed Valuation and Tax Table B**. In addition, the State has reduced its local government assistance fund distributions to its political subdivisions. See **Local Government Assistance Funds**. Those distributions to the City decreased from \$19.7 million in Fiscal Year 2010 to \$15.6 million in Fiscal Year 2014.

Beginning in Fiscal Year 2012, the City began receiving revenues from a tax on casino revenues imposed by the State. Those revenues have been \$3.0 million in Fiscal Year 2012, \$5.7 million in Fiscal Year 2013 and \$5.6 million in Fiscal Year 2014. See **Casino Tax Revenues**.

The City's aggregate General Fund revenues were \$227.8 million in Fiscal Year 2014, up from \$225.9 million in Fiscal Year 2013, \$226.5 million in Fiscal Year 2012, \$221.1 million in Fiscal Year 2011 and \$211.5 million in Fiscal Year 2010. 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 or limit increases in 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) 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 (ii) 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 2014 were \$203.8 million, compared to \$201.2 million in Fiscal Year 2013, \$196.5 million in Fiscal Year 2012, \$202.5 million in Fiscal Year 2011 and \$191.6 million in Fiscal Year 2010.

The City's unaudited basic financial statements show that the City ended Fiscal Year 2014 with a total General Fund balance of \$9,795,000, compared to balances of \$7,977,000 at the end of Fiscal Year 2013, \$5,008,000 at the end of Fiscal Year 2012, \$326,000 at the end of Fiscal Year 2011 and (\$8,612,000) 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**.

The City's General Fund budget for Fiscal Year 2015 is based on revenues of \$233.1 million and direct expenditures of \$208.4 million. The revenue assumptions for that budget include, among others,

municipal income tax revenues of \$169.6 million (compared to \$164.8 million in Fiscal Year 2014) and State local government assistance distributions of \$7.7 million (compared to \$15.6 million in Fiscal Years 2014 and 2013). For Fiscal Year 2015, the City has budgeted \$37.2 million of transfers out to the Capital Improvements Fund and other funds and \$12.8 million of transfers in to the General Fund from other funds (including an \$11.0 million transfer back from the Capital Improvements Fund). The City's budgeted operating expenditures for Fiscal Year 2015 contemplate cost reductions of more than \$5 million to be achieved by utilizing a call-in program to reduce overtime expenditures for Police Department personnel for their court appearances and lower costs of detention of arrested persons achieved by charging them under State law (rather than Toledo Municipal Code) provisions for the violations committed and thereby transferring certain costs to the County. The County has disputed the latter practice and negotiations between the parties are ongoing. 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 2014, revenues from the portion of that component of the income tax allocated to capital improvements amounted to approximately \$18.3 million. The City's budget for 2014 contemplated that \$14.1 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 \$11.6 million. The City administration currently projects that it will be necessary to reallocate to the General Fund approximately \$11.0 million of the revenues from the portion of that component of the income tax allocated to capital improvements in Fiscal Year 2015. 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 **Economic and Community Development Activities – Industry and Commerce –Recent Development Activities**.

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 ¾% 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 ¾% 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 ¾% 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 ¾% 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 ¾% 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, and (iii) 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 2015, 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 2010 through 2014 have been, and its rate and budgeted collections for Fiscal Year 2015 are, as follows:

<u>Year</u>	<u>Amount</u>	<u>Rate(a)</u>
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	164,786,618	2-1/4
2015 (budgeted)	169,565,903	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 ¾% 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, \$52,912,138 in Fiscal Year

2013 and \$54,929,110 in Fiscal Year 2014, and is budgeted to provide approximately \$56,521,968 in Fiscal Year 2015.

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 $\frac{3}{4}\%$ component of the City's municipal income tax allocated to capital improvements in Fiscal Years 2010 through 2014, 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, \$10.7 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 and \$11.6 million of the approximately \$18.3 million of revenues from that component of the income tax allocated to capital improvements to be reallocated to the General Fund in Fiscal Year 2014. The City administration currently expects such reallocations to continue in Fiscal Years 2015 and 2016. 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 2014 were, in alphabetical order:

Board of Education, Toledo City School District	Libbey Glass Inc.
Fiat Chrysler Automobiles	ProMedica Health System
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>
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
2014	-0-	41,276,830	41,576,830	25.2

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

One employer, through its employee salary and wage withholdings, contributed more than 5% of total City income tax receipts in 2014.

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 2010 through 2014 have been, and are budgeted to be in Fiscal Year 2013, as shown in the following table:

<u>Year</u>	<u>Amount</u>
2010	\$19,713,700
2011	17,907,000
2012	15,907,445
2013	15,894,904
2014	15,646,336
2015 (budgeted)	7,661,654

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, including civil penalties.
- 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 and Capital Improvements Funds and for its former Parking System Revenue Fund. For the portions of such revenues credited to (or budgeted for) the General Fund, see **Appendix A**.

<u>Year</u>	<u>Charges for Services</u>	<u>Investment Earnings(a)</u>	<u>Licenses and Permits</u>	<u>Fines and Forfeitures(b)</u>	<u>Payment in Lieu of Taxes</u>	<u>Parking System Revenues(c)</u>	<u>Other</u>	<u>Total</u>
2010	\$22,928,000	\$1,515,000	\$2,359,000	\$4,486,000	\$5,559,000	\$1,383,000	\$ 1,648,000	\$38,119,000
2011	25,543,000(d)	785,000	2,298,000	4,681,000	5,650,000	1,887,000	662,000(e)	41,415,000
2012	26,132,000(d)	949,000	2,264,000	6,715,000	4,573,000	0	378,000	41,011,000
2013	26,296,000(d)	499,000	2,408,000	7,118,000	4,592,000	350,000	622,000	41,885,000
2014	26,287,000(d)	431,000	2,468,000	5,876,000	5,195,000	186,000	1,060,000	40,913,000
2015(f)	27,276,000	261,000	2,581,000	6,533,000	4,479,000	186,000	1,058,000	42,254,000

- (a) Variations in amounts reflect market interest rates and the overall size of the City's investment portfolio from time to time.
- (b) Amounts include, among other revenues, revenues received under photo-enforcement traffic programs using automated red-light or speed-enforcement cameras, which were \$788,272 in Fiscal Year 2010, \$1,004,598 in Fiscal Year 2011, \$2,954,839 in Fiscal Year 2012, \$3,099,512 in Fiscal Year 2013 and \$2,205,397 in Fiscal Year 2014 and are budgeted to be \$3,200,000 in Fiscal Year 2015, with the budgeted increase anticipated to come, in part, from a program to increase collections of delinquent civil penalties owed. See the discussion below regarding State legislation that prohibited the use of automated red-light or speed-enforcement cameras, a subsequent court decision that the State statute restricting the use of traffic cameras violates the City's home-rule powers under the Ohio Constitution, and legislation being considered by the General Assembly that would reduce a local government's distribution from the State's Local Government Fund by amounts the local government continues to collect from citations recorded by the cameras.
- (c) 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.
- (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) Excludes 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.

State legislation that took effect March 23, 2015, prohibited local governments with photo-enforcement traffic programs from using automated red-light or speed-enforcement cameras unless police officers are present to personally witness the violations. In March 2015, the City filed a lawsuit in Lucas County Common Pleas Court challenging the constitutionality of that legislation. At that time, the judge granted the City's request for a preliminary injunction, which allowed the City to continue issuing citations from the cameras while the litigation was pending. In April 2015, the judge ruled that portions of a State statute restricting the use of traffic cameras violate the City's home-rule powers under the Ohio Constitution, that the City's cameras may remain in place and that the City does not have to meet requirements set out by the new law that require, among other things, a police officer to be present at all times that a red-light or speed-violation camera is in use. The State appealed that decision in the Ohio Court of Appeals for the Sixth Appellate District and that appeal is pending. The State Budget Act requires the City and other cities with photo-enforcement traffic programs to file reports every three months with the State Auditor indicating how much they have collected from citations recorded by the cameras and provides for distributions to the cities from the State's Local Government Fund to be offset by that amount. It is uncertain whether those provisions would be upheld if challenged, and the City (and other affected municipalities) will be challenging the provision. See **Litigation**.

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 shares of the proceeds of that tax, established by the constitutional amendment, were in Fiscal Years 2012 through 2014, and its share in Fiscal Year 2015 is budgeted to be, as follows:

<u>Year</u>	<u>Amount</u>
2012	\$2,975,531
2013	5,692,000
2014	5,601,688
2015 (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.

<u>Tax Collection Year</u>	<u>Real(a)</u>	<u>Public Utility(b)</u>	<u>Total Assessed Valuation</u>
2011	\$3,687,359,380	\$118,417,280	\$3,805,776,660
2012	3,629,877,950	123,217,990	3,753,095,940
2013	3,096,885,620(c)	135,379,380	3,232,265,000(c)
2014	3,060,991,220	150,560,380	3,211,551,600
2015	3,039,205,190	161,170,060	3,200,375,250

(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) Tangible personal property of all public utilities and real property of railroads.

(c) 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 2015 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	\$108,605,740
GLP Capital LP	Casino	56,561,480
Columbia Gas of Ohio, Inc.	Public Utility	38,610,630
Star-West Franklin Park	Retail Mall Owner-Lessor	18,424,450(b)
American Transmission Systems, Inc.(a)	Public Utility	17,643,920
LC – Country Club/Hawthorne Hills/Woodlands	Apartment Complexes	15,677,960
One Seagate Partners LLC	Real Estate Holdings	14,000,000
DFG – Glendale and Detroit/Hill	Real Estate Holdings	8,242,020
Reynolds/Bryne Rd. Eagle Ridge/HL Monroe/Reynolds Associates		
I.B.C. Inc.	Real Estate Holdings	6,328,940
University Residences at Westwood II	Apartment Complex	5,377,190
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	4,821,670
ERT Southland LLC	Shopping Center	4,641,350

(a) Toledo Edison Company and American Transmission Systems, Inc. are subsidiaries 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 will be making such an adjustment in 2015, and that will first be reflected in the 2015 duplicate and in the ad valorem taxes distributed to the City in collection year 2016.

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. State legislation enacted in 2013 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 Ohio 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. State legislation enacted in 2013 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 Ohio 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**.

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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 real property 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). (44.83%)
- (2) Toledo City School District (K-12 educational responsibilities) (98.91%). The City’s assessed value is split among various school districts as follows:

Toledo City School District	69.73%
Washington Local School District	23.60%
Sylvania City School District	3.29%
Springfield Local School District	1.97%
Maumee City School District	1.40%
Ottawa Hills Local School District	0.001%
- (3) Toledo Area Regional Transit Authority (TARTA) (public mass transit system). (56.17%)
- (4) Toledo-Lucas County Port Authority (public port facilities in the Port of Toledo). (44.83%)
- (5) Metropolitan Park District of the Toledo Area (park and recreation areas). (44.83%)
- (6) Toledo-Lucas County Library District (public library system). (45.32%)
- (7) Penta County Joint Vocational School District (vocational educational responsibilities). (5.31%)

Source: County Auditor and Ohio Department of Taxation data.

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, State legislation enacted in 2013 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 State legislation enacted in 2013.

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TAX TABLE A
TAX RATES FOR THE CITY AND OVERLAPPING TAXING SUBDIVISIONS
FOR TAX YEARS 2010 THROUGH 2014 (COLLECTION YEARS 2011 THROUGH 2015)

The City within(b):	LUCAS COUNTY(a)					CITY AND LOCAL SCHOOL DISTRICTS			PENTA COUNTY JVSD GENERAL	CITY			TOTAL RATE	EFFECTIVE RATE	
	TARTA	PORT AUTHORITY	GENERAL	VOTED LEVIES	PARK	GENERAL	PERMANENT IMPROVEMENTS	BOND RETIREMENT		GENERAL	POLICE & FIRE PENSION	RECREATION DISTRICT		AGR/RES	OTHER
TAX YEAR 2010															
Toledo CSD	2.50	0.40	2.00	13.77	2.00	61.20	0.50	4.00	3.20	3.80	0.60	1.65	90.77	59.02	78.43
Maumee CSD, PC JVSD	2.50	0.40	2.00	13.77	2.00	73.70	0.75	5.00		3.80	0.60		107.72	69.91	80.01
Washington LSD	2.50	0.40	2.00	13.77	2.00	71.10	2.60			3.80	0.60		98.77	61.36	69.40
Sylvania CSD	2.50	0.40	2.00	13.77	2.70(c)	72.20	0.30	5.80		3.80	0.60		105.72	69.34	72.19
Ottawa Hills LSD	2.50	0.40	2.00	13.77	2.00	128.15	3.00	2.70		3.80	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	3.20	3.80	0.60	1.65	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		3.80	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		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	3.20	3.80	0.60	1.65	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		3.80	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		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	3.20	3.80	0.60	1.65	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		3.80	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		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
TAX YEAR 2014															
Toledo CSD	2.50	0.40	2.00	17.37	2.90	66.00	2.00	5.10	3.20	3.80	0.60	1.65	102.67	77.57	94.85
Maumee CSD, PC JVSD	2.50	0.40	2.00	17.37	2.90	80.60	2.65	5.50		3.80	0.60		121.52	88.00	97.70
Washington LSD	2.50	0.40	2.00	17.37	2.90	80.30	3.20			3.80	0.60		113.07	82.73	88.72
Sylvania CSD	2.50	0.40	2.00	17.37	4.05(c)	77.10	0.30	6.10		3.80	0.60		115.87	83.46	86.21
Ottawa Hills LSD	2.50	0.40	2.00	17.37	2.90	135.05	4.00	3.60		3.80	0.60		172.22	116.48	140.58
Springfield LSD, PC JVSD	2.50	0.40	2.00	17.37	2.90	70.40	1.35	3.00	3.20	3.80	0.60		107.52	75.22	76.38

(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		
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
2013	Real and Public Utility(a)	2014	14,163	12,451	87.9	3,258	974	13,425	94.8
	Tangible Personal	2014	0	0	--	278	1	1	--
	Special Assessments	2014	24,365	20,375	83.6	14,698	2,928	23,303	95.6

(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 2014 was \$659,979 for the elderly/disabled homestead payment and \$1,028,918 for the rollback payment.

State legislation enacted in 2013 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 122,313 nonexempt parcels in the City for collection year 2014, the number of delinquent parcels was approximately 18,524 against 791 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 2014, 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 December 31, 2014 were and as of this date are:

<u>Limitation</u>	<u>As of December 31, 2014</u>		<u>As of July 1, 2015^(a)</u>	
	<u>Nonexempt Debt Outstanding</u>	<u>Additional Debt Capacity Within Limitation</u>	<u>Nonexempt Debt Outstanding</u>	<u>Additional Debt Capacity Within Limitation</u>
10-1/2% = \$336,039,401	\$143,539,992	\$192,499,409	\$153,599,992	\$182,439,409
5-1/2% = \$176,020,638	\$143,539,992	\$ 32,480,646	\$153,599,992	\$ 22,420,646

(a) On April 28, 2015, the City issued \$10,060,000 of unvoted general obligation BANs to provide funds to pay costs of certain street and bridge improvements.

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 rate limitation 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 have converted to the anticipated bonds the \$9,125,000 of its unvoted general obligation BANs outstanding as of December 31, 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 have been \$19,169,285 in 2015. That debt included unvoted general obligation bonds outstanding or bonds anticipated by BANs outstanding. The payment of that annual debt service would have required a levy of 5.9897 mills based on the then current assessed valuation. Of this maximum annual debt service requirement, all was 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 have been 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 December 31, 2014 was estimated to be 7.5479 mills for 2015 (the year of the highest projected aggregate millage requirements for debt service). There thus remained 2.4521 mills within the ten-mill limitation that had yet to be allocated to debt service and that was available to the City and overlapping subdivisions in connection with the issuance of additional unvoted general obligation debt.

On February 4, 2015, the City issued \$525,000 of unvoted general obligation bonds to provide funds to pay costs of a court-approved final settlement of claims made against the City in certain litigation and on April 28, 2015, the City issued \$10,060,000 of unvoted general obligation BANs to provide funds to pay costs of certain street and bridge improvements. If the City were to convert to the anticipated bonds the \$19,185,000 of its currently outstanding unvoted general obligation BANs at the interest rates assumed in the ordinances authorizing the BANs, the highest debt service requirement in any year for all City debt subject to the ten-mill limitation is estimated to be \$20,089,191 in 2016. All of that maximum annual debt service 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. If those other sources for any reason were not available, the debt service could not have been met from the amounts produced by the millage currently allocated to the City within the ten-mill limitation.

The total millage theoretically now 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 July 1, 2015 is estimated to be 7.9274 mills for 2016 (the year of the highest projected aggregate millage requirements for debt service). There thus remain 2.0726 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), 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
AS OF DECEMBER 31, 2014^{(a)(b)}

A. Total Debt:	\$ 498,368,520
B. Exempt Debt:	\$ 354,828,528

<u>Category</u>	<u>Outstanding Principal Amount</u>
Water System Revenue Bonds	\$267,570,000
Sewer System Revenue Bonds	19,405,000
Special Assessment Services Notes ^{(c)(d)}	19,800,000
Special Assessment Services Notes ^{(c)(e)}	20,900,000
Other Nontax Revenue Debt ^(f)	<u>27,153,528</u>
Total Exempt Debt	\$354,828,528

C. Total Nonexempt Debt (A minus B):	\$ 143,539,992
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D. 5-1/2% of Assessed Valuation (Unvoted Debt Limitation):	\$ 176,020,638
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E. Total Limited Tax Nonexempt Bonds and BANs outstanding:	
Bonds	\$134,414,992
BANs	9,125,000
	\$ 143,539,992

F. Debt Leeway Within 5-1/2% Unvoted Direct Limitation (But Subject to Indirect Debt Limitation) (D minus E):	\$ 32,480,646
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G. 10-1/2% of Assessed Valuation (Voted and Unvoted Debt Limitation):	\$ 336,039,401
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H. Total Nonexempt Bonds and BANs Outstanding:	
Bonds	\$134,414,992
BANs	9,125,000
	\$ 143,539,992

I. Debt Leeway Within 10-1/2% Direct Debt Limitation (G minus H):	\$ 192,499,409
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- (a) On February 4, 2015, the City issued \$525,000 of unvoted general obligation bonds to provide funds to pay costs of a court-approved final settlement of claims made against the City in certain litigation, and on April 28, 2015, the City issued an additional \$10,060,000 of unvoted general obligation BANs to provide funds to pay costs of certain street and bridge improvements; the bonds issued on February 4 are exempt from the direct debt limitations, but the BANs issued on April 28 are not. See the table under **Statutory Direct Debt Limitations** above for the effect of the issuance of those BANs on the City's debt leeway.
- (b) Debt leeway in this table determined without considering moneys in the Bond Retirement Fund.
- (c) 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** below.
- (d) For City services provided in 2013.
- (e) For City services provided in 2014.
- (f) Includes the industrial development bonds described under **Economic Development Obligations** below.

DEBT TABLE B

VARIOUS CITY AND OVERLAPPING GENERAL OBLIGATION (GO) DEBT ALLOCATIONS (PRINCIPAL AMOUNTS)

AS OF DECEMBER 31, 2014

	<u>Amount</u>	<u>Per Capita(a)</u>	<u>% of City's Current Assessed Valuation(b)</u>
City Nonexempt GO Debt(c)	\$143,539,992	\$ 499.78	4.49%
Total City GO Debt (Exempt and nonexempt)	143,539,992	499.78	4.49
Highest Total Overlapping GO Debt(d)(e)	330,438,982	1,150.52	10.33

AS OF JULY 1, 2015

	<u>Amount</u>	<u>Per Capita(a)</u>	<u>% of City's Current Assessed Valuation(b)</u>
City Nonexempt GO Debt(c)	\$153,599,992	\$ 534.80	4.80%
Total City GO Debt (Exempt and nonexempt)	154,124,992	536.63	4.82
Highest Total Overlapping GO Debt(d)(e)	341,023,982	1,187.38	10.66

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

(b) The City's current assessed valuation is \$3,200,375,250.

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

\$ 49,132,201 of County debt (44.83%); and

\$137,766,789 of Toledo City School District debt (98.91%).

(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:

\$ 105 of Ottawa Hills Local School District debt (0.02%)

\$3,185,440 of Maumee City School District debt (10.62%)

\$ 694,120 of Springfield Local School District debt (9.38%)

\$7,041,540 of Sylvania City School District debt (7.69%); and

\$ 697,834 of Sylvania Area Joint Recreational District debt (7.69%).

Sources of assessed valuation and GO debt figures for overlapping subdivisions: County Auditor and Ohio Department of Taxation data.

DEBT TABLE C
PROJECTED DEBT SERVICE REQUIREMENTS ON OUTSTANDING CITY GENERAL OBLIGATION DEBT
2015 THROUGH 2033

Debt Service On:					Portion of Debt Service Anticipated to be Paid From:				
Calendar Year	Bonds Outstanding on December 31, 2014	Bonds in Anticipation of Which BANs Were Outstanding on December 31, 2014(b)	Bonds Issued on February 4, 2015	Bonds in Anticipation of Which BANs Were Issued on April 28, 2015	Total Debt Service	Income Tax Revenues(c)	Housing Loan Payments(c)(d)	Motor Vehicle Fuel & License Tax(c)	Federal Direct Payments(e)
2015(a)	\$19,085,011.50	\$ 84,273.96	\$81,650.63	\$ 0.00	\$19,250,936.08	\$17,432,232.51	\$465,090.00	\$904,800.00	\$448,813.57
2016	17,622,176.50	1,244,259.66	82,621.87	1,140,133.34	20,089,191.37	19,248,255.95	478,390.00	0.00	362,545.42
2017	17,045,366.50	1,209,696.67	80,193.75	1,046,240.00	19,381,496.93	18,552,680.38	491,290.00	0.00	337,526.55
2018	16,193,728.50	1,175,133.69	77,765.62	1,019,413.34	18,466,041.15	17,658,345.83	500,040.00	0.00	307,655.32
2019	14,167,503.50	1,140,570.71	75,337.50	992,586.67	16,375,998.38	15,596,227.81	503,190.00	0.00	276,580.57
2020	13,493,313.75	1,106,007.72	72,909.38	965,760.00	15,637,990.85	14,892,916.23	500,890.00	0.00	244,184.62
2021	12,837,359.50	822,444.74	70,481.25	938,933.34	14,669,218.83	13,985,485.43	473,290.00	0.00	210,443.40
2022	11,909,208.50	796,596.76	68,053.12	912,106.67	13,685,965.05	13,043,025.85	471,140.00	0.00	171,799.20
2023	11,658,726.50	770,748.78	0.00	885,280.00	13,314,755.28	12,719,449.73	463,690.00	0.00	131,615.55
2024	9,236,886.50	744,900.79	0.00	858,453.33	10,840,240.63	10,281,632.08	469,410.00	0.00	89,198.55
2025	8,994,766.00	719,052.81	0.00	831,626.67	10,545,445.48	10,060,621.53	439,450.00	0.00	45,373.95
2026	6,296,412.50	368,204.83	0.00	804,800.00	7,469,417.33	7,469,417.33	0.00	0.00	0.00
2027	5,867,137.50	355,356.84	0.00	777,973.33	7,000,467.68	7,000,467.68	0.00	0.00	0.00
2028	5,838,450.00	342,508.86	0.00	751,146.67	6,932,105.53	6,932,105.53	0.00	0.00	0.00
2029	1,988,700.00	329,660.88	0.00	724,320.00	3,042,680.88	3,042,680.88	0.00	0.00	0.00
2030	1,452,450.00	316,812.89	0.00	697,493.33	2,466,756.23	2,466,756.23	0.00	0.00	0.00
2031	0.00	84,631.58	0.00	0.00	84,631.58	84,631.58	0.00	0.00	0.00
2032	0.00	81,105.26	0.00	0.00	81,105.26	81,105.26	0.00	0.00	0.00
2033	0.00	77,578.95	0.00	0.00	77,578.95	77,578.95	0.00	0.00	0.00
2034	0.00	74,052.63	0.00	0.00	74,052.63	74,052.63	0.00	0.00	0.00

(a) Amounts include interest paid on June 1, 2015.

(b) Assumes all presently outstanding BANs are retired with bonds dated October 1, 2015, having first interest payments December 1, 2015 and first principal payments December 1, 2016, 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>
2011	\$5,145,000	\$151,546,134
2012	30,000	135,658,796
2013	15,000	145,195,000
2014	0	141,119,992
2015	0	143,539,992

Bond Anticipation Notes

As of December 31, 2014, \$9,125,000 of the unvoted general obligation debt of the City was in the form of BANs. \$19,185,000 of the unvoted general obligation debt of the City is currently 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>
Taxable Building Acquisition Notes, Series 2014	09/23/14	09/23/15	1.90%	\$3,250,000
Capital Improvement and Equipment Notes, Series 2014	10/21/14	10/21/15	1.25	3,040,000
Street Improvement Notes, Series 2014	10/21/14	10/21/15	1.25	2,835,000
Street and Bridge Improvement Notes, Series 2015	04/28/15	10/21/15	0.85	10,060,000

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 83.6%, and the combined total of such current collections and collections of delinquent special assessments from prior years has averaged 95.6% of the current amount levied.

CURRENT AND DELINQUENT COLLECTIONS OF SPECIAL ASSESSMENTS

(In Thousands of Dollars)

<u>Collection Year</u>	<u>Dollars of Current Amount</u>		<u>Percent of Current Levy Collected</u>	<u>Total of Dollars Unpaid Amount</u>		<u>Total Dollars Collected</u>	<u>Collections as a Percentage of Current Levy</u>
	<u>Levied</u>	<u>Collected</u>		<u>Billed</u>	<u>Collected</u>		
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
2014	24,365	20,375	83.6	14,698	2,928	23,303	95.6

Debt Table F lists the City's City Services Special Assessment Notes outstanding as of December 31, 2014. These Notes are reflected in **Debt Table A** above.

DEBT TABLE F

OUTSTANDING CITY SERVICES SPECIAL ASSESSMENT NOTES

<u>Project Year</u>	<u>Description</u>	<u>Dated Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal Amount Outstanding</u>
2013	City Services Special Assessment	11-26-13	06-01-15	1.25%	\$ 7,900,000
	Notes (Services 2013)(a)	11-26-13	12-01-15	1.25%	\$11,900,000
2014	City Services Special Assessment	12-19-14	06-01-16	1.41%	\$ 7,400,000
	Notes (Services 2014)(b)	12-19-14	12-01-16	1.41%	\$13,500,000

(a) The special assessments anticipated by these Notes are to be collected in 2015. The City retired the \$7,900,000 maturing on June 1, 2015 on that date.

(b) The special assessments anticipated by these Notes are to be collected in 2016.

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 Fiat Chrysler Automobiles) (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 land acquisitions and site improvements to prepare sites in the City's Marina District and in the area of Fiat Chrysler Automobiles' Toledo Assembly Complex 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 DECEMBER 31, 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 Fiat Chrysler Automobiles	Industrial Development Revenue Bonds (HUD Section 108 loan)	\$24,140,000	\$7,545,000	1.00%-3.00%	2018	\$1,650,000(b)
	Industrial Development Revenue Bonds (State Chapter 166 Loan)	\$10,000,000	\$2,880,168	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	\$125,000	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	\$293,360	4.25%	2016	(c)
D. Land acquisition and remediation in the Marina District	Industrial Development Bond	\$5,120,000	\$4,035,000	5.88%-6.55%	2032	\$503,000
E. Improvements supporting or part of expansion of facilities now owned by Fiat Chrysler Automobiles	Industrial Development Bond	\$9,000,000	\$6,325,000	4.25%-5.00%	2026	\$720,000(b)
F. Southwyck Project	Industrial Development Bond	\$3,250,000	\$3,250,000	3.45%	2019	\$720,000
G. Land acquisition for one or more industrial facilities	Taxable Industrial Development Note	\$2,700,000	\$2,700,000	6.00%(d)	2035(d)	\$235,000(d)

ADDITIONAL CITY ECONOMIC DEVELOPMENT OBLIGATIONS ISSUED ON FEBRUARY 4, 2015

H. Land acquisition for one or more industrial facilities	Taxable Industrial Development Note	\$1,750,000	\$1,750,000	6.00%(d)	2035(d)	\$152,000(d)
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- (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.
- (d) Assumes presently outstanding bond anticipation notes are retired at maturity with taxable bonds bearing interest at the rate and maturity over the number of years estimated and set forth in the ordinance authorizing the notes and having substantially equal annual debt service.

DEBT TABLE H

DEBT SERVICE REQUIREMENTS ON OUTSTANDING CITY ECONOMIC DEVELOPMENT OBLIGATIONS 2015 THROUGH 2035 AS OF JULY 1, 2015

Calendar Year	Total Debt Service on		Total Debt Service(a)	Portion of Debt Service Anticipated to be Paid From:		
	Nontax Revenue Bonds and Notes Outstanding on December 31, 2014(a)	Nontax Revenue Notes Issued on February 4, 2015(a)		Payments in Lieu of Taxes(b)	Other Nontax Revenues(c)	Other Sources(b)(c)
2015	\$4,752,063.17	\$ 0.00	\$4,752,063.17	\$2,663,440.00	\$ 719,086.46	\$1,369,536.71
2016	5,040,585.74	155,000.00	5,195,585.74	2,663,440.00	1,123,933.33	1,408,212.41
2017	4,844,020.92	152,000.00	4,996,020.92	2,663,440.00	1,119,677.67	1,212,903.25
2018	4,746,890.94	154,000.00	4,900,890.94	2,663,440.00	1,126,015.17	1,111,435.77
2019	1,923,475.50	150,700.00	2,074,175.50	717,975.00	1,102,277.50	253,923.00
2020	1,208,760.00	152,400.00	1,361,160.00	718,975.00	389,900.00	252,285.00
2021	1,211,173.00	153,800.00	1,364,973.00	718,725.00	390,600.00	255,648.00
2022	1,206,708.00	154,900.00	1,361,608.00	717,225.00	390,700.00	253,683.00
2023	1,204,305.00	150,700.00	1,355,005.00	718,087.00	385,200.00	251,718.00
2024	1,205,028.00	151,500.00	1,356,528.00	717,375.00	384,400.00	254,753.00
2025	1,208,548.00	152,000.00	1,360,548.00	720,088.00	388,000.00	252,460.00
2026	1,209,631.00	152,200.00	1,361,831.00	720,963.00	385,700.00	255,168.00
2027	908,248.00	152,100.00	1,060,348.00	0.00	387,800.00	672,548.00
2028	909,718.00	151,700.00	1,061,418.00	0.00	389,000.00	672,418.00
2029	903,623.00	151,000.00	1,054,623.00	0.00	384,300.00	670,323.00
2030	905,263.00	150,000.00	1,055,263.00	0.00	384,000.00	671,263.00
2031	904,010.00	153,700.00	1,057,710.00	0.00	387,800.00	669,910.00
2032	904,865.00	151,800.00	1,056,665.00	0.00	385,400.00	671,265.00
2033	232,500.00	154,600.00	387,100.00	0.00	387,100.00	0.00
2034	235,800.00	151,800.00	387,600.00	0.00	387,600.00	0.00
2035	233,200.00	153,700.00	386,900.00	0.00	386,900.00	0.00

- (a) Includes debt service on outstanding Nontax Revenue Bonds and estimated debt service on bonds anticipated by outstanding Nontax Revenue Notes.
(b) Debt service is expected to be paid from the revenues indicated, but is secured by all of the City's nontax revenues.
(c) 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 1, 2015, all of which were outstanding as of December 31, 2014. 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 of the Sewer System. The aggregate principal amount of the City’s obligations under those OWDA loan agreements was approximately \$312,400,000 as of December 31, 2014, with an undisbursed amount available to the City of approximately \$138,463,000. See **Appendix C**. Under those loans, the City paid \$21,388,003 in Fiscal Year 2014 and will pay a total of \$22,505,291 in Fiscal Year 2015. Each such outstanding loan is payable in substantially equal semiannual installments. Final payments on those outstanding loans are to be made by 2040.

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 Sewer 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 undisbursed available amounts under the loan agreements, the City projects that its aggregate loan payment requirements on these OWDA loans will approximately be as follows through 2041:

<u>Period</u>	<u>Payments</u>
2015	\$ 17,758,000
2016	22,741,000
2017	23,922,000
2018	25,445,000
2019-2023	197,375,000
2024-2028	212,050,000
2029-2033	164,699,000
2034-2041	151,448,000

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 loan agreements with OWDA pursuant to which OWDA has provided a loan to the City to pay costs of improvements to the treatment of the Water System. The aggregate principal amount of the City’s obligations under that OWDA loan agreement was approximately \$27,694,000 as of December 31, 2014, with an undisbursed amount available to the City was approximately \$3,384,000. See **Appendix C**. Under those loans, the City paid \$1,603,032 in Fiscal Year 2014 and will pay a total of \$1,603,032 in Fiscal Year 2015. Each such outstanding loan is payable in substantially equal semiannual installments. Final payments on those outstanding loans are to be made by 2036.

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 Water 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.

In Spring 2015, the City entered into two loan agreements with the Ohio Environmental Protection Agency pursuant to which the City has borrowed moneys to assist the City in its efforts to mitigate the possibility of future water events caused by algal toxins. See **Water System – Facilities and Operations** and **August 2014 Water System Events**. One loan is in the amount of \$5.14 million, with an initial payment date of July 1, 2017, and a final payment on July 1, 2037. The other loan is in the amount of \$1.457 million, with an initial payment date of January 1, 2017, and a final payment on July 1, 2036. Both loans bear no interest and are payable from revenues of the Water System after provision for costs of operating and maintaining the Water System and for the payment of debt service on the Water System Revenue Bonds has been made.

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 \$3,026,828. 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 \$915,700. 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 a number of 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, 2014, those loans were outstanding in the aggregate principal amount of \$10,696,175. 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 2015 is \$1,351,776, of which \$666,183 is to be paid from moneys in the City's Capital Improvements Fund, \$82,566 from moneys in its Water Revenue Fund, \$478,470 from moneys in its Sewer Revenue Fund and \$124,557 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 \$3,967,683 to pay costs of certain street improvements in the City's Marina District and a loan totaling \$901,000 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 \$4,500,744 as of December 31, 2014. The aggregate amount on these loans payable in 2015 is \$661,375. Final payments are to be made by 2024 and maximum aggregate annual debt service is \$661,375 payable 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 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 2015 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 2014, the City entered into lease agreements pursuant to which it is lease purchasing certain ambulances (2010, 2012 and 2014), fire trucks (2009 and 2014), police cars (2010 and 2013), 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 these lease agreements amounted to \$2,558,201 in Fiscal Year 2014 and will be approximately \$3,576,768 Fiscal Year 2015, \$1,651,557 in Fiscal Year 2016, \$1,238,250 in Fiscal Year 2017 and \$941,140 in Fiscal Year 2018. The remaining agreements are to expire in Fiscal Year 2015, 2016, 2017 and 2018, respectively. See Note 8 to the Basic Financial Statements in **Appendices B and C**.

On May 28, 2015, the City entered into a lease agreement pursuant to which it is lease purchasing fire trucks. Under the terms of the agreement, the City's obligation to make annual lease payments is subject to annual appropriation. Annual payments under this lease agreement amounts to \$744,831.76 in Fiscal Year 2015 (paid on May 28, 2015) and will be \$744,831.76 in each of Fiscal Year 2015, Fiscal Year 2016, Fiscal Year 2017, Fiscal Year 2018, and Fiscal Year 2019. The final term of this lease agreement is set expire in Fiscal Year 2019.

Other

See Notes 1 and 8 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 \$429,937 in each of the years from 2015 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 \$25 million of general obligation bonds in 2015 to (i) pay costs of fire station improvements, facilities improvement improvements and communications and technology equipment included in its 2015 capital improvement plan, (ii) to retire maturing BANs, and (iii) refund at a lower interest cost certain outstanding general obligation bonds of the City.

The City plans to issue approximately \$5.045 million of general obligation BANs in September and October 2015 to provide funds to retire, together with other funds available for the purpose, \$5.045 million of maturing BANs.

The City plans to issue approximately \$4.45 million of nontax revenue BANs in December 2015 to provide funds to retire, together with other funds available for the purpose, a like amount of maturing nontax revenue BANs. See **Economic Development Obligations** and **Debt Table G**.

The City plans to issue approximately \$20 million of special obligation City Services Special Assessments Notes in 2015, 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 2015 approximately \$15.0 million of Water System Revenue Bonds to refund at a lower interest cost certain of the City's outstanding Water System Revenue Bonds and to issue approximately \$110 million of Water System Revenue Bonds in 2016 to fund costs of the improvements to be made to the Water System as part of the program described above under **Water System**.

The City plans to enter into loan agreements with the Ohio Water Development Authority and/or the Ohio Public Works Commission in 2015 to provide up to \$5,167,200 of additional funds to pay costs of a portion of the capital improvements program for its Sewer System planned for the period through 2015. See **Sewer System – Facilities and Operations**.

In Fiscal Year 2015, the City plans to enter into two separate lease agreements to acquire (i) eight pickup trucks, brine equipment and a brine facility at an approximate equipment cost of \$1,832,000, and (ii) 14 single axel trucks and seven double axel trucks at an approximate equipment cost of \$4,997,202. In Fiscal Year 2016, the City plans to enter into two separate lease-purchase agreements to acquire approximately 45 police vehicles and two fire trucks approximate equipment costs of \$1.895 million and \$940,000, respectively.

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 2015.

Retirement Expenses

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. In 2012, the General Assembly passed five separate pension reform measures intended to assist each of the five retirement systems in addressing its unfunded actuarial accrued liabilities. The reform legislation passed with respect to OPERS and OP&F provided 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% in July in each of the years 2013 through 2015. With certain transition provisions applicable to certain current employees, the reform legislation has, among other changes, increased minimum age and service requirements for retirement and disability benefits, revised 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), provided for OPERS pension benefits to be calculated on a lower, fixed formula, changed 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. The OP&F reform legislation 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.

For further information on the OPERS and OP&F 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, 2014, 2013, 2012, and 2011 were approximately \$10,761,000, \$10,204,000, \$9,969,000 and \$12,653,000, respectively, and were 92.0% of the required contribution in 2014, 95% of the required contribution in 2013 and 100% of the required contributions in 2012 and 2011. The remaining 8% of the 2014 contribution was made in the first month of 2015. The City's aggregate employer contributions to OP&F for the years ending December 31, 2014, 2013, 2012 and 2011 were approximately \$17,185,000, \$16,728,000, \$16,103,000 and \$16,135,000, respectively, and were 90.9% of the required contribution in 2014, 75% of the required contribution in 2013 and 100% of the required contributions in 2012 and 2011. The remaining 9.1% of the 2014 contribution was made in the first month 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. 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, 2014 and at the date of this Statement, is sufficient to meet the claims and judgments that may arise in 2015. 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 Ohio Supreme Court reversed the decision of the Court of Appeals in a ruling issued in December 2014. Walker's request for reconsideration was denied. The City has continued the operation of its photo-enforcement traffic program during the pendency of that litigation and to date. See the information with respect to the revenues the City has received from that program in recent Fiscal Years, recently enacted and proposed State legislation and a related suit filed by the City under **Nontax Revenues**.

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 International Brotherhood of 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), however, sought legal redress in both State and Federal courts challenging the City's authority for the exigent circumstances declaration and related unilateral adjustments. All of the resulting legal proceedings between the City and TPCOA were resolved in a comprehensive settlement in early 2015. Under the terms of that settlement, the City paid \$1.27 million to 149 TPCOA members.

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 "AA," 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 Paula Hicks-Hudson
Mayor

By George E. Sarantou
Director of Finance

Dated: July 1, 2015

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APPENDIX A

Comparative Modified Accrual Basis Summary of General Fund Revenues, Expenditures and Balances for Fiscal Years 2010 through 2014 (Actual) and Fiscal Year 2015 (Budgeted)

(amounts in thousands)

	2010(a)	2011(a)	2012(a)	2013(a)	2014(b)	Budgeted 2015
REVENUES:						
Income Tax	\$144,581	\$153,581	\$158,523	\$158,775	\$164,787	\$169,566
Property Taxes	11,936	11,845	11,381	9,598	9,552	11,068
Licenses and Permits	2,359	2,297	2,264	2,408	2,468	2,580
Intergovernmental Services	24,118	22,743	20,828	21,044	17,708	14,792
Charges for Services	22,006	24,905	26,132	26,296	26,265	27,276
Investment Earnings	1,016	446	360	135	230	261
Fines and Forfeitures	4,486	4,681	6,715	7,118	5,876	6,533
All Other Revenue	974	579	325	620	898	788
Total Revenues	\$211,476	\$221,077	\$226,528	\$225,994	\$227,784	\$232,864
EXPENDITURES						
Current:						
General Government	\$ 15,092	\$ 15,437	\$ 14,164	\$ 27,112	\$ 25,555	\$ 25,828
Public Service	1,510	1,693	1,928	1,674	1,839	2,009
Public Safety	153,359	165,835	158,979	159,264	164,410	167,114
Public Utilities	0	0	0	1	8	0
Community Environment	3,929	4,406	4,355	4,671	4,394	5,024
Health	10,971	11,972	13,511	4,767	4,272	4,933
Parks and Recreation	2,100	2,296	2,750	2,947	2,623	2,798
Capital Outlay	2,331	128	53	1	0	0
Debt Service						
Principal Retirement	1,615	485	505	526	548	570
Interest & Fiscal Charges	708	241	221	200	178	156
Total Expenditures	\$191,615	\$202,493	\$196,466	\$201,163	\$203,827	\$208,432
Excess (Deficiency) of Revenues over Expenditures	19,861	18,584	30,062	24,831	23,957	24,432
Other Financing Sources (Uses):						
Transfers In	12,007	17,327(e)	10,456	12,477	13,418	12,746
Transfers (Out)(c)	(32,548)	(34,026)	(35,999)	(34,657)	(36,008)	(37,178)
Bond Issuance of Debt	0	0	0	0	0	0
Premium on Bonds	0	0	0	0	0	0
Sale of Capital Assets	55	12,129	0	25	0	0
Sale of Easements	0	0	25	0	0	0
TOTAL OTHER FINANCING SOURCES AND (USES)	\$ (20,486)	\$ (4,570)	\$(25,518)	\$(22,155)	\$(22,590)	\$(24,432)
Net Change in Fund Balance	(625)	14,014	4,544	2,676	1,367	(0)
Fund Balance (Deficit) at Beginning of Year(e)	(8,020)	(13,712)(f)	326	5,008	7,977	9,795
Increase in Reserve for Inventory	33	24	138	293	451	0
Fund Balance (Deficit) at Year-End(d)	\$ (8,612)	\$ 326	\$ 5,008	\$ 7,977	\$ 9,795	\$9,795

(a) Audited.

(b) Unaudited.

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

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

(e) 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.

(f) 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 2013 (audited)

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Dave Yost • Auditor of State

Mayor and Members of 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, 2013 through December 31, 2013. 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". The signature is fluid and cursive, with the first and last names being clearly legible.

Dave Yost
Auditor of State

August 20, 2014

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INDEPENDENT AUDITORS' REPORT

To the Honorable D. Michael Collins, 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, 2013, 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, 2013, 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.

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 34 and 107 through 110, 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 30, 2014, 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 30, 2014

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BASIC FINANCIAL STATEMENTS

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	<u>772,569</u>	<u>1,151,608</u>	<u>1,924,177</u>
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	<u>296,323</u>	<u>685,134</u>	<u>981,457</u>
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	<u>\$ 464,270</u>	<u>\$ 466,652</u>	<u>\$ 930,922</u>

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	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants	Capital Grants	Primary Government		
					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.

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

	General	Capital Improvements	Special Assessments Services	Nonmajor Governmental Funds	Total Governmental Funds
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	<u>225,994</u>	<u>15,228</u>	<u>26,084</u>	<u>40,183</u>	<u>307,489</u>
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	<u>201,163</u>	<u>60,882</u>	<u>25,546</u>	<u>53,807</u>	<u>341,398</u>
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)	<u>(22,155)</u>	<u>20,525</u>	<u>-</u>	<u>20,271</u>	<u>18,641</u>
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	<u>\$ 7,977</u>	<u>\$ 19,301</u>	<u>\$ (50,794)</u>	<u>\$ 37,515</u>	<u>\$ 13,999</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, 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	<u><u>\$ (3,509)</u></u>	
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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 Activities
			Utility		Total	Internal
	Water	Sewer	Administrative Services	Nonmajor Enterprise	Enterprise Funds	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	52,476	69,719	9,945	12,890	145,030	23,472
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	35,828	43,716	11,285	8,467	99,296	25,098
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)	(10,211)	(7,586)	95	(714)	(18,416)	(27)
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	150,833	251,426	2,546	34,127	438,932	33,770
Net Position at December 31	\$ 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 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	22,212	19,016	13,335	3,118	57,681	3,566
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	(75)	(75)	-	(88)	(238)	-
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	161,284	(21,871)	1	(9,052)	130,362	(3,566)
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	(172,185)	3,123	(5,686)	5,953	(168,795)	-
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	\$ 22,212	\$ 19,016	\$ 13,335	\$ 3,118	\$ 57,681	\$ 3,566

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 measureable. 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:

	<u>Maturity</u>		
	Within One	More than One Year but Less than	
	Year	Three Years	Total
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
	<u> </u>	<u> </u>	<u> </u>
Total Portfolio	<u>\$ 41,806</u>	<u>\$ 303,820</u>	<u>\$ 345,626</u>

The City follows GASB Statement No. 40, *Deposits and Investment Risk Disclosure*, which requires certain disclosures related to the interest rate, custodial, credit, foreign currency and concentration of credit risks associated with interest-bearing investments.

Interest Rate Risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The City's investment policy generally limits security purchases to those that mature within three years of the settlement date unless the maturity is matched with a specific cash requirement which states that the maturity can not exceed seven 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
	<hr/>	<hr/>
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
<i>Governmental Activities:</i>								
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	<u>38,433</u>	<u>24,456</u>	<u>49,608</u>	<u>33,364</u>	<u>34</u>	<u>145,895</u>	<u>(46,358)</u>	<u>99,537</u>
<i>Business-Type Activities:</i>								
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	<u>-</u>	<u>43,957</u>	<u>-</u>	<u>22,914</u>	<u>441</u>	<u>67,312</u>	<u>(32,242)</u>	<u>35,070</u>
Internal Service	<u>-</u>	<u>879</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>879</u>	<u>(346)</u>	<u>532</u>
Total	<u>\$ 38,433</u>	<u>\$ 69,292</u>	<u>\$ 49,608</u>	<u>\$ 56,278</u>	<u>\$ 475</u>	<u>\$ 214,086</u>	<u>\$ (78,946)</u>	<u>\$ 135,139</u>

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)	<u>3,060,991</u>
Total Assessed Value	<u>\$ 3,211,551</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 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	<u>\$ 553,536</u>	<u>\$ 18,044</u>	<u>\$ (361)</u>	<u>\$ 571,219</u>

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:

	Balance 1/1/2013 as Restated	Additions	Deletions	Balance 12/31/2013
<i>Business-Type Activities:</i>				
<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	\$ 755,335	\$ 43,928	\$ -	\$ 799,263

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
ODOD 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	<u>\$ 19,192</u>	<u>\$ 7,512</u>	<u>\$ 318,847</u>	<u>\$ 205,898</u>

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	<u>\$ 320,954</u>	<u>\$ 84,408</u>	<u>\$ 658,993</u>	<u>\$ 297,818</u>

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 (OWPC) extends both grants and loans to the City. Monies received by the City after the grant commitment has been fulfilled by OPWC are then considered loans. Only the loan portion need be repaid by the City.

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:

Governmental Activities:

General	\$ 3,944
Capital Improvements	205
Special Assessments	92
Nonmajor Governmental	31

Business-Type Activities:

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><u>\$ 122,184</u></u>	<u><u>\$ 122,184</u></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><u>\$ 7,977</u></u>	<u><u>\$ 19,301</u></u>	<u><u>\$ (50,794)</u></u>	<u><u>\$ 37,515</u></u>	<u><u>\$ 13,999</u></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.

	Balance 1/1/2013	Adjustment	Adjusted Balance 1/1/2013
<i>Governmental Activities:</i>			
<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.

	Balance 1/1/2013	Adjustment	Adjusted Balance 1/1/2013
<i>Business-Type Activities:</i>			
<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	161,683	(2,893)	158,790
 <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	1,030,353	2,376	1,032,729
 <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	448,913	(12,729)	436,184
Total Capital Assets being Depreciated, net	581,440	15,105	596,545
Business-Type Activities Capital Assets, net	\$ 743,123	\$ 12,212	\$ 755,335

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.

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

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CITY OF TOLEDO, OHIO

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2013

<u>Federal Grantor/Program Title</u>	<u>Grant Number</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Urban and Community Forestry Program	G10394/G10395	10.675	\$ 73,038
Soil and Water Conservation	UG1410	10.902	1,433
Total U.S. Department of Agriculture			<u>74,471</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
CDBG Entitlement Grants:			
Community Development Block Grants/Entitlement Grants			
36th Year CDBG Grant	G36000	14.218	37,004
37th Year CDBG Grant	G37000	14.218	279,920
38th Year CDBG Grant	G38000	14.218	3,852,891
39th Year CDBG Grant	G39000	14.218	3,155,403
2008 Neighborhood Stabilization	GNSP08	14.218	811,183
2010 Neighborhood Stabilization	GNSP10	14.218	782,790
<i>(Passed through Lucas Metropolitan Housing Authority):</i>			
LMHA 2013	G05573	14.218	256,936
Total CDBG Entitlement Grants			<u>9,176,127</u>
Emergency Solutions Grants Program			
25th Year Emergency Shelter	GE2502	14.231	117,325
26th Year Emergency Shelter	GE2602	14.231	490,661
27th Year Emergency Shelter	GE2702	14.231	123,222
			<u>731,208</u>
HOME Investment Partnerships Program	GH1702-GH2202	14.239	1,642,594
HOME Investment Partnerships Program	Outstanding Loans	14.239	2,395,627
			<u>4,038,221</u>
Brownfield Economic Development Initiative	GED600	14.246	14,195
Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants	G10325	14.251	47,200
ARRA - Neighborhood Stabilization Program	G9NSP2	14.256	641,964
Lead-Based Paint Hazard Control in Privately-Owned Housing	GL7006	14.900	144,523
Total U.S. Department of Housing and Urban Development			<u>14,793,438</u>
<u>U.S. DEPARTMENT OF THE INTERIOR</u>			
<i>(Passed through Ohio Department of Natural Resources):</i>			
Great Lakes Restoration Program	G10390	15.662	8,596
Total U.S. Department of the Interior			<u>8,596</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Bulletproof Vest Partnership Program	G07440	16.607	7,497
ARRA - Public Safety Partnership and Community Policing Grants	GS7110/GS7111	16.710	201,053
JAG Program Cluster:			
Edward Byrne Memorial Justice Assistance Grant Program:			
2013 Presecutor Grant	G13203	16.738	2,135
2013 COVAW Grant	G13233	16.738	5,564
<i>(Passed through Ohio Department of Public Safety):</i>			
TCIRV Grant Grant	G07012	16.738	42,654
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant	G07012	16.803	12,200
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant	GF7109	16.804	31,710
Total JAG Program Cluster			<u>94,263</u>
<i>(Passed through Ohio's Office of Criminal Justice):</i>			
ARRA - Violence Against Women Formula Grants	G07332/G07333	16.588	30,278

(Continued)

CITY OF TOLEDO, OHIO

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2013

<u>Federal Grantor/Program Title</u>	<u>Grant Number</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<i>(Passed through Ohio Department of Public Safety):</i>			
Community Capacity Development Office	G05612/G05613	16.595	33,185
Total U.S. Department of Justice			<u>366,276</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>(Passed through Ohio Department of Transportation):</i>			
Highway Planning and Construction:			
SECOR ROAD WIDENING	75579/G07649	20.205	139,247
GLENDAL - REYN TO EASTGA	90694/GA6712	20.205	21,656
SYLVANIA ODOT TIP	89079/GA6501	20.205	385,405
MONROE-CENTRAL TO CRARY	81792/GA6722	20.205	28,508
SOUTHWYCK-REYN TO REYN	90675/GA6702	20.205	29,402
SUMMIT/FRONT BIKE PATH, PHASE 1	90691/GA6732	20.205	219,000
REYNOLDS ROAD BIOSWALE	90692/GA6742	20.205	653,636
WOODVILLE HIGH LVL -CORP	91349/GA6782	20.205	70,715
WOODVILLE HIGH LVL -CORP	91138/GA6792	20.205	120,373
BROADWAY/SUMMIT WSTRN -LA	91131/GA6822	20.205	25,937
COLLINGWOOD-MONROE TO CENTRAL	90676/GA6802	20.205	1,522,037
SECOR ROAD ODOT-TMACOG	85098/GA6823	20.205	3,617,790
MONROE - PROMEDICA	90259/GA8541	20.205	554,142
Total Highway Planning and Construction			<u>7,387,848</u>
Community Highway Safety:			
<i>(Passed through Ohio Department of Highway Safety):</i>			
State and Community Highway Safety	G06706	20.600	32,375
State and Community Highway Safety	G06752	20.600	56,184
State and Community Highway Safety	G06753	20.600	9,642
Total Community Highway Safety			<u>98,201</u>
Total U.S. Department of Transportation			<u>7,486,049</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Great Lakes Program	G10399	66.469	72,757
<i>(Passed through Ohio Environmental Protection Agency):</i>			
Air Pollution Control Program Support:			
2012 Title V	G2013V	66.001	191,636
2013 Title V	G2014V	66.001	59,147
			<u>250,783</u>
ARRA - Environmental Workforce Development and Job Training Cooperative Agreements	G10410	66.815	84,802
ARRA - Brownfields Assessment and Cleanup Cooperative Agreements			
ARRA - Brownfield Revolving	G10220	66.818	1,989
ARRA- 2004 Hazardous Substance RLF	G10222	66.818	1,055,243
ARRA- 2009 Brownfield Suppl Grant	G10223	66.818	359,786
ARRA- ODOD Madison Cleanup	G10224	66.818	200,000
ARRA- 2012 Pretroleum Assessment Grant	G10401	66.818	78,840
ARRA- 2012 Hazardous Assessment Grant	G10402	66.818	228,678
			<u>1,924,536</u>
Total U.S. Environmental Protection Agency			<u>2,332,878</u>
<u>EXECUTIVE OFFICE OF THE PRESIDENT</u>			
High Intensity Drug Trafficking Area (HIDTA) Grants - 2012	G04862	95.001	115,925
Total Executive Office of the President			<u>115,925</u>

(Continued)

CITY OF TOLEDO, OHIO

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2013

<u>Federal Grantor/Program Title</u>	<u>Grant Number</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>(Passed through Ohio Emergency Management Agency):</i>			
Emergency Management Performance Grants	G04541	97.042	14,509
Emergency Management Performance Grants	G04551	97.042	285,497
Emergency Management Performance Grants	G04552	97.042	133,577
Emergency Management Performance Grants	G04548	97.042	4,400
Emergency Management Performance Grants	G04547	97.042	455
			<u>438,438</u>
<i>(Passed through Toledo-Lucas County Port Authority):</i>			
Port Security Grant Program	G04531	97.056	48,378
Homeland Security Grant Program	GP1201	97.067	41,500
Homeland Security Grant Program	GP1305	97.067	45,457
			<u>86,957</u>
Total U.S. Department of Homeland Security			<u>573,773</u>
Total Federal Awards			<u>\$ 25,751,406</u>

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	\$ 3,508,952
Emergency Shelter Grants Program	14.231	<u>731,208</u>
		<u>\$ 4,240,160</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 D. Michael Collins, 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, 2013 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 30, 2014.

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 2013-001.

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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 Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 30, 2014

**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 D. Michael Collins, 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, 2013. 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 HOME Investment Partnerships Program (CFDA 14.239)

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 HOME Investment Partnerships Program (CFDA 14.239) as described in finding 2013-002 for Allowable Costs. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to those programs.

Qualified Opinions on CDBG Cluster (CFDA 14.218) and HOME Investment Partnerships Program (CFDA 14.239)

In our opinion, except for the noncompliance 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 HOME Investment Partnerships Program (CFDA 14.239) for the year ended December 31, 2013.

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, 2013.

Other Matters

The results of our auditing procedures disclosed another instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2013-003. Our opinion on each major federal program is not modified with respect to this matter.

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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-002 to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-003 to be a significant deficiency.

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, 2013, and have issued our report thereon dated June 30, 2014, 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 30, 2014

CITY OF TOLEDO, OHIO

Schedule of Findings and Questioned Costs
Year Ended December 31, 2013

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) and HOME (CFDA 14.239) 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:	
• CFDA 14.218 – CDBG Entitlement Grants	
• CFDA 14.231 – Emergency Shelter Solutions Grants	
• CFDA 14.239 – HOME Investment Partnerships Program	
• CFDA 20.205 – Highway Planning and Construction	
• CFDA 66.818 – ARRA – Brownfields Assessment and Cleanup Grants	
Dollar threshold to distinguish between Type A and Type B Programs:	\$772,542
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

Finding 2013-001 – Audit Adjustments

During the course of our audit, we identified misstatements in the financial statements for the year ended December 31, 2013, not initially identified by the City's internal control over financial reporting. Audit adjustments were necessary to correct errors which related to estate tax receivable and related deferred inflows as well as proper cutoff of accounts payable.

Management Response: *Management concurs.*

Section III – Federal Award Findings and Questioned Costs

Finding 2013-002 – Allowable Costs

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

CDBG – Entitlement Grants Cluster – CFDA Nos. 14.218 and HOME Investment Partnerships Program – CFDA No. 14.239

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: The timesheets were completed using budgeted hours instead of actual for the period from January 1, 2013 to June 30, 2013. Total payroll of \$1,449,022 for that period was charged to CDBG. Of this amount \$681,903 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. Thus payroll of \$767,119 was charged to CDBG using budgeted hours rather than actual.

Total payroll of \$53,152 was charged to HOME. 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 2013-003 – Reporting

U.S. ENVIRONMENTAL PROTECTION AGENCY

Brownfields Assessment and Cleanup – CFDA No. 66.818

Criteria: The City must file annual reports as required with the Brownfields Revolving Loan Fund ("RLF") program. 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 2011, 2012 and 2013 reports were not filed until after we made inquiries during the audit related to Brownfields RLF expenditures.

Cause: The City did not timely file the annual reports.

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

Recommendation: The City should establish controls to ensure all reports are submitted timely.

*Views of
Responsible
Officials:* *Management concurs.*

Financial Statement Prior Audit Findings

Finding 2012-1 – 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: *Corrected in 2013.*

Federal Award Prior Audit Findings

Finding 2012-2 – Allowable Costs for CDBG (14.218, 14.253), HOME (CFDA 14.239), NSP (14.256) and HPRP (14.257)

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

Status: *Repeated as Finding 2013-002.*

Finding 2012-3 – Reporting for HPRP (CFDA 14.257)

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

Status: *Corrected in 2013.*

Finding 2012-4 – Allowable Costs for HOME (CFDA 14.239)

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

Status: *Corrected in 2013.*

Finding 2012-5 – Period of Availability for CDBG (14.218, 14.253)

The Department of Neighborhoods stated that they routinely run and review the timeliness report to ensure the amount of entitlement grant funds available to the recipient under grant agreements but undisbursed by the U.S. Treasury was less than 1.5 times the entitlement grant amount for its current program year; however, they did not retain this documentation. Therefore, no testing was able to be performed.

Status: *Corrected in 2013.*

APPENDIX C

Basic Financial Statements for Fiscal Year 2014 (unaudited)

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City of Toledo, Ohio
Statement of Net Position
December 31, 2014
(amounts expressed in thousands)

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents with treasurer	\$ 12,323	\$ 11,053	\$ 23,376
Cash and cash equivalents held by escrow agent	-	1,262	1,262
Cash and cash equivalents other	12	163	175
Investments	19,211	80,774	99,985
Restricted investments	30,407	233,181	263,588
Receivables (net of allowance)	115,234	36,333	151,567
Due from other governments	12,645	-	12,645
Internal balances	21,669	(21,669)	-
Inventory	8,543	5,668	14,211
Capital assets:			
Land and construction in progress	115,474	246,948	362,422
Other capital assets, net of accumulated depreciation	449,567	600,805	1,050,372
Total assets	785,085	1,194,518	1,979,603
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized bond insurance	-	158	158
LIABILITIES			
Accounts payable	16,174	9,598	25,772
Customer deposits	3,188	3,664	6,852
Accrued wages and benefits	11,630	2,387	14,017
Accrued interest payable	800	6,004	6,804
Retainage	810	2,926	3,736
Due to other governments	4,870	76	4,946
Other current liabilities	17,758	-	17,758
Current portion of long-term liabilities:			
Compensated absences	333	30	363
Bonds, notes, loans and other obligations	52,214	27,741	79,955
Long-term liabilities:			
Compensated absences	31,359	4,779	36,138
Bonds, notes, loans and other obligations	177,585	649,655	827,240
Total liabilities	316,721	706,860	1,023,581
DEFERRED INFLOWS OF RESOURCES			
Revenues levied for the next year	12,143	-	12,143
NET POSITION			
Net investment in capital assets	377,025	391,748	768,773
Restricted for:			
Debt service	-	9,978	9,978
Replacement	-	78,868	78,868
Capital improvement	34,981	300	35,281
Community programs	21,548	-	21,548
Other purposes	2,192	-	2,192
Unrestricted	20,475	6,922	27,397
Total net position	\$ 456,221	\$ 487,816	\$ 944,037

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, 2014

(amounts expressed in thousands)

UNAUDITED

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants	Capital Grants	Primary Government		
					Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 29,937	\$ 22,583	\$ 2	\$ -	\$ (7,352)	\$ -	\$ (7,352)
Public service	67,217	21,517	84	472	(45,144)	-	(45,144)
Public safety	177,419	17,406	4,263	-	(155,750)	-	(155,750)
Public utilities	3,753	22	-	10,376	6,645	-	6,645
Community environment	21,427	2,389	6,818	3,638	(8,582)	-	(8,582)
Health	9,743	10,575	2,993	-	3,825	-	3,825
Parks and recreation	6,702	138	-	-	(6,564)	-	(6,564)
Interest and fiscal charges	7,460	-	-	-	(7,460)	-	(7,460)
Total governmental activities	323,658	74,630	14,160	14,486	(220,382)	-	(220,382)
Business-type activities:							
Water	53,472	57,205	-	-	-	3,733	3,733
Sewer	63,174	69,890	-	1,611	-	8,327	8,327
Storm utility	6,358	11,046	-	872	-	5,560	5,560
Utilities administration	12,176	12,163	-	-	-	(13)	(13)
Property management	970	1,745	-	-	-	775	775
Small business development	52	8	-	-	-	(44)	(44)
Municipal tow lot	1,056	2,566	-	-	-	1,510	1,510
Erie St. Market	109	107	-	-	-	(2)	(2)
Toledo Public Power	747	774	-	-	-	27	27
Total business-type activities	138,114	155,504	-	2,483	-	19,873	19,873
Total	\$ 461,772	\$ 230,134	\$ 14,160	\$ 16,969	\$ (220,382)	\$ 19,873	\$ (200,509)
General revenues:							
Income taxes		163,653			163,653	-	163,653
Property taxes		9,585			9,585	-	9,585
Investments earnings		454			454	1,818	2,272
Intergovernmental services		26,740			26,740	-	26,740
Gain on sale of capital assets		167			167	673	840
Other revenue		10,534			10,534	-	10,534
Transfers		1,200			1,200	(1,200)	-
Total general revenues and transfers		212,333			212,333	1,291	213,624
Changes in net position		(8,049)			(8,049)	21,164	13,115
Net Position - beginning		464,270			464,270	466,652	930,922
Net Position - ending		\$ 456,221			\$ 456,221	\$ 487,816	\$ 944,037

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

UNAUDITED

**City of Toledo, Ohio
Balance Sheet
Governmental Funds
December 31, 2014
(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	\$ 12,323	\$ -	\$ -	\$ -	\$ 12,323
Cash and Equivalents Other	10	-	-	2	12
Investments	18,151	97	-	963	19,211
Restricted Investments	5,317	24,094	280	701	30,392
Receivables (Net of Allowance)	35,356	1,991	55,202	21,727	114,276
Due From Other:					
Funds	-	-	-	33,608	33,608
Governments	3,448	4,576	99	4,522	12,645
Inventory of Supplies	1,594	1,117	3,956	1,073	7,740
Total Assets	<u>76,199</u>	<u>31,875</u>	<u>59,537</u>	<u>62,596</u>	<u>230,207</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities:					
Accounts Payable	9,241	3,520	204	1,531	14,496
Deposits	510	176	-	2,185	2,871
Retainage	-	795	-	15	810
Due To Other:					
Funds	20,900	887	19,749	3,678	45,214
Governments	-	-	-	4,870	4,870
Accrued Wages and Benefits	9,533	161	696	753	11,143
Compensated Absences Payable	327	-	3	3	333
Notes Payable	-	3,198	40,700	4,175	48,073
Total Liabilities	<u>40,511</u>	<u>8,737</u>	<u>61,352</u>	<u>17,210</u>	<u>127,810</u>
Deferred Inflows of Resources:					
Revenues Levied for the next year and Unavailable Revenue	25,893	3,998	55,093	7,242	92,226
Fund Balances:					
Nonspendable	1,594	1,117	3,956	1,957	8,624
Restricted	5,317	18,023	280	23,403	47,023
Committed	1,553	-	-	15,559	17,112
Unassigned	1,331	-	(61,144)	(2,775)	(62,588)
Total Fund Balances	<u>9,795</u>	<u>19,140</u>	<u>(56,908)</u>	<u>38,144</u>	<u>10,171</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 76,199</u>	<u>\$ 31,875</u>	<u>\$ 59,537</u>	<u>\$ 62,596</u>	<u>\$ 230,207</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, 2014
 (amounts expressed in thousands)

Total **fund balances** for governmental funds \$ 10,171

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 543,473

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	\$ 56,363	
Income taxes	7,074	
Delinquent property taxes	2,811	
Capital grants	3,998	
Operating grants	3,305	
Other revenue	2,012	
Reimbursements from other governments	<u>4,520</u>	80,083

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. 31,879

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, 2014 are as follows:

General obligation bonds	(123,648)	
Compensated absences	(31,359)	
Loans outstanding from federal agencies	(18,641)	
Loans outstanding from state agencies	(15,111)	
Accrued interest	(800)	
Landfill closure	(15,799)	
Capital leases	<u>(4,027)</u>	(209,385)

Total **net position** of governmental activities \$ 456,221

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, 2014
(Amounts 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	\$ 164,787	\$ -	\$ -	\$ -	\$ 164,787
Property Taxes	9,552	-	-	-	9,552
Special Assessments	-	-	21,599	223	21,822
Licenses and Permits	2,468	-	-	8	2,476
Intergovernmental Services	17,708	5,195	-	12,455	35,358
Charges for Services	26,265	22	334	911	27,532
Investment Earnings	230	201	3	20	454
Fines and Forfeitures	5,876	-	-	1,615	7,491
Grants	-	11,420	-	19,453	30,873
Other Revenue	898	5,531	54	3,621	10,104
Total Revenues	<u>227,784</u>	<u>22,369</u>	<u>21,990</u>	<u>38,306</u>	<u>310,449</u>
EXPENDITURES					
Current:					
General Government	25,555	413	813	170	26,951
Public Service	1,839	-	28,347	11,574	41,760
Public Safety	164,410	-	-	4,462	168,872
Public Utilities	8	-	-	-	8
Community Environment	4,394	-	-	16,575	20,969
Health	4,272	-	525	3,142	7,939
Parks and Recreation	2,623	-	202	134	2,959
Capital Outlay	-	40,223	-	1,768	41,991
Debt Service:					
Principal Retirement	548	8,945	-	16,030	25,523
Interest and Fiscal Charges	178	1,564	430	4,811	6,983
Debt Issuance Costs	-	219	-	-	219
Total Expenditures	<u>203,827</u>	<u>51,364</u>	<u>30,317</u>	<u>58,666</u>	<u>344,174</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>23,957</u>	<u>(28,995)</u>	<u>(8,327)</u>	<u>(20,360)</u>	<u>(33,725)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	13,418	37,115	-	22,366	72,899
Transfers (Out)	(36,008)	(34,113)	-	(1,578)	(71,699)
Capital Lease Proceeds	-	948	-	-	948
Issuance of Bonds and Loans	-	22,884	-	-	22,884
Premium on Bonds	-	1,972	-	-	1,972
Proceeds from Sale of Capital Assets	-	150	-	17	167
Total Other Financing Sources (Uses)	<u>(22,590)</u>	<u>28,956</u>	<u>-</u>	<u>20,805</u>	<u>27,171</u>
Net Change in Fund Balance	1,367	(39)	(8,327)	445	(6,554)
Fund Balance (Deficit) at Beginning of Year	7,977	19,301	(50,794)	37,515	13,999
Increase (Decrease) for Inventory	451	(122)	2,213	184	2,726
Fund Balance (Deficit) at Year End	<u>\$ 9,795</u>	<u>\$ 19,140</u>	<u>\$ (56,908)</u>	<u>\$ 38,144</u>	<u>\$ 10,171</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, 2014

(amounts expressed in thousands)

Net change in **fund balances** - total governmental funds \$ (6,554)

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 additions	\$ 32,820	
Depreciation expense	<u>(37,666)</u>	(4,846)

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	6,755	
Income taxes	(1,134)	
Delinquent property taxes	33	
Capital grants	3,638	
Operating grants	(5,865)	
Other revenue	2,012	
Reimbursements from other governments	<u>(2,076)</u>	3,363

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. (1,610)

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. (543)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net assets. This amount is the amount by which repayment of proceeds exceeds principal from issuance not reported as notes payable in the governmental funds. (399)

Change in accrued interest 52

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	2,726
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Changes in net position of internal service funds reported with governmental activities. (238)

Changes in net position of governmental activities	<u>\$ (8,049)</u>
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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, 2014
(Amounts in Thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities
			Utility		Total	Internal
	Water	Sewer	Administrative Services	Nonmajor Enterprise	Enterprise Funds	Service Funds
ASSETS						
<u>Current:</u>						
Cash and Equivalents with Treasury	\$ 108	\$ 14	\$ 10,925	\$ 6	\$ 11,053	\$ -
Cash and Equivalents Held by Escrow	1,086	173	-	3	1,262	-
Cash and Equivalents Other	2	-	160	1	163	-
Investments	3,007	1,360	66,518	9,889	80,774	-
Restricted Investments	224,318	3,533	-	5,330	233,181	15
Receivables (Net of Allowance)	10,707	16,784	318	8,524	36,333	958
Due From Other:						
Funds	6,955	45,356	-	6,901	59,212	33,275
Inventory of Supplies	4,769	873	26	-	5,668	803
Total Current Assets	250,952	68,093	77,947	30,654	427,646	35,051
<u>Noncurrent:</u>						
Land and Construction in Progress	66,050	172,030	-	8,868	246,948	465
Other Capital Assets, net of Accumulated Depreciation	174,928	392,819	157	32,901	600,805	21,103
Total Noncurrent Assets	240,978	564,849	157	41,769	847,753	21,568
Total assets	491,930	632,942	78,104	72,423	1,275,399	56,619
DEFERRED OUTFLOWS OF RESOURCES						
Unamortized Bond Insurance	137	21	-	-	158	-
LIABILITIES						
<u>Current:</u>						
Accounts Payable	5,986	3,216	118	278	9,598	1,678
Customer Deposits	2,684	558	1	421	3,664	317
Retainage	383	2,390	-	153	2,926	-
Due to Other:						
Funds	-	-	74,961	5,920	80,881	-
Governments	16	49	-	11	76	-
Other Current Liabilities	-	-	-	-	-	17,758
Accrued Interest Payable	1,869	4,074	-	61	6,004	-
Accrued Wages and Benefits	747	1,004	444	192	2,387	487
Current Portion of:						
Compensated Absences Payable	17	8	-	5	30	-
Bonds, Loans and Notes Payable, net	7,906	18,359	-	1,476	27,741	4,500
Total Current Liabilities	19,608	29,658	75,524	8,517	133,307	24,740
<u>Noncurrent:</u>						
Compensated Absences Payable	1,396	2,034	1,011	338	4,779	-
Bonds, Loans and Notes Payable, net	308,826	322,598	-	18,231	649,655	-
Total Noncurrent Liabilities	310,222	324,632	1,011	18,569	654,434	-
Total Liabilities	329,830	354,290	76,535	27,086	787,741	24,740
NET POSITION						
Net Investment in Capital Assets	127,754	224,832	157	39,005	391,748	17,083
Restricted:						
Debt Service	3,456	6,500	-	22	9,978	-
Replacement	21,319	41,077	-	16,472	78,868	-
Improvement	100	100	-	100	300	-
Unrestricted	9,608	6,164	1,412	(10,262)	6,922	14,796
Total Net Position	\$ 162,237	\$ 278,673	\$ 1,569	\$ 45,337	\$ 487,816	\$ 31,879

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, 2014
(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	\$ 57,205	\$ 69,688	\$ 12,163	\$ 12,282	\$ 151,338	\$ 28,590
Other Revenue	-	202	-	3,964	4,166	430
Total Operating Revenue	57,205	69,890	12,163	16,246	155,504	29,020
OPERATING EXPENSES						
Personnel Services	13,564	17,503	7,879	3,431	42,377	7,495
Contractual Services	10,351	13,994	3,640	2,553	30,538	9,639
Materials and Supplies	8,739	2,604	602	466	12,411	8,010
Utilities	2,646	3,301	38	732	6,717	1,853
Depreciation	5,471	14,800	17	1,387	21,675	2,221
Total Operating Expenses	40,771	52,202	12,176	8,569	113,718	29,218
Operating Income (Loss)	16,434	17,688	(13)	7,677	41,786	(198)
NONOPERATING REVENUES (EXPENSES)						
Investment Earnings	1,367	13	281	157	1,818	-
Interest Expense and Fiscal Charges	(12,701)	(10,972)	-	(723)	(24,396)	(37)
Gain (Loss) on Sale of Capital Assets	17	-	-	656	673	(3)
Total Nonoperating Revenues (Expenses)	(11,317)	(10,959)	281	90	(21,905)	(40)
Income (Loss) Before Transfers and Contributions	5,117	6,729	268	7,767	19,881	(238)
Capital Contributions	-	1,611	-	872	2,483	-
Transfers In	-	-	-	1,624	1,624	-
Transfers Out	(75)	(75)	-	(2,674)	(2,824)	-
Change in Net Position	5,042	8,265	268	7,589	21,164	(238)
Net Position at January 1	157,195	270,408	1,301	37,748	466,652	32,117
Net Position at December 31	\$ 162,237	\$ 278,673	\$ 1,569	\$ 45,337	\$ 487,816	\$ 31,879

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, 2014
(Amounts in Thousands)

	Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Utility Administrative				Total	
	Water	Sewer	Services	Nonmajor		
Operating activities:						
Cash received from customers	\$ 56,253	\$ 69,605	\$ 28,060	\$ 17,086	\$ 171,004	\$ 28,479
Cash paid to employees	(14,008)	(18,098)	(7,925)	(3,553)	(43,584)	(7,344)
Cash paid to suppliers	(26,033)	(22,890)	(4,502)	(3,884)	(57,309)	(21,606)
Other receipts	-	202	-	3,964	4,166	430
Net cash provided by (used by) operating activities	16,212	28,819	15,633	13,613	74,277	(41)
Noncapital financial activities:						
Transfers in	-	-	-	1,624	1,624	-
Transfers out	(75)	(75)	-	(2,674)	(2,824)	-
Net cash provided by (used by) noncapital financing activities	(75)	(75)	-	(1,050)	(1,200)	-
Capital and related financing activities:						
Proceeds from capital grants and contributions	-	1,611	-	872	2,483	-
Proceeds from the sales of assets	17	-	-	1,511	1,528	-
Purchases of property, plant and equipment	(31,601)	(30,300)	(1)	(9,119)	(71,021)	(892)
Principal payments	(8,836)	(18,650)	-	(1,262)	(28,748)	(275)
Proceeds from the issuance of bonds, loans, and notes	18,600	27,953	-	43	46,596	1,245
Interest and fiscal charges paid on bonds, loans and notes	(12,708)	(10,888)	-	(736)	(24,332)	(37)
Net cash provided by (used by) capital and related financing activities	(34,528)	(30,274)	(1)	(8,691)	(73,494)	41
Investing activities:						
Proceeds from sales and maturities of investments	129,877	1,374	46,710	6,584	184,545	-
Purchase of investments	(130,411)	(3,500)	(60,661)	(10,635)	(205,207)	-
Investment income received on investments	1,325	13	194	156	1,688	-
Net cash provided by (used by) investing activities	791	(2,113)	(13,757)	(3,895)	(18,974)	-
Increase (decrease) in cash and cash equivalents	(17,600)	(3,643)	1,875	(23)	(19,391)	-
Cash and cash equivalents at beginning of year	18,796	3,830	9,210	33	31,869	-
Cash and cash equivalents at end of year	<u>\$ 1,196</u>	<u>\$ 187</u>	<u>\$ 11,085</u>	<u>\$ 10</u>	<u>\$ 12,478</u>	<u>\$ -</u>
Reconciliation of net operating income (loss) to net cash provided by (used by) operating activities:						
Operating income (loss)	\$ 16,434	\$ 17,688	\$ (13)	\$ 7,677	\$ 41,786	\$ (198)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:						
Depreciation	5,471	14,800	17	1,387	21,675	2,221
Increase (decrease) in allowance for doubtful accounts	421	(166)	-	437	692	-
Changes in assets and liabilities:						
Receivables	(1,373)	83	(190)	(345)	(1,825)	(426)
Due to (from) other:						
Funds	(6,883)	(4,828)	16,087	4,330	8,706	(3,177)
Governments	16	49	-	11	76	-
Inventory of supplies	(353)	(288)	49	-	(592)	480
Accounts payable	3,539	1,176	56	159	4,930	908
Customer deposits	(726)	(132)	(327)	3	(1,182)	-
Retainage	110	1,032	-	76	1,218	-
Accrued wages and benefits	10	43	37	(16)	74	183
Compensated absences	(454)	(638)	(83)	(106)	(1,281)	(32)
Net cash provided by (used by) operating activities	\$ 16,212	\$ 28,819	\$ 15,633	\$ 13,613	\$ 74,277	\$ (41)

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, 2014
(Amounts in Thousands)

	Agency Funds
ASSETS	
Cash and Equivalents:	
Cash and Equivalents Other	\$ 1,122
Receivables (Net of Allowance)	<u>2,688</u>
Total Assets	<u><u>3,810</u></u>
LIABILITIES	
Accounts Payable	114
Deposits	<u>3,696</u>
Total Liabilities	<u><u>3,810</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, 2014
(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 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.

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 \$95 in revenues from the JEDZ in 2014.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Amounts in Thousands)
(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly Governed Organizations (continued)

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 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 \$1,189 in revenues from the JEDZ in 2014.

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 2014.

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'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 2014.

City of Toledo-Lake Township

In August 2009, the City entered into a contract with Lake Township to create a 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'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 2014.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Amounts in Thousands)
(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly Governed Organizations (continued)

City of Toledo-Troy Township

In September 2010, the City entered into a contract with Troy Township to create a 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'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 \$24 in revenues from the JEDD in 2014.

Corrections Commission of Northwest Ohio

In 1987, the City 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.

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 \$5,581 for the operation of the Commission in 2014. 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.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Amounts in Thousands)
(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

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 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.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Amounts in Thousands)
(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Accounting (continued)

Governmental Funds:

Governmental Funds are those through which most governmental functions typically are financed. Governmental reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various Governmental Funds according to the purposes for which they may or must be used. Current Liabilities are assigned to the fund from which they will be paid. The difference between Governmental Fund Assets, Liabilities and Deferred Inflows 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.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Amounts in Thousands)
(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Accounting (continued)

Proprietary Funds (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 whereas 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 outflow of resources, liabilities and deferred inflow of resources 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.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(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 of resources 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 outflow of resources, liabilities and deferred inflow of resources 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 inflow of resources and in the presentation of expenses versus expenditures.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(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, 2014
(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, 2014, but which were levied to finance year 2015 operations 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 governmental funds reports 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 Agency 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, 2014
(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, 2014.

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 Funds 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, 2014
(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.

The entire compensated absence liability is reported on the Government-Wide Financial Statements.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Amounts in Thousands)
(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences (continued)

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 Insurance Costs, Premiums, Discounts and Deferred Amount on Refunding

On Government-Wide Financial Statements, bond insurance costs are deferred and amortized over the term of the bonds using the straight-line method. Unamortized bond insurance costs are reported as a separate line item on the Statement of Net Position as a deferred outflow.

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, 2014
(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 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 in 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.

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.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Amounts in Thousands)
(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position

Net Position represents the difference between assets, deferred outflow of resources, liabilities and deferred inflow of resources. 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;
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 rather than in the City and payable on demand of the City. Such deposits may include interest-bearing or non-interest bearing checking accounts, NOW accounts, savings accounts and other similar accounts authorized by the Federal Reserve Bank Board or the Federal Home Bank Board.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Amounts in Thousands)
(continued)

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

8. Non-demand savings accounts which are deposited in an institution having all of the qualifications of a depository except that it need only have an office located in the State 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 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 Long Term Issuer Default Rating by Fitch of BBB or better
5. Provides collateralization as required by the City's 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.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Amounts in Thousands)
(continued)

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

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, 2014, the carrying amount of the City's deposits was \$23,376 and the bank balance was \$26,003. 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 \$1,262 being held by a third party trustee. This amount is less than the previous year due to the purchase of additional investments. 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, 2014, the carrying amount of the Toledo Municipal Court, an agency fund of the City, was \$1,122 and the bank balance was \$1,517. Of the bank balance, the Federal Depository Insurance will cover up to \$250 per account.

Cash and cash equivalents other

At December 31, 2014, the carrying amount of the General Fund was \$10 which represented a fiduciary deposit in transit. The carrying amount of the Utility Administrative Services fund was \$160 which represented utility customer payments in transit.

Investments

Investments are reported at fair value. As of December 31, 2014, the City had the following investments:

	Maturity		
	Within One	More than One Year but Less than	
	Year	Three Years	Total
Federal Farm Credit Bank	\$ -	\$ 81,978	\$ 81,978
Federal Home Loan Bank	-	101,451	101,451
Federal Home Loan Mortgage Corp	2,004	86,925	88,929
Federal National Mortgage Association	22,770	44,802	67,572
STAR Ohio	11,253	-	11,253
STAR Plus Deposits	1,012		1,012
Certificates of Deposit/Savings	13	-	13
US Treasury	11,365	-	11,365
Total Portfolio	<u>\$ 48,417</u>	<u>\$ 315,156</u>	<u>\$ 363,573</u>

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Amounts 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 cannot 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 AA^{Am} 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.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Amounts in Thousands)
(continued)

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Investments (continued)

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.
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, 2014:

	<u>Fair Value</u>	<u>% of Total</u>
Federal Farm Credit Bank	\$ 81,978	22.55
Federal Home Loan Bank	101,451	27.90
Federal Home Loan Mortgage Corp	88,929	24.46
Federal National Mortgage Association	67,572	18.59
STAROhio	11,253	3.09
STAR Plus Deposits	1,012	0.28
Certificates of Deposit/Savings	13	0.00
US Treasury	11,365	3.13
Total Portfolio	<u>\$ 363,573</u>	<u>100.00</u>

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Amounts in Thousands)
(continued)

NOTE 3 – RECEIVABLES

Receivables at December 31, 2014 consist of the following:

	<u>Taxes</u>	<u>Customer and Other</u>	<u>Special Assessments</u>	<u>Notes Receivable</u>
<i>Governmental Activities:</i>				
General Fund	\$ 38,014	\$ 10,797	\$ -	\$ -
Capital Improvement	-	5,447	-	-
Special Assessment	-	108	55,094	-
Other Governmental Funds	-	19,364	1,270	30,614
Total Governmental Funds	<u>38,014</u>	<u>35,716</u>	<u>56,364</u>	<u>30,614</u>
<i>Business-Type Activities:</i>				
Water	-	15,085	-	-
Sewer	-	24,685	-	-
Utility Administrative Services	-	191	-	-
Other Business-Type Activities	-	6,115	-	22,730
Total Business-Type Activities	<u>-</u>	<u>46,076</u>	<u>-</u>	<u>22,730</u>
Internal Service	<u>-</u>	<u>1,305</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 38,014</u>	<u>\$ 83,097</u>	<u>\$ 56,364</u>	<u>\$ 53,344</u>

	<u>Interest Receivable</u>	<u>Gross Receivables</u>	<u>Less: Allowance for Uncollectibles</u>	<u>Receivables Net</u>
<i>Governmental Activities (continued):</i>				
General Fund	\$ 33	48,844	\$ (13,488)	\$ 35,356
Capital Improvement	-	5,447	(3,456)	1,991
Special Assessment	-	55,202	-	55,202
Other Governmental Funds	3	51,251	(29,524)	21,727
Total Governmental Funds	<u>36</u>	<u>160,744</u>	<u>(46,468)</u>	<u>114,276</u>
<i>Business-Type Activities (continued):</i>				
Water	303	15,388	(4,681)	10,707
Sewer	1	24,686	(7,902)	16,784
Utility Administrative Services	127	318	-	318
Other Business-Type Activities	30	28,875	(20,351)	8,524
Total Business-Type Activities	<u>461</u>	<u>69,267</u>	<u>(32,934)</u>	<u>36,333</u>
Internal Service	<u>-</u>	<u>1,305</u>	<u>(347)</u>	<u>958</u>
Total	<u>\$ 497</u>	<u>\$ 231,316</u>	<u>\$ (79,749)</u>	<u>\$ 151,567</u>

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Amounts 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, 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 2014 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.

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 2014 public utility property taxes became a lien on December 31, 2013, were levied on October 1, 2014 and will be collected in 2015 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Amounts in Thousands)
(continued)

NOTE 5 – PROPERTY TAX (continued)

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, 2014 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 2014 operations and the collection of delinquent taxes has been offset by deferred inflow of resources 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 reported as a deferred inflow of resources.

The full tax rate for all City operations for the year ended December 31, 2014 was \$4.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2014 property tax receipts were based are as follows:

Public Utility Real and Tangible Personal Property	\$ 161,170
Real Property (Other than Public Utility)	3,039,205
Total Assessed Value	<u>\$ 3,200,375</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 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, 2014
(Amounts in Thousands)
(continued)

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the Governmental Activities for the year ended December 31, 2014, was as follows:

	Balance 1/1/2014	Additions	Deletions	Balance 12/31/2014
<i>Governmental Activities:</i>				
<i>Capital Assets not being Depreciated:</i>				
Land	\$ 24,641	\$ 3,747	\$ -	\$ 28,388
Construction in Progress	100,289	38,432	(51,635)	87,086
Total Capital Assets not being Depreciated	124,930	42,179	(51,635)	115,474
<i>Capital Assets being Depreciated:</i>				
Buildings	68,946	100	-	69,046
Furniture & Fixtures	9,740	279	-	10,019
Improvements	74,222	5,630	-	79,852
Infrastructure	829,094	31,577	-	860,671
Machinery & Equipment	166,695	5,896	(336)	172,255
Total Capital Assets being Depreciated	1,148,697	43,482	(336)	1,191,843
<i>Less: Accumulated Depreciation</i>				
Buildings	31,679	1,398	-	33,077
Furniture & Fixtures	5,472	504	-	5,976
Improvements	23,911	3,565	-	27,476
Infrastructure	521,342	23,653	-	544,995
Machinery & Equipment	120,004	10,767	(19)	130,752
Total Accumulated Depreciation	702,408	39,887	(19)	742,276
Total Capital Assets being Depreciated, net	446,289	3,595	(317)	449,567
Governmental Type Activities Capital Assets, net	<u>\$ 571,219</u>	<u>\$ 45,774</u>	<u>\$ (51,952)</u>	<u>\$ 565,041</u>

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

General Government	\$ 4,203
Public Service	22,038
Public Safety	6,734
Public Utility	2,220
Community Environment	416
Health	1,060
Parks and Recreation	3,216
Total Depreciation Expense - Governmental Activities	<u>\$ 39,887</u>

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(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, 2014, the Department owned approximately 99 parcels at an estimated historical cost of \$1,088. 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, 2014, was as follows:

	Balance 1/1/2014	Additions	Deletions	Balance 12/31/2014
<i>Business-Type Activities:</i>				
<i>Capital Assets not being Depreciated:</i>				
Land	\$ 4,322	\$ -	\$ (856)	\$ 3,466
Construction in Progress	181,602	68,149	(6,269)	243,482
Total Capital Assets not being Depreciated	185,924	68,149	(7,125)	246,948
 <i>Capital Assets being Depreciated:</i>				
Buildings	51,935	-	(99)	51,836
Furniture & Fixtures	1,993	-	-	1,993
Improvements	96,301	638	(2,790)	94,149
Infrastructure	800,400	6,258	-	806,658
Machinery & Equipment	120,191	2,245	-	122,436
Total Capital Assets being Depreciated	1,070,820	9,141	(2,889)	1,077,072
 <i>Less: Accumulated Depreciation</i>				
Buildings	27,786	540	(99)	28,227
Furniture & Fixtures	1,467	107	-	1,574
Improvements	27,981	3,982	(2,790)	29,173
Infrastructure	322,242	9,721	-	331,963
Machinery & Equipment	78,005	7,325	-	85,330
Total Accumulated Depreciation	457,481	21,675	(2,889)	476,267
Total Capital Assets being Depreciated, net	613,339	(12,534)	-	600,805
Business-Type Activities Capital Assets, net	<u>\$ 799,263</u>	<u>\$ 55,615</u>	<u>\$ (7,125)</u>	<u>\$ 847,753</u>

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Amounts in Thousands)
(continued)

NOTE 6 – CAPITAL ASSETS (continued)

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

Water	\$ 5,471
Sewer	14,800
Utility Administrative Services	17
Non-Major	<u>1,387</u>
Total Depreciation Expense - Business-Type Activities	<u><u>\$ 21,675</u></u>

NOTE 7 – NOTES PAYABLE

The City's Notes Payable obligations at December 31, 2014 and a schedule of current year activity are as follows:

	Maturity Date	Interest Rate (%)	Original Issue Amount	Balance 1/1/2014	Increase	Decrease	Balance 12/31/2014	Amount Due In One Year
General Obligations:								
Capital Projects	2015	1.25-1.36	\$ 574	\$ 574	\$ 3,202	\$ (578)	\$ 3,198	\$ 3,198
Special Assessments	2015	1.25	4,175	3,760	4,175	(3,760)	4,175	4,175
Internal Service Funds	2015	1.25	1,245	275	1,245	(275)	1,245	1,245
Building	2015	1.375	3,255	3,255	6,514	(6,514)	3,255	3,255
Revenue Obligations:								
Assessed Services 2012	2014	1.36	16,000	16,000	-	(16,000)	-	-
Assessed Services 2013	2015	1.25	19,800	19,800	-	-	19,800	19,800
Assessed Services 2014	2016	1.41	20,900	-	20,900	-	20,900	-
				<u>\$ 43,664</u>	<u>\$ 36,036</u>	<u>\$ (27,127)</u>	<u>\$ 52,573</u>	<u>\$ 31,673</u>

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Amounts in Thousands)
(continued)

NOTE 8 – LONG-TERM OBLIGATIONS

The City's Governmental Activities Long-Term Obligations at December 31, 2014 and a schedule of current year activity are as follows:

	Issue Date	Maturity Date	Interest Rate (%)	Original Issue Amount	Balance 1/1/2014	Increase	Decrease	Balance 12/31/2014	Amount Due In One Year
Government Activities:									
General Obligation Bonds:									
Capital Projects	Various	Various	1.5 - 6.08	\$ 182,710	\$ 116,522	\$ 23,312	\$ (16,251)	\$ 123,583	\$ 13,243
Special Assessments	Various	Various	1.55 - 5.0	115	75	-	(10)	65	10
Loans Outstanding:									
State Agencies:									
Ohio Public Works Commission									
Capital Projects	Various	Various	0	10,040	4,315	693	(687)	4,321	708
Ohio Water Dev Authority									
Capital Projects	Various	Various	4.02 - 4.12	9,843	4,490	-	(548)	3,942	570
ODOD Chapter 166									
Capital Projects	1998	2018	4	10,000	3,562	-	(682)	2,880	709
Economic Development	2010	2020	1.00	2,750	2,750	-	(2,750)	-	-
State Infrastructure Bank									
Capital Projects	2009	2019	3	3,968	3,117	851	-	3,968	346
Federal Agencies:									
HUD 108									
Capital Projects	Various	Various	6.56 - 7.96	24,140	9,290	-	(1,620)	7,670	1,715
Other Loans:									
Capital Projects	Various	Various	0 - 6.55	18,201	11,713	-	(742)	10,971	768
Capital Lease Obligations:									
Fire Ambulances II	2010	2015	3.428	1,185	493	-	(242)	251	251
Police Vehicles	2013	2015	1.15	3,386	2,709	-	(1,354)	1,355	1,355
Ambulance	2012	2017	1.66	1,413	1,140	-	(278)	862	283
Landfill Vehicles	2012	2016	1.60	1,588	1,201	-	(394)	807	400
Fire Rescue Squads	2014	2018	1.75	948	-	948	(196)	752	183
Other Obligations:									
Landfill Closure					15,256	543	-	15,799	-
Compensated Absences					30,921	972	(201)	31,692	333
Total Governmental Activities					<u>\$ 207,554</u>	<u>\$ 27,319</u>	<u>\$ (25,955)</u>	<u>\$ 208,918</u>	<u>\$ 20,874</u>

Internal service funds predominately serve the governmental funds. The long-term liabilities for all the internal service fund compensated absences are included in the totals for the governmental activities. Compensated absences in the governmental activities are generally liquidated at a rate of approximately 78 percent from the general fund, 16.7 percent from other governmental funds, and 5.3 percent from the internal service funds.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(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, 2014 for the City's Governmental Activities:

Year	General Obligation Bonds		General Obligation Notes		Revenue Obligation Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 13,253	\$ 4,981	\$ 11,873	\$ 143	\$ 19,800	\$ 486
2016	12,214	4,513	-	-	20,900	486
2017	12,035	4,070	-	-	-	-
2018	11,633	3,597	-	-	-	-
2019	10,054	3,123	-	-	-	-
2020-2024	40,240	10,864	-	-	-	-
2025-2029	22,747	3,545	-	-	-	-
2030-2034	1,472	72	-	-	-	-
Total	<u>\$ 123,648</u>	<u>\$ 34,765</u>	<u>\$ 11,873</u>	<u>\$ 143</u>	<u>\$ 40,700</u>	<u>\$ 972</u>

Year	State Agency Loans		Federal and Other Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 2,333	\$ 381	\$ 2,483	\$ 774	\$ 49,742	\$ 6,765
2016	2,267	316	2,637	709	38,018	6,024
2017	2,250	249	2,625	635	16,910	4,954
2018	2,053	179	2,719	564	16,405	4,340
2019	1,392	128	584	477	12,030	3,728
2020-2024	3,950	212	2,955	1,918	47,145	12,994
2025-2029	641	-	2,880	1,084	26,268	4,629
2030-2034	225	-	1,758	237	3,455	309
Total	<u>\$ 15,111</u>	<u>\$ 1,465</u>	<u>\$ 18,641</u>	<u>\$ 6,398</u>	<u>\$ 209,973</u>	<u>\$ 43,743</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 49 years. The \$15,799 reported as landfill closure and post-closure care liability at December 31, 2014 represents the cumulative amount reported to date based on the use of 59.05% of the used capacity of the landfill. The City will recognize the remaining estimated cost of closure and post-closure care of \$10,956 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 2014 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, 2014
(Amounts in Thousands)
(continued)

NOTE 8 – LONG-TERM OBLIGATIONS (continued)

The City's Business-Type Activities Long-Term Obligations at December 31, 2014 and a schedule of current year activity are as follows:

				Original					Amount
	Issue	Maturity	Interest	Issue	Balance			Balance	Due In
Business-Type Activities	Date	Date	Rate (%)	Amount	1/1/2014	Increase	Decrease	12/31/2014	One Year
General Obligation Bonds:									
Tow Lot	2006	2024	4.0 - 5.0	\$ 2,835	\$ 1,715	\$ -	(160)	\$ 1,555	\$ 160
Property Management	Various	Various	2.0 - 7.0	22,971	17,477	-	(828)	16,649	1,040
Revenue Obligation Bonds:									
Water System	Various	Various	1.25 - 6.20	359,929	295,462	-	(8,189)	287,273	7,039
Sanitary Sewer System	Various	Various	2.0 - 6.45	50,835	23,385	-	(2,832)	20,553	2,902
Loans Outstanding:									
State Agencies:									
Ohio Public Works Commission									
Water System	Various	Various	0	2,238	1,147	695	(77)	1,765	112
Sanitary Sewer System	Various	Various	0	9,875	6,137	1,950	(366)	7,721	430
Storm Water System	Various	Various	0	2,127	1,273	43	(107)	1,209	102
Ohio Water Dev Authority									
Water System	2006	2028	3.25	33,680	10,359	17,905	(570)	27,694	755
Sanitary Sewer System	Various	Various	2.38-4.8	425,754	301,577	26,003	(15,180)	312,400	14,744
ODOD Chapter 166									
Property Management	2000	2016	4	1,500	461	-	(167)	294	174
Capital Lease Obligations:									
Sewer Cleaners II	2011	2015	4.99	1,361	555	-	(272)	283	283
Other Obligations:									
Compensated Absences					6,090	538	(1,819)	4,809	30
Total Business-Type Activities					\$ 665,638	\$ 47,134	\$ (30,567)	\$ 682,205	\$ 27,771

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(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, 2014 for the City's Business-Type Activities:

Year	General Obligation Bonds		Revenue Obligation Bonds	
	Principal	Interest	Principal	Interest
2015	1,200	728	9,941	14,494
2016	1,231	696	11,211	13,135
2017	1,301	660	10,666	12,828
2018	1,366	614	9,023	12,212
2019	1,426	563	9,202	11,881
2020-2024	7,450	1,981	52,229	53,298
2025-2029	4,230	472	62,557	40,925
2030-2034	-	-	71,741	26,498
2035-2039	-	-	71,256	8,248
Total	<u>\$ 18,204</u>	<u>\$ 5,714</u>	<u>\$ 307,826</u>	<u>\$ 193,519</u>

Year	State Agency Loans		Total	
	Principal	Interest	Principal	Interest
2015	16,317	8,257	27,458	23,479
2016	18,348	9,819	30,790	23,650
2017	18,799	9,255	30,766	22,743
2018	19,516	8,174	29,905	21,000
2019	19,995	7,563	30,623	20,007
2020-2024	103,176	28,342	162,855	83,621
2025-2029	82,151	13,315	148,938	54,712
2030-2034	32,710	4,749	104,451	31,247
2035-2039	40,071	616	111,327	8,864
Total	<u>\$ 351,083</u>	<u>\$ 90,090</u>	<u>\$ 677,113</u>	<u>\$ 289,323</u>

New Bond and Note Issues and Advanced Refunding

As interest rates continue to remain at historic lows, the City refinanced several bond issues and issued new debt. The following list of new issues and advanced refunding occurred in 2014;

In 2014, the City issued \$18,090 of General Obligation Bonds for the purpose of funding certain permanent improvements and refunding existing obligations with a lower net interest cost.

In 2014, the City issued \$3,250 of Taxable Industrial Development Bonds for the purpose of property acquisitions.

In 2014, the City issued \$5,922 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, 2014
(Amounts in Thousands)
(continued)

NOTE 8 – LONG-TERM OBLIGATIONS (continued)

New Issues and Advanced Refunding (continued)

In 2014, the City issued \$2,700 of Taxable Industrial Development Notes for the purpose of property acquisitions.

In 2014, the City issued \$20,900 in Special Assessment Notes for City Services. These notes mature on June 1 and December 1 of 2016.

In 2014, the City renewed \$3,255 of Building Acquisition Notes to mature in September of 2015.

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 \$3,968 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 \$4,501 as of December 31, 2014.

Ohio Public Works Commission

Ohio Public Works Commission (OWPC) extends both grants and loans to the City. Monies received by the City after the grant commitment has been fulfilled by OPWC are then considered loans. Only the loan portion need be repaid by the City.

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, 2014 was \$344,036. Of this amount, \$27,694 is obligations incurred to help finance the water distribution system and are to be repaid from charges from water services. Of this amount, \$312,400 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 \$3,942 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.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Amounts in Thousands)
(continued)

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 rental payments totaling \$1,500 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 2014.

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 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 \$533.

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 \$859.

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 \$306.

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 \$229.

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 \$1,016.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Amounts in Thousands)
(continued)

NOTE 9 – LEASES AND OTHER COMMITMENTS (continued)

Capital Leases (continued)

In 2014, the City entered into a tax-exempt lease purchase with Key Government Finance, Inc. for the lease of two heavy rescue squads. 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 \$948 less accumulated depreciation of \$32.

Future minimum lease payments on these capital leases together with the present value of the net minimum lease payments as of December 31, 2014 are as follows:

Year Ending	Governmental Activities	Business-Type Activities	Total
2015	\$ 2,536	\$ 296	\$ 2,832
2016	908	-	908
2017	494	-	494
2018	196	-	196
Total Minimum Lease Payments	4,134	296	4,430
Less: Amount Representing Interest	(107)	(13)	(120)
Present Value of net Minimum Lease Payments	<u>\$ 4,027</u>	<u>\$ 283</u>	<u>\$ 4,310</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 \$5,349,294. 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, 2014
(Amounts in Thousands)
(continued)

NOTE 9 – LEASES AND OTHER COMMITMENTS (continued)

Other Commitments (continued)

This Ordinance authorizes an amendment to the Energy Services Agreement (the Amendment) committing the City to completing the special assessment process through the passage of an Assessing Ordinance when the various energy efficiency improvements are completed and final costs are known. The initial budget for 2014 requires an assessment of \$429,937.

Outstanding encumbrances for the Year Ended December 31, 2014 were as follows:

<i>Governmental Activities:</i>	
General	\$ 43
Capital Improvements	6,430
Special Assessments	15
Nonmajor Governmental	2,736
Total Governmental Activities	<u>9,224</u>
 <i>Business-Type Activities:</i>	
Water	18,430
Sewer	14,495
Utility Administrative Services	146
Nonmajor Enterprise	1,136
Internal Service Funds	55
Total Business-Type Activities	<u>34,262</u>
Total	<u><u>\$ 43,486</u></u>

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Amounts in Thousands)
(continued)

NOTE 10 - INTERFUND ACTIVITY

Interfund Balances are a function of the delay 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, 2014 the Interfund Balances consist of the following individual Interfund receivables and payables as reported on the Fund Statements:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
<i>Governmental Activities:</i>		
General Fund	\$ -	\$ 20,900
Capital Improvement Fund	-	887
Special Assessment Fund	-	19,749
Nonmajor Governmental Funds	33,608	3,678
Internal Service Funds	33,275	-
Total Governmental Activities	<u>66,883</u>	<u>45,214</u>
<i>Business-Type Activities:</i>		
Water	6,955	-
Sewer	45,356	-
Utility Administrative Services	-	74,961
Nonmajor Enterprise Activities	6,901	5,920
Total Business-Type Activities	<u>59,212</u>	<u>80,881</u>
Total	<u>\$ 126,095</u>	<u>\$ 126,095</u>

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Amounts in Thousands)
(continued)

NOTE 10 - INTERFUND ACTIVITY (continued)

Interfund transfers for the Year Ended December 31, 2014, 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	\$ -	\$ 36,008	\$ -	\$ -	\$ 36,008
Capital Improvement Fund	11,661	-	20,828	1,624	34,113
Nonmajor Governmental Funds	246	1,107	225	-	1,578
Total Governmental Activities	11,907	37,115	21,053	1,624	71,699
Business-Type Activities:					
Water	-	-	75	-	75
Sewer	-	-	75	-	75
Nonmajor Enterprise Funds	1,511	-	1,163	-	2,674
Total Business-Type Activities	1,511	-	1,313	-	2,824
Total	\$ 13,418	\$ 37,115	\$ 22,366	\$ 1,624	\$ 74,523

In 2014, the General Fund transferred \$36,008 into the Capital Improvement Fund. This amount is a percentage of the income tax collections in 2014 that is authorized by Toledo City Council and the Mayor for transfer.

In 2014, The Capital Improvement Fund transferred \$11,661 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 2014, the Capital Improvement Fund transferred \$22,452 to various nonmajor governmental and enterprise funds for the purpose of debt management.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Amounts in Thousands)
(continued)

NOTE 11 – FUND BALANCE

A summary of Fund Balances as of December 31, 2014 by category with specific purpose information follows:

	General Fund	Capital Improvements	Special Assessment Services	Nonmajor Governmental Funds	Total
<i>Fund Balances:</i>					
Nonspendable:					
Inventory	\$ 1,594	\$ 1,117	\$ 3,956	\$ 1,073	\$ 7,740
Public Service	-	-	-	884	884
Total Nonspendable	1,594	1,117	3,956	1,957	8,624
Restricted for:					
General Government	5,317	-	280	223	5,820
Public Service	-	18,023	-	9,801	27,824
Community Environment	-	-	-	13,379	13,379
Total Restricted	5,317	18,023	280	23,403	47,023
Committed to:					
General Government	1,553	-	-	13,024	14,577
Community Environment	-	-	-	2,535	2,535
Total Committed	1,553	-	-	15,559	17,112
Unassigned	1,331	-	(61,144)	(2,775)	(62,588)
Total Fund Balances	\$ 9,795	\$ 19,140	\$ (56,908)	\$ 38,144	\$ 10,171

The City maintains a Budget Stabilization Designation (Designation) to cover unexpected revenue shortfalls and/or expenditure increases. The City did not utilize moneys in the Designation for expenditures in 2014, and consistent with its policy of adding to the Designation set forth in an ordinance passed by City 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. In 2014, the General Fund designated an additional \$1,227 to the balance of the Designation.

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.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Amounts in Thousands)
(continued)

NOTE 12 – PENSION PLANS (continued)

Ohio Public Employees Retirement System (continued)

Member-Directed Plan: A defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.

Combined Plan: A cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula 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 Ohio Revised Code (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. Member and employer contribution rates were consistent across all three plans in 2014. While members in the state and local divisions may participate in all three plans, law enforcement and public safety officers participate in only the Traditional Pension Plan. The 2014 member contribution rates were 10.00% of earnable salary for members in state and local classifications. Public safety and law enforcement members contributed 12.00% and 13.00%, respectively. The 2014 employer contribution rate for state and local employers was 14.00% of earnable salary. The law enforcement and public safety division employer contribution rate was 18.10% of earnable salary.

The City's required contributions for all plans for years ended December 31, 2014, 2013 and 2012 were \$10,761, \$10,204 and \$9,969, respectively. Required contributions of 92.0%, 91.6%, and 91.9% were paid during the related fiscal year for 2014, 2013 and 2012, respectively. The remaining employer contributions for each fiscal year were paid in the first month of the following year.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(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 ORC. 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, 2014 through July 1, 2014, plan members were required to contribute 10.75% of their annual covered salary. From July 2, 2014 through December 31, 2014, plan members are required to contribute 11.50% of their annual covered salary. Throughout 2014, employers were required to contribute 19.50% and 24% respectively for police officers and firefighters. The City's contributions to OP&F for the years ending December 31, 2014, 2013 and 2012 were \$17,185, \$16,728 and \$16,103 respectively. Required contributions of 90.9% were paid during the related fiscal year. The remaining employer contributions for each fiscal year were paid in the first month of the following year.

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

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 health care 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.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Amounts in Thousands)
(continued)

NOTE 13 – POSTRETIREMENT BENEFIT PLANS (continued)

Ohio Public Employees Retirement System (continued)

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. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the plan statement in the OPERS 2013 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS Plan to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend the health care coverage 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 the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2014, the City contributed at a rate of 14% of earnable salary and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the ORC. Active members do not fund the OPEB Plan.

OPERS' Post-employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code section 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. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2014. Effective January 1, 2015, the portion of employer contributions allocated to health care remains at 2.0% for both plans, as recommended by 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 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, 2014, 2013 and 2012 approximated \$1,536, \$729 and \$2,848 respectively.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Amounts in Thousands)
(continued)

NOTE 13 – POSTRETIREMENT BENEFIT PLANS (continued)

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.

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. The portion of employer contributions allocated to health care was .5% of covered payroll from January 1, 2014 thru December 31, 2014. 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).

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Amounts in Thousands)
(continued)

NOTE 13 – POSTRETIREMENT BENEFIT PLANS (continued)

Ohio Police and Fire Pension Fund (continued)

The OP&F Board of Trustees also is authorized to establish requirements 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, 2014, 2013 and 2012 approximated \$17,185, \$16,728 and \$16,103, respectively, of which \$404, \$5,863 and \$5,046, respectively, was allocated to the health care plan.

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.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Amounts 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 2014, the City contracted with various insurance companies to provide the following coverage:

	Coverage	Deductible
	(in Whole Dollars)	(in Whole Dollars)
Property Policy for the City	\$ 600,000,000	\$ 250,000
Professional Liability for TMC	10,000,000	-
Commercial/Liquor for Erie Street Market	7,000,000	500
Crime Policy for the City	3,000,000	75,000
Crime Policy for Toledo Clerk of Courts	3,000,000	50,000
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	Total cost of cleanup	50,000
Community Probation Program	25,000	-
Accident/Liability Policy - Adult Probation Program	25,000	
Accident/Liability Policy- Mobil Speedvan	1,000,000	500

Changes in the funds' claim liability amount in 2012, 2013 and 2014 were:

Year	Balance at Beginning of Year	Current Year Claims and Change in Estimate	Claims Payments	Balance at End of Year
2012	\$ 1,560	\$ 1,234	\$ 1,234	\$ 1,560
2013	1,560	1,306	1,306	1,560
2014	1,560	2,120	2,120	1,560

Workers' Compensation

The City has elected to take advantage of the workers' compensation plan offered by the State of Ohio. This plan, called retrospective rating, allows the City to put a fraction of the premium it would pay as an experience-rated risk.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Amounts in Thousands)
(continued)

NOTE 14 – RISK MANAGEMENT (continued)

Workers' Compensation (continued)

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 workers' 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, 2014, 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 2012, 2013 and 2014 were:

Year	Balance at Beginning of Year	Current Year Claims and Change in Estimate	Claims Payments	Balance at End of Year
2012	\$ 20,095	\$ 3,894	\$ 6,059	\$ 17,930
2013	17,930	4,289	6,021	16,198
2014	16,198	5,059	5,059	16,198

For 2014, the City has implemented the following standards of the Governmental Accounting Standards Board (GASB): GASB Statement No. 67, *“Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25”*, GASB Statement No. 69, *“Government Combinations and Disposals of Government Operations”* and GASB Statement No. 70, *“Accounting and Financial Reporting for Nonexchange Financial Guarantees”*.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Amounts in Thousands)
(continued)

NOTE 15 – ACCOUNTABILITY AND COMPLIANCE (continued)

Change in Accounting Principles (continued)

GASB Statement No. 67 improves financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*. It should be noted that this statement has no financial impact to the City.

GASB Statement No. 69 addresses accounting and financial reporting topics related to government combinations, commonly referred to as mergers and acquisitions and disposals of government operations that have been transferred or sold. This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. It should be noted that this statement has no financial impact to the City.

GASB Statement No. 70 provides accounting and financial reporting guidance to state and local governments that either offer or receive nonexchange financial guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. It should be noted that this statement has no financial impact to the City.

NOTE 16 - CONTINGENCIES

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 therefore. 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 therefore.

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.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Amounts in Thousands)
(continued)

NOTE 16 – CONTINGENCIES (continued)

Litigation (continued)

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, 2014 and at the date of this Statement, is sufficient to meet the claims and judgments that may arise in 2015. 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.

Grants

In 2014, 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 January 2015, the City Council passed an agreement to accept loan proceeds of \$2.3 million from the OWDA for the Highland Phase 2 Project (Hill Avenue Sanitary Pump Station and Fearing Boulevard Force Main).

On January 20, 2015, the City Council passed an agreement to accept loan proceeds of \$1.6 million from the Ohio EPA Water Pollution Control Loan Fund (WPCLF) for the Queen/Spencer Street Sewer Replacement.

On February 3, 2015, the City Council passed an agreement to accept grant proceeds of \$1.7 million from the ODOT for the construction of Miami Street over Norfolk Southern Railroad.

On May 12, 2015, the City Council passed an agreement to accept grant proceeds of \$2.6 million from the ODOT. \$2.2 million was for an Urban Paving Program for roadway resurfacing projects on Detroit Ave from Arlington to I-75 and on Reynolds Rd from the City Limit to Glendale. \$.4 million was for a reconstruction/enhancement project; I-75 to Washington.

On April 14, 2015, the City Council passed agreements to accept grant proceeds from the U.S. Department of Housing and Urban Development (HUD) for three grants totaling \$8.9 million. These grants were the 41st year CDBG grant (\$6.8 million), the 29th year ESG grant (\$.6 million) and the 24th year HOME grant (\$1.5 million).

On May 12, 2015, the City Council passed an agreement to accept grant proceeds of \$2.2 million and loan proceeds of \$1.7 million from the OPWC for seven roadway and three utility projects.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Amounts in Thousands)
(continued)

NOTE 17 – SUBSEQUENT EVENTS (continued)

On May 26, 2015, the City Council passed an agreement to accept grant proceeds of \$4.7 million from the ODOT. \$1.2 million was for the Urban Paving Program for roadway resurfacing on State Route 120 (Central Avenue) from Secor to Upton. \$2.4 million was for a reconstruction / enhancement project on the Anthony Wayne Trail from I-75 to Erie. \$1.1 million was for a widening project at the intersection of Douglas Road and Dorr Street.