

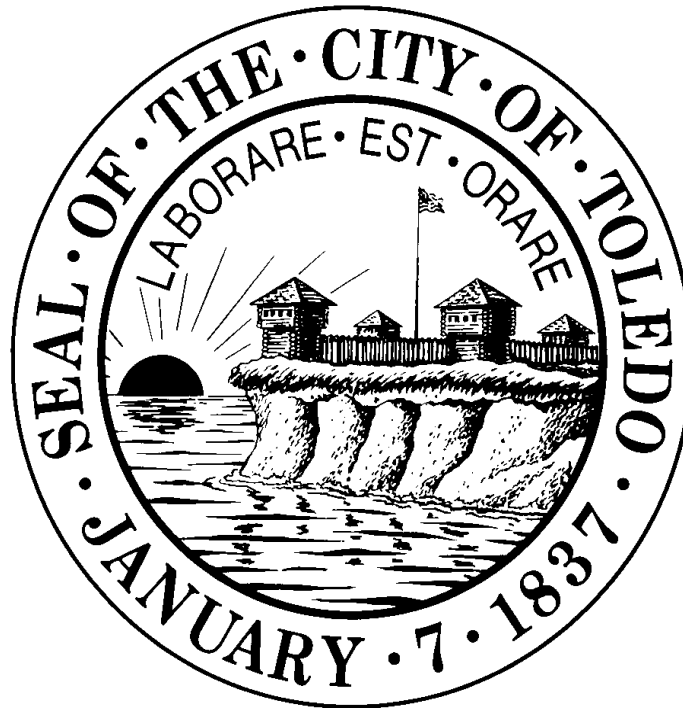
# **CITY OF TOLEDO, OHIO**

## **2016**

### **Annual Information Statement**

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*in connection with Bonds and Notes of the City of Toledo*



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

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

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The date of this Annual Information Statement is August 1, 2016.



## 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 2015 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 2015. It also includes certain such information pertaining to post-Fiscal Year 2015 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 filings on the EMMA System. 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 the Ohio Constitution or 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 2015”) 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 generally on Lake Erie and the City of Oregon to the east, the State of Michigan to the north, and Wood County to the south.

The City’s 2010 population of 287,208 made it the fourth largest city in Ohio and the 62<sup>nd</sup> 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 82<sup>nd</sup> 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. In addition to those cities, 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 (65.18%), Commercial (29.93%), Industrial (4.59%), Railroad (0.26%) and Agricultural (0.04%). Source: Ohio Department of Taxation.

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 and cargo handling facilities; 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 handling 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 Health's St. Vincent Medical Center (351 beds) and St. Anne's Community Hospital (113 beds); and The University of Toledo Medical Center (319 beds). ProMedica's Flower Hospital (311 beds) and Bay Park Hospital (72 beds) are located in the adjacent Cities of Sylvania and Oregon, respectively, 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 more than 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 a 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 2014, the 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 Toledo Cultural Arts Center, Inc., the non-profit organization that operates the Valentine, also operates Studio A, an 85-seat black-box theater adjacent to The Valentine.

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 located in the Downtown area of the City and 18 branch

libraries throughout the County, including 13 within the City, and will open an additional branch in Fall 2016. 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, completed a major renovation of its aquarium in 2015. See **Public Projects**.

The City owns and operates 145 parks covering 2,368 acres, and the Metropolitan Park District of the Toledo Area (the Metroparks) operates 13 parks covering more than 12,000 acres in the County. In 2015, the Metroparks welcomed over 4 million visitors and opened three new parks, the first new parks opened by the Metroparks in 40 years. By the end of 2016 and in 2017, the Metroparks plans on opening new parks in the Downtown area of the City (Middlegrounds) and near the Lake Erie shore (Howard Marsh). See **Public Projects**. The Toledo Botanical Garden, located in the City and an affiliate of the Metroparks, has over sixty acres of display gardens and relevant plant collections, with more than 120,000 visitors annually.

The State's Maumee Bay State Park, a 1,336-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.

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 in the Downtown area of the City. In March 2016, the team completed its "Hensville" project, a \$21 million renovation of the three Warehouse District buildings adjacent to the stadium into a mixed-use development, consisting of restaurants, office and event space and retail shops. See **Economic and Community Development Activities – Industry and Commerce –Recent Development Activities**.

In 2009, the County completed construction of a \$105 million multipurpose arena located in the Downtown area of the City, which serves as the home of the Toledo Walleye, a Class AA professional hockey team, and as a venue for concerts and other activities.

A total of 16 private and public golf courses are located in the County. One of those courses, Inverness Club, which was originally designed by renowned golf course architect Donald Ross, periodically hosts major USGA and PGA Championships, including most recently the 2011 U.S. Senior Open. The USGA has selected Inverness Club to host the 2019 U.S. Junior Amateur Golf Championship, one of 13 national championships conducted by the USGS annually. In May 2016, Inverness Club, the nonprofit First Tee of Lake Erie and ProMedica Health System announced a collaboration to build a multimillion dollar youth development center and golf complex on 43 acres of undeveloped land in the City owned by Inverness Club that is adjacent to a farm that the Metroparks of Toledo Area is converting into a park. See **Public Projects**. The youth development center and golf complex will include a state-of-the-art educational center, a nine-hole golf course, and a golf practice facility. An LPGA tournament is held in the area annually.

## **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 State 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<br/>As of June, 2016</u> | <u>Occupation in<br/>Private Life</u> |
|------------|------------------------|----------------------------------------------|---------------------------------------|
| At-Large   | Dr. Cecilia Adams (D)  | 1 year(a)                                    | Retired school administrator          |
| At-Large   | Theresa M. Gabriel (I) | 2½ years                                     | Retired City administrator            |
| At-Large   | Rob Ludeman (R)        | 6½ years(b)                                  | Realtor                               |
| At-Large   | Sandy Spang (I)        | 2½ years                                     | Business owner                        |
| At-Large   | Steven Steel (D)(c)    | 7 years                                      | College professor                     |
| At-Large   | Larry Sykes (D)        | 2½ years                                     | Retired bank executive                |
| District 1 | Tyrone Riley (D)       | 4½ years                                     | Attorney                              |
| District 2 | Matt Cherry (D)        | 2½ years                                     | Business agent                        |
| District 3 | Peter Ujvagi (D)       | ½ year(d)                                    | Civic leader                          |
| District 4 | Yvonne Harper (D)      | 1 year                                       | Retired court bailiff                 |
| District 5 | Tom Waniewski (R)      | 8 years                                      | Development director                  |
| District 6 | Lindsay M. Webb (D)    | 8 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 Councilman Jack Ford and, at an election held on November 3, 2015, was elected to complete Mr. Ford's unexpired term ending January 1, 2018, at an election held on November 3, 2015.
- (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) Dr. Steel has been elected by his colleagues on Council to serve as President of Council for 2016.
- (d) Mr. Ujvagi also previously served on Council for seven years in the 1980s and for nine years from 1994 through 2002. He served as President of Council from 1998 through 2002, at which time he took office as a State Representative, an office he held from 2003 through 2010. Mr. Ujvagi served as the Lucas County Administrator from 2010 through 2013.

The current terms of all at-large members of Council expire on January 1, 2018, and those of all members of Council elected from Districts expire on January 1, 2020.

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. At an election on November 3, 2015, voters of the City elected Ms. Hicks-Hudson to serve for the remainder of Mayor Collins' unexpired term ending on January 3, 2018. Prior to becoming Mayor, 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. 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 – Mark Sobczak

Mark Sobczak was appointed by the Mayor as the City's Chief of Staff in January 2016. In this capacity Mr. Sobczak is responsible for overseeing the Human Resources, Public Service, Public Utilities and Public Safety Departments of the City. Mr. Sobczak previously served as the City's Chief Operating Officer from January 2014 to July 2015, as its Commissioner for the Department of Human Resources from July 2015 to January 2016, and as a member of Council from 2006 to 2009. Prior to joining the administration, Mr. Sobczak was employed for 33 years at Teamsters Local Union No. 20. During his tenure at Teamsters Local 20, Mr. Sobczak held positions of increasing responsibility, retiring in 2014 as Secretary-Treasurer. Mr. Sobczak volunteers on several boards for area institutions. He is a graduate of The University of Toledo with a Bachelor of Science degree in labor relations.

Chief Operating Officer – Eileen M. Granata

Ms. Granata was appointed by the Mayor as the City's Chief Operating Officer on January 4, 2016. Prior to her appointment to that position, she had served as a Senior Attorney in the General Section of the City's Law Department since 2012, handling a variety of transactional, real estate and other legal matters. Ms. Granata, a licensed attorney in Ohio since 1985, earned both a Bachelor of Arts degree in economics and a Juris Doctorate degree from The University of Toledo. Prior to joining the City's Law Department, Ms. Granata worked in economic development 25 years, holding various positions with the Toledo Regional Chamber of Commerce and Northwest Ohio's Regional Growth Partnership, including Chief Operating Officer of the Regional Growth Partnership, and serving as the Ohio Department of Development's Northwest Ohio Regional Economic Development Director under both Governor Strickland and Governor Kasich.

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 had 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 – Calvin Lawshe

Mr. Lawshe was appointed as the City of Toledo's Director of Development in July 2015. Prior to his appointment, Mr. Lawshe served the City as the Commissioner of Development from 2012 through 2013 and the Toledo-Lucas County Plan Commissions Director from 2008 through 2012. Prior to his employment by the City, Mr. Lawshe was a 30-year employee of The University of Toledo, working in various capacities. Mr. Lawshe earned a Master's of Business Administration and a Bachelor of Business degree from The University of Toledo.

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 of Business Administration. Prior to joining the City, Mr. Moore served in the U.S. Navy as a Quartermaster.

City Treasurer

The Mayor appoints the City's Commissioner of Taxation and Treasury (City Treasurer) to collect, receive and disburse all public money of the City. The position became vacant on May 31, 2016, with the retirement of the prior City Treasurer. The Mayor is currently in the process of selecting a new City Treasurer and expects to fill that position in the late summer or fall of 2016.

Commissioner of Debt Management and Capital Improvement Programs – Bryan Benner

Mr. Benner was appointed as Commissioner of Debt Management and Capital Improvement Programs by the Director of Finance on January 1, 2015. Prior to his appointment, he had served the City in the positions of Commissioner of Purchasing and Commissioner of Administration, assisting all City finance divisions. Prior to his employment by 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 Master's of Public Administration from The University of Toledo.

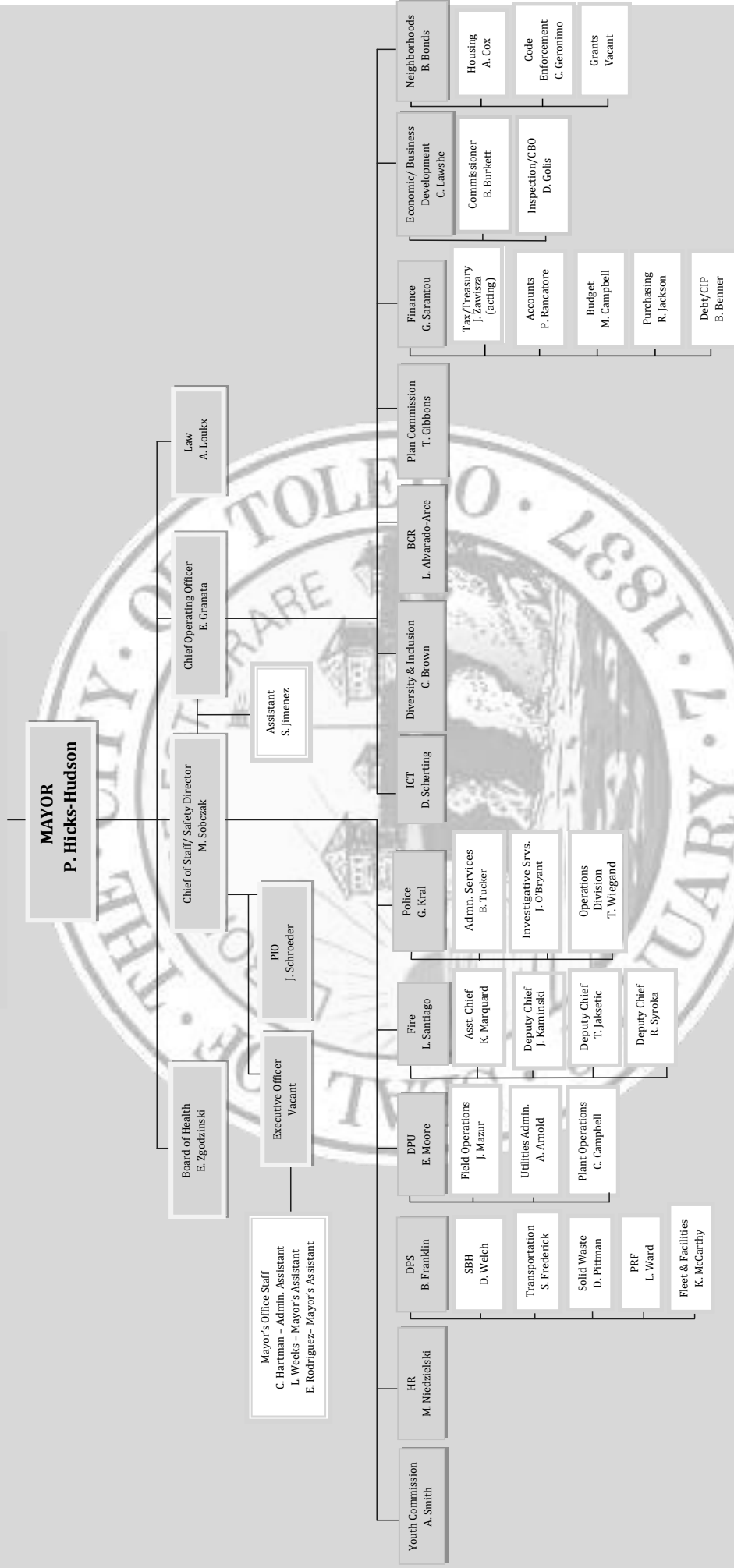
City Auditor – John Jaksetic, CPA

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 has brought to the Auditor's position over twenty years of experience in private industry. As City Auditor, he assists various City departments in establishing and maintaining internal control procedures and advises 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



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## Employees

The City had 2,650 full-time and part-time employees as of June 1, 2016. That number of employees has decreased by approximately 15 since 2011. The City also utilizes seasonal workers and temporary workers for specific projects from time to time on a contract basis. The State's public employee collective bargaining law applies generally to public employee relations and collective bargaining of the City and other political subdivisions statewide.

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:

| <b><u>Bargaining Unit</u></b>                                                                              | <b><u>Approximate<br/>Number of<br/>Employees</u></b> | <b><u>Labor Agreement<br/>Expiration</u></b> |
|------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|----------------------------------------------|
| Ohio Council 8 of the American Federation of State,<br>County and Municipal Employees (AFSCME),<br>Local 7 | 768                                                   | June 30, 2017                                |
| Ohio Council 8 of AFSCME, Local 7,<br>Communications Operators                                             | 67                                                    | June 30, 2017                                |
| Toledo Police Patrolman's Association                                                                      | 484                                                   | December 31, 2017                            |
| International Association of Fire Fighters, Local 92                                                       | 499                                                   | December 31, 2017                            |
| International Brotherhood of Teamsters, Local 20                                                           | 87                                                    | December 31, 2015(a)                         |
| Ohio Council 8 of AFSCME, Local 2058,<br>Supervisors                                                       | 216                                                   | May 31, 2018                                 |
| Ohio Council 8 of AFSCME, Local 2058,<br>Communication Supervisors                                         | 7                                                     | May 31, 2018                                 |
| Toledo Police Command Officers' Association                                                                | 136                                                   | December 31, 2017                            |
| United Auto Workers, Local 12<br>(Clerk of Courts – Supervision)                                           | 7                                                     | December 31, 2016                            |
| Ohio Council 8 of AFSCME, Local 3411<br>(Clerk of Court – Deputy Clerks)                                   | 69                                                    | December 31, 2018                            |
| 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. In negotiating their most recent three-year contracts, the City and its bargaining units have successfully utilized a collaborative interest-based bargaining process.

In 2014, the City and the AFSCME Local 7 unit representing approximately 835 City employees entered into new three-year contracts through June 30, 2017. Under the terms of those contracts, employees in the bargaining units represented by AFSCME Local 7 received 1.5% pay increases on January 1 in 2015 and 2016 and are to receive an additional 1.5% pay increase on January 1, 2017. The contracts also provided

substantially strengthened rights for City management to discipline employees and to create incentives for productive employees who meet attendance goals and other requirements.

In 2015, the City entered into new three-year contracts 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, running through 2017. Those contracts provide for 0.75% wage increases effective on January 1 in 2015, 2016, and 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 contract with the TPPA provides for 0.75% base wage increases effective on January 1 in 2015, 2016 and 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.

In 2015, the City also entered into new three-year contracts with AFSCME Local 2058, representing communications and various other supervisors, through May 31, 2018. Under the terms of those contracts, employees in the bargaining units represented by AFSCME Local 2058 received a 1.0% pay increases on January 1, 2016 and are to receive additional 1.0% pay increases on January 1 in 2017 and 2018. The members of AFSCME Local 2058 had last received a wage increase in June 2014. Among other matters, those contracts provided substantially strengthened rights for City management to discipline employees and flexibility in the process used in filling vacancies.

Following completion of a fact-finding process, the City entered into a three-year contract through December 31, 2018, with AFSCME Local 3411, representing Deputy Clerks in the Clerk of Courts. The City's contract with the AFSCME Local 3411 provides for 1.00% base wage increases effective on January 1 in 2016, 2017 and 2018, respectively.

The economic concessions achieved through the negotiation of all 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. See **Retirement Expenses**. The City's final pension pick-up obligations expired on July 1, 2016.

The collective bargaining agreements negotiated by the City have continued to increase monthly health care cost contributions or "co-premiums". Under the terms of the agreements, the City and all bargaining units other than International Association of Fire Fighters, Local 92, commenced negotiation of a uniform health care and benefits plan intended to contain health care costs.

In the judgment of the City, its labor and employee relations are generally good and productive.

## **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 July 2016, Fiat Chrysler Automobiles (Fiat Chrysler), the largest manufacturing employer in the City, announced that it intends to invest \$700 million in its Toledo Assembly Complex in the City in 2017 to prepare the Assembly Complex for the next iteration of the Jeep Wrangler and Jeep Wrangler pick-up truck. The announcement confirmed Fiat Chrysler's earlier announcement that it planned to move the Jeep Cherokee production from the City to a plant in the State of Illinois to free up room to build the next generation Jeep Wrangler and the Jeep Wrangler pick-up truck in the City without having to interrupt

production of the current version of the Jeep Wrangler. Various industry sources expect that Jeep Wrangler production would hit 350,000 with the introduction of the model's next generation. The City has announced that it plans to invest \$850,000 to improve roadways near the Assembly Complex. According to Fiat Chrysler, employment at the plant will increase by 700 when the improved Assembly Complex achieves full production in 2017. See **Employment**.

The announced investments in the Assembly Complex will follow major improvements and expansion projects completed by Fiat Chrysler at its Assembly Complex and its Toledo Machining Plant in nearby Perrysburg Township in 2013. 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. 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 completed an additional \$19.6 million project to provide new equipment and tooling to enhance machining and assembly capacity at that Plant in 2014.

In May 2016, Dana Holdings Corporation, a Fortune 500 automotive and industrial components manufacturer, announced plans to invest approximately \$70 million in a new axle manufacturing facility in the Overland Industrial Park (the location of the former Jeep Willys plant) in the City, converting and tripling the size of an existing 100,000 square foot warehouse facility on the site to 300,000 square feet. See **Economic and Community Development Activities – Industry and Commerce – Port Authority**. Dana has said that it plans to begin assembling axles at that renovated facility in late 2017, and to employ more than 300 workers in the facility by 2020. That facility will be located less than three miles from the Toledo Assembly Complex, which currently produces the Wrangler and Jeep Cherokee vehicles for Fiat Chrysler Automobiles. See **Industry and Major Employers**. Dana received financial incentives for its investment in the facility from the State, the County, the City, the Port Authority and FirstEnergy Corp., parent of the principal electric utility serving the City. Dana's plans are subject to State approvals and the receipt of those financial incentives. In August 2015, Dana completed an expansion of its headquarters and division office and research and development center, located in the adjacent City of Maumee, Ohio. Dana had previously announced that with that expansion it expected employment at that facility, located in one of the joint economic development zones created by the City and adjacent subdivisions, to increase by approximately 200. The City shares in income tax revenues received from employees in the zone.

In March 2016, The Toledo Mud Hens Baseball Club, Inc. completed a \$21 million public/private partnership project to renovate three 19th-century buildings and create a "Hensville" mixed-use development, consisting of restaurants, office and event space, and retail shops, adjacent to Fifth Third Field in the Warehouse District in the Downtown area of the City. The project also included 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. Funding for the project included 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 October 2015, the Mud Hens purchased a former KeyBank building located in the Downtown area of the City across from the Huntington Center, a Downtown convention center, with plans to convert that historic building into a music hall. In the State's capital budget act for the biennium ending June 30, 2018, the State awarded \$400,000 for that project.

The owner of the historic Secor Building located in the Downtown area of the City has been awarded \$5 million of Ohio Historic Preservation Tax Credits by the Ohio Development Services Agency. Under the proposal submitted as part of the application process, the 10-story building would be rehabilitated as a 144-room, full-service guest hotel, at a total estimated cost of \$35.7 million. The building originally opened in 1908 as the Hotel Secor, and at the time was considered the City's pre-eminent hotel.

In May 2015, the ProMedica Health System (ProMedica), 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 the 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. ProMedica broke ground on the new tower in April 2016. The project is expected to open to patients by the end of 2019. The City has provided certain infrastructure improvements, including an interchange on Interstate 475 in the area of the Hospital campus, which will support the project.

In October 2015, ProMedica broke ground on a new headquarters campus located in the Downtown area of the City. That campus will include a renovated historic building, the former Toledo Edison Steam Plant, an adjacent office building on the Maumee River and 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. The State has awarded \$5 million in Ohio Historic Preservation Tax Credits for that project, which is expected to be completed in 2017. 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 2,500 total jobs, at an average salary of \$48,000, in the Downtown area of the City by 2019. The City expects the project to promote additional development in the Downtown area of the City.

In 2015, Faurecia Automotive Holdings, one of the world's largest automotive parts suppliers, completed a \$20 million project 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 provided 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.

In 2014, the County purchased the former Seagate Hotel for \$1.38 million with an initial intent to demolish the 19-story building to create greenspace in the Downtown area of the City. The original hotel was built in 1970 and sat vacant for approximately seven years. The site is of great strategic value to the development of the Downtown area of the City, being located adjacent to the Seagate Convention Centre and across the street from the future ProMedica headquarters. Subsequent to its purchase, the County has removed asbestos from the building and is at present considering a variety of development options for the property.

General Motors recently completed two new 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. Those investments were the fifth and sixth investments General Motors made in that plant since 2005, and with them, the company had invested more than \$1.1 billion in the plant during that period. The transmissions produced at the plant are 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 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 located 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 approximately 20,000 visitors in 2015 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, a lounge, and an outdoor concert space with seating for 2,500 people. The Casino currently employs approximately 1,200 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 \$5.7 million in revenue from that tax in 2015. See **Casino Tax Revenue**.

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. On June 27, 2016, ProMedica acquired 69 acres of land in the Marina District from Dashing Pacific Group, with the City’s consent. ProMedica plans to undertake studies to determine the most beneficial use of the property and has announced that it intends to partner with the Metroparks to insure that some or all of the land is preserved for public recreational use.

### ***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. In 2016, the Port Authority partnered with the Economic & Community Development Institute, a nonprofit organization focused on economic development, to establish the Microenterprise Development Initiative, which provides area entrepreneurs with small business loans up to \$350,000. Under the partnership, the Port Authority is the point of access and ECDI is the lending partner.

The City, in cooperation with the 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, including the installation of lighting and the completion of a road that serves as the main entrance to the site. The Dana Holdings Corporation project described under **Economic and Community Development Activities – Industry and Commerce – Recent Development Activities** is the first major project in the Overland Industrial Park.

## 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 the federal fiscal year 2016 omnibus budget bill, passed in June 2016, the United States Congress approved more than \$100 million in federal funding for the design, renovation and expansion of the James M. Ashley and Thomas W. Ashley United States Courthouse, located in the Downtown area of the City. The project will consist of the construction of a 96,000 square foot Courthouse annex and inside parking spaces, as well as the capital repair and alteration of the existing Courthouse building.

In its capital budget act for a biennium ending June 30, 2018, the State awarded The University of Toledo grants totaling \$22.225 million for projects on its campus, including \$3 million for academic technology and renovations for the University's Carlson Library, \$2.75 million for campus infrastructure improvements, \$7.75 million for elevator repairs and replacements, mechanical systems, building weatherproofing, HVAC system replacements, and ADA accessibility, \$6.6 million for technology upgrades, and \$1 million for a window replacement project.

A public-private partnership consisting of The University of Toledo, the non-profit Collegiate Housing Foundation, and American Campus Communities, completed construction of Honors Academic Village, a \$38 million residence hall, on the University's campus in 2015. The four-story 142,000-square-foot building, with 153 units and a total of 492 beds, opened for student residents for the 2015-16 academic year. The construction cost was covered by project-based financing, secured by room rates to be collected from residents. The residence hall, owned by the Collegiate Housing Foundation through a lease agreement with the University, has been fully occupied with 90 percent of the residents enrolled in the University's Jesup Scott Honors College. American Campus Communities served as the project's developer and is responsible for its ongoing management.

In 2014, The University of Toledo completed a \$5.5 million upgrade to the University's Larimer Athletic Complex. The renovated Larimer Athletic Complex houses the football offices and meetings spaces, an upgraded weight room, a lounge, and an academic center to be used by all of the University's varsity teams.

In 2015, the Metropolitan Park District of the Toledo Area (the Metroparks) began construction on its Middlegrounds park, a \$3.7 million, 28-acre park on half of a mile of frontage on the Maumee River in the Downtown area of the City, that will feature a fenced dog park, 2,500-square-foot covered pavilion with restrooms, walking trails, canoe and kayak launch inlet, river and wetland overlooks, woods, meadows, natural areas, event and picnic lawns, and a 2,500-square-foot covered pavilion with restrooms. The park will include a "treatment train" that filters, infiltrates and stores storm water before releasing it into the Maumee River. The purchase price and other costs associated with the purchase were reimbursed to the Metroparks from a grant through the National Oceanic and Atmospheric Administration Coastal Estuarine Land Conservation Program. The park is scheduled to open by the end of 2016.

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

In 2015, the Toledo City School District 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 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 certain other School District building and facility and site improvement projects (the School Site and Facilities Projects) that were necessary but not within the scope of the Master Facilities Plan for the

Classroom Facilities Project. The School Site and Facilities Projects 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 were 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 Projects was approximately \$60,602,000.

The new and renovated facilities included in the Classroom Facilities Project and School Site and Facilities Projects provide modern learning centers for students, with spacious classrooms with colorful furnishings, modern safety and security systems, wireless technologies and numerous other amenities.

### **Housing**

The City has actively engaged in activities to promote the development and renovation of housing units in the Downtown area of the City 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 and related commercial space. The City considered these projects to be important to promote further development and the enhancement of housing available in the 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 2015, the City had made an aggregate of \$16.03 million in debt service payments (including \$1,656,214 in Fiscal Year 2015) on the general obligation bonds for which it has not been reimbursed. The City expects that it will be required to pay all or substantial portions of the debt service on those bonds from certain City funds available for the purpose in Fiscal Year 2016 and future years through 2025. The City has set aside approximately \$1.696 million from General Fund sources for debt service on the bonds for the Commodore Perry Apartments, the Hillcrest Apartments and the Museum Place Apartments in Fiscal Year 2016. The owners of the LaSalle Apartments timely made all of the debt service payments to the City and, upon the sale of that building 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 Apartments were 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 in recent years, adding over 140 market-rate condominium units in the Downtown area of the City and its Warehouse District. Nearly 65 other new market-rate rental units have been completed in the Downtown area of the City and the nearby Uptown and Warehouse Districts, and 336 apartments in the same areas have been substantially renovated in recent years. In March 2016, the Port Authority awarded a \$25,200 grant to the Toledo Museum of Art for a feasibility study on acquiring the Museum Place Apartments and converting them to market-rate apartments and commercial/retail space.

In 2012, the Standart Lofts, a 70-unit apartment complex, was completely leased within four months after having been developed at a cost of over \$10 million. In the fall of 2015, the owners of the Standart Lofts started an estimated \$14 million renovation of the Berdan Building, an historic building constructed in 1902 but vacant since 1985, to create approximately 120 additional living units in the Warehouse District, with parking for tenants and visitors on a lower floor. Certain floors of the building are expected to be rented by the end of 2016, with the full project expected to be completed in 2017.

The current strong demand for market-rate living accommodations in the Downtown area of the City is evidenced by occupancy levels 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 subsidiary of Turner Construction Company, 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 of the City, and the City projects that number to increase significantly in the next several years. With residential occupancy levels increasing, many new businesses including restaurants, retail establishments, art galleries and a new microbrewery have been completed or are under construction. Hensville, the mixed-use development, consisting of restaurants, office and event space, and retail shops housed in three renovated 19<sup>th</sup> century buildings, marked its grand opening in the Warehouse District in April 2016. See **Economic and Community Development Activities – Industry and Commerce –Recent Development Activities**.

A \$24 million renovation of Vistula Heritage Village, a multi-building, 250-unit affordable apartment complex just north of the Downtown area of the City is scheduled to begin in 2016. In 2015, National Church Residences' Commons at Garden Lake, a 75-unit apartment building for homeless and at-risk homeless veterans, and Phase II of the Collingwood Green Project, consisting of 68 units in eleven townhouses, were completed in the Downtown area of the City. A renovation of the Newtown Apartments, an eleven-building, 100-unit affordable apartment community near the Downtown area of the City, was also completed in 2015.

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, 2016 through June 30, 2017 will be \$6,775,950, and its HOME funding allocation for that program year will be approximately \$1,619,662.

The City is experiencing positive results from the activities of the Lucas County Land Reutilization Corporation (the Land Bank). The City and the Land Bank conducted a parcel by parcel, GIS-based, inventory system in 2014 that determined the overall condition of the City's housing stock. This inventory is now being used to help guide investments in community development. In 2012, the State awarded the County a \$6.8 million grant that has enabled the County to pay to the City to demolish 700 homes selected by the City. In 2014, the State awarded the County an additional grant of \$6 million to pay to the City for further neighborhood improvements, including the demolition of approximately 475 more structures selected by the City by 2017. In 2016, the Land Bank is to receive a \$13.8 million federal grant of Hardest Hit Funds, through a program administered by the U.S. Department of the Treasury, to be used to demolish or renovate 1,500 vacant properties by September of 2020. The Land Bank has also acquired vacant and abandoned residential, commercial, and industrial properties in the City that were sold to purchasers with the obligation that the property be renovated, re-occupied and restored to the tax rolls, generating economic activity and saving possible demolition costs. In addition, the Land Bank has acquired and sold vacant lots in the City to adjacent home owners under its side lot program or to landlords, land contract vendors, and businesses to assist in reducing blight and strengthening the neighborhood.

In November of 2012, the City's Department of Neighborhoods contracted with the Lucas County Regional Health District (the Health District) to undertake a Lead-Based Paint Hazard Control Program (the Lead Abatement Program) to abate lead paint in homes in the City built prior to 1978. The Lead Abatement Program is currently funded by a \$2.9 million grant (the HUD Grant) awarded to the Health District by the Department of Housing and Urban Development's Office of Lead Hazard Control and Healthy Homes in June of 2012. Under the City's contract with the Health District, the City's Department of Neighborhoods carries out the lead abatement activities funded by the HUD Grant.

## **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 22,445 pupils in 57 elementary, junior high and senior high schools and specialized learning centers. The Board of Education of the School District administers an annual operating budget of approximately \$357.8 million. The Board currently receives approximately 29.65% of its funding from local sources, including taxes, tuition, fees and interest income, approximately 70.12% of its funding from State sources and approximately 0.22% of its funding from 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**.

The University of Toledo is a State university located in the City that traces its origins to 1872. The University's Fall 2015 headcount enrollment consisted of 16,068 undergraduates and 4,313 graduate and professional students, making it the sixth largest of 14 public universities in the State. In their fiscal year ended June 30, 2015, the University and its Medical Center together had approximately 6,279 employees and a combined annual operating budget of approximately \$850 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 350 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 of approximately \$43.6 million annually in its fiscal year ended June 30, 2015.

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 14,300 undergraduate and 2,600 graduate students, and Lourdes University an enrollment of approximately 1,500 undergraduate and graduate students. In addition, approximately 15,439 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 only 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 569<sup>th</sup>, also has its corporate headquarters in the Toledo MSA.

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

| <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           |                                                   | 6,279(b)                            |
| Fiat Chrysler Automobiles                   | Automobile manufacturer                 | 6,147(c)                                          |                                     |
| Toledo City School District                 | Education                               |                                                   | 3,951(d)                            |
| Bowling Green State University              | University                              |                                                   | 3,745(b)                            |
| Lucas County                                | Government                              |                                                   | 3,511                               |
| The Kroger Company                          | Retail grocery                          |                                                   | 2,924                               |
| The City                                    | Government                              |                                                   | 2,650(e)                            |
| Sauder Woodworking Co.                      | Furniture, cabinets                     | 2,400                                             |                                     |
| Walmart                                     | Retail sales                            |                                                   | 2,375                               |
| State of Ohio                               | Government                              |                                                   | 2,083                               |
| General Motors Corp./GM Powertrain Division | Automotive manufacturer                 | 2,028(h)                                          |                                     |
| 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(f)                            |
| Hollywood Casino                            | Casino                                  |                                                   | 1,200                               |
| 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                                             |                                     |
| Washington Local School District            | Education                               |                                                   | 860                                 |
| Sylvania City School District               | Education                               |                                                   | 823(d)                              |
| Bennett Enterprises                         | Motor inns and restaurants              |                                                   | 800                                 |
| International Automotive Components         | Automotive interior systems             | 780(g)                                            |                                     |
| Owens-Illinois, Inc.                        | Glass manufacturer                      |                                                   | 775(f)                              |
| Buckeye Cable System                        | Cable television                        |                                                   | 723                                 |
| Wood County Hospital                        | Medical facility                        |                                                   | 711                                 |
| Dana Holding Corporation                    | Automotive and industrial components    |                                                   | 700(f)                              |
| 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 by the Inter-University Council of Ohio, an association that represents Ohio's 13 public universities and two freestanding medical colleges.

(c) As reported on the employer's website as of July 2016.

(d) As reported by the employer as of December 2015.

(e) As of June, 2016.

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

(g) Formerly Lear Corp.

(h) As reported on the employer's website as of March 30, 2016.

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. See **Economic and Community Development Activities – Industry and Commerce –Recent Development Activities**. With those projects having been completed and its plants in full operation, Fiat Chrysler announced in July 2016 that employment at its Toledo Assembly Complex located on 312 acres in the City, where it now produces Jeep Wranglers and Jeep Cherokees, has increased to 5,113 workers and employment at its Toledo Machine Plant in nearby Perrysburg had increased to 1,034 (as of June 2016). Fiat Chrysler produced approximately 539,000 vehicles at the Assembly Complex in 2015, including 294,000 Cherokees and 245,000 Wranglers. In January 2016, Fiat Chrysler announced that in order to continue and expand production of the next generation of the Jeep Wrangler model beginning in 2017, it would transfer production of the Jeep Cherokee from the Assembly Complex. Fiat Chrysler also announced that it would begin production of a new Jeep Wrangler pickup truck at the Assembly Complex in 2018. In July 2016, FiatChrysler announced that it would invest \$700 million in the Assembly Complex in 2017 and create 700 new jobs at the Assembly Complex after completion of that investment. See **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 2.0-million-square-foot facility located on 151 acres in the City. 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. See **Economic and Community Development Activities – Industry and Commerce –Recent Development Activities**. GM reported that it employed 2,028 workers at the plant as of March 30, 2016, an addition of 138 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 \$5.4 billion in 2015, employs approximately 16,000 in 25 countries, including approximately 1,229 in the Toledo MSA. The Owens Corning headquarters are located in facilities 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.

Dana Holding Corporation, a manufacturer of motor vehicle parts and industrial components with sales of \$6.1 billion in 2015, currently employs approximately 23,000 in 25 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 world headquarters and a division office and research and development center that are located in a company-owned technology center in the adjacent City of Maumee, Ohio. In May 2016, Dana announced plans to invest approximately \$70 million to locate a new axle manufacturing facility in the City. Dana plans to begin assembling axles at its site beginning in late 2017, with the plant expected to employ more than 300 people by 2020. See **Economic and Community Development Activities – Industry and Commerce – Recent Development Activities**.

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, with 2,460 employees companywide. In January and May 2016, HC2 Holdings Inc., a New York-based holding company, made unsolicited offers to acquire The Andersons. In a federal regulatory filing in May 2016, The Andersons announced that it had rejected the offers, specifying six specific objections. It is unclear at this time what further developments may occur.

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 80% of the total employment in the Toledo MSA and more than 75% of total payrolls in the County. Education and health care industry employment in the Toledo MSA has increased by 18% 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 2011 through 2015 and for June 2015 and June 2016.

**TOLEDO MSA EMPLOYMENT BY INDUSTRY<sup>(a)</sup>**  
(In Thousands)

| <b>Industries</b>                  | <b><u>2011</u></b> | <b><u>2012</u></b> | <b><u>2013</u></b> | <b><u>2014</u></b> | <b><u>2015</u></b> | <b>June<br/><u>2015</u></b> | <b><u>2016<sup>(b)</sup></u></b> |
|------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-----------------------------|----------------------------------|
| <b>Service Providing</b>           |                    |                    |                    |                    |                    |                             |                                  |
| Transportation and Utilities       | 23.8               | 23.7               | 23.7               | 24.7               | 26.0               | 25.7                        | 26.5                             |
| Wholesale and Retail Trade         | 42.5               | 42.9               | 43.4               | 43.8               | 44.7               | 44.8                        | 45.9                             |
| Finance, Insurance and Real Estate | 10.5               | 10.2               | 10.0               | 10.2               | 10.3               | 10.4                        | 10.5                             |
| Services                           | 115.8              | 118.8              | 121.5              | 120.9              | 121.4              | 121.1                       | 128.5                            |
| Government                         | 45.1               | 45.4               | 45.3               | 45.3               | 45.7               | 42.9                        | 44.9                             |
| <b>Total Service Providing</b>     | <b>237.7</b>       | <b>241.0</b>       | <b>243.9</b>       | <b>244.9</b>       | <b>248.1</b>       | <b>244.9</b>                | <b>256.3</b>                     |
| <b>Goods Producing</b>             |                    |                    |                    |                    |                    |                             |                                  |
| Manufacturing                      |                    |                    |                    |                    |                    |                             |                                  |
| Durable Goods                      | 26.6               | 28.4               | 30.0               | 32.3               | 33.9               | 34.4                        | 34.8                             |
| Nondurable Goods                   | 10.5               | 10.3               | 10.0               | 9.9                | 9.7                | 9.7                         | 9.9                              |
| Total Manufacturing                | 37.1               | 38.7               | 40.0               | 42.2               | 43.6               | 44.1                        | 44.7                             |
| Construction                       | 11.2               | 12.1               | 11.3               | 12.4               | 12.9               | 13.8                        | 14.8                             |
| Mining                             | *                  | *                  | *                  | *                  | *                  | *                           | *                                |
| <b>Total Goods Producing</b>       | <b>48.2</b>        | <b>50.7</b>        | <b>51.3</b>        | <b>54.6</b>        | <b>56.5</b>        | <b>57.9</b>                 | <b>59.5</b>                      |
| <b>Total Employment</b>            | <b>285.9</b>       | <b>291.8</b>       | <b>295.2</b>       | <b>299.4</b>       | <b>304.6</b>       | <b>302.8</b>                | <b>315.8</b>                     |

\* 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 2005 through 2014, and for the first three quarters of 2014 and 2015, broken down by type of employment.

**TOTAL PAYROLL FOR COUNTY EMPLOYERS<sup>(a)</sup>**  
(In Thousands of Dollars)

|         | <b>Agriculture<br/>Forestry<br/>and<br/>Fishing</b> | <b>Mining<br/>and<br/>Quarrying</b> | <b>Construc-<br/>tion</b> | <b>Manufac-<br/>turing</b> | <b>Transporta-<br/>tion<br/>and<br/>Utilities</b> | <b>Wholesale<br/>and<br/>Retail<br/>Trade</b> | <b>Insurance<br/>Finance<br/>and Real<br/>Estate</b> | <b>Services</b> | <b>State and<br/>Local<br/>Govern-<br/>ment</b> | <b>Total All<br/>Industries<sup>(b)</sup></b> |
|---------|-----------------------------------------------------|-------------------------------------|---------------------------|----------------------------|---------------------------------------------------|-----------------------------------------------|------------------------------------------------------|-----------------|-------------------------------------------------|-----------------------------------------------|
| 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                                     |
| 2014    | 7,435                                               | 8,360                               | 516,841                   | 1,570,936                  | 316,999                                           | 982,585                                       | 482,874                                              | 3,801,537       | 1,259,423                                       | 8,946,991                                     |
| 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                                     |
| 2015(c) | 5,880                                               | 6,742                               | 360,819                   | 1,217,689                  | 239,020                                           | 738,204                                       | 363,746                                              | 2,845,517       | 987,697                                         | 6,765,314                                     |

(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. |
| 2011 | 118,300     | 192,300 | 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 | 118,100     | 192,700 | 278,000 | 9.5               | 8.7    | 8.3  | 7.5   | 7.4  |
| 2014 | 119,600     | 195,500 | 282,100 | 7.0               | 6.4    | 6.1  | 5.8   | 6.2  |
| 2015 | 121,200     | 198,100 | 285,900 | 5.8               | 5.3    | 5.0  | 4.9   | 5.3  |
| 2016 |             |         |         |                   |        |      |       |      |
| Jan. | 120,800     | 197,400 | 285,100 | 6.6               | 6.1    | 5.8  | 5.7   | 5.3  |
| Feb. | 121,400     | 198,400 | 286,600 | 6.3               | 5.8    | 5.6  | 5.6   | 5.2  |
| Mar. | 122,300     | 200,000 | 289,200 | 6.2               | 5.7    | 5.4  | 5.4   | 5.1  |
| Apr. | 123,700     | 202,200 | 292,200 | 5.4               | 4.9    | 4.6  | 4.8   | 4.7  |
| May  | 126,200     | 206,300 | 297,800 | 5.1               | 4.6    | 4.4  | 4.6   | 4.5  |
| June | 126,000     | 206,000 | 297,200 | 5.3               | 4.8    | 4.7  | 4.9   | 5.1  |

(a) Not seasonally adjusted.

Source: Ohio Department of Job and Family Services.

## Income and Spending

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

### INCOME INDICATORS

|                                 | <u>OHIO COUNTIES</u> |                 |                 |                 |                 |                   |              |               | <u>OHIO</u> | <u>U.S.</u> |
|---------------------------------|----------------------|-----------------|-----------------|-----------------|-----------------|-------------------|--------------|---------------|-------------|-------------|
|                                 | <u>Lucas</u>         | <u>Cuyahoga</u> | <u>Franklin</u> | <u>Hamilton</u> | <u>Mahoning</u> | <u>Montgomery</u> | <u>Stark</u> | <u>Summit</u> |             |             |
| 2010 Per Capita Personal Income | \$22,867             | \$24,951        | \$25,820        | \$28,037        | \$22,026        | \$22,600          | \$22,590     | \$25,391      | \$23,975    | \$26,059    |
| 2010 Median Family Income       | \$50,659             | \$54,047        | \$60,158        | \$60,095        | \$49,935        | \$52,921          | \$51,594     | \$60,849      | \$56,518    | \$60,609    |

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

The following shows the average federal adjusted gross income for all residents of the respective school districts overlapping the City who filed Ohio personal income tax returns for calendar year 2014 and for all such residents in all Ohio school districts.

| <u>School District of Residence</u> | <u>Average Amount</u> | <u>Approximate % of Real Property Tax Valuation of School District located in the City</u> |
|-------------------------------------|-----------------------|--------------------------------------------------------------------------------------------|
| Maumee City School District         | \$ 56,745             | 1.34%                                                                                      |
| Ottawa Hills Local School District  | 173,486               | 0.01                                                                                       |
| Springfield Local School District   | 65,427                | 1.90                                                                                       |
| Sylvania City School District       | 89,230                | 3.18                                                                                       |
| Toledo City School District         | 37,612                | 70.57                                                                                      |
| Washington Local School District    | 42,784                | 23.00                                                                                      |
| All Ohio School Districts           | 76,621                | N/A                                                                                        |

Source: Ohio Department of Taxation.

## Home Values and Housing Units

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

|        | <u>Median Value of Owner-Occupied Homes(a)</u> | <u>% Constructed Prior to 1940(a)</u> | <u>Number of Housing Units</u> |                | <u>% Change</u> |
|--------|------------------------------------------------|---------------------------------------|--------------------------------|----------------|-----------------|
|        |                                                |                                       | <u>2000</u>                    | <u>2010(b)</u> |                 |
| City   | \$ 80,600                                      | 34.7%                                 | 139,880                        | 138,039        | -1.33%          |
| County | 106,300                                        | 27.0                                  | 196,259                        | 202,630        | +3.2            |
| State  | 130,800                                        | 20.9                                  | 4,783,051                      | 5,127,508      | +7.2            |

(a) Source: U.S. Census Bureau Selected Source Characteristics in the United States 2010-2014.

(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>                 |
|-------------|---------------|------------------------------|
| 2011        | 3,631         | \$297,671,695 <sup>(a)</sup> |
| 2012        | 3,492         | 140,435,657                  |
| 2013        | 5,032         | 101,687,216                  |
| 2014        | 4,662         | 162,652,810                  |
| 2015        | 6,929         | 179,393,812                  |

(a) Amount includes approximately \$158 million attributable to permits for the Hollywood Casino Toledo 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, Philadelphia and Washington D.C. and direct north-south access to such cities as Detroit, Cincinnati and Atlanta.

Amtrak operates four passenger trains through the City between 11:50 p.m. and 6:15 a.m. daily, along an east-west route serving such other cities as Chicago, Cleveland, Boston, Pittsburgh, Washington D.C. and New York. Additional daily interstate passenger service is provided by six privately owned bus lines, including Greyhound, which runs approximately 24 daily bus trips through the City, providing service to Cleveland, Chicago, Detroit, Cincinnati, Columbus and Indianapolis.

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 Railway 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 five surrounding municipalities and two townships, which in 2015 provided approximately \$13.5 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> |
|-------------|-----------------------------|
| 2011        | 3,357,675                   |
| 2012        | 3,415,007                   |
| 2013        | 3,448,956                   |
| 2014        | 3,224,055                   |
| 2015        | 3,092,995(a)                |

- (a) Reduction reflects an effort to make routes more efficient resulting in less transfers required on fixed line, the outsourcing of weekend service for the paratransit division, and, mainly, lower gas prices as compared to previous years.

Source: TARTA.

TARTA has announced plans for a single downtown terminal to replace its downtown loop bus system. The location of that terminal has yet to be determined.

TARTA has started equipping its bus fleet with an automatic vehicle locations passenger information system for regularly scheduled service that enables riders to track the location of a bus in relation to a specific stop at all times via computer or mobile devices. Currently, approximately half of TARTA's bus fleet is equipped with that capability, and TARTA anticipates that its entire bus fleet will be equipped by Spring of 2017.

### **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.

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, 2036, 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 primary (10,600, foot) runway at Toledo Express Airport funded primarily with federal grant moneys. In addition, the Port Authority has now completed the \$7.14 million rehabilitation of the main commercial taxiway on the north (terminal) side of that runway, including LED lighting upgrades. Approximately 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. In 2015, passenger traffic at Toledo Express Airport remained at approximately 2014 levels. See the table that follows. Toledo Express Airport is the principal general aviation airfield in northwest Ohio.

Toledo Express Airport remains a base for the 180th Fighter Wing, Ohio National Guard (the 180<sup>th</sup>). The United States Air Force announced in April 2016 that the 180<sup>th</sup> has been placed on a short list of 18 Air National Guard installations across the country being considered to receive the F-35A Joint Strike Fighter. With employment of more than 1,400, including both Active Guard Reservists and Drill Status Guardsmen, the total economic impact of the base is more than \$123 million for the region.

Toledo Express Airport is also the principal general aviation airfield in northwest Ohio. In April 2016, the Port Authority and U.S. Customs Border Protection marked the completion of a new \$825,000 5,000 square foot General Aviation Facility at Toledo Express Airport. The General Aviation Facility will be

used to clear certain interdental flight crews, passengers and cargo and includes two waiting rooms, two vestibules, an office, conference room, storage room, interview room, search room, wet hold room, and a processing room with biometric screening. The size and the layout of the new facility will accommodate flights with up to 20 passengers and is large enough to accommodate the arrival of multiple aircraft at one time.

Toledo Express Airport is the site of a large intermodal cargo distribution hub facility that is now operated by ARG Services Inc., a nonprofit corporation controlled by the Port Authority through its board of directors. ARG Services replaced BX Acquisitions (also doing business as BX Solutions, Inc.), which previously operated the intermodal cargo distribution hub facility under a contract with the Port Authority but filed for bankruptcy in January 2016.

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

| Year | Passengers<br>Enplaning | Cargo<br>(pounds) | (Landings/Takeoffs)    |                       |         |
|------|-------------------------|-------------------|------------------------|-----------------------|---------|
|      |                         |                   | Military<br>Operations | Commercial<br>Carrier | General |
| 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  |
| 2015 | 89,803                  | 53,690,655        | 5,399                  | 2,158                 | 30,882  |

- (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 2015, over 388,000 tons of materials were discharged from vessels at the site. The site is very active with the trans-loading 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 2007 through 2015.

**PORT AUTHORITY VESSEL AND CARGO STATISTICS 2007-2015**

|      | <u>Vessel Traffic</u> |       | <u>Net Tons of Cargo Handled</u> |           |           |           |              |
|------|-----------------------|-------|----------------------------------|-----------|-----------|-----------|--------------|
|      | Foreign(a)            | Total | Total Receipts and Shipments     | Coal      | Iron Ore  | Grain     | All Overseas |
| 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    |
| 2015 | 32                    | 466   | 8,242,083                        | 1,920,339 | 2,327,585 | 1,526,103 | 924,544      |

(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 leased approximately 35% of the rentable space in the 22-story One Government Center office building from the Ohio Building Authority since 1983 when it was completed. Many of the City's administrative offices are located in that building. The State and, pursuant to a separate lease from the Authority, the County utilize the remaining office space. The City's lease expired in 2013, and thereafter the City began negotiations with the State's Department of Administrative Services for a new lease (or lease extension) or, in the alternative, for the acquisition of the building by the City. In June, 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 nominal cost to the City. The State Budget Act authorized a transfer of the building to the City if negotiations result in terms acceptable to the Director of the Department of

Administrative Services. The City believes that the building is in need of renovations and major capital repairs that are estimated by the City to cost approximately \$10 million over the next six or seven years and has proposed that the State's share of the cost of those renovations and repairs be set-off against rental payments that have been withheld by the City while the parties have been in negotiations. The negotiations are continuing. The parties have exchanged commitment letters, and a proposed real estate purchase/transfer agreement is being drafted by attorneys for the State at this time. It is expected that a transfer of fee title to the building could occur by the end of 2016.

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**.

In June 2016, the City has entered into an agreement to sell City-owned land where the former Southwyck Shopping Center was located to an unknown buyer for \$2.8 million. The sale has been approved by Council, and the proceeds will be deposited into the City's Capital Improvement Fund. The City purchased the land in 2014 with the proceeds of a \$3.25 million Industrial Development Bond secured by nontax revenues of the City. See **Debt Table G**.

## **Water System**

### **Facilities and Operations**

The City owns and operates a waterworks system (the Water System) as a self-supporting enterprise that in 2015 produced an average of 69.3 million gallons of water per day, with a peak flow of 102.8 million gallons of water per day. Water is drawn from Lake Erie, treated at the City's Collins Park Water Treatment Plant (the 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 \$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 the Water System's fund balance to pay the costs of routine, ongoing maintenance, repairs, and certain improvements, extensions and replacements of portions of the Water System, as necessary. At December 31 2015, the accrual-basis fund balance for Water System replacements amounted to \$34.3 million and the accrual-basis fund balance for Water System improvements and extensions amounted to \$1.2 million, compared to \$21.3 million for Water System replacements and \$100,000 for Water System improvements and extensions at December 31, 2014. The City has spent an average of approximately \$16.6 million annually for replacements, improvements and extensions for the Water System over the past 10 years, from available amounts, including loans from governmental agencies, proceeds of the issuance of Water System Revenue Bonds, and the Utility's fund balance, and expects to spend approximately \$111.8 million (including from funds already borrowed) for those purposes in 2016.

In 2012, the City began a major capital improvement program (the Capital Improvement Program) to rehabilitate and replace portions of the Water System's intake, treatment and distribution facilities. The original estimated cost of the Capital Improvement Program was \$312 million, which included (i) improvements to the Plant estimated to cost \$243,593,000, based on a "Collins Park Water Treatment Plant 20-year Master Plan & Needs Assessment" prepared by the City in 2011, and (ii) improvements to the intake and distribution facilities estimated to cost \$68,407,000. In 2012, the Ohio Environmental Protection Agency (Ohio EPA) conducted a sanitary survey of the Plant and by a letter dated June 10, 2013 advised the City of six "Significant Deficiencies" at the Plant and established a general timeline providing for remedial actions to be completed by 2018. At the urging of the Ohio EPA, in 2014, the City, with the assistance of its consulting engineering firm, prepared a "General Plan of Improvements for the Collins Park Water Treatment Plant" (the General Plan) to address all of the improvements to the Plant specified by the Ohio EPA. The General Plan, and a later amendment, were incorporated into the Capital Improvement Program, along with improvements identified by the City's consultants in more in-depth, City-initiated studies prompted by the Ohio EPA's sanitary surveys. Following the event experienced in August 2014 resulting from a large algae bloom in Lake Erie (the August 2014 Water System Event), the City amended the scope of the General Plan

to include treatment barriers to remove algae toxins. See **Water System – Operating Results - August 2014 and March 2015 Water System Events**. In response to the August 2014 Water System Event, the City formed an independent blue-ribbon panel in 2015, financed with one of the Ohio EPA loans discussed below, to review the City's draft General Plan and identify any additional improvements to the Water System 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 General Plan, including the addition of ozone treatment facilities at the Plant. In 2015, the Ohio EPA conducted a second sanitary survey and by a letter to the City dated September 15, 2015 identified three "Significant Deficiencies." Two of those "Significant Deficiencies" were already included in the General Plan reviewed by the Ohio EPA. The Ohio EPA approved the General Plan on January 26, 2016, and on April 18, 2016, the Ohio EPA sent the City a letter setting specific dates for completion of remedial actions for elimination of the "Significant Deficiencies." To date, the City has addressed five of the six "Significant Deficiencies" identified by the Ohio EPA in 2013, with the sixth "Significant Deficiency" under construction and scheduled to be completed before the Ohio EPA deadline of April 24, 2018. To date, the City has addressed one of the three "Significant Deficiencies" identified by the Ohio EPA in 2015, with the other two scheduled to be completed by 2022. The current Capital Improvement Program includes \$78 million of additional projects not included in the "Collins Park Water Treatment Plant 20-year Master Plan & Needs Assessment," \$80 million of improvements to address harmful algae blooms, and a \$30 million allowance for construction cost inflation over the duration of the program (these costs were not included in the original \$312 million estimate for the Capital Improvement Program). Approximately \$397.5 million of the improvements included in the currently planned Capital Improvement Program represent improvements to the Plant, with the balance representing improvements to the Water System's water intake and distribution system. The total cost of all improvements outlined in that Capital Improvement Program is \$500 million. To date, the City has completed approximately 12% of the improvements included in the Capital Improvement Program. The City plans to complete all improvements included in the Capital Improvement Program by 2022.

The City is actively pursuing State and Federal grants to pay costs of the improvements included in the Capital Improvement Program; however, it expects that over 90% of the costs of the improvements described above will be paid from the proceeds of Water System Revenue Bonds and Ohio Water Development Authority (OWDA) loans. To finance improvements to be made under the Capital Improvement Program through 2018 (in the amount of \$314 million and representing 62% of the improvements included in the Capital Improvement Program), the City has used and plans on using \$203.5 million from the proceeds of Water System Revenue Bonds issued in 2012 and in 2013, \$23.2 million from the proceeds of OWDA loans, \$6.6 million from the proceeds of Ohio EPA Water Supply Revolving Loan Account loans (discussed below), \$3.7 million of Water System revenues, and \$75 million from the proceeds of Water System revenue bonds to be issued in 2016. See **Future Financings**. To finance the balance of the improvements to be made through 2022 (in the amount of \$188 million and representing 38% of the Capital Improvement Program), the City plans to issue \$185 million of Water System revenue bonds in 2018 and 2020 and use \$3 million of Water System revenues. The City is working with its municipal advisors to determine the size and timing of water rate increases necessary to support its anticipated Water System revenue bond issues in 2018 and 2020. See **Water System - Service Area and Users - Water Rates**.

In Spring 2015, the City received two interest-free loans from the 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 and feed systems at the Plant, construct a new powdered activated carbon silo and increase chemical feed capacity for both powdered activated carbon and potassium permanganate at the 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 to identify a preferred treatment process technology to address algal toxins, formation of an independent blue-ribbon panel to review the City's water treatment needs, and conversion of a conventional filter at the Plant to a new granular activated carbon filter as a part of a pilot study on removal efficiency of algal toxins. See **Water System - Operating Results - August 2014 and March 2015 Water System Events**. These projects have commenced and are still ongoing. 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 and anticipated rate increases will be sufficient to absorb the additional costs.

## Service Area and Users

The Water System is a regional utility that provides water service for approximately 122,000 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.

In 2015, the Water System sold 1,487.5 million cubic feet (mcf) of treated water within the City, 392.3 mcf of treated water to Lucas County, 129.6 mcf of treated water to the City of Perrysburg, 126.5 mcf of treated water to Monroe County (Michigan), 93.1 mcf of treated water to the City of Maumee, and 80.6 mcf to the City of Sylvania, and 84.7 mcf of treated water to adjacent Fulton County through Lucas County, and 136.1 mcf of treated water to Wood County's Northwest Water & Sewer District for resale to and use by its water customers.

Toledo Refining & Marketing Co. (a successor to Sun Oil Co. and an operator of a major refinery of the City) was the Water System's largest private user by volume in 2015 at 303.1 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      | 2011      | 2012      | 2013      | 2014      | 2015      |
|------------------|-----------|-----------|-----------|-----------|-----------|
| Inside – Direct  | 1,629,476 | 1,442,163 | 1,499,183 | 1,520,711 | 1,487,505 |
| Outside – Direct | 449,131   | 439,041   | 389,465   | 382,520   | 356,143   |
| Outside – Bulk   | 578,002   | 763,738   | 718,510   | 742,426   | 694,757   |
| Total            | 2,656,609 | 2,644,942 | 2,607,158 | 2,645,657 | 2,538,405 |

Over the past five years, residential usage has accounted for approximately 39% of total usage, commercial usage for 14%, industrial usage for 20%, and bulk and hydrant meter usage for 27%. The user volume for each category of user for the years 2011 through 2015 was as follows:

### User Volume (in thousands of cubic feet)

| Description                   | 2011      | 2012      | 2013      | 2014      | 2015      |
|-------------------------------|-----------|-----------|-----------|-----------|-----------|
| Residential                   | 1,110,999 | 937,352   | 1,034,966 | 996,380   | 961,987   |
| Commercial                    | 398,585   | 379,828   | 371,133   | 368,715   | 342,726   |
| Industrial                    | 569,023   | 564,024   | 482,549   | 534,477   | 534,418   |
| Other (Bulk & Hydrant Meters) | 578,002   | 763,738   | 718,510   | 746,084   | 699,274   |
| Total                         | 2,656,609 | 2,644,942 | 2,607,158 | 2,645,657 | 2,538,405 |

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       | 2011      | 2012      | 2013      | 2014      | 2015      | Contract Expires |
|----------------|-----------|-----------|-----------|-----------|-----------|------------------|
| Toledo Inside  | 1,564,406 | 1,445,812 | 1,500,486 | 1,520,711 | 1,487,505 | n/a              |
| Maumee         | 110,113   | 99,719    | 97,218    | 101,804   | 93,114    | 2026             |
| Perrysburg     | 136,166   | 135,552   | 128,459   | 132,508   | 129,582   | 2027             |
| Sylvania       | 89,268    | 97,133    | 88,020    | 91,795    | 80,600    | 2028             |
| Monroe County  | 118,013   | 153,046   | 136,507   | 143,567   | 126,553   | 2031             |
| Lucas County   | 429,219   | 488,914   | 434,246   | 434,569   | 399,736   | 2024             |
| Wood County(a) | 105,066   | 144,400   | 141,500   | 135,625   | 136,180   | 2024             |
| Northwood(a)   | 6,632     | -         | -         | -         | -         | 2031             |
| Rossford(a)    | 20,399    | -         | -         | -         | -         | 2031             |
| Fulton County  | 77,327    | 79,925    | 80,297    | 84,611    | 84,675    | 2036             |
| Berkey         | 0         | 441       | 425       | 467       | 460       | 2042             |
| Total:         | 2,656,609 | 2,644,942 | 2,607,158 | 2,645,657 | 2,538,405 |                  |

(a) 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 2015:

|                                             | Water Revenue (\$) | % of Total Revenue |
|---------------------------------------------|--------------------|--------------------|
| Monroe County                               | \$4,086,623        | 6.6%               |
| Toledo Refining & Marketing                 | 3,190,417          | 5.1                |
| Northwest Water & Sewer District            | 2,785,166          | 4.5                |
| City of Sylvania                            | 2,620,806          | 4.2                |
| Fulton County                               | 2,740,841          | 4.4                |
| City of Perrysburg                          | 2,045,486          | 3.3                |
| City of Maumee                              | 1,430,611          | 2.3                |
| City of Waterville                          | 737,747            | 1.2(a)             |
| Lucas County Metropolitan Housing Authority | 690,174            | 1.1                |
| Village of Whitehouse                       | 488,809            | 0.8                |
| Top 10 Largest Users Total                  | \$20,816,680       | 33.5%              |

(a) The City has received notice from the County that the City of Waterville, which currently receives most of its water from the Water System through a contract with the County, is building a water line across the Maumee River to the City of Bowling Green's drinking water plant. The water line is expected to be completed in January 2017. It is unclear whether the City will continue to supply the City of Waterville as either a primary or emergency source of water once that water line is completed.

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 for those purposes. Current water rates are expected to generate approximately \$73.0 million from metered sales in Fiscal Year 2016. 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 \$42.16.

Single service residential homeowner customers, 65 years of age or older or permanently disabled at any age as 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 had enacted a 9% rate increase effective April 1, 2011 and annual rate increases of 9% effective on January 1 in 2012 and 2013. 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 certain of the improvements included within its Capital Improvement Program through 2018 and the related debt service on Water System revenue bonds issued for that purpose in 2012 and in 2013 and that it plans to issue in 2016. The City is working with its municipal advisors to determine the size and timing of water rate increases necessary to support its anticipated Water System revenue bond issues in 2018 and 2020 that are expected to be in the aggregate principal amount of \$185 million. Those issues will be required to provide funds necessary to complete its currently planned Capital Improvement Program. See **Water System - Facilities and Operations and Future Financings**.

As of December 31, 2015, Water System accounts totaling \$6.5 million were delinquent for more than 30 days, \$6.0 million of which were delinquent for more than 90 days. The Water System collection rate for 2015 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.

|                                        | <b>(in thousands of dollars)</b> |                     |                     |                   |                     |
|----------------------------------------|----------------------------------|---------------------|---------------------|-------------------|---------------------|
|                                        | <b>2011</b>                      | <b>2012</b>         | <b>2013</b>         | <b>2014</b>       | <b>2015(a)</b>      |
| Operating revenues:                    |                                  |                     |                     |                   |                     |
| Charges for services                   | \$43,211                         | \$44,031            | \$52,413            | \$57,205          | \$63,323            |
| Other revenue                          | <u>39</u>                        | <u>81</u>           | <u>63</u>           | <u>0</u>          | <u>0</u>            |
| Total operating revenues               | \$43,250                         | \$44,112            | \$52,476            | \$57,205          | \$63,323            |
| Operating expenses:                    |                                  |                     |                     |                   |                     |
| Personnel services                     | \$13,872                         | \$12,342            | \$13,192            | \$13,564          | \$14,448(b)         |
| Contractual services                   | 9,930                            | 10,826              | 7,017               | 10,351            | 13,263(c)           |
| Materials and supplies                 | 6,172                            | 6,798               | 7,797               | 8,739             | 8,461               |
| Utilities                              | 2,625                            | 3,031               | 2,713               | 2,646             | 2,992               |
| Depreciation                           | <u>4,766</u>                     | <u>4,706(d)</u>     | <u>5,109</u>        | <u>5,471</u>      | <u>5,322</u>        |
| Total operating expenses               | \$37,365                         | \$37,703            | \$35,828            | \$40,771          | \$44,486            |
| Operating income (loss)                | \$5,885                          | \$6,409             | \$16,648            | \$16,434          | \$18,837            |
| Nonoperating revenues (expenses):      |                                  |                     |                     |                   |                     |
| Investment earnings                    | \$ 202                           | \$ 254              | \$ 873              | \$ 1,367          | \$ 698              |
| Interest expense and fiscal charges    | (3,821)                          | (4,294)             | (11,084)            | (12,701)          | (11,931)            |
| Other revenues (expenses)              | <u>226</u>                       | <u>-</u>            | <u>-</u>            | <u>17</u>         | <u>-</u>            |
| Total nonoperating revenues (expenses) | \$(3,393)                        | \$(4,040)           | \$(10,211)          | \$(11,317)        | \$(11,233)          |
| Income before operating transfers      | \$ 2,492                         | \$ 2,369            | \$ 6,437            | \$ 5,117          | \$ 7,604            |
| Net Operating transfers in (out)       | (75)                             | -                   | (75)                | (75)              | 1,929(e)            |
| Net Income                             | \$ <u>2,417</u>                  | \$ <u>2,369</u>     | \$ <u>6,362</u>     | \$ <u>5,042</u>   | \$ <u>9,528</u>     |
| Retained earnings, beginning of year   | <u>\$147,058</u>                 | <u>\$148,475(f)</u> | <u>\$150,833(d)</u> | <u>\$157,195</u>  | <u>\$153,833(g)</u> |
| GASB Statement No. 68 Adjustment       | N/A                              | N/A                 | N/A                 | <u>(8,404)(g)</u> | <u>(h)</u>          |
| Retained earnings, end of year         | \$149,475                        | \$150,844           | \$157,195           | \$153,833(g)      | \$163,361           |

(a) Unaudited.

(b) Increase due to the filling of vacancies and a wage increase for union employees.

(c) Increase due to an increased purchase and use of certain chemicals to treat the water during treatment processes. This cost will be mitigated with the completion of ozone treatment facilities at the Plant. See **Facilities and Operations**.

(d) A post-audit adjustment in expenses for depreciation from \$4,706,000 to \$4,717,000 was made in 2013, and a corresponding reduction in retained earnings at beginning of year for 2013 was made at that time.

(e) Increase due to a transfer from Utility Administrative Service Fund of the Water System's portion of a large balance that accumulated in the Utility Administrative Service Fund.

(f) A post-audit adjustment in expenses for contractual services in 2010 from \$7,400,000 to \$8,400,000 was made in 2012, and a corresponding reduction in retained earnings at beginning of year for 2012 was made at that time.

(g) The City's implementation of GASB Statement No. 68 with its preparation of its Fiscal Year 2015 financial statements required a restatement of the Fiscal Year 2014 end-of-year retained earnings from \$162,237,000 to \$153,833,000. See Note 15 to the Basic Financial Statements in **Appendix C**.

(h) The above Fiscal Year 2015 results reflect the \$(8,399,000) adjustment required to comply with GASB Statement No. 68. See Note 15 to the Basic Financial Statements in **Appendix C**.

### Outstanding Water System Revenue Bonds and Other Obligations

The City has (and as of December 31, 2015, had) outstanding an aggregate principal amount of \$258,665,000 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 |
|------|-----------------|------|--------------|
| 2016 | \$19,326,618(a) | 2028 | \$18,868,182 |
| 2017 | 18,433,524      | 2029 | 18,867,244   |
| 2018 | 18,799,030      | 2030 | 18,868,157   |
| 2019 | 18,796,423      | 2031 | 18,869,763   |
| 2020 | 18,799,985      | 2032 | 18,870,588   |
| 2021 | 18,791,957      | 2033 | 18,867,038   |
| 2022 | 18,799,182      | 2034 | 18,867,150   |
| 2023 | 18,802,032      | 2035 | 18,865,350   |
| 2024 | 17,778,432      | 2036 | 18,868,400   |
| 2025 | 18,867,082      | 2037 | 18,869,250   |
| 2026 | 18,866,732      | 2038 | 18,868,500   |
| 2027 | 18,869,032      |      |              |

(a) This amount includes \$6,048,310.13 of interest that was paid on May 15, 2016.

The City also has (and as of December 31, 2015, had) \$37,511,000 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 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:

|                                                     | (dollar amounts shown in thousands of dollars) |                 |                 |                 |                 |
|-----------------------------------------------------|------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                                     | 2011                                           | 2012            | 2013            | 2014            | 2015(a)         |
| Operating Revenues                                  | \$43,250                                       | \$44,112        | \$52,476        | \$57,205        | \$63,323        |
| Nonoperating Revenues(b)                            | <u>428</u>                                     | <u>254</u>      | <u>873</u>      | <u>1,367</u>    | <u>698</u>      |
| Total Revenues                                      | \$43,678                                       | \$44,366        | \$53,349        | \$58,572        | \$64,021        |
| Total Operating Expenses<br>(net of depreciation)   | <u>\$32,599</u>                                | <u>\$32,997</u> | <u>\$30,719</u> | <u>\$35,300</u> | <u>\$39,164</u> |
| Net Revenues available<br>for Debt Service          | \$11,079                                       | \$11,369        | \$22,630        | \$23,272        | \$24,857        |
| Total Debt Service on Bonds                         | \$8,340                                        | \$9,313         | \$11,145(c)     | \$10,458(c)     | \$19,172        |
| Debt Service Coverage Ratio<br>on Outstanding Bonds | 1.32                                           | 1.22            | 2.03            | 2.23            | 1.30            |

(a) Unaudited.

(b) 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.

(c) Amount does not include interest on bonds issued in 2013 that was capitalized with proceeds of those bonds (respectively, \$3,256,000 and \$9,292,000). If those amounts were included, the Debt Service Coverage Ratio on Outstanding Bonds would be 1.57 and 1.17, respectively.

### August 2014 and March 2015 Water System Events

On August 2, 2014, the City, at the recommendation of the Ohio EPA, issued a water advisory (the Water Advisory) to Water System customers 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 were paid from its water revenue fund. The City has not incurred liabilities for damages allegedly caused by the Water Advisory or the conditions that required it. See **Litigation**.

To mitigate the possibility of similar events resulting from harmful algae blooms and to address other water treatment issues, the City accelerated 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 now plans to provide for ozone treatment at the Plant, an improvement that it had not originally planned to make but which was recommended by the blue-ribbon panel that reviewed the City's Capital Improvement Program following the Water Advisory. Construction of

that improvement is planned to begin in 2016 and be completed by 2020. 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 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 analyses indicated the water was safe to drink during the time covered by the alert. To help mitigate the possibility of similar events, the City accelerated certain of its previously planned improvements to the Water System: increasing chemical feed capability at the City's water intake crib and low-service pump station, and constructing a new chlorine facility at the Plant, and increasing sludge removal at the Plant. The City completed those projects in the Spring of 2015

### **Regional Water Study**

The idea of some form of regional water system has been discussed and studied in the Toledo region for at least 25 years. On June 7, 2016, a consulting team consisting of Environmental Rate Consultants, Inc., Poggemeyer Design Group, and T. Parker & Company delivered a "Regional Water Study to Determine Level of Service, Cost of Service and Financial Feasibility Study for Toledo and Contract Communities" (the Regional Water Study) to the Toledo Metropolitan Area Council of Governments (TMACOG). The Regional Water Study was jointly funded by the County and the City. The Regional Water Study compared three scenarios: Scenario 1: a public water supply serving the City alone, Scenario 2: a public water supply (one or more) serving the current contract communities of the greater Toledo metropolitan area, excluding the City, and Scenario 3: a regional water supply and treatment system serving all contract communities and the City with water provided to users based on a uniform system of rates. Under Scenario 3, each entity could own and operate its own distribution system. The Regional Water Study noted that "[d]efining a mechanism to manage Scenario 3 is beyond the scope of the study." Based on a number of key assumptions, the Regional Water Study determined that projected future monthly water rates under Scenario 3 would be the least expensive for ratepayers. The Regional Water Study has been presented to Council and a TMACOG committee that studies water issues and is being presented to other elected officials in the region for further analysis and consideration. There are a number of potential legal and practical considerations related to each scenario, and at this time, the City cannot predict which, if any, of the scenarios will be implemented.

## **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 2015 collected and treated approximately 67.9 million gallons of wastewater per day recorded by approximately 94,497 residential, commercial, institutional and industrial meters in the City and approximately 21,396 such meters outside of the City. The City estimates that approximately 320,000 persons are served by the Sewer System. Wastewater is collected by 1,027 miles of local and interceptor sanitary sewers owned by the City. The local sewers serving 72% of the City's sewerage area carry only sanitary sewage, while the remaining 18% of the City's sewerage 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 Bay View Wastewater Treatment Plant (the WWTP) for treatment. The 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 gallon per day (MGD) activated sludge plant, utilizing a biological process that provides nitrification and chemical phosphorous removal. The WWTP is designed with a firm capacity to provide full treatment to up to 195 MGD. In addition, WWTF has a firm capacity to treat up to 185 MGD of storm water flows through a chemical process. This brings the total treatment capacity of the WWTP and the WWTF to 380 MGD. The WWTF is utilized once flows exceed the design parameters of the traditional WWTP. 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 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, 2015, the accrual-basis fund balance for Sewer System replacements amounted to \$34.3 million and the accrual-basis fund balance for improvements and extensions amounted \$1.2 million, compared to \$21.3 million for Sewer System replacements and \$100,000 for Sewer System improvements and extensions at December 31, 2014. The City has spent an average of approximately \$40.7 million for replacements, extensions and improvements for the Sewer System annually over the past 10 years, and expects to spend up to \$44.7 million (including loan and bond funds) for those purposes in 2016.

On March 18, 2011, the Ohio EPA issued the City's current National Pollutant Discharge Elimination System (NPDES) permit to operate the WWTP and WWTF. While the City continues to operate the WWTP and WWTF under that permit, it expects the Ohio EPA to issue a new NPDES permit by the end of August 2016. 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 sanitary sewer discharge corrective action program and incorporated it into an administrative order issued by the Director of Ohio EPA in 1999. Corrective actions began prior to the order and is continuing.

From 1991 until 2002, the City was involved in litigation in which the United States and the State sought injunctive relief and civil penalties against the City under the Clean Water Act for alleged discharges of pollutants from the WWTP 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, as amended in 2010, the City has been and is required to (i) pay a \$500,000 fine, which the City has paid, (ii) construct supplemental environmental projects (i.e., improvements to an existing wetland and remediation of a closed landfill, both of which are located in the City) at a combined cost of approximately \$1 million, which the City has completed, (iii) make improvements to the WWTP and sanitary sewerage system to eliminate known sanitary sewer discharges, with two final projects (to line and raise manholes in the Heatherdowns and Arlington neighborhoods of the City) to be completed in 2016, and (iv) make improvements to eliminate combined sewer overflows by 2020.

Since 2003, the City has spent approximately \$534.2 million on capital improvement and replacement projects, including Consent Decree projects, for the Sewer System and expects to spend up to \$44.7 million on replacement and improvement projects in 2016, \$56.9 million in 2017, and \$87.6 million from 2018 through 2020, inclusive.

Consent Decree projects to date have been funded with approximately \$22.6 million of State and federal grants, \$353.4 million of State loans and \$19.8 million out of the Sewer System's reserves. The final costs of the Consent Decree program will depend on the final costs of the projects currently under construction, the cost of the program's second largest project, which is still under design, and the costs of other projects yet to start construction. The City's program manager believes that the total cost of the Consent Decree improvements could exceed the current estimate of \$521 million. The costs of Consent Decree projects, however, are currently running within the projected costs of the capital improvement plan that was used as a basis for the Sewer System rates passed in August of 2014 and implemented on January 1, 2015. The City anticipates completing the Consent Decree projects on schedule, with final completion in 2020.

### **Service Area and Users**

The Sewer System collects and treats wastewater flows recorded by approximately 94,497 residential, commercial/institutional and industrial meters in the City, and approximately 21,396 such meters outside the City. It is the sole provider of such service in the City and serves an estimated 320,000 persons.

The user volume by each category of users for the years 2010 through 2015 was as follows:

| <b><u>User Volume (in thousands of cubic feet)</u></b> |             |             |             |             |             |
|--------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|
| <b>Category</b>                                        | <b>2011</b> | <b>2012</b> | <b>2013</b> | <b>2014</b> | <b>2015</b> |
| Residential                                            | 728,748     | 691,707     | 755,590     | 675,868     | 650,019     |
| Commercial                                             | 203,915     | 190,321     | 203,991     | 278,432     | 269,955     |
| Industrial                                             | 301,144     | 263,245     | 256,131     | 207,201     | 241,995     |
| Governmental                                           | 14,991      | 16,053      | 162,766     | 181,957     | 114,009     |
| Total                                                  | 1,248,798   | 1,161,326   | 1,378,478   | 1,343,458   | 1,275,978   |

### **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 for those purposes. Current sewer rates are expected to generate approximately \$75.1 million in charges for services in Fiscal Year 2016. Different rates are imposed on individual users based on their water meter size, whether they are industrial or nonindustrial users and whether they are located within or outside the corporate limits of the City.

In 2014, the Council enacted an ordinance providing for 7.1 % rate increases effective on January 1 in each year from 2015 through 2019, and a 7.9% increase effective January 1, 2020. For regular users (based on a nonindustrial user with a five-inch meter that is located inside the corporate limits of the City), these increases raised normal quarterly fixed charges to \$31.19 for 2016 and added a Consent Decree fixed charge of \$18.14, bringing a total fixed charge of \$49.33 per quarter for regular users. Sewer volume charges for regular users using 3,000 cubic feet of water (based on the standard of usage set by the American Waterworks Association and the Ohio EPA) are \$172.12 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 as 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 City has established an Industrial Pretreatment Program under which industrial customers pay a surcharge for discharges to the Sewer System exceeding defined levels. As of January 1, 2016, a total of 37 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, 2015, Sewer System accounts totaling \$11.5 million were delinquent for more than 30 days, \$10.2 million of which were delinquent for more than 90 days. The Sewer System's collection rate for Fiscal Year 2015 was 96.1%.

## 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.

|                                         | 2011             | 2012             | 2013                | 2014              | 2015(a)             |
|-----------------------------------------|------------------|------------------|---------------------|-------------------|---------------------|
| Operating revenues:                     |                  |                  |                     |                   |                     |
| Charges for services                    | \$65,271         | \$66,405         | \$69,522            | \$69,688          | \$70,640            |
| Other revenue                           | <u>337</u>       | <u>203</u>       | <u>197</u>          | <u>202</u>        | <u>223</u>          |
| Total operating revenues                | \$65,608         | \$66,608         | \$69,719            | \$69,890          | \$70,863            |
| Operating expenses:                     |                  |                  |                     |                   |                     |
| Personnel services                      | \$18,810         | \$16,971         | \$18,484            | \$17,503          | \$17,140            |
| Contractual services                    | 12,989           | 16,743           | 4,605               | 13,994            | 8,334               |
| Materials and supplies                  | 2,862            | 2,636            | 3,036               | 2,604             | 2,431               |
| Utilities                               | 3,359            | 3,591            | 3,196               | 3,301             | 3,551               |
| Depreciation                            | <u>17,993</u>    | <u>17,796(b)</u> | <u>14,395</u>       | <u>14,800</u>     | <u>15,525</u>       |
| Total operating expenses                | <u>\$56,013</u>  | <u>\$57,737</u>  | <u>\$43,716</u>     | <u>\$52,202</u>   | <u>\$46,981</u>     |
| Operating income (loss)                 | \$9,595          | \$8,871          | \$26,003            | \$17,688          | \$23,882            |
| Nonoperating revenues (expenses):       |                  |                  |                     |                   |                     |
| Capital grants and contributions        | \$2,236          | \$1,273          | \$ 640              | \$ 1,611          | \$ 888              |
| Interest revenue                        | 64               | 44               | 8                   | 13                | 61                  |
| Interest expense and<br>fiscal charges  | (8,743)          | (9,770)          | (7,594)             | (10,972)          | (11,426)            |
| Other revenues (expenses)               | <u>0</u>         | <u>0</u>         | <u>0</u>            | <u>0</u>          | <u>0</u>            |
| Total nonoperating revenues (expenses)  | \$(6,443)        | \$(8,453)        | \$(6,946)           | \$(9,348)         | \$(10,477)          |
| Income before operating transfers       | \$3,152          | \$418            | \$19,057            | \$8,340           | \$13,405            |
| Net Operating transfers in (out)        | <u>(75)</u>      | <u>0</u>         | <u>(75)</u>         | <u>(75)</u>       | <u>2,174(c)</u>     |
| Net Income                              | \$3,077          | \$418            | \$18,982            | \$8,265           | \$15,579            |
| Retained earnings, beginning<br>of year | <u>\$237,222</u> | <u>\$240,299</u> | <u>\$251,426(b)</u> | <u>\$270,408</u>  | <u>\$268,939(d)</u> |
| GASB Statement No. 68 Adjustment        | N/A              | N/A              | N/A                 | <u>(9,734)(d)</u> | <u>(e)</u>          |
| Retained earnings, end of year          | \$240,299        | \$240,717        | \$270,408           | \$268,939(d)      | \$284,518           |

(a) Unaudited.

(b) A post-audit adjustment in expenses for depreciation from \$17,796,000 to \$7,087,000 was made in 2013, and a corresponding increase in retained earnings at beginning of year for 2013 was made at that time.

(c) Increase due to a transfer from Utility Administrative Service Fund of the Sewer System's portion of a large balance that accumulated in the Utility Administrative Service Fund.

(d) The City's implementation of GASB Statement No. 68 with its preparation of its Fiscal Year 2015 financial statements required a restatement of the Fiscal Year 2014 end-of-year retained earnings from \$278,673,000 to \$268,939,000. See Note 15 to the Basic Financial Statements in **Appendix C**.

(e) The above Fiscal Year 2015 results reflect the \$(9,728,000) adjustment required to comply with GASB Statement No. 68. See Note 15 to the Basic Financial Statements in **Appendix C**.

## Outstanding Sewer System Revenue Bonds and Other Obligations

The City has (and as of December 31, 2015, had) outstanding an aggregate principal amount of \$16,635,000 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, 2016, were as follows:

| Year | Debt Service   | Year | Debt Service |
|------|----------------|------|--------------|
| 2016 | \$3,492,757(a) | 2023 | \$1,319,988  |
| 2017 | 3,547,795      | 2024 | 1,308,043    |
| 2018 | 1,306,520      | 2025 | 1,185,250    |
| 2019 | 1,323,020      | 2026 | 1,186,250    |
| 2020 | 1,305,301      | 2027 | 1,179,750    |
| 2021 | 1,416,363      | 2028 | 1,071,000    |
| 2022 | 1,416,363      |      |              |

(a) This amount includes \$331,378.75 of interest that was paid on May 15, 2016.

As of December 31, 2015, the City had approximately \$353,440,095 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.

|                                                              | 2011            | 2012            | 2013            | 2014            | 2015(a)         |
|--------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Operating Revenues                                           | \$65,271        | \$66,405        | \$69,719        | \$69,890        | \$70,863        |
| Nonoperating Revenues                                        | <u>337</u>      | <u>203</u>      | <u>648</u>      | <u>1,624</u>    | <u>949</u>      |
| Total Revenues                                               | \$65,608        | \$66,608        | \$70,367        | \$71,514        | \$71,812        |
| Total Operating Expenses<br>(exclusive of depreciation)      | <u>\$38,020</u> | <u>\$39,941</u> | <u>\$29,321</u> | <u>\$37,402</u> | <u>\$31,456</u> |
| Net Revenues                                                 | \$27,588        | \$26,667        | \$41,046        | \$34,112        | \$40,356        |
| Total Debt Service on Bonds                                  | <u>\$ 3,665</u> | <u>\$ 3,674</u> | <u>\$ 3,754</u> | <u>\$ 3,562</u> | <u>\$ 3,567</u> |
| Debt Service Coverage Ratio on<br>Outstanding Bonds          | 7.52            | 7.26            | 10.93           | 9.58            | 11.31           |
| Net Revenues Available for<br>Other Sewer System Obligations | \$23,923        | \$22,993        | \$33,452        | \$30,550        | \$36,789        |
| Repayment of OWDA and OPWC<br>Loans                          | \$19,635        | \$17,400        | \$18,431        | \$21,754        | \$22,928        |

(a) Unaudited.

### **Storm Water Management System**

In 2000, the City began charging residents and businesses a monthly fee for the City's storm water collection, detention and management system (the Storm Water Management System) that was established in 1999. The current monthly fee for single-family residences, enacted by the Council by ordinance 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 management system fund and used for the operation, maintenance and improvement of the Storm Water Management System and related debt service.

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

|                                        | (in thousands of dollars) |                 |                    |                   |                    |
|----------------------------------------|---------------------------|-----------------|--------------------|-------------------|--------------------|
|                                        | 2011                      | 2012            | 2013               | 2014              | 2015(a)            |
| Operating revenues:                    |                           |                 |                    |                   |                    |
| Charges for services                   | \$10,207                  | \$10,318        | \$9,605            | \$9,328           | 9,902              |
| Other revenue                          | <u>27</u>                 | <u>13</u>       | <u>15</u>          | <u>1,718</u>      | <u>19</u>          |
| Total operating revenues               | \$10,234                  | \$10,331        | \$9,620            | \$11,046          | \$9,921            |
| Operating expenses:                    |                           |                 |                    |                   |                    |
| Personal services                      | \$4,002                   | \$3,557         | \$3,476            | \$3,431           | \$3,301            |
| Contractual services                   | 2,420                     | 1,881           | 1,347              | 1,590             | 2,008              |
| Materials and supplies                 | 432                       | 381             | 464                | 434               | 397                |
| Utilities                              | 0                         | 0               | 0                  | 0                 | 0                  |
| Depreciation and amortization          | <u>1,151</u>              | <u>1,211</u>    | <u>1,514(b)</u>    | <u>883</u>        | <u>962</u>         |
| Total operating expenses               | \$8,005                   | \$7,030         | \$6,801            | \$6,338           | \$6,668            |
| Operating income (loss)                | \$2,229                   | \$3,301         | \$2,819            | \$4,708           | 3,253              |
| Nonoperating revenues (expenses):      |                           |                 |                    |                   |                    |
| Capital grants and contributions       | \$ 247                    | \$ 175          | \$ 0               | \$ 0              | \$ 0               |
| Interest revenue                       | 129                       | 76              | 29                 | 72                | 43                 |
| Interest expense and fiscal charges    | 0                         | (37)            | 0                  | (20)              | (5)                |
| Gain on sale of capital assets         | <u>237</u>                | <u>0</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>      | \$ <u>38</u>       |
| Income before operating transfers      | \$2,842                   | \$3,515         | \$2,848            | \$4,760           | \$3,291            |
| Capital Contributions                  | 0                         | 0               | 0                  | 872               | 636                |
| Net Operating transfers in (out)       | <u>(175)</u>              | <u>0</u>        | <u>(75)</u>        | <u>(75)</u>       | <u>238</u>         |
| Net Income                             | \$2,667                   | \$3,515         | \$2,773            | \$5,557           | \$4,165            |
| Retained earnings, beginning of year   | <u>\$39,872</u>           | <u>\$42,539</u> | <u>\$47,568(b)</u> | <u>\$50,341</u>   | <u>\$53,601(c)</u> |
| GASB Statement No. 68 Adjustment       | N/A                       | N/A             | N/A                | <u>(2,297)(c)</u> | (d)                |
| Retained earnings, end of year         | \$42,539                  | \$46,054        | \$50,341           | \$53,601(c)       | 57,766             |

(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.

(c) The City's implementation of GASB Statement No. 68 with its preparation of its Fiscal Year 2015 financial statements required a restatement of the Fiscal Year 2014 end-of-year retained earnings from \$55,898,000 to \$53,501,000. See Note 15 to the Basic Financial Statements in **Appendix C**.

(d) The above Fiscal Year 2015 results reflect the \$(2,295,000) adjustment required to comply with GASB Statement No. 68. See Note 15 to the Basic Financial Statements in **Appendix C**.

The City has spent an average of approximately \$2.8 million annually for replacements and improvements for the Storm Water Management System over the past five Fiscal Years, and expects to spend approximately \$2.7 million for those purposes in Fiscal Year 2016.

Over the past five Fiscal Years, additional improvements to the Storm Water Management System have been funded with the proceeds of State and federal grants in the aggregate amount of \$4.4 million and OPWC (State Issue 2) loans in the amount of \$4.7 million.

## **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 2006, the 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. In 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 annually. The City's utility purchases 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.

Local telephone service is provided by SBC Communications, GTE and cellular and cable telephone and data service 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, municipal 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 – 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, 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 Management and Capital Improvement Programs manages these functions and reports to the Director of Finance. See **City Government**.

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 and has since 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 Auditor of State (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) from time to time. 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. Beginning with its Fiscal Year 2015 financial statements, the City is implementing GASB Statement No. 68, “*Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*,” GASB Statement No. 69 “*Government Combinations and Disposals of Government Operations*,” and GASB Statement No. 71, “*Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*.” See **Retirement Expenses**.

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 2015, and Clark, Schaefer, Hackett & Co. issued unqualified independent auditor’s reports on the Basic Financial Statements of the City for Fiscal Years 2009 through 2014. Clark, Schaefer, Hackett & Co. has completed its audit for Fiscal Year 2015, but the audit has not yet been released by the State Auditor. 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 2014, and is currently completing the preparation of a CAFR for 2015. These reports are to be filed with the State Auditor within 150 days after the close of each Fiscal Year, unless the State 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 2015 when published and available and cause that CAFR to be made available on the website of the State Auditor ([www.auditor.state.oh.us](http://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 2014. The City expects to submit its CAFR for 2015 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 2016. **Appendices B** and **C** include the City's Basic Financial Statements for Fiscal Years 2014 (audited) and 2015 (unaudited), respectively. In accordance with the Continuing Disclosure Agreements, the City will file its audited Basic Financial Statements for Fiscal Year 2015 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, 2015, the City's total portfolio of deposits and investments was approximately \$325.8 million. The average maturity of investments was approximately 2.1 years, with approximately 31.2% of those investments having a maturity of one year or less, 32.1% having a maturity of one to two years, 36.7% having a maturity of two to three years, and none having a maturity of greater than three years. That 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 and casino tax distributions from the State. The City's budget for Fiscal Year 2016 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 2016. For detailed information concerning historical (and budgeted Fiscal Year 2016) 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**.

Revenues from the City's income tax have increased annually from \$153.6 million in Fiscal Year 2011, to \$158.5 million in Fiscal Year 2012, to \$158.7 million in Fiscal Year 2013, to \$164.8 million in Fiscal Year 2014 and to \$169.8 million in Fiscal Year 2015, on the strength of a recovering local economy.

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 2011 to \$9.6 million in Fiscal Year 2014, before increasing to \$11.1 million in Fiscal Year 2015. See **Assessed Valuation** and **Tax Table B**.

The State has reduced its local government assistance fund distributions to its political subdivisions in recent years. Those distributions to the City decreased from \$12.9 million in Fiscal Year 2011 to \$7.5 million in Fiscal Year 2015. See **Local Government Assistance Funds**.

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, \$5.6 million in Fiscal Year 2014 and \$5.7 million in Fiscal Year 2015. See **Casino Tax Revenues**.

The City's aggregate General Fund revenues were \$232.9 million in Fiscal Year 2015, up from \$227.8 million in Fiscal Year 2014, \$226.0 million in Fiscal Year 2013, \$226.5 million in Fiscal Year 2012, and \$221.1 million in Fiscal Year 2011. See **Appendix A**.

In response to economic conditions and 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 (ended in July 2016), 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) the transfer of residential solid waste collection services to the Lucas County Solid Waste Management District in 2011 (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 2015 were \$208.4 million, compared to \$203.8 million in Fiscal Year 2014, \$201.2 million in Fiscal Year 2013, \$196.5 million in Fiscal Year 2012, and \$202.5 million in Fiscal Year 2011.

The City's unaudited basic financial statements show that the City ended Fiscal Year 2015 with a total General Fund balance of \$10.2 million, compared to balances of \$9.8 million at the end of Fiscal Year 2014, \$8.0 million at the end of Fiscal Year 2013, \$5.0 million at the end of Fiscal Year 2012, \$326,000 at the end of Fiscal Year 2011. 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 2016 is based on revenues of \$242.7 million and direct expenditures of \$215.6 million. The revenue assumptions for that budget include, among others, municipal income tax revenues of \$170.7 million (compared to \$169.0 million in Fiscal Year 2015) and State local government assistance distributions of \$6.7 million (compared to \$7.5 million in Fiscal Year 2015). For Fiscal Year 2016, the City has budgeted \$38.2 million of transfers out to the Capital Improvements Fund and other funds and \$12.7 million of transfers into the General Fund from other funds (including an \$11.1 million transfer back from the Capital Improvements Fund).

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 City administration and 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 2015, revenues from the portion of that component of the income tax allocated to capital improvements amounted to approximately \$56.3 million. The City's budget for Fiscal Year 2015 contemplated that \$11.0 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 \$9.5 million. The City administration currently projects that it will be necessary to reallocate to the General Fund approximately \$11.1 million of the revenues from the portion of that component of the income tax allocated to capital improvements in Fiscal Year 2016.

The City administration and Council submitted to the voters of the City at an election in March 15, 2016, the question of passage of an ordinance providing for a temporary 1% municipal income tax to replace the  $\frac{3}{4}\%$  component of the City income tax that will expire on December 31, 2016, and provide additional revenue primarily for street improvement projects. The voters defeated that ordinance. See **Municipal Income Tax**. The City administration and Council plan to submit the question of an ordinance extending both the  $\frac{3}{4}\%$  component of the City income tax that will expire on December 31, 2016 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 for a four-year period through December 31, 2020, to City voters for approval at an election on November 8, 2016. If the voters approve that question, the administration plans to recommend to Council the submission of a question of an ordinance authorizing a further increase of the income tax by  $\frac{1}{4}\%$ , to be dedicated to capital improvements, at an election in May 2017.

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 and along with its planned implementation of outcome-based budgeting, 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 municipal income tax, certain charges for services and other nontax revenues, and State local government assistance, and casino tax revenue distributions. 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 City administration and Council submitted to the voters of the City at an election on March 15, 2016, the question of passage of an ordinance providing for a temporary 1% municipal income tax component to replace the 3/4% component of the City income tax that will expire on December 31, 2016, and provide additional revenue for street improvement projects. The voters defeated that ordinance by a vote of 61.7% to 38.33%. The administration and Council plan to submit the question of an ordinance extending the 3/4% component of the City income tax that will expire on December 31, 2016 for a four-year period through December 31, 2020, to City voters for approval at an election on November 8, 2016. If the voters approve that question, the administration plans to recommend to Council the submission of a question of an ordinance authorizing a further increase of the income tax by 1/2%, to be dedicated to capital improvements, at an election in May 2017.

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

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

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

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

At an election on May 4, 2010, the voters of the City approved, by a vote of 55% to 45%, an ordinance providing for the revenues from the additional 3/4% tax first approved in 1982 to continue to be allocated as follows:

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

but also authorizing the Council, upon its determination of financial need and a request of the Mayor, to reallocate to the General Fund up to all of the 1/3 of the revenues from the temporary 3/4% component of the City's municipal income tax allocated to capital improvements during the period from July 1, 2010 through December 31, 2012, for use as determined by the Council. At an election on March 6, 2012, the voters of the City approved, by a vote of 56.6% to 44.4%, an ordinance extending the temporary 3/4% component of the City's municipal income tax and the authority of the Council to reallocate to the General Fund up to all of the 1/3 of the revenues from that component allocated to capital improvements through December 31, 2016. At the election to be held on November 8, 2016 on the question of extending the 3/4% component of the City's municipal income tax for four years (through 2020), the City is also seeking voter approval of the extension of 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 2020.

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) certain loan repayments, (iii) federal interest subsidy payments, and (iv) in the case of BANs, when debt service is paid from proceeds of renewal BANs and the bonds anticipated. See **Debt Table C**. Historically, the revenues from the portion of the continuing 1-1/2% levy required to be used for capital improvements have been sufficient to provide for the debt service payments on all other general obligation debt of the City, and, based on the revenues from that portion of the continuing 1-1/2% levy budgeted for Fiscal Year 2016, 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 2011 through 2015 have been, and its rate and budgeted collections for Fiscal Year 2016 are, as follows:

| <u>Year</u>    | <u>Amount</u> | <u>Rate(a)</u> |
|----------------|---------------|----------------|
| 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           | 169,045,337   | 2-1/4          |
| 2016(budgeted) | 170,700,000   | 2-1/4          |

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

The additional 3/4% tax first approved in 1982 (which constitutes 1/3 of the total 2-1/4% levy) provided \$52,840,947 in Fiscal Year 2012, \$52,912,138 in Fiscal Year 2013 and \$54,929,110 in Fiscal Year 2014, \$56,348,445 in Fiscal Year 2015 and is budgeted to provide approximately \$56,900,000 in Fiscal Year 2016.

The Council has exercised its authority, at the request of the Mayor, to reallocate to the General Fund portions the 1/3 of the revenues from the temporary additional 3/4% component of the City's municipal income tax allocated to capital improvements in Fiscal Years 2010 through 2015, 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, \$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, and \$9.5 million of the approximately \$18.8 million of revenues from that component of the income tax allocated

to capital improvements to be reallocated to the General Fund in Fiscal Year 2015. The City administration currently expects such reallocations to continue in Fiscal Year 2016 and has budgeted an \$11.1 million such transfer for that Fiscal Year. See **General Fund and Financial Outlook**.

Based on employer payments of employee wage and salary withholding income taxes, the ten largest municipal income tax payers in the City in 2015 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 employee salary withholding taxes for the ten largest municipal income tax payers in recent Fiscal Years are set forth below:

| <u>Year</u> | <u>Employee Payroll Tax</u> | <u>Percentage of Total City Income Tax Revenue</u> |
|-------------|-----------------------------|----------------------------------------------------|
| 2011        | \$37,327,795                | 24.3%                                              |
| 2012        | 36,688,798                  | 23.1                                               |
| 2013        | 38,271,229                  | 24.1                                               |
| 2014        | 41,276,830                  | 25.2                                               |
| 2015        | 43,943,983                  | 26.0                                               |

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

One employer, through its employee salary and wage withholdings, contributed more than 5% of total City income tax receipts in 2015.

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

### **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 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 2016 (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> |
|-------------|-----------------------------|-------------------------------|-----------------------------|---------------------------------|---------------------------------|-----------------------------------|--------------|--------------|
| 2011        | \$24,905,000                | \$785,000                     | \$2,298,000                 | \$4,681,000                     | \$5,650,000                     | \$1,887,000                       | \$662,000(d) | \$41,415,000 |
| 2012        | 26,132,000                  | 949,000                       | 2,264,000                   | 6,715,000                       | 4,573,000                       | 0                                 | 378,000      | 41,011,000   |
| 2013        | 26,296,000                  | 499,000                       | 2,408,000                   | 7,118,000                       | 4,592,000                       | 350,000                           | 622,000      | 41,885,000   |
| 2014        | 26,287,000                  | 431,000                       | 2,468,000                   | 5,876,000                       | 5,195,000                       | 186,000                           | 1,060,000    | 40,913,000   |
| 2015        | 26,456,000                  | 167,000                       | 2,455,000                   | 5,457,000                       | 5,364,000                       | 180,000                           | 611,000      | 40,690,000   |
| 2016(e)     | 29,785,000(f)               | 261,000                       | 2,679,000                   | 5,840,000                       | 4,204,000                       | 260,000                           | 5,448,000(g) | 48,440,000   |

(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 \$1,004,598 in Fiscal Year 2011, \$2,954,839 in Fiscal Year 2012, \$3,099,512 in Fiscal Year 2013, \$2,205,397 in Fiscal Year 2014 and \$2,210,389 in Fiscal Year 2015 and are budgeted to be \$2.3 million in Fiscal Year 2016 (which includes \$800,000 expected to be collected from speeders using the handheld speed-detection cameras discussed below), 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 separate pieces of State legislation that requires a police officers to be present to personally witness the violations issued as a result of the use of automated red-light or speed-enforcement cameras and 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, and the status of the litigation relating to each piece of legislation.

(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) 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**.

(e) Budgeted.

(f) The budgeted increase, as compared to prior years, is due to an increase in garbage collection fees.

(g) The budgeted increase, as compared to prior years, is due in part to proceeds of the sale of land owned by the City in the budgeted amount of \$2.5 million and the City's share of wireless 9-1-1 fees collected by the State and distributed to the City to reimburse it for the costs of wireless 9-1-1 call taking personnel in the budgeted amount of \$1.6 million.

State legislation that took effect on March 23, 2015, differs from the City's legislation authorizing its photo-enforcement traffic program by requiring, among other things, that local governments with photo-enforcement traffic programs have a police officer present to personally witness the violations for the citations to be valid. In March 2015, the City filed a lawsuit in Lucas County Common Pleas Court challenging the constitutionality of the State 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 requiring, 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 to the Ohio

Court of Appeals for the Sixth Appellate District, which affirmed the decision of the Lucas County Common Pleas Court. It is expected that the State will appeal that decision to the Ohio Supreme Court and that the appeal will be consolidated with an appeal of the same issue being litigated by the City of Dayton, Ohio. It is uncertain whether and when the Ohio Supreme Court will resolve an appeal of that lawsuit to that Court. See **Litigation**.

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 use of the traffic-law monitoring cameras not in compliance with the State legislation that took effect on March 23, 2015 and provides for distributions to the cities from the State's Local Government Fund to be offset by that amount. Following the enactment of the State Budget Act, the Lucas County Common Pleas Court enjoined the State from implementing this provision of the State Budget Act. The State has appealed that decision to the Ohio Court of Appeals for the Sixth Appellate District, and that appeal is pending. The City cannot predict the final result of this lawsuit and expects that regardless of the outcome the ultimate disposition of the lawsuit will be decided by the Ohio Supreme Court. It is uncertain whether and when the Ohio Supreme Court will resolve an appeal of that lawsuit to that Court. See **Litigation**. Other cities have filed similar lawsuits in other jurisdictions, and those lawsuits are also still pending.

The City continues to operate its existing photo-enforcement traffic program, with 44 stationary cameras mounted at 28 sites in the City, while the litigation discussed above is pending. In 2016, the City also rented four handheld speed-detection cameras, which comply with the requirements of the State legislation that took effect on March 23, 2015, requiring a police officer to be present to personally witness the violation.

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.

#### **Local Government Assistance Funds**

Statutory state level local government assistance funds, comprised of designated State revenues, are another source of revenue to the City's 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 2011 through 2015 have been, and are budgeted to be in Fiscal Year 2016, as shown in the following table:

| <u><b>Year</b></u> | <u><b>Amount</b></u> |
|--------------------|----------------------|
| 2011               | \$12,921,429         |
| 2012               | 9,231,319            |
| 2013               | 7,011,112            |
| 2014               | 6,853,277            |
| 2015               | 7,497,215            |
| 2016 (budgeted)    | 6,689,042            |

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

### Casino Tax Revenues

In Fiscal Year 2012, the City began receiving revenues from a tax on casino revenues imposed by the State pursuant to a 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 the City and the City of Cleveland 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 2015, and its share in Fiscal Year 2016 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            | 5,713,000     |
| 2016 (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<br/>Collection<br/>Year</u> | <u>Real(a)</u>   | <u>Public Utility(b)</u> | <u>Total<br/>Assessed<br/>Valuation</u> |
|------------------------------------|------------------|--------------------------|-----------------------------------------|
| 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                           |
| 2016                               | 2,994,559,110(d) | 167,718,880              | 3,162,277,990(d)                        |

(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.

(d) Reflects triennial adjustment.

Source: County Auditor.

Taxes collected on "Real" in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year. "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 2016 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                      | \$100,180,190             |
| GLP Capital LP                                                  | Casino                              | 56,561,480                |
| Columbia Gas of Ohio, Inc.                                      | Public Utility                      | 42,611,380                |
| American Transmission Systems, Inc.(a)                          | Public Utility                      | 25,795,440                |
| Star-West Franklin Park                                         | Retail Mall Owner-Lessor            | 14,194,790(b)             |
| One Seagate Partners LLC                                        | Real Estate Holdings                | 14,014,880                |
| DFG – Glendale and Detroit/Hill                                 | Real Estate Holdings                | 7,613,390                 |
| Reynolds/Bryne Rd. Eagle Ridge/HL<br>Monroe/Reynolds Associates |                                     |                           |
| Norfolk Southern Combined Railroad                              | Railroad and intermodal transit hub | 6,004,660                 |
| LC – Spring Hollow LLC                                          | Apartment Complexes                 | 5,789,660                 |
| University Residences at Westwood II                            | Apartment Complex                   | 5,377,190                 |
| Frayar Enterprises, LLC                                         | Commercial Real Estate Holdings     | 5,075,010                 |
| ERT Southland LLC                                               | Shopping Center                     | 4,294,940                 |
| I.B.C. Inc.                                                     | Real Estate Holdings                | 4,140,030                 |

(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 were first reflected in the 2012 duplicate (collection year 2013) and in the ad valorem taxes being distributed to the City in 2013. The County Auditor is required to adjust (but without individual appraisal of properties except in the sexennial reappraisal), and has adjusted, taxable real property value triennially to reflect true values. The County Auditor last made such an adjustment in 2015, and that adjustment was first reflected in the 2015 duplicate and in the ad valorem taxes being distributed to the City beginning 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.

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 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).

As a result of the phase-out of taxation of tangible personal property used in general business (excluding certain public utility property) and tangible personal property used by telephone, telegraph or interexchange telecommunications companies, as described above, and a 2002 reduction of the percentages

of true value of electric utility production equipment and natural gas utility property assessed for taxation, eligible local governments have received reimbursement payments from the State to account for the loss of property tax revenue. The City has not received reimbursement from the State relating to lost property revenue from operating levies since 2011. Most recently, the City was receiving reimbursements relating to lost property tax revenue from two pension levies. Under the State Budget Act, the State will make no reimbursements relating to such levies after 2015, in which year, the City received only \$77,473 of such reimbursements.

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). (44.19%)
- (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        | 70.57% |
| Washington Local School District   | 23.00% |
| Sylvania City School District      | 3.18%  |
| Springfield Local School District  | 1.90%  |
| Maumee City School District        | 1.34%  |
| Ottawa Hills Local School District | 0.01%  |
- (3) Toledo Area Regional Transit Authority (TARTA) (public mass transit system). (60.13%)
- (4) Toledo-Lucas County Port Authority (public port facilities in the Port of Toledo). (44.19%)
- (5) Metropolitan Park District of the Toledo Area (park and recreation areas). (44.19%)
- (6) Toledo-Lucas County Library District (public library system). (44.19%)
- (7) Penta County Joint Vocational School District (vocational educational responsibilities). (1.73%)

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 its 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 passed by the General Assembly in 2013 eliminated such reductions for additional and replacement levies approved at elections after September 29, 2013, 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 that State legislation.

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**TAX TABLE A**  
**TAX RATES FOR THE CITY AND OVERLAPPING TAXING SUBDIVISIONS**  
**FOR TAX YEARS 2011 THROUGH 2015 (COLLECTION YEARS 2012 THROUGH 2016)**

|                          | LUCAS COUNTY(a) |              |      |         | CITY AND LOCAL SCHOOL DISTRICTS |                 |                            |                       | CITY                |            |                |        |
|--------------------------|-----------------|--------------|------|---------|---------------------------------|-----------------|----------------------------|-----------------------|---------------------|------------|----------------|--------|
|                          | TAX RATE        | VOTED LEVIES | PARK | GENERAL | PERMANENT IMPROVEMENTS          | BOND RETIREMENT | PENTA COUNTY JVS D GENERAL | POLICE & FIRE PENSION | RECREATION DISTRICT | TOTAL RATE | EFFECTIVE RATE |        |
|                          |                 |              |      |         |                                 |                 |                            |                       |                     |            | AGRS           | OTHER  |
| The City within(b):      |                 |              |      |         |                                 |                 |                            |                       |                     |            |                |        |
| <b>TAX YEAR 2011</b>     |                 |              |      |         |                                 |                 |                            |                       |                     |            |                |        |
| Toledo CSD               | 2.50            | 0.40         | 2.00 | 13.77   | 2.00                            | 61.20           | 0.50                       | 4.20                  |                     | 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                  |                     | 112.92     | 75.32          | 86.39  |
| Washington LSD           | 2.50            | 0.40         | 2.00 | 13.77   | 2.00                            | 76.00           | 2.60                       |                       |                     | 103.67     | 66.45          | 74.94  |
| Sylvania CSD             | 2.50            | 0.40         | 2.00 | 13.77   | 2.00                            | 77.10           | 0.30                       | 5.60                  | 1.65                | 110.42     | 74.18          | 77.44  |
| Ottawa Hills LSD         | 2.50            | 0.40         | 2.00 | 13.77   | 2.00                            | 128.15          | 3.50                       | 3.10                  |                     | 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                  |                     | 103.32     | 68.27          | 69.40  |
| <b>TAX YEAR 2012</b>     |                 |              |      |         |                                 |                 |                            |                       |                     |            |                |        |
| Toledo CSD               | 2.50            | 0.40         | 2.00 | 15.37   | 2.90                            | 61.70           | 0.50                       | 5.20                  |                     | 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                  |                     | 115.32     | 81.26          | 91.60  |
| Washington LSD           | 2.50            | 0.40         | 2.00 | 15.37   | 2.90                            | 76.00           | 2.60                       |                       |                     | 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                  | 1.65                | 113.97     | 80.88          | 83.71  |
| Ottawa Hills LSD         | 2.50            | 0.40         | 2.00 | 15.37   | 2.90                            | 128.15          | 4.00                       | 3.50                  |                     | 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                  |                     | 105.92     | 73.11          | 74.28  |
| <b>TAX YEAR 2013</b>     |                 |              |      |         |                                 |                 |                            |                       |                     |            |                |        |
| Toledo CSD               | 2.50            | 0.40         | 2.00 | 17.22   | 2.90                            | 61.70           | 0.50                       | 5.20                  |                     | 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                  |                     | 117.57     | 84.18          | 94.54  |
| Washington LSD           | 2.50            | 0.40         | 2.00 | 17.22   | 2.90                            | 76.00           | 2.60                       |                       |                     | 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                  | 1.65                | 115.82     | 83.40          | 86.72  |
| Ottawa Hills LSD         | 2.50            | 0.40         | 2.00 | 17.22   | 2.90                            | 135.05          | 4.00                       | 3.60                  |                     | 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                  |                     | 107.77     | 75.61          | 76.84  |
| <b>TAX YEAR 2014</b>     |                 |              |      |         |                                 |                 |                            |                       |                     |            |                |        |
| Toledo CSD               | 2.50            | 0.40         | 2.00 | 17.37   | 2.90                            | 66.00           | 2.00                       | 5.10                  |                     | 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                  |                     | 121.52     | 88.00          | 97.70  |
| Washington LSD           | 2.50            | 0.40         | 2.00 | 17.37   | 2.90                            | 80.30           | 3.20                       |                       |                     | 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                  | 1.65                | 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                  |                     | 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                  |                     | 107.52     | 75.22          | 76.38  |
| <b>TAX YEAR 2015</b>     |                 |              |      |         |                                 |                 |                            |                       |                     |            |                |        |
| Toledo CSD               | 2.50            | 0.40         | 2.00 | 17.37   | 2.90                            | 66.00           | 2.00                       | 5.10                  |                     | 102.67     | 77.51          | 95.27  |
| Maumee CSD, PC JVSD      | 2.50            | 0.40         | 2.00 | 17.37   | 2.90                            | 80.60           | 2.65                       | 5.40                  |                     | 121.42     | 86.93          | 97.85  |
| Washington LSD           | 2.50            | 0.40         | 2.00 | 17.37   | 2.90                            | 80.30           | 3.20                       |                       |                     | 113.07     | 82.54          | 89.24  |
| Sylvania CSD             | 2.50            | 0.40         | 2.00 | 17.37   | 4.05(c)                         | 77.10           | 0.30                       | 5.90                  | 1.65                | 115.67     | 81.73          | 86.30  |
| Ottawa Hills LSD         | 2.50            | 0.40         | 2.00 | 17.37   | 2.90                            | 135.05          | 4.00                       | 1.00                  |                     | 169.62     | 113.85         | 141.17 |
| Springfield LSD, PC JVSD | 2.50            | 0.40         | 2.00 | 17.37   | 2.90                            | 76.38           | 1.35                       | 2.80                  |                     | 113.30     | 79.58          | 82.40  |

(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 |                         |                                                   |
| 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                                              |
| 2014     | Real and Public Utility(a) | 2015            | 14,110                    | 12,660    | 89.7                              | 3,101                    | 1,151     | 13,811                  | 97.9                                              |
|          | Tangible Personal          | 2015            | 0                         | 0         | --                                | 259                      | 3         | 3                       | --                                                |
|          | Special Assessments        | 2015            | 26,899                    | 22,797    | 84.8                              | 16,193                   | 3,381     | 26,178                  | 97.3                                              |

(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 2015 was \$641,865 for the elderly/disabled homestead payment and \$1,028,913 for the rollback payment.

State legislation passed by the General Assembly 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 September 29, 2013 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 122,946 nonexempt parcels in the City for collection year 2015, the number of delinquent parcels was approximately 34,080 against 804 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, certain special assessment notes and long-term economic development obligations, applicable debt and ad valorem property tax limitations, outstanding and projected bond and note indebtedness and certain other long-term financial obligations of the City.

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

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 2015, 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 relatively 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, 2015 were and as of this date are:

| <u>Limitation</u>       | <u>As of December 31, 2015</u> |                          | <u>As of August 1, 2016<sup>(a)</sup></u> |                          |
|-------------------------|--------------------------------|--------------------------|-------------------------------------------|--------------------------|
|                         | <u>Nonexempt</u>               | <u>Additional</u>        | <u>Nonexempt</u>                          | <u>Additional</u>        |
|                         | <u>Debt</u>                    | <u>Debt Capacity</u>     | <u>Debt</u>                               | <u>Debt Capacity</u>     |
|                         | <u>Outstanding</u>             | <u>Within Limitation</u> | <u>Outstanding</u>                        | <u>Within Limitation</u> |
| 10-1/2% = \$332,039,188 | \$140,879,992                  | \$191,159,196            | \$152,979,992                             | \$179,059,196            |
| 5-1/2% = \$173,925,289  | \$140,879,992                  | \$ 33,045,297            | \$152,979,992                             | \$ 20,945,297            |

(a) On April 1, 2016, the City issued \$12,100,000 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 \$4,525,000 of its unvoted general obligation BANs outstanding as of December 31, 2015, 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 \$19,381,250 in 2017. 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 6.1289 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, certain loan repayments and federal interest subsidy payments; 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, 2015 was estimated to be 7.6880 mills for 2017 (the year of the highest projected aggregate millage requirements for debt service). There thus remained 2.3120 mills within the ten-mill limitation that had yet to be allocated to debt service and that were available to the City and overlapping subdivisions in connection with the issuance of additional unvoted general obligation debt.

On April 1, 2016, the City issued \$12,100,000 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 \$16,625,000 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 \$20,752,584 in 2017. The payment of that annual debt service would require a levy of 6.5625 mills. 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, certain loan repayments and federal interest subsidy payments. 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 August 1, 2016 is estimated to be 7.9999 mills for 2017 (the year of the highest projected aggregate millage requirements for debt service). There thus now remain 2.0001 mills within the ten-mill limitation that have yet to be allocated to debt service and that are 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, 2015<sup>(a)(b)</sup>

|     |                                                                                                                                                                                                                                                                                                                                                                 |                                         |                               |
|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|-------------------------------|
| A.  | Total Debt:                                                                                                                                                                                                                                                                                                                                                     |                                         | \$ 481,804,850 <sup>(a)</sup> |
| B.  | Exempt Debt:                                                                                                                                                                                                                                                                                                                                                    |                                         | \$ 340,924,858                |
|     | <u>Category</u>                                                                                                                                                                                                                                                                                                                                                 | <u>Outstanding<br/>Principal Amount</u> |                               |
|     | Water System Revenue Bonds                                                                                                                                                                                                                                                                                                                                      | \$258,665,000                           |                               |
|     | Sewer System Revenue Bonds                                                                                                                                                                                                                                                                                                                                      | 16,635,000                              |                               |
|     | Special Assessment Services Notes <sup>(c)(d)</sup>                                                                                                                                                                                                                                                                                                             | 20,900,000                              |                               |
|     | Special Assessment Services Notes <sup>(c)(e)</sup>                                                                                                                                                                                                                                                                                                             | 19,200,000                              |                               |
|     | Final Judgment Bonds                                                                                                                                                                                                                                                                                                                                            | 459,375                                 |                               |
|     | Nontax Revenue Debt <sup>(f)</sup>                                                                                                                                                                                                                                                                                                                              | <u>25,065,483</u>                       |                               |
|     | Total Exempt Debt                                                                                                                                                                                                                                                                                                                                               | \$340,924,858                           |                               |
| C.  | Total Nonexempt Debt (A minus B):                                                                                                                                                                                                                                                                                                                               |                                         | \$ 140,879,992 <sup>(a)</sup> |
| D.  | 5-1/2% of Assessed Valuation (Unvoted Debt Limitation):                                                                                                                                                                                                                                                                                                         |                                         | \$ 173,925,289                |
| E.  | Total Limited Tax Nonexempt Bonds and BANs outstanding:                                                                                                                                                                                                                                                                                                         |                                         |                               |
|     | Bonds                                                                                                                                                                                                                                                                                                                                                           | \$136,354,992                           |                               |
|     | BANs                                                                                                                                                                                                                                                                                                                                                            | 4,525,000                               | \$ 140,879,992                |
| F.  | Debt Leeway Within 5-1/2% Unvoted Direct Limitation (But Subject to Indirect Debt Limitation) (D minus E):                                                                                                                                                                                                                                                      |                                         | \$ 33,045,297 <sup>(a)</sup>  |
| G.  | 10-1/2% of Assessed Valuation (Voted and Unvoted Debt Limitation):                                                                                                                                                                                                                                                                                              |                                         | \$ 332,039,188 <sup>(a)</sup> |
| H.  | Total Nonexempt Bonds and BANs Outstanding:                                                                                                                                                                                                                                                                                                                     |                                         |                               |
|     | Bonds                                                                                                                                                                                                                                                                                                                                                           | \$136,354,992                           |                               |
|     | BANs                                                                                                                                                                                                                                                                                                                                                            | 4,525,000                               | \$ 140,879,992                |
| I.  | Debt Leeway Within 10-1/2% Direct Debt Limitation (G minus H):                                                                                                                                                                                                                                                                                                  |                                         | \$ 191,159,406                |
| (a) | On April 1, 2016, the City issued \$12,100,000 of unvoted general obligation BANs to provide funds to pay costs of certain street and bridge improvements; the BANs are not exempt from the direct debt limitations. See the table under <b>Statutory Direct Debt Limitations</b> 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 <b>City Services Special Assessment Notes</b> below.                                                        |                                         |                               |
| (d) | For City services provided in 2014.                                                                                                                                                                                                                                                                                                                             |                                         |                               |
| (e) | For City services provided in 2015.                                                                                                                                                                                                                                                                                                                             |                                         |                               |
| (f) | Includes the industrial development bonds described under <b>Economic Development Obligations</b> below.                                                                                                                                                                                                                                                        |                                         |                               |

# DEBT TABLE B

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

AS OF DECEMBER 31, 2015

|                                              | <u>Amount</u> | <u>Per Capita(a)</u> | <u>% of City's<br/>Current Assessed<br/>Valuation(b)</u> |
|----------------------------------------------|---------------|----------------------|----------------------------------------------------------|
| City Nonexempt<br>GO Debt(c)                 | \$140,879,992 | \$ 490.52            | 4.46%                                                    |
| Total City GO Debt<br>(Exempt and nonexempt) | 141,339,367   | 492.12               | 4.47                                                     |
| Highest Total<br>Overlapping GO Debt(d)(e)   | 320,340,768   | 1,115.36             | 10.13                                                    |

AS OF AUGUST 1, 2016

|                                              | <u>Amount</u> | <u>Per Capita(a)</u> | <u>% of City's<br/>Current Assessed<br/>Valuation(b)</u> |
|----------------------------------------------|---------------|----------------------|----------------------------------------------------------|
| City Nonexempt<br>GO Debt(c)                 | \$152,979,992 | \$ 532.65            | 4.84%                                                    |
| Total City GO Debt<br>(Exempt and nonexempt) | 153,439,367   | 534.24               | 4.85                                                     |
| Highest Total<br>Overlapping GO Debt(d)(e)   | 334,295,864   | 1,163.95             | 10.57                                                    |

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

(b) The City's current assessed valuation is \$3,162,277,990.

(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:

\$ 46,432,333 of County debt (44.19%) (as of December 31, 2015);

\$ 48,287,429 of County debt (44.19%) (as of August 1, 2016); and

\$132,569,068 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 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:

\$ 113 of Ottawa Hills Local School District debt (0.15%)

\$2,918,147 of Maumee City School District debt (10.25%)

\$ 525,194 of Springfield Local School District debt (8.97%)

\$6,373,919 of Sylvania City School District debt (7.35%); and

\$ 629,625 of Sylvania Area Joint Recreational District debt (7.35%).

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**  
**2016 THROUGH 2035**

| Debt Service On: |                                        |                                                                              |                                                                     | Portion of Debt Service Anticipated to be Paid From: |                        |                             |                               |
|------------------|----------------------------------------|------------------------------------------------------------------------------|---------------------------------------------------------------------|------------------------------------------------------|------------------------|-----------------------------|-------------------------------|
| Calendar Year    | Bonds Outstanding on December 31, 2015 | Bonds in Anticipation of Which BANs Were Outstanding on December 31, 2015(b) | Bonds in Anticipation of Which BANs Were Issued on April 1, 2016(b) | Total Debt Service                                   | Income Tax Revenues(c) | Housing Loan Payments(c)(d) | Federal Direct Payments(c)(e) |
| 2016(a)          | \$18,075,946                           | \$ 43,125                                                                    | \$ 0                                                                | \$18,119,071                                         | \$17,278,136           | \$478,390                   | \$362,545                     |
| 2017             | 18,795,395                             | 585,855                                                                      | 1,371,333                                                           | 20,752,584                                           | 19,923,767             | 491,290                     | 337,527                       |
| 2018             | 18,083,704                             | 569,500                                                                      | 1,258,400                                                           | 19,911,604                                           | 19,103,909             | 500,040                     | 307,655                       |
| 2019             | 16,060,501                             | 553,145                                                                      | 1,226,133                                                           | 17,839,779                                           | 17,060,009             | 503,190                     | 276,581                       |
| 2020             | 15,385,238                             | 536,789                                                                      | 1,193,867                                                           | 17,115,894                                           | 16,370,820             | 500,890                     | 244,185                       |
| 2021             | 14,724,062                             | 520,434                                                                      | 1,161,600                                                           | 16,406,096                                           | 15,722,363             | 473,290                     | 210,443                       |
| 2022             | 13,171,230                             | 504,079                                                                      | 1,129,333                                                           | 14,804,643                                           | 14,161,703             | 471,140                     | 171,799                       |
| 2023             | 12,861,245                             | 487,724                                                                      | 1,097,067                                                           | 14,446,036                                           | 13,850,730             | 463,690                     | 131,616                       |
| 2024             | 10,436,130                             | 471,368                                                                      | 1,064,800                                                           | 11,972,299                                           | 11,413,690             | 469,410                     | 89,199                        |
| 2025             | 10,193,685                             | 455,013                                                                      | 1,032,533                                                           | 11,681,231                                           | 11,196,407             | 439,450                     | 45,374                        |
| 2026             | 7,497,656                              | 438,658                                                                      | 1,000,267                                                           | 8,936,581                                            | 8,936,581              | 0                           | 0                             |
| 2027             | 7,068,131                              | 97,303                                                                       | 968,000                                                             | 8,133,434                                            | 8,133,434              | 0                           | 0                             |
| 2028             | 7,038,844                              | 93,947                                                                       | 935,733                                                             | 8,068,524                                            | 8,068,524              | 0                           | 0                             |
| 2029             | 3,186,125                              | 90,592                                                                       | 903,467                                                             | 4,180,184                                            | 4,180,184              | 0                           | 0                             |
| 2030             | 2,654,613                              | 87,237                                                                       | 871,200                                                             | 3,613,049                                            | 3,613,049              | 0                           | 0                             |
| 2031             | 1,200,600                              | 83,882                                                                       | 838,933                                                             | 2,123,415                                            | 2,123,415              | 0                           | 0                             |
| 2032             | 0                                      | 80,526                                                                       | 0                                                                   | 80,526                                               | 80,526                 | 0                           | 0                             |
| 2033             | 0                                      | 77,171                                                                       | 0                                                                   | 77,171                                               | 77,171                 | 0                           | 0                             |
| 2034             | 0                                      | 73,816                                                                       | 0                                                                   | 73,816                                               | 73,816                 | 0                           | 0                             |
| 2035             | 0                                      | 70,461                                                                       | 0                                                                   | 70,461                                               | 70,461                 | 0                           | 0                             |

(a) Amounts include interest paid on June 1, 2016.

(b) Assumes all presently outstanding BANs are retired with bonds dated October 1, 2016, having first interest payments December 1, 2016 and first principal payments December 1, 2017, 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 interest subsidy payments ("Direct 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 Direct 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 Direct 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 Direct Payments that it had expected to receive in its Fiscal Year 2013. On September 30, 2013, the Internal Revenue Service announced that reductions in Direct Payments would continue and that the percentage reduction for federal fiscal year 2014, ending September 30, 2014, would be 7.2%. As a result of this cut, the City only received \$390,242 of the \$448,813 of such Direct Payments that it had expected to receive in its Fiscal Year 2014. On September 30, 2014, the Internal Revenue Service announced that reductions in Direct Payments would continue and that the percentage reduction for federal fiscal year 2015, ending September 30, 2015, would be 7.3%. As a result of this cut, the City only received \$357,301 of the \$384,401 of such Direct Payments that it had expected to receive in its Fiscal Year 2015. On September 30, 2015, the Internal Revenue Service announced that reductions in Direct Payments would continue and that the percentage reduction for federal fiscal year 2016, ending September 30, 2016, would be 6.8%. The Bipartisan Budget Act of 2015 (signed into law by the President on November 2, 2015) extended sequestration through federal fiscal year 2025, and, as a result, reductions in such Direct Payments are now expected to continue through federal fiscal year 2025, ending on September 1, 2025. The City, however, cannot predict to what extent subsequent Direct 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 continue to use income tax revenues and other available funds to make up for shortfalls in future Direct Payments as it did in its Fiscal Years 2013 through 2015.

**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<br/>General Obligation</u> | <u>Total<br/>General Obligation</u> |
|-------------|--------------------------------------|-------------------------------------|
| 2012        | \$ 30,000                            | \$135,658,796                       |
| 2013        | 15,000                               | 145,195,000                         |
| 2014        | 0                                    | 141,119,992                         |
| 2015        | 0                                    | 143,539,992                         |
| 2016        | 459,375                              | 141,339,367                         |

**Bond Anticipation Notes**

As of December 31, 2015, \$4,525,000 of the unvoted general obligation debt of the City was in the form of BANs. \$16,625,000 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 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<br/>Date</u> | <u>Maturity<br/>Date</u> | <u>Interest<br/>Rate</u> | <u>Principal<br/>Amount</u> |
|-----------------------------------------------------|-----------------------|--------------------------|--------------------------|-----------------------------|
| Taxable Building Acquisition<br>Notes, Series 2015  | 09/23/15              | 09/22/16                 | 2.250%                   | \$ 3,250,000                |
| Sidewalk Improvement Notes,<br>Series 2015          | 10/21/15              | 10/20/16                 | 1.875                    | 1,275,000                   |
| Street and Bridge Improvement<br>Notes, Series 2016 | 04/01/16              | 11/1/16                  | 1.120                    | 12,100,000                  |

**City Services Special Assessment Notes**

The City has the authority to issue, and has in each year for a period in excess of 39 years issued, notes payable solely from special assessments levied to pay the cost of certain City services such as lighting, sprinkling, sweeping, cleaning, removing snow from and treating the surface of streets, alleys and other public ways in the City and planting, maintaining, trimming and removing trees in the streets. These notes are special obligations of the City. The City does not and cannot pledge ad valorem property taxes or its full faith or credit and does not pledge any of its other revenues, except for the anticipated special assessments, for the payment of the debt charges on them. Bonds are not issued to fund these notes. The ordinance authorizing each issue of these notes appropriates the anticipated special assessments, and those assessments, are deemed to be appropriated first to the payment of the debt charges on the notes. None of the anticipated special assessments may be otherwise appropriated and used until after such debt charges have been paid. The special assessments are collected in full in one year in two semiannual installments. The real property taxes levied against any property against which those special assessments have been levied are not to be paid

without also paying the special assessments. During the five most recent years, the collections of the current amount of the special assessments levied has averaged 85.0%, and the combined total of such current collections and collections of delinquent special assessments from prior years has averaged 96.6% of the current amount levied.

#### CURRENT AND DELINQUENT COLLECTIONS OF SPECIAL ASSESSMENTS

(In Thousands of Dollars)

| <u>Collection<br/>Year</u> | <u>Dollars of Current<br/>Amount</u> |                  | <u>Percent of<br/>Current<br/>Levy<br/>Collected</u> | <u>Total of Dollars<br/>Unpaid<br/>Amount</u> |                  | <u>Total<br/>Dollars<br/>Collected</u> | <u>Collections<br/>as a<br/>Percentage<br/>of Current<br/>Levy</u> |
|----------------------------|--------------------------------------|------------------|------------------------------------------------------|-----------------------------------------------|------------------|----------------------------------------|--------------------------------------------------------------------|
|                            | <u>Levied</u>                        | <u>Collected</u> |                                                      | <u>Billed</u>                                 | <u>Collected</u> |                                        |                                                                    |
| 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                                                               |
| 2015                       | 24,477                               | 20,937           | 85.5                                                 | 15,025                                        | 3,258            | 24,195                                 | 98.8                                                               |

**Debt Table F** lists the City's City Services Special Assessment Notes outstanding as of December 31, 2015. These Notes are reflected in **Debt Table A** above.

#### DEBT TABLE F

##### OUTSTANDING CITY SERVICES SPECIAL ASSESSMENT NOTES

| <u>Project<br/>Year</u> | <u>Description</u>                                        | <u>Dated<br/>Date</u> | <u>Maturity<br/>Date</u> | <u>Interest<br/>Rate</u> | <u>Principal<br/>Amount<br/>Outstanding</u> |
|-------------------------|-----------------------------------------------------------|-----------------------|--------------------------|--------------------------|---------------------------------------------|
| 2014                    | City Services Special Assessment Notes (Services 2014)(a) | 12/19/14              | 12/01/16                 | 1.410%                   | \$13,500,000                                |
| 2015                    | City Services Special Assessment Notes (Services 2015)(b) | 12/17/15              | 06/01/17                 | 1.887%                   | \$ 7,400,000                                |
|                         |                                                           | 12/17/15              | 12/01/17                 | 1.887%                   | \$11,800,000                                |

(a) The special assessments anticipated by these Notes are being collected in 2016. The City retired the \$7,400,000 maturing on June 1, 2016 on that date.

(b) The special assessments anticipated by these Notes are to be collected in 2017.

#### 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 expansions and improvements of major manufacturing 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 located 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, 2015(a)

| <u>Project</u>                                                                                                                                              | <u>Obligation</u>                                             | <u>Initial<br/>Amount</u> | <u>Outstanding<br/>Amount</u> | <u>Interest Rate</u> | <u>Final<br/>Maturity</u> | <u>Approximate<br/>Annual Debt<br/>Service(b)</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              | \$5,860,000                   | 1.00%-3.00%          | 2018                      | \$1,650,000(c)                                    |
|                                                                                                                                                             | Industrial Development Revenue Bonds (State Chapter 166 Loan) | \$10,000,000              | \$2,170,791                   | 4.25%                | 2018                      | \$825,000(c)                                      |
| B. Demolition and remediation of the former Autolite Site for redevelopment                                                                                 | Industrial Development Revenue Bonds (HUD Section 108 loan)   | \$390,000                 | \$ 95,000                     | 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               | \$ 119,692                    | 4.25%                | 2016                      | \$121,600(d)                                      |
| D. Land acquisition and remediation in the Marina District                                                                                                  | Industrial Development Bond                                   | \$5,120,000               | \$3,795,000                   | 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               | \$5,925,000                   | 4.25%-5.00%          | 2026                      | \$720,000(c)                                      |
| F. Southwyck Project                                                                                                                                        | Industrial Development Bond                                   | \$3,250,000               | \$2,650,000                   | 3.45%                | 2019                      | \$720,000                                         |
| G. Land acquisition for one or more industrial facilities                                                                                                   | Taxable Industrial Development Note                           | \$4,450,000               | \$4,450,000                   | 6.00%(d)             | 2036(e)                   | \$382,000(e)                                      |

(a) No additional economic development obligations have been issued since December 31, 2015.

(b) 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.

(c) The City expects that this debt service will be paid from nontax revenues, including particularly certain payments in lieu of taxes from Fiat Chrysler Automobiles. 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 Fiat Chrysler Automobiles 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.

(d) The City expects loan payments to be received from the developer will be sufficient to make this final debt service payment requirement.

(e) 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 2016 THROUGH 2035 AS OF DECEMBER 31, 2015(a)

| Calendar<br>Year | Total Debt Service on<br>Nontax Revenue Bonds and Notes<br>Outstanding on December 31, 2015(b) | Portion of Debt Service Anticipated to be Paid From: |                             |                        |
|------------------|------------------------------------------------------------------------------------------------|------------------------------------------------------|-----------------------------|------------------------|
|                  |                                                                                                | Payments in Lieu<br>of Taxes(c)                      | Other Nontax<br>Revenues(d) | Other<br>Sources(c)(d) |
| 2016             | \$5,063,169.03                                                                                 | \$2,663,440.00                                       | \$1,123,933.33              | \$1,275,795.70         |
| 2017             | 4,993,520.92                                                                                   | 2,663,440.00                                         | 1,119,677.67                | 1,210,403.25           |
| 2018             | 4,898,450.94                                                                                   | 2,663,440.00                                         | 1,126,015.17                | 1,108,995.77           |
| 2019             | 2,077,875.50                                                                                   | 717,975.00                                           | 1,102,277.50                | 257,623.00             |
| 2020             | 1,360,160.00                                                                                   | 718,975.00                                           | 389,900.00                  | 251,285.00             |
| 2021             | 1,364,573.00                                                                                   | 718,725.00                                           | 390,600.00                  | 255,248.00             |
| 2022             | 1,356,808.00                                                                                   | 717,225.00                                           | 390,700.00                  | 248,883.00             |
| 2023             | 1,356,105.00                                                                                   | 718,087.00                                           | 385,200.00                  | 252,818.00             |
| 2024             | 1,358,228.00                                                                                   | 717,375.00                                           | 384,400.00                  | 256,453.00             |
| 2025             | 1,362,848.00                                                                                   | 720,088.00                                           | 388,000.00                  | 254,760.00             |
| 2026             | 1,364,731.00                                                                                   | 720,963.00                                           | 385,700.00                  | 258,068.00             |
| 2027             | 1,058,848.00                                                                                   | 0.00                                                 | 387,800.00                  | 671,048.00             |
| 2028             | 1,060,818.00                                                                                   | 0.00                                                 | 389,000.00                  | 671,818.00             |
| 2029             | 1,059,923.00                                                                                   | 0.00                                                 | 384,300.00                  | 675,623.00             |
| 2030             | 1,061,163.00                                                                                   | 0.00                                                 | 384,000.00                  | 677,163.00             |
| 2031             | 1,059,210.00                                                                                   | 0.00                                                 | 387,800.00                  | 671,410.00             |
| 2032             | 1,059,065.00                                                                                   | 0.00                                                 | 385,400.00                  | 673,665.00             |
| 2033             | 385,400.00                                                                                     | 0.00                                                 | 385,400.00                  | 0.00                   |
| 2034             | 387,100.00                                                                                     | 0.00                                                 | 387,100.00                  | 0.00                   |
| 2035             | 387,600.00                                                                                     | 0.00                                                 | 387,600.00                  | 0.00                   |
| 2036             | 386,900.00                                                                                     | 0.00                                                 | 386,900.00                  | 0.00                   |

(a) No additional economic development obligations have been issued by the City since December 31, 2016.

(b) Includes debt service on outstanding Nontax Revenue Bonds and estimated debt service on bonds anticipated by outstanding Nontax Revenue Notes.

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

(d) 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 August 1, 2016, all of which were outstanding as of December 31, 2015. 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 \$372,606,000 as of December 31, 2015, with an undisbursed amount available to the City of approximately \$114,215,953.29. See **Appendix C**. Under those agreements, the City made \$24,475,000 of loan payments in Fiscal Year 2015 and is to make a total of \$28,665,000 of loan payments in Fiscal Year 2016. 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 be approximately as follows through 2041:

| <u>Period</u> | <u>Payments</u> |
|---------------|-----------------|
| 2016          | \$ 28,665,000   |
| 2017          | 28,923,000      |
| 2018          | 29,404,000      |
| 2019          | 29,274,000      |
| 2020-2024     | 141,191,000     |
| 2025-2029     | 103,491,000     |
| 2030-2034     | 48,652,000      |
| 2035-2041     | 14,392,000      |

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 five loans to the City to pay costs of improvements to the Water System. The aggregate principal amount of the City's obligations under those OWDA loan agreements was approximately \$35,847,000 as of December 31, 2015, with an undisbursed amount available to the City was approximately \$4,666,000. See **Appendix C**. Under those loans, the City made \$1,252,000 of loan payments in Fiscal Year 2015 and is to make \$2,418,000 of loan payments in Fiscal Year 2016. Those outstanding loans are payable in substantially equal semiannual installments. Final payments under those agreements are to be made by 2037.

The payments under those OWDA loan agreements 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

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.

In 2015, the City entered into two loan agreements with the Ohio Environmental Protection Agency pursuant to which the City has borrowed moneys to assist in its efforts to mitigate the possibility of future water events caused by algal toxins. See **Water System – Facilities and Operations** and **August 2014 and March 2015 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. These 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 its closed Stickney and Tyler Landfills. Under that agreement, the City has made and 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 \$3,027,000. The City expects to continue 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 its closed Dura Landfill. Under that agreement, the City has made and is to make substantially equal annual loan payments of approximately \$151,400 each for a period of 20 years ending in 2021 to repay the loan, which is currently outstanding in the amount of \$916,000. The City expects to continue 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, 2015, those loans were outstanding in the aggregate principal amount of \$14,103,000. 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 2016 is \$1,325,000, of which \$633,000 is to be paid from moneys in the City's Capital Improvements Fund, \$112,000 from moneys in its Water Revenue Fund, \$466,000 from moneys in its Sewer Revenue Fund and \$114,000 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 certain improvements to the Martin Luther King Bridge in the City. The aggregate outstanding principal amount of the City's obligations under those ODOT loan agreements was \$4,057,000 as of December 31, 2015. The aggregate amount of payments on these loans payable in 2016 is

\$648,000. Final payments are to be made by 2024 and the maximum aggregate annual payments payable on the loans are the \$648,000 payable in 2016.

The City expects to continue to make those loan payments 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 each year from 2009 through 2015, inclusive, the City entered into agreements pursuant to which it is leasing with the expectation of acquiring certain ambulances (2010, 2012 and 2014), fire trucks (2009, 2014 and 2015), police cars (2010 and 2013), other motor vehicles (2011, 2012, 2013 and 2015), and certain equipment (2012 and 2015). Under the terms of each of the lease agreements, the City's obligation to make annual lease payments is subject to annual appropriation. Aggregate annual payments under these lease agreements amounted to \$5,721,733 in Fiscal Year 2015 and will be approximately \$3,280,295 in Fiscal Year 2016, \$2,866,989 in Fiscal Year 2017, \$2,569,878 in Fiscal Year 2018, \$2,373,570 in Fiscal Year 2019, \$1,246,162 in Fiscal Year 2020, and \$770,476 in Fiscal Year 2021. The agreements are to expire in Fiscal Years 2016, 2017, 2018, 2019, 2020 and 2021. See Note 9 to the Basic Financial Statements in **Appendices B and C**.

In September 2016, the City anticipates entering into a lease agreement pursuant to which it will lease and eventually acquire single and double axel trucks and street sweeping equipment for its Division of Streets, Bridges and Harbor. Under the terms of the lease agreement, the City's obligation to make annual lease payments will be subject to annual appropriation. The aggregate amount of the principal component of all lease payments to be made under the lease agreement is expected to be \$4,117,000, and the annual lease payments are expected to be \$250,000, payable in 2017 through 2021.

### **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 \$502,191 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 \$13.040 million of general obligation bonds in 2016 to (i) pay costs of energy conservation improvement projects, police equipment, street and bridge improvements, and traffic control improvements included in its 2016 capital improvement plan, (ii) to fund \$12.1 million of BANs issued for street and bridge improvements in 2016, and (iii) refund for debt service savings and structuring purposes certain outstanding general obligation bonds of the City.

The City plans to issue approximately \$3.25 million of general obligation BANs in September 2016 to provide funds to retire, together with other funds available for the purpose, \$3.25 million of maturing BANs.

The City plans to issue approximately \$1.105 million of general obligation BANs in October 2016 to provide funds to retire, together with other funds available for the purpose, \$1.275 million of maturing BANs.

The City plans to issue approximately \$4.45 million of nontax revenue BANs in December 2016 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 2016, to provide funds to pay, in anticipation of the levy and collection of the special assessments, a part of the cost of the City's 2016 City services program. See **City Services Special Assessment Notes**.

The City also plans to issue Water System Revenue Bonds in 2016, 2018, and 2020 in the presently anticipated amounts of \$85 million, \$100 million and \$85 million, respectively, to provide funds to pay costs of the improvements to be made to the Water System as part of the Capital Improvement Program described above under **Water System**. See **Water System – Water Rates**.

The City plans to enter into loan agreements with the Ohio Water Development Authority and/or the Ohio Public Works Commission in 2016 to provide up to \$44,524,052 of additional funds to pay costs of a portion of the capital improvements program for its Sewer System planned for the period through 2016. See **Sewer System – Facilities and Operations**.

At this time, the City has no plans to undertake or participate in any other new major capital improvement projects for which it plans to borrow additional money or enter into long-term financial undertakings for the remainder of 2016.

## **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).

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.

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 12.25% 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.

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, 2015, 2014, 2013, 2012, and 2011 were approximately \$10,889,000, \$10,761,000, \$10,204,000, \$9,969,000 and \$12,653,000, respectively, and were 89% of the required contributions in 2015, 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 11% of the 2015 contribution was made in the first month of 2016, the remaining 8.0% of the 2014 contribution was made in the first month of 2015, and the remaining 5.0% of the 2013 contribution was made in the first month of 2014. The City's aggregate employer contributions to OP&F for the years ending on December 31 in 2015, 2014, 2013, 2012 and 2011 were approximately \$18,955,000, \$17,185,000, \$16,728,000, \$16,103,000 and \$16,135,000, respectively, and were 88% of the required contribution in 2015, 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 12% of the 2015 contribution was made in the first month of 2016, the remaining 9.1% of the 2014 contribution was made in the first month of 2015, and the remaining 25% of the 2013 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, and the City's remaining pension pick-up payment obligations ended in July 2016. See **Employees**.

With the implementation of GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*", and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*", as of December 31, 2015, the City had the net pension liability reported and explained in Notes 12 and 13 to the Basic Financial Statements included in **Appendix C**.

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, 2015 and at the date of this Statement, is sufficient to meet the claims and judgments that may arise in 2016. 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.

On June 25, 2016, the Lucas County Common Pleas Court ruled in a lawsuit the City filed against the County and the Corrections Center of Northwest Ohio (CCNO), a corrections commission consisting of six member jurisdictions including the City and the County, over how costs related to criminal inmate housing at CCNO should be allocated. Under the court's decision, the incarceration costs of individuals arrested by City police officers and charged with misdemeanors in violation of State law are to be paid by the County. However, the court also ruled that the City cannot be reimbursed for money it has paid to CCNO for incarceration of inmates charged with misdemeanors in violation of State law and that it is bound under its current agreement with the County and CCNO to pay for the incarceration of those individuals. On July 1, 2016, the City did not make a \$1.3 million quarterly payment due for its share of beds at CCNO. Under CCNO's governing agreement, members may be removed from the commission if they are in default on payments after 60 days. The City, the County and CCNO continue to negotiate this matter. The County has appealed the court's decision to the Ohio Court of Appeals for the Sixth Appellate District, and that appeal is pending. The City cannot predict the final result of this litigation.

On July 27, 2016, a plaintiff filed a lawsuit against the City, among other public and private entities, alleging that she suffered damages resulting from the Water System event that occurred as a result of harmful algae blooms in August 2014 that affected the City's water supply. See **August 2014 and March 2015 Water System Events**. The City cannot predict the final result of this lawsuit.

The City also continues to litigate its right to operate a system by which the City imposes civil penalties for certain violations, including both speeding and failure to obey traffic signals, under its photo-enforcement traffic program. See the information with respect to the revenues the City has received from that program in recent Fiscal Years and a discussion of the status of that litigation under **Nontax Revenues**.

### **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. (Moody's) and S&P Global Ratings (S&P) have assigned their ratings of "A2" and "A-", respectively, to the City's outstanding uninsured general obligation bonds and their underlying ratings of "A2" and "A-", respectively, to the City's insured outstanding general obligation bonds. On October 11, 2011, S&P 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 (Fitch), Moody's and S&P have assigned their ratings of "A+," "Aa3" and "A+," respectively, to the City's outstanding Sewer Bonds, none of which are insured. No application for a rating of the Sewer Bonds has been made to any other rating service. On August 2, 2011, Fitch 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, one outstanding series of which is insured. 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: August 1, 2016

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## APPENDIX A

### Comparative Modified Accrual Basis Summary of General Fund Revenues, Expenditures and Balances for Fiscal Years 2011 through 2015 (Actual) and Fiscal Year 2016 (Budgeted)

(amounts in thousands)

|                                                   | 2011(a)           | 2012(a)           | 2013(a)           | 2014(a)           | 2015(b)           | Budgeted<br>2016  |
|---------------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>REVENUES:</b>                                  |                   |                   |                   |                   |                   |                   |
| Income Tax                                        | \$153,581         | \$158,523         | \$158,775         | \$164,787         | \$169,045         | \$170,700         |
| Property Taxes                                    | 11,845            | 11,381            | 9,598             | 9,552             | 9,911             | 11,268            |
| Licenses and Permits                              | 2,297             | 2,264             | 2,408             | 2,468             | 2,455             | 2,679             |
| Intergovernmental                                 | 22,743            | 20,828            | 21,044            | 17,708            | 18,100            | 15,207            |
| Charges for Services                              | 24,905            | 26,132            | 26,296            | 26,265            | 26,456            | 29,748            |
| Investment Earnings                               | 446               | 360               | 135               | 230               | 167               | 261               |
| Fines and Forfeitures                             | 4,681             | 6,715             | 7,118             | 5,876             | 5,457             | 5,840             |
| All Other Revenue                                 | 579               | 325               | 620               | 898               | 611               | 5,448             |
| <b>Total Revenues</b>                             | <b>\$221,077</b>  | <b>\$226,528</b>  | <b>\$225,994</b>  | <b>\$227,784</b>  | <b>\$232,202</b>  | <b>\$241,151</b>  |
| <b>EXPENDITURES</b>                               |                   |                   |                   |                   |                   |                   |
| <b>Current:</b>                                   |                   |                   |                   |                   |                   |                   |
| General Government                                | \$ 15,437         | \$ 14,164         | \$ 27,112         | \$ 25,555         | \$ 24,687         | \$ 25,756         |
| Public Service                                    | 1,693             | 1,928             | 1,674             | 1,839             | 1,839             | 2,020             |
| Public Safety                                     | 165,835           | 158,979           | 159,264           | 164,410           | 166,292           | 173,009           |
| Public Utilities                                  | 0                 | 0                 | 1                 | 8                 | 0                 | 0                 |
| Community Environment                             | 4,406             | 4,355             | 4,671             | 4,394             | 4,824             | 5,231             |
| Health                                            | 11,972            | 13,511            | 4,767             | 4,272             | 4,137             | 6,013             |
| Parks and Recreation                              | 2,296             | 2,750             | 2,947             | 2,623             | 2,486             | 2,894             |
| Capital Outlay                                    | 128               | 53                | 1                 | 0                 | 0                 | 0                 |
| Debt Service                                      |                   |                   |                   |                   |                   |                   |
| Principal Retirement                              | 485               | 505               | 526               | 548               | 570               | 594               |
| Interest & Fiscal Charges                         | 241               | 221               | 200               | 178               | 156               | 132               |
| <b>Total Expenditures</b>                         | <b>\$202,493</b>  | <b>\$196,466</b>  | <b>\$201,163</b>  | <b>\$203,827</b>  | <b>\$204,991</b>  | <b>\$215,649</b>  |
| Excess (Deficiency) of Revenues over Expenditures | 18,584            | 30,062            | 24,831            | 23,957            | 27,211            | 25,502            |
| <b>Other Financing Sources (Uses):</b>            |                   |                   |                   |                   |                   |                   |
| Transfers In                                      | 17,327(e)         | 10,456            | 12,477            | 13,418            | 10,546            | 12,659            |
| Transfers (Out)(c)                                | (34,026)          | (35,999)          | (34,657)          | (36,008)          | (36,967)          | (38,161)          |
| Bond Issuance of Debt                             | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 |
| Premium on Bonds                                  | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 |
| Sale of Capital Assets                            | 12,129            | 0                 | 25                | 0                 | 0                 | 0                 |
| Sale of Easements                                 | 0                 | 25                | 0                 | 0                 | 0                 | 0                 |
| <b>TOTAL OTHER FINANCING SOURCES AND (USES)</b>   | <b>\$ (4,570)</b> | <b>\$(25,518)</b> | <b>\$(22,155)</b> | <b>\$(22,590)</b> | <b>\$(26,421)</b> | <b>\$(25,502)</b> |
| Net Change in Fund Balance                        | 14,014            | 4,544             | 2,676             | 1,367             | 790               | 0                 |
| Fund Balance (Deficit) at Beginning of Year(d)    | (13,712)(f)       | 326               | 5,008             | 7,977             | 9,795             | 10,178            |
| Reserve for Inventory                             | 24                | 138               | 293               | 451               | (407)             | 0                 |
| Fund Balance (Deficit) at Year-End(d)             | \$ 326            | \$ 5,008          | \$ 7,977          | \$ 9,795          | \$10,178          | \$10,178          |

(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 State Auditor 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 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 2014 (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, 2014 through December 31, 2014. 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

September 29, 2015

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## **INDEPENDENT AUDITORS' REPORT**

To the Honorable Paula Hicks-Hudson, 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, 2014, 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, 2014, 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 36 and 101 through 104, 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 basic 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, 2015, 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, 2015

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# **BASIC FINANCIAL STATEMENTS**



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

|                                                       | Governmental<br>Activities | Business-type<br>Activities | Total             |
|-------------------------------------------------------|----------------------------|-----------------------------|-------------------|
| <b>ASSETS</b>                                         |                            |                             |                   |
| 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         |
| <b>Total assets</b>                                   | <b>785,085</b>             | <b>1,194,518</b>            | <b>1,979,603</b>  |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                 |                            |                             |                   |
| Unamortized bond insurance                            | -                          | 158                         | 158               |
| <b>LIABILITIES</b>                                    |                            |                             |                   |
| 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           |
| <b>Total liabilities</b>                              | <b>316,721</b>             | <b>706,860</b>              | <b>1,023,581</b>  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                  |                            |                             |                   |
| Revenues levied for the next year                     | 12,143                     | -                           | 12,143            |
| <b>NET POSITION</b>                                   |                            |                             |                   |
| 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            |
| <b>Total net position</b>                             | <b>\$ 456,221</b>          | <b>\$ 487,816</b>           | <b>\$ 944,037</b> |

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)

| 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               |
| <b>Governmental activities:</b>       |                   |                      |                  |                  |                                                   |                          |                     |
| 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)             |
| <b>Total governmental activities</b>  | <b>323,658</b>    | <b>74,630</b>        | <b>14,160</b>    | <b>14,486</b>    | <b>(220,382)</b>                                  | <b>-</b>                 | <b>(220,382)</b>    |
| <b>Business-type activities:</b>      |                   |                      |                  |                  |                                                   |                          |                     |
| 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                  |
| <b>Total business-type activities</b> | <b>138,114</b>    | <b>155,504</b>       | <b>-</b>         | <b>2,483</b>     | <b>-</b>                                          | <b>19,873</b>            | <b>19,873</b>       |
| <b>Total</b>                          | <b>\$ 461,772</b> | <b>\$ 230,134</b>    | <b>\$ 14,160</b> | <b>\$ 16,969</b> | <b>\$ (220,382)</b>                               | <b>\$ 19,873</b>         | <b>\$ (200,509)</b> |
| <b>General revenues:</b>              |                   |                      |                  |                  |                                                   |                          |                     |
| Income taxes                          |                   |                      |                  |                  | 163,653                                           | -                        | 163,653             |
| Property taxes                        |                   |                      |                  |                  | 9,585                                             | -                        | 9,585               |
| Investments earnings                  |                   |                      |                  |                  | 454                                               | 1,818                    | 2,272               |
| Intergovernmental services            |                   |                      |                  |                  | 26,740                                            | -                        | 26,740              |
| Gain on sale of capital assets        |                   |                      |                  |                  | 167                                               | 673                      | 840                 |
| Other revenue                         |                   |                      |                  |                  | 10,534                                            | -                        | 10,534              |
| Transfers                             |                   |                      |                  |                  | 1,200                                             | (1,200)                  | -                   |
| Total general revenues and transfers  |                   |                      |                  |                  | 212,333                                           | 1,291                    | 213,624             |
| Changes in net position               |                   |                      |                  |                  | (8,049)                                           | 21,164                   | 13,115              |
| <b>Net Position - beginning</b>       |                   |                      |                  |                  | <b>464,270</b>                                    | <b>466,652</b>           | <b>930,922</b>      |
| <b>Net Position - ending</b>          |                   |                      |                  |                  | <b>\$ 456,221</b>                                 | <b>\$ 487,816</b>        | <b>\$ 944,037</b>   |

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

**City of Toledo, Ohio**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2014**  
**(Amounts in Thousands)**

|                                                           | <b>General</b>   | <b>Capital<br/>Improvements</b> | <b>Special<br/>Assessments<br/>Services</b> | <b>Nonmajor<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|-----------------------------------------------------------|------------------|---------------------------------|---------------------------------------------|--------------------------------------------|-----------------------------------------|
| <b>ASSETS</b>                                             |                  |                                 |                                             |                                            |                                         |
| 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>                          |
| <b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>    |                  |                                 |                                             |                                            |                                         |
| <b>Liabilities:</b>                                       |                  |                                 |                                             |                                            |                                         |
| 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>                          |
| <b>Deferred Inflows of Resources:</b>                     |                  |                                 |                                             |                                            |                                         |
| Revenues Levied for the next year and Unavailable Revenue | 25,893           | 3,998                           | 55,093                                      | 7,242                                      | 92,226                                  |
| <b>Fund Balances:</b>                                     |                  |                                 |                                             |                                            |                                         |
| 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 | 4,520     | 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                          | (4,027)   | (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)**

|                                                           | <b>General</b> | <b>Capital<br/>Improvements</b> | <b>Special<br/>Assessment<br/>Services</b> | <b>Nonmajor<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|-----------------------------------------------------------|----------------|---------------------------------|--------------------------------------------|--------------------------------------------|-----------------------------------------|
| <b>REVENUES</b>                                           |                |                                 |                                            |                                            |                                         |
| 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                                            | 227,784        | 22,369                          | 21,990                                     | 38,306                                     | 310,449                                 |
| <b>EXPENDITURES</b>                                       |                |                                 |                                            |                                            |                                         |
| 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                                        | 203,827        | 51,364                          | 30,317                                     | 58,666                                     | 344,174                                 |
| Excess (Deficiency) of Revenues over (under) Expenditures | 23,957         | (28,995)                        | (8,327)                                    | (20,360)                                   | (33,725)                                |
| <b>OTHER FINANCING SOURCES (USES)</b>                     |                |                                 |                                            |                                            |                                         |
| 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)                      | (22,590)       | 28,956                          | -                                          | 20,805                                     | 27,171                                  |
| 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                        | \$ 9,795       | \$ 19,140                       | \$ (56,908)                                | \$ 38,144                                  | \$ 10,171                               |

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

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

Changes in **net position** of governmental activities \$ (8,049)

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      |
|-------------------------------------------------------|---------------------------------------------|------------|---------------------------------------|------------------------|------------------------------|------------------------------|
|                                                       | Water                                       | Sewer      | Utility<br>Administrative<br>Services | Nonmajor<br>Enterprise | Total<br>Enterprise<br>Funds | Internal<br>Service<br>Funds |
| <b>ASSETS</b>                                         |                                             |            |                                       |                        |                              |                              |
| <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                       |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                 |                                             |            |                                       |                        |                              |                              |
| Unamortized Bond Insurance                            | 137                                         | 21         | -                                     | -                      | 158                          | -                            |
| <b>LIABILITIES</b>                                    |                                             |            |                                       |                        |                              |                              |
| <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                       |
| <b>NET POSITION</b>                                   |                                             |            |                                       |                        |                              |                              |
| 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)**

|                                                  | <b>Business-type Activities - Enterprise Funds</b> |              |                                        |                            |                               | <b>Governmental Activities</b> |
|--------------------------------------------------|----------------------------------------------------|--------------|----------------------------------------|----------------------------|-------------------------------|--------------------------------|
|                                                  | <b>Water</b>                                       | <b>Sewer</b> | <b>Utility Administrative Services</b> | <b>Nonmajor Enterprise</b> | <b>Total Enterprise Funds</b> | <b>Internal Service Funds</b>  |
| <b>OPERATING REVENUES</b>                        |                                                    |              |                                        |                            |                               |                                |
| 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                         |
| <b>OPERATING EXPENSES</b>                        |                                                    |              |                                        |                            |                               |                                |
| 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)                          |
| <b>NONOPERATING REVENUES (EXPENSES)</b>          |                                                    |              |                                        |                            |                               |                                |
| 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.

**City of Toledo, Ohio**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2014**  
**(Amounts in Thousands)**

|                                                                                                              | <b>Business-Type Activities - Enterprise Funds</b> |                  |                                        |                  |                  | <b>Governmental Activities - Internal Service Funds</b> |
|--------------------------------------------------------------------------------------------------------------|----------------------------------------------------|------------------|----------------------------------------|------------------|------------------|---------------------------------------------------------|
|                                                                                                              | <b>Water</b>                                       | <b>Sewer</b>     | <b>Utility Administrative Services</b> | <b>Nonmajor</b>  | <b>Total</b>     |                                                         |
| <b>Operating activities:</b>                                                                                 |                                                    |                  |                                        |                  |                  |                                                         |
| 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                                                     |
| <b>Net cash provided by (used by) operating activities</b>                                                   | <b>16,212</b>                                      | <b>28,819</b>    | <b>15,633</b>                          | <b>13,613</b>    | <b>74,277</b>    | <b>(41)</b>                                             |
| <b>Noncapital financial activities:</b>                                                                      |                                                    |                  |                                        |                  |                  |                                                         |
| Transfers in                                                                                                 | -                                                  | -                | -                                      | 1,624            | 1,624            | -                                                       |
| Transfers out                                                                                                | (75)                                               | (75)             | -                                      | (2,674)          | (2,824)          | -                                                       |
| <b>Net cash provided by (used by) noncapital financing activities</b>                                        | <b>(75)</b>                                        | <b>(75)</b>      | <b>-</b>                               | <b>(1,050)</b>   | <b>(1,200)</b>   | <b>-</b>                                                |
| <b>Capital and related financing activities:</b>                                                             |                                                    |                  |                                        |                  |                  |                                                         |
| 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)                                                    |
| <b>Net cash provided by (used by) capital and related financing activities</b>                               | <b>(34,528)</b>                                    | <b>(30,274)</b>  | <b>(1)</b>                             | <b>(8,691)</b>   | <b>(73,494)</b>  | <b>41</b>                                               |
| <b>Investing activities:</b>                                                                                 |                                                    |                  |                                        |                  |                  |                                                         |
| 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            | -                                                       |
| <b>Net cash provided by (used by) investing activities</b>                                                   | <b>791</b>                                         | <b>(2,113)</b>   | <b>(13,757)</b>                        | <b>(3,895)</b>   | <b>(18,974)</b>  | <b>-</b>                                                |
| 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>                                             |
| <b>Reconciliation of net operating income (loss) to net cash provided by (used by) operating activities:</b> |                                                    |                  |                                        |                  |                  |                                                         |
| 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)                                                    |
| <b>Net cash provided by (used by) operating activities</b>                                                   | <b>\$ 16,212</b>                                   | <b>\$ 28,819</b> | <b>\$ 15,633</b>                       | <b>\$ 13,613</b> | <b>\$ 74,277</b> | <b>\$ (41)</b>                                          |

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)

|                                | <u><b>Agency<br/>Funds</b></u> |
|--------------------------------|--------------------------------|
| <b>ASSETS</b>                  |                                |
| 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>            |
| <b>LIABILITIES</b>             |                                |
| 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 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 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<br>One Year<br>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<sup>Am</sup> 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<sup>+</sup> 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              |
|                                       | <hr/>             | <hr/>             |
| 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<br/>and Other</u> | <u>Special<br/>Assessments</u> | <u>Notes<br/>Receivable</u> |
|-----------------------------------------|------------------|-------------------------------|--------------------------------|-----------------------------|
| <b><i>Governmental Activities:</i></b>  |                  |                               |                                |                             |
| 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>               |
| <b><i>Business-Type Activities:</i></b> |                  |                               |                                |                             |
| 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<br/>Receivable</u> | <u>Gross<br/>Receivables</u> | <u>Less:<br/>Allowance for<br/>Uncollectibles</u> | <u>Receivables<br/>Net</u> |
|-----------------------------------------------------|--------------------------------|------------------------------|---------------------------------------------------|----------------------------|
| <b><i>Governmental Activities (continued):</i></b>  |                                |                              |                                                   |                            |
| 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>             |
| <b><i>Business-Type Activities (continued):</i></b> |                                |                              |                                                   |                            |
| 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)          | <u>3,039,205</u>           |
| Total Assessed Value                               | <u><u>\$ 3,200,375</u></u> |

*Special Assessment Services, Improvements and Bond Retirement*

The City provides special services primarily for snow removal, leaf pickup, street resurfacing and street lighting. These services are assessed in the real estate tax bills to the benefited property owners. The City pays the actual costs of these services, which are then levied as special assessments and collected two years after the service has been rendered.

Special assessment notes are issued for the interim financing of various improvements to be assessed from benefiting property owners. These improvements include streets, alleys, sanitary sewers, sidewalks, storm sewers and water lines. Upon completion of the approved projects, the notes are converted to long-term bonds, which are assessed over a 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<br>1/1/2014 | Additions        | Deletions          | Balance<br>12/31/2014 |
|--------------------------------------------------|---------------------|------------------|--------------------|-----------------------|
| <b><i>Governmental Activities:</i></b>           |                     |                  |                    |                       |
| <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<br>1/1/2014 | Additions        | Deletions         | Balance<br>12/31/2014 |
|-----------------------------------------------------|---------------------|------------------|-------------------|-----------------------|
| <b><i>Business-Type Activities:</i></b>             |                     |                  |                   |                       |
| <b><i>Capital Assets not being Depreciated:</i></b> |                     |                  |                   |                       |
| 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               |
| <br><b><i>Capital Assets being Depreciated:</i></b> |                     |                  |                   |                       |
| 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             |
| <br><b><i>Less: Accumulated Depreciation</i></b>    |                     |                  |                   |                       |
| 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<br>Date | Interest<br>Rate (%) | Original<br>Issue<br>Amount | Balance<br>1/1/2014 | Increase         | Decrease           | Balance<br>12/31/2014 | Amount<br>Due In<br>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<br>Date | Maturity<br>Date | Interest<br>Rate (%) | Original<br>Issue<br>Amount | Balance<br>1/1/2014 | Increase         | Decrease           | Balance<br>12/31/2014 | Amount<br>Due In<br>One Year |
|--------------------------------------|---------------|------------------|----------------------|-----------------------------|---------------------|------------------|--------------------|-----------------------|------------------------------|
| <b>Government Activities:</b>        |               |                  |                      |                             |                     |                  |                    |                       |                              |
| <b>General Obligation Bonds:</b>     |               |                  |                      |                             |                     |                  |                    |                       |                              |
| 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                           |
| <b>Loans Outstanding:</b>            |               |                  |                      |                             |                     |                  |                    |                       |                              |
| 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                          |
| <b>Capital Lease Obligations:</b>    |               |                  |                      |                             |                     |                  |                    |                       |                              |
| 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                          |
| <b>Other Obligations:</b>            |               |                  |                      |                             |                     |                  |                    |                       |                              |
| Landfill Closure                     |               |                  |                      |                             | 15,256              | 543              | -                  | 15,799                | -                            |
| Compensated Absences                 |               |                  |                      |                             | 30,921              | 972              | (201)              | 31,692                | 333                          |
| <b>Total Governmental Activities</b> |               |                  |                      |                             | <b>\$ 207,554</b>   | <b>\$ 27,319</b> | <b>\$ (25,955)</b> | <b>\$ 208,918</b>     | <b>\$ 20,874</b>             |

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:

| Business-Type Activities              | Issue Date | Maturity Date | Interest Rate (%) | Original Issue Amount | Balance 1/1/2014  | Increase         | Decrease           | Balance 12/31/2014 | Amount Due In One Year |
|---------------------------------------|------------|---------------|-------------------|-----------------------|-------------------|------------------|--------------------|--------------------|------------------------|
| <b>General Obligation Bonds:</b>      |            |               |                   |                       |                   |                  |                    |                    |                        |
| 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                  |
| <b>Revenue Obligation Bonds:</b>      |            |               |                   |                       |                   |                  |                    |                    |                        |
| 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                  |
| <b>Loans Outstanding:</b>             |            |               |                   |                       |                   |                  |                    |                    |                        |
| 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                    |
| <b>Capital Lease Obligations:</b>     |            |               |                   |                       |                   |                  |                    |                    |                        |
| Sewer Cleaners II                     | 2011       | 2015          | 4.99              | 1,361                 | 555               | -                | (272)              | 283                | 283                    |
| <b>Other Obligations:</b>             |            |               |                   |                       |                   |                  |                    |                    |                        |
| Compensated Absences                  |            |               |                   |                       | 6,090             | 538              | (1,819)            | 4,809              | 30                     |
| <b>Total Business-Type Activities</b> |            |               |                   |                       | <b>\$ 665,638</b> | <b>\$ 47,134</b> | <b>\$ (30,567)</b> | <b>\$ 682,205</b>  | <b>\$ 27,771</b>       |

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

**Ohio Water Development Authority**

Loans payable to the Ohio Water Development Authority (OWDA) are authorized by the Clean Water Act and authorized by the administration of the Environmental Protection Agency (EPA) to make grants to States to establish a state water pollution control revolving loan program. The amount of these loans outstanding at December 31, 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<br>Activities | Business-Type<br>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<br/>Other Funds</u> | <u>Due To<br/>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>                 |
| <br><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>                 |
| <br>Total                            | <u><u>\$ 126,095</u></u>        | <u><u>\$ 126,095</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 (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<br>Fund | Capital<br>Improvements | Special<br>Assessment<br>Services | Nonmajor<br>Governmental<br>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](http://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<br>(in Whole Dollars) | Deductible<br>(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<br>Beginning of Year | Current Year<br>Claims and Change<br>in Estimate | Claims<br>Payments | Balance at<br>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<br>Beginning of Year | Current Year<br>Claims and Change<br>in Estimate | Claims<br>Payments | Balance at<br>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                    |



**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.

**CITY OF TOLEDO, OHIO**

## Schedule of Expenditures of Federal Awards

Year Ended December 31, 2014

| <u>Federal Grantor/Program Title</u>                                                                 | <u>Grant<br/>Number</u> | <u>Federal<br/>CFDA<br/>Number</u> | <u>Expenditures</u> |
|------------------------------------------------------------------------------------------------------|-------------------------|------------------------------------|---------------------|
| <b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>                                                         |                         |                                    |                     |
| <i>(Passed through Ohio Department of Natural Resources):</i>                                        |                         |                                    |                     |
| Urban and Community Forestry Program                                                                 | G10394                  | 10.675                             | \$ 11,462           |
| Total U.S. Department of Agriculture                                                                 |                         |                                    | <u>11,462</u>       |
| <b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>                                       |                         |                                    |                     |
| CDBG Entitlement Grants:                                                                             |                         |                                    |                     |
| Community Development Block Grants/Entitlement Grants                                                |                         |                                    |                     |
| 36th Year CDBG Grant                                                                                 | G36000                  | 14.218                             | 24,201              |
| 37th Year CDBG Grant                                                                                 | G37000                  | 14.218                             | 189,779             |
| 38th Year CDBG Grant                                                                                 | G38000                  | 14.218                             | 184,180             |
| 39th Year CDBG Grant                                                                                 | G39000                  | 14.218                             | 3,875,410           |
| 40th Year CDBG Grant                                                                                 | G40000                  | 14.218                             | 3,369,988           |
| 2008 Neighborhood Stabilization                                                                      | GNSP08                  | 14.218                             | 66,310              |
| 2010 Neighborhood Stabilization                                                                      | GNSP10                  | 14.218                             | 266,268             |
| <i>(Passed through Lucas Metropolitan Housing Authority):</i>                                        |                         |                                    |                     |
| LMHA 2013                                                                                            | G05574                  | 14.218                             | 132,164             |
| Total CDBG Entitlement Grants                                                                        |                         |                                    | <u>8,108,300</u>    |
| Emergency Solutions Grants Program                                                                   |                         |                                    |                     |
| 25th Year Emergency Shelter                                                                          | GE2502                  | 14.231                             | 82,350              |
| 27th Year Emergency Shelter                                                                          | GE2702                  | 14.231                             | 408,246             |
| 28th Year Emergency Shelter                                                                          | GE2802                  | 14.231                             | 121,014             |
|                                                                                                      |                         |                                    | <u>611,610</u>      |
| HOME Investment Partnerships Program                                                                 | GH1302-GH2302           | 14.239                             | 2,562,123           |
| HOME Investment Partnerships Program                                                                 | Outstanding Loans       | 14.239                             | 2,384,862           |
|                                                                                                      |                         |                                    | <u>4,946,985</u>    |
| Economic Development Initiative-Special Project, Neighborhood Initiative<br>and Miscellaneous Grants | G10325                  | 14.251                             | 410,216             |
| ARRA - Neighborhood Stabilization Program                                                            | G9NSP2                  | 14.256                             | 2,553,184           |
| Lead-Based Paint Hazard Control in Privately-Owned Housing                                           | GL7006                  | 14.900                             | 433,831             |
| Total U.S. Department of Housing and Urban Development                                               |                         |                                    | <u>17,064,126</u>   |
| <b><u>U.S. DEPARTMENT OF THE INTERIOR</u></b>                                                        |                         |                                    |                     |
| <i>(Passed through Ohio Department of Natural Resources):</i>                                        |                         |                                    |                     |
| Great Lakes Restoration Program                                                                      | G10390                  | 15.662                             | 39,900              |
| Total U.S. Department of the Interior                                                                |                         |                                    | <u>39,900</u>       |
| <b><u>U.S. DEPARTMENT OF JUSTICE</u></b>                                                             |                         |                                    |                     |
| Bulletproof Vest Partnership Program                                                                 | G07441/G07442           | 16.607                             | 25,828              |
| ARRA - Public Safety Partnership and Community Policing Grants                                       | GS7110/GS7111           | 16.710                             | 1,224,025           |
| JAG Program Cluster:                                                                                 |                         |                                    |                     |
| Edward Byrne Memorial Justice Assistance Grant Program:                                              |                         |                                    |                     |
| 2013 Justice Assistance Grant                                                                        | G07723                  | 16.738                             | 146,011             |
| 2013 COVAW Grant                                                                                     | G13234                  | 16.738                             | 7,489               |
| Total JAG Program Cluster                                                                            |                         |                                    | <u>153,500</u>      |
| <i>(Passed through Ohio's Office of Criminal Justice):</i>                                           |                         |                                    |                     |
| ARRA - Violence Against Women Formula Grants                                                         | G07333/G07334           | 16.588                             | 21,735              |
| <i>(Passed through Ohio Department of Public Safety):</i>                                            |                         |                                    |                     |
| Community Capacity Development Office                                                                | G05613/G05614           | 16.595                             | 10,074              |
| Total U.S. Department of Justice                                                                     |                         |                                    | <u>1,435,162</u>    |

(Continued)

**CITY OF TOLEDO, OHIO**

## Schedule of Expenditures of Federal Awards

Year Ended December 31, 2014

| <u>Federal Grantor/Program Title</u>                                                       | <u>Grant<br/>Number</u> | <u>Federal<br/>CFDA<br/>Number</u> | <u>Expenditures</u> |
|--------------------------------------------------------------------------------------------|-------------------------|------------------------------------|---------------------|
| <b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>                                            |                         |                                    |                     |
| <i>(Passed through Ohio Department of Transportation):</i>                                 |                         |                                    |                     |
| Highway Planning and Construction:                                                         |                         |                                    |                     |
| REYNOLDS CORRIDOR IMPROVE, PH 3                                                            | 93026/GA6752            | 20.205                             | 188,172             |
| RESURFACE SUDER AVE FROM MANHATTAN TO OTTAWA RIVER                                         | 90696/GA6803            | 20.205                             | 994,180             |
| SR 184 (ALEXIS RD) FROM LEWIS TO TELEGRAPH                                                 | 93915/GA6813            | 20.205                             | 527,364             |
| SR 65 (MIAMI -OAK) OREGON TO WOODVILLE RD                                                  | 93957/GA6833            | 20.205                             | 546,952             |
| SAFETY IMPROVEMENTS NAVARRE & AIRPORT                                                      | 93957/GA6843            | 20.205                             | 129,033             |
| ODOT ROUNDABOUTS                                                                           | 97266/94267/GA6904      | 20.205                             | 1,773,638           |
| REYNOLDS ROAD BIOSWALE                                                                     | 90692/GA6742            | 20.205                             | 32,087              |
| DORR ST SAFETY PROJECT                                                                     | 90259/GA8541            | 20.205                             | 2,503,882           |
| COLLINGWOOD-MONROE TO CENTRAL                                                              | 90676/GA6802            | 20.205                             | 1,724,316           |
| Total Highway Planning and Construction                                                    |                         |                                    | <u>8,419,624</u>    |
| Community Highway Safety:                                                                  |                         |                                    |                     |
| <i>(Passed through Ohio Department of Highway Safety):</i>                                 |                         |                                    |                     |
| State and Community Highway Safety                                                         | G00114                  | 20.600                             | 7,504               |
| State and Community Highway Safety                                                         | G06753                  | 20.600                             | 57,044              |
| Total Community Highway Safety                                                             |                         |                                    | <u>64,548</u>       |
| <i>(Passed through Ohio Department of Public Safety):</i>                                  |                         |                                    |                     |
| National Priority Safety Programs                                                          | G00014                  | 20.616                             | 7,866               |
| Total U.S. Department of Transportation                                                    |                         |                                    | <u>8,492,038</u>    |
| <b><u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u></b>                                         |                         |                                    |                     |
| Great Lakes Program                                                                        | G10399                  | 66.469                             | 7,100               |
| Brownfields Training, Research, and Technical Assistance Grants and Cooperative Agreements | G10400                  | 66.814                             | 154,133             |
| <i>(Passed through Ohio Environmental Protection Agency):</i>                              |                         |                                    |                     |
| Capitalization Grants for Clean Water State Revolving Funds                                | XL0714                  | 66.458                             | 23,896              |
| Air Pollution Control Program Support:                                                     |                         |                                    |                     |
| 2012 Title V                                                                               | G2013V                  | 66.001                             | 61,510              |
| 2013 Title V                                                                               | G2014V                  | 66.001                             | 194,420             |
|                                                                                            |                         |                                    | <u>255,930</u>      |
| ARRA - Environmental Workforce Development and Job Training Cooperative Agreements         | G10410                  | 66.815                             | 112,895             |
| ARRA - Brownfields Assessment and Cleanup Cooperative Agreements                           |                         |                                    |                     |
| ARRA- 2004 Hazardous Substance RLF                                                         | G10222                  | 66.818                             | 226,869             |
| ARRA- 2012 Petroleum Assessment Grant                                                      | G10401                  | 66.818                             | 120,029             |
| ARRA- 2012 Hazardous Assessment Grant                                                      | G10402                  | 66.818                             | 111,669             |
|                                                                                            |                         |                                    | <u>458,567</u>      |
| Total U.S. Environmental Protection Agency                                                 |                         |                                    | <u>1,012,521</u>    |
| <b><u>EXECUTIVE OFFICE OF THE PRESIDENT</u></b>                                            |                         |                                    |                     |
| High Intensity Drug Trafficking Area (HIDTA) Grants - 2012                                 | G04862                  | 95.001                             | 86,060              |
| High Intensity Drug Trafficking Area (HIDTA) Grants - 2013                                 | G04863                  | 95.001                             | 39,421              |
| Total Executive Office of the President                                                    |                         |                                    | <u>125,481</u>      |
| <b><u>U.S. DEPARTMENT OF HOMELAND SECURITY</u></b>                                         |                         |                                    |                     |
| <i>(Passed through Ohio Department of Public Safety):</i>                                  |                         |                                    |                     |
| Emergency Management Performance Grants                                                    | G04541                  | 97.042                             | 2,372               |
| Emergency Management Performance Grants                                                    | G04547                  | 97.042                             | 10,586              |
| Emergency Management Performance Grants                                                    | G04548                  | 97.042                             | 3,169               |
| Emergency Management Performance Grants                                                    | G04549                  | 97.042                             | 6,479               |
| Emergency Management Performance Grants                                                    | G04551                  | 97.042                             | 10,105              |
| Emergency Management Performance Grants                                                    | G04552                  | 97.042                             | 146,708             |
|                                                                                            |                         |                                    | <u>179,419</u>      |

(Continued)

**CITY OF TOLEDO, OHIO**

## Schedule of Expenditures of Federal Awards

Year Ended December 31, 2014

| <u>Federal Grantor/Program Title</u>                              | <u>Grant<br/>Number</u> | <u>Federal<br/>CFDA<br/>Number</u> | <u>Expenditures</u>  |
|-------------------------------------------------------------------|-------------------------|------------------------------------|----------------------|
| <i>(Passed through Ohio Emergency Management Agency):</i>         |                         |                                    |                      |
| Pre-Disaster Mitigation                                           | UG3713                  | 97.047                             | 500,000              |
| <i>(Passed through Lucas County Emergency Management Agency):</i> |                         |                                    |                      |
| Homeland Security Grant Program                                   | G00500                  | 97.067                             | 161,825              |
| Homeland Security Grant Program                                   | G02013                  | 97.067                             | 64,981               |
| Homeland Security Grant Program                                   | G05000                  | 97.067                             | 80,780               |
| Homeland Security Grant Program                                   | G05001                  | 97.067                             | 171,377              |
|                                                                   |                         |                                    | <u>478,963</u>       |
| Total U.S. Department of Homeland Security                        |                         |                                    | <u>1,158,382</u>     |
| Total Federal Awards                                              |                         |                                    | <u>\$ 29,339,072</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<br/>Number</u> | <u>Amount</u>       |
|-------------------------------------------------------|------------------------|---------------------|
| U.S. Department of Housing & Urban Development:       |                        |                     |
| Community Development Block Grants/Entitlement Grants | 14.218                 | \$ 3,980,803        |
| Emergency Shelter Grants Program                      | 14.231                 | 534,174             |
| HOME Investment Partnerships Program                  | 14.239                 | <u>250,000</u>      |
|                                                       |                        | <u>\$ 4,764,977</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 Paula Hicks-Hudson, 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, 2014 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, 2015.

**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. 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.

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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*.

## **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, 2015

**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 Paula Hicks-Hudson, 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, 2014. 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.

***Opinion on Each Major Federal Program***

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 major federal programs for the year ended December 31, 2014.

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## **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.

*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. 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified

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, 2014, and have issued our report thereon dated June 30, 2015, 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, 2015

**CITY OF TOLEDO, OHIO**  
Schedule of Findings and Questioned Costs  
Year Ended December 31, 2014

**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? | None noted |
| Noncompliance material to the financial statements noted?                          | None noted |

**Federal Awards**

|                                                                                                  |            |
|--------------------------------------------------------------------------------------------------|------------|
| Internal control over major programs:                                                            |            |
| • Material weakness(es) identified?                                                              | None noted |
| • Significant deficiency(ies) identified not considered to be material weaknesses?               | None noted |
| Type of auditors' report issued on compliance for major programs:                                | Unmodified |
| Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133? | No         |
| Identification of major programs:                                                                |            |
| • CFDA 14.218 – CDBG Entitlement Grants                                                          |            |
| • CFDA 14.239 – HOME Investment Partnerships Program                                             |            |
| • CFDA 14.256 – ARRA - Neighborhood Stabilization Program                                        |            |
| Dollar threshold to distinguish between Type A and Type B Programs:                              | \$880,172  |
| Auditee qualified as low-risk auditee?                                                           | No         |

**Section II – Financial Statement Findings**

**None noted**

**Section III – Federal Award Findings and Questioned Costs**

**None noted**

**Financial Statement Prior Audit 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.

**Status:** *Corrected in 2014.*

**Federal Award Prior Audit Findings**

**Finding 2013-002 – Allowable Costs for CDBG (14.218) and HOME (CFDA 14.239)**

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

**Status:** *Corrected in 2014.*

**Finding 2013-003 – Reporting for Brownfields Assessment and Cleanup (CFDA 66.818)**

The 2011, 2012 and 2013 reports were not filed until after we made inquiries during the audit related to Brownfields RLF expenditures.

**Status:** *Corrected in 2014.*

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## **APPENDIX C**

### **Basic Financial Statements for Fiscal Year 2015 (unaudited)**

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# UNAUDITED

**City of Toledo, Ohio**  
Statement of Net Position  
December 31, 2015  
(Amounts in Thousands)

|                                                       | Governmental<br>Activities | Business-type<br>Activities | Total             |
|-------------------------------------------------------|----------------------------|-----------------------------|-------------------|
| <b>ASSETS</b>                                         |                            |                             |                   |
| Cash and cash equivalents with treasurer              | \$ 14,286                  | \$ 22,710                   | \$ 36,996         |
| Cash and cash equivalents held by escrow agent        | 12,675                     | 23,197                      | 35,872            |
| Cash and cash equivalents other                       | 12                         | 142                         | 154               |
| Investments                                           | 19,222                     | 57,481                      | 76,703            |
| Restricted investments                                | 28,704                     | 184,675                     | 213,379           |
| Receivables (net of allowances)                       | 116,787                    | 36,601                      | 153,388           |
| Due from other governments                            | 9,501                      | -                           | 9,501             |
| Internal balances                                     | (8,940)                    | 8,940                       | -                 |
| Prepaid expenses                                      | 17                         | 5                           | 22                |
| Inventory                                             | 7,982                      | 6,130                       | 14,112            |
| Prepaid bond insurance                                | -                          | 140                         | 140               |
| Capital assets:                                       |                            |                             |                   |
| Land and construction in progress                     | 117,331                    | 313,168                     | 430,499           |
| Other capital assets, net of accumulated depreciation | 420,888                    | 593,916                     | 1,014,804         |
| Total Assets                                          | <u>738,465</u>             | <u>1,247,105</u>            | <u>1,985,570</u>  |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                 |                            |                             |                   |
| Pensions                                              | 34,480                     | 4,668                       | 39,148            |
| Total Deferred Outflows of Resources                  | <u>34,480</u>              | <u>4,668</u>                | <u>39,148</u>     |
| <b>LIABILITIES</b>                                    |                            |                             |                   |
| Accounts payable                                      | 8,454                      | 6,485                       | 14,939            |
| Customer deposits                                     | 3,023                      | 3,417                       | 6,440             |
| Accrued wages and benefits                            | 14,193                     | 2,509                       | 16,702            |
| Accrued interest payable                              | 764                        | 5,912                       | 6,676             |
| Retainage                                             | 494                        | 4,926                       | 5,420             |
| Due to other governments                              | -                          | 201                         | 201               |
| Other current liabilities                             | 14,560                     | -                           | 14,560            |
| Current portion of long-term liabilities:             |                            |                             |                   |
| Compensated absences                                  | 372                        | 140                         | 512               |
| Bonds, notes, loans and other obligations             | 50,955                     | 33,195                      | 84,150            |
| Long-term liabilities:                                |                            |                             |                   |
| Compensated absences                                  | 29,051                     | 4,903                       | 33,954            |
| Bonds, notes, loans and other obligations             | 183,055                    | 666,502                     | 849,557           |
| Net pension liabilities                               | 254,821                    | 28,695                      | 283,516           |
| Total Liabilities                                     | <u>559,742</u>             | <u>756,885</u>              | <u>1,316,627</u>  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                  |                            |                             |                   |
| Revenues levied for the next year                     | 9,780                      | -                           | 9,780             |
| Pensions                                              | 738                        | 504                         | 1,242             |
| Total Deferred Inflows of Resources                   | <u>10,518</u>              | <u>504</u>                  | <u>11,022</u>     |
| <b>NET POSITION</b>                                   |                            |                             |                   |
| Net investment in capital assets                      | 349,748                    | 404,882                     | 754,630           |
| Restricted for:                                       |                            |                             |                   |
| Debt service                                          | 284                        | 10,358                      | 10,642            |
| Replacement                                           | -                          | 61,899                      | 61,899            |
| Capital improvement                                   | 28,975                     | 2,816                       | 31,791            |
| Community programs                                    | 13,697                     | -                           | 13,697            |
| Other purposes                                        | 6,619                      | -                           | 6,619             |
| Unrestricted (deficit)                                | (196,638)                  | 14,429                      | (182,209)         |
| Total Net Position                                    | <u>\$ 202,685</u>          | <u>\$ 494,384</u>           | <u>\$ 697,069</u> |

See accompanying notes to the basic financial statements.

# UNAUDITED

**City of Toledo, Ohio**  
Statement of Activities  
For the Year Ended December 31, 2015  
(Amounts in Thousands)

| Functions/Programs                    | Net (Expense) Revenue and Changes in Net Position |                      |                  |                  |                          |
|---------------------------------------|---------------------------------------------------|----------------------|------------------|------------------|--------------------------|
|                                       | Primary Government                                |                      |                  |                  |                          |
|                                       | Expenses                                          | Charges for Services | Operating Grants | Capital Grants   |                          |
|                                       |                                                   |                      |                  |                  | Governmental Activities  |
|                                       |                                                   |                      |                  |                  | Business-type Activities |
|                                       |                                                   |                      |                  |                  | Total                    |
| <b>Governmental activities:</b>       |                                                   |                      |                  |                  |                          |
| General government                    | \$ 23,241                                         | \$ 17,835            | \$ -             | \$ -             | \$ (5,406)               |
| Public safety                         | 68,533                                            | 27,852               | -                | 7,733            | (32,948)                 |
| Public works                          | 199,620                                           | 15,338               | 3,531            | 3,746            | (177,005)                |
| Public utilities                      | 3,880                                             | 14                   | 30               | 1,328            | (2,508)                  |
| Community environment                 | 23,550                                            | 2,440                | 3,758            | 6,339            | (11,013)                 |
| Health                                | 7,410                                             | 10,454               | 1,703            | -                | 4,747                    |
| Parks and recreation                  | 6,388                                             | 479                  | -                | 850              | (5,059)                  |
| Interest and fiscal charges           | 16,676                                            | -                    | -                | -                | (16,676)                 |
| <b>Total governmental activities</b>  | <b>349,298</b>                                    | <b>74,412</b>        | <b>9,022</b>     | <b>19,996</b>    | <b>(245,868)</b>         |
| <b>Business-type activities:</b>      |                                                   |                      |                  |                  |                          |
| Water                                 | 56,417                                            | 63,323               | -                | -                | 6,906                    |
| Sewer                                 | 58,407                                            | 70,863               | -                | 888              | 13,344                   |
| Storm utility                         | 6,673                                             | 9,921                | -                | 636              | 3,884                    |
| Utilities administration              | 11,204                                            | 16,222               | -                | -                | 5,018                    |
| Property management                   | 678                                               | -                    | -                | -                | (678)                    |
| Small business development            | 57                                                | -                    | -                | -                | (57)                     |
| Municipal tow lot                     | 1,055                                             | 1,854                | -                | -                | 799                      |
| Erie St. Market                       | 75                                                | 97                   | -                | -                | 22                       |
| Toledo Public Power                   | 662                                               | 688                  | -                | -                | 26                       |
| <b>Total business-type activities</b> | <b>135,228</b>                                    | <b>162,968</b>       | <b>-</b>         | <b>1,524</b>     | <b>29,264</b>            |
| <b>Total</b>                          | <b>\$ 484,526</b>                                 | <b>\$ 237,380</b>    | <b>\$ 9,022</b>  | <b>\$ 21,520</b> | <b>(216,604)</b>         |
| <b>General revenues:</b>              |                                                   |                      |                  |                  |                          |
| Income taxes                          |                                                   |                      |                  |                  | 171,053                  |
| Property taxes                        |                                                   |                      |                  |                  | 9,793                    |
| Investment earnings                   |                                                   |                      |                  |                  | 1,928                    |
| Intergovernmental services            |                                                   |                      |                  |                  | 24,536                   |
| Gain on sale of capital assets        |                                                   |                      |                  |                  | 48                       |
| Other revenue                         |                                                   |                      |                  |                  | 5,640                    |
| Transfers                             |                                                   |                      |                  |                  | (724)                    |
| Total general revenues and transfers  |                                                   |                      |                  |                  | 211,148                  |
| Change in net position                |                                                   |                      |                  |                  | 1,850                    |
| <b>Net position - beginning</b>       |                                                   |                      |                  |                  | 31,114                   |
| <b>Restatement, see Note 15</b>       |                                                   |                      |                  |                  | 487,816                  |
| <b>Net position - ending</b>          |                                                   |                      |                  |                  | (243,362)                |

See accompanying notes to the basic financial statements.

# UNAUDITED

## City of Toledo, Ohio

Balance Sheet

Governmental Funds

December 31, 2015

(Amounts in Thousands)

|                                                           | General          | Capital<br>Improvements | Special<br>Assessments<br>Services | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|-----------------------------------------------------------|------------------|-------------------------|------------------------------------|-----------------------------------|--------------------------------|
| <b>ASSETS</b>                                             |                  |                         |                                    |                                   |                                |
| Cash and Equivalents                                      |                  |                         |                                    |                                   |                                |
| Cash and Equivalents with Treasurer                       | \$ 14,286        | \$ -                    | \$ -                               | \$ -                              | \$ 14,286                      |
| Cash and Equivalents Held by Escrow Agent                 | -                | 4,521                   | -                                  | -                                 | 4,521                          |
| Cash and Equivalents Other                                | 10               | -                       | -                                  | 2                                 | 12                             |
| Investments                                               | 18,420           | 97                      | -                                  | 705                               | 19,222                         |
| Restricted Investments                                    | 4,771            | 23,918                  | -                                  | -                                 | 28,689                         |
| Receivables (Net of Allowance)                            | 40,209           | 1,625                   | 58,676                             | 15,673                            | 116,183                        |
| Due From Other:                                           |                  |                         |                                    |                                   |                                |
| Funds                                                     | -                | -                       | -                                  | 26,854                            | 26,854                         |
| Governments                                               | 1,971            | 2,190                   | 225                                | 5,115                             | 9,501                          |
| Prepaid Expenses                                          | 17               | -                       | -                                  | -                                 | 17                             |
| Inventory of Supplies                                     | 1,187            | 1,053                   | 4,074                              | 842                               | 7,156                          |
| Total Assets                                              | <u>\$ 80,871</u> | <u>\$ 33,404</u>        | <u>\$ 62,975</u>                   | <u>\$ 49,191</u>                  | <u>\$ 226,441</u>              |
| <b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>    |                  |                         |                                    |                                   |                                |
| <b>Liabilities:</b>                                       |                  |                         |                                    |                                   |                                |
| Accounts Payable                                          | \$ 4,429         | \$ 719                  | \$ 286                             | \$ 1,745                          | \$ 7,179                       |
| Deposits                                                  | 485              | 125                     | -                                  | 2,096                             | 2,706                          |
| Retainage                                                 | -                | 328                     | -                                  | 166                               | 494                            |
| Due To Other:                                             |                  |                         |                                    |                                   |                                |
| Funds                                                     | 24,246           | 3,580                   | 23,998                             | 5,688                             | 57,512                         |
| Accrued Wages and Benefits                                | 12,100           | 167                     | 618                                | 780                               | 13,665                         |
| Other Current Liabilities                                 | 3,000            | -                       | -                                  | -                                 | 3,000                          |
| Compensated Absences Payable                              | 284              | -                       | -                                  | 88                                | 372                            |
| Notes Payable                                             | -                | 5,165                   | 40,100                             | 1,275                             | 46,540                         |
| Total Liabilities                                         | <u>44,544</u>    | <u>10,084</u>           | <u>65,002</u>                      | <u>11,838</u>                     | <u>131,468</u>                 |
| <b>Deferred Inflows of Resources:</b>                     |                  |                         |                                    |                                   |                                |
| Revenues Levied for the next year and Unavailable Revenue | <u>26,149</u>    | <u>660</u>              | <u>58,566</u>                      | <u>4,341</u>                      | <u>89,716</u>                  |
| <b>Fund Balances:</b>                                     |                  |                         |                                    |                                   |                                |
| Nonspendable                                              | 1,204            | 1,053                   | 4,074                              | 1,726                             | 8,057                          |
| Restricted                                                | 4,771            | 21,607                  | -                                  | 23,213                            | 49,591                         |
| Committed                                                 | 1,948            | -                       | -                                  | 10,114                            | 12,062                         |
| Unassigned                                                | <u>2,255</u>     | <u>-</u>                | <u>(64,667)</u>                    | <u>(2,041)</u>                    | <u>(64,453)</u>                |
| Total Fund Balances                                       | <u>10,178</u>    | <u>22,660</u>           | <u>(60,593)</u>                    | <u>33,012</u>                     | <u>5,257</u>                   |
| Total Liabilities, Deferred Inflows and Fund Balances     | <u>\$ 80,871</u> | <u>\$ 33,404</u>        | <u>\$ 62,975</u>                   | <u>\$ 49,191</u>                  | <u>\$ 226,441</u>              |

See accompanying notes to the basic financial statements.

# UNAUDITED

**City of Toledo, Ohio**  
Reconciliation of the Balance Sheet to the Statement of Net Position  
Governmental Funds  
December 31, 2015  
(Amounts in Thousands)

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

|                                            |    |       |
|--------------------------------------------|----|-------|
| Total fund balances for governmental funds | \$ | 5,257 |
|--------------------------------------------|----|-------|

|                                                                                                                                                                           |  |         |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|---------|
| Capital assets used in governmental activities (excluding internal service funds' capital assets) are not financial resources and therefore are not reported in the funds |  | 515,044 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|---------|

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                   | 59,707 |        |
| Income taxes                          | 9,082  |        |
| Delinquent property taxes             | 2,693  |        |
| Capital grants                        | 2,011  |        |
| Operating grants                      | 2,640  |        |
| Other revenue                         | 2,258  |        |
| Reimbursements from other governments | 1,545  | 79,936 |

|                                                                                                                                                                                                                                                                                                                                                                                       |  |        |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--------|
| Internal service 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, liabilities, and deferred outflows/inflows of the internal service funds are included in governmental activities in the statement of net position. |  | 25,917 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--------|

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, 2015 are as follows:

|                                         |           |           |
|-----------------------------------------|-----------|-----------|
| General obligation bonds                | (129,112) |           |
| Compensated absences                    | (29,051)  |           |
| Loans outstanding from federal agencies | (16,154)  |           |
| Loans outstanding from state agencies   | (12,997)  |           |
| Accrued interest                        | (764)     |           |
| Landfill closure                        | (13,556)  |           |
| Capital leases                          | (5,350)   | (206,984) |

The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:

|                            |           |           |
|----------------------------|-----------|-----------|
| Deferred outflows-pensions | 33,608    |           |
| Deferred inflows-pensions  | (643)     |           |
| Net pension liability      | (249,450) | (216,485) |

|                                               |    |         |
|-----------------------------------------------|----|---------|
| Total net position of governmental activities | \$ | 202,685 |
|-----------------------------------------------|----|---------|

See accompanying notes to the basic financial statements.

# UNAUDITED

**City of Toledo, Ohio**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2015  
(Amounts in Thousands)

|                                                           | General    | Capital<br>Improvements | Special<br>Assessments<br>Services | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|-----------------------------------------------------------|------------|-------------------------|------------------------------------|-----------------------------------|--------------------------------|
| <b>REVENUES</b>                                           |            |                         |                                    |                                   |                                |
| Income Taxes                                              | \$ 169,045 | \$ -                    | \$ -                               | \$ -                              | \$ 169,045                     |
| Property Taxes                                            | 9,911      | -                       | -                                  | -                                 | 9,911                          |
| Special Assessments                                       | -          | -                       | 24,147                             | 227                               | 24,374                         |
| Licenses and Permits                                      | 2,455      | -                       | -                                  | 4                                 | 2,459                          |
| Intergovernmental Services                                | 18,100     | 5,364                   | -                                  | 12,489                            | 35,953                         |
| Charges for Services                                      | 26,456     | 813                     | 392                                | 854                               | 28,515                         |
| Investment Earnings                                       | 167        | 675                     | 3                                  | 5                                 | 850                            |
| Fines and Forfeitures                                     | 5,457      | -                       | -                                  | 1,575                             | 7,032                          |
| Grants                                                    | -          | 13,657                  | -                                  | 18,013                            | 31,670                         |
| Other Revenue                                             | 611        | 238                     | 21                                 | 4,615                             | 5,485                          |
| Total Revenues                                            | 232,202    | 20,747                  | 24,563                             | 37,782                            | 315,294                        |
| <b>EXPENDITURES</b>                                       |            |                         |                                    |                                   |                                |
| Current:                                                  |            |                         |                                    |                                   |                                |
| General Government                                        | 24,687     | 225                     | 788                                | 225                               | 25,925                         |
| Public Service                                            | 1,839      | -                       | 25,585                             | 16,442                            | 43,866                         |
| Public Safety                                             | 166,292    | -                       | -                                  | 4,673                             | 170,965                        |
| Community Environment                                     | 4,824      | -                       | -                                  | 16,246                            | 21,070                         |
| Health                                                    | 4,137      | -                       | 582                                | 3,028                             | 7,747                          |
| Parks and Recreation                                      | 2,486      | -                       | 322                                | 37                                | 2,845                          |
| Capital Outlay                                            | -          | 38,760                  | 186                                | 1,289                             | 40,235                         |
| Debt Service:                                             |            |                         |                                    |                                   |                                |
| Principal Retirement                                      | 570        | 8,161                   | -                                  | 12,345                            | 21,076                         |
| Interest and Fiscal Charges                               | 156        | 2,473                   | 903                                | 4,827                             | 8,359                          |
| Total Expenditures                                        | 204,991    | 49,619                  | 28,366                             | 59,112                            | 342,088                        |
| Excess (Deficiency) of Revenues over (under) Expenditures | 27,211     | (28,872)                | (3,803)                            | (21,330)                          | (26,794)                       |
| <b>OTHER FINANCING SOURCES (USES)</b>                     |            |                         |                                    |                                   |                                |
| Transfers In                                              | 10,546     | 38,322                  | -                                  | 18,254                            | 67,122                         |
| Transfers (Out)                                           | (36,967)   | (29,053)                | -                                  | (1,826)                           | (67,846)                       |
| Inception of Capital Lease                                | -          | 4,540                   | -                                  | -                                 | 4,540                          |
| Issuance of Bonds and Loans                               | -          | 26,044                  | -                                  | -                                 | 26,044                         |
| Premiums on Bonds                                         | -          | 2,784                   | -                                  | -                                 | 2,784                          |
| Payment to Escrow Agent                                   | -          | (10,181)                | -                                  | -                                 | (10,181)                       |
| Proceeds from Sale of Capital Assets                      | -          | -                       | -                                  | 1                                 | 1                              |
| Total Other Financing Sources (Uses)                      | (26,421)   | 32,456                  | -                                  | 16,429                            | 22,464                         |
| Net Change in Fund Balance                                | 790        | 3,584                   | (3,803)                            | (4,901)                           | (4,330)                        |
| Fund Balance (Deficit) at Beginning of Year               | 9,795      | 19,140                  | (56,908)                           | 38,144                            | 10,171                         |
| Increase (Decrease) for Inventory                         | (407)      | (64)                    | 118                                | (231)                             | (584)                          |
| Fund Balance (Deficit) at End of Year                     | \$ 10,178  | \$ 22,660               | \$ (60,593)                        | \$ 33,012                         | \$ 5,257                       |

See accompanying notes to the basic financial statements.

# UNAUDITED

**City of Toledo, Ohio**  
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
to the Statement Activities  
Governmental Funds  
For the Year Ended December 31, 2015  
(Amounts in Thousands)

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

|                                                    |    |         |
|----------------------------------------------------|----|---------|
| Net change in fund balances for governmental funds | \$ | (4,330) |
|----------------------------------------------------|----|---------|

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 asset additions | 13,938          |          |
| Depreciation expense    | <u>(39,508)</u> | (25,570) |

|                                                                                                                                             |  |         |
|---------------------------------------------------------------------------------------------------------------------------------------------|--|---------|
| In the statement of activities, loss on disposal of capital assets is reported, whereas only proceeds from sales are reported in the funds. |  | (2,859) |
|---------------------------------------------------------------------------------------------------------------------------------------------|--|---------|

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                   | 3,344          |       |
| Income taxes                          | 2,008          |       |
| Delinquent property taxes             | (118)          |       |
| Capital grants                        | (1,987)        |       |
| Operating grants                      | (665)          |       |
| Other revenue                         | 246            |       |
| Reimbursements from other governments | <u>(2,975)</u> | (147) |

|                                                                                                                                                                                                                                                |  |       |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-------|
| 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. |  | 2,308 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-------|

|                                                                                                                                                                                                                                            |  |       |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-------|
| 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. |  | 2,243 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-------|

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |  |         |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|---------|
| 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 proceeds exceeds principal from issuance not reported as notes payable in the governmental funds. |  | (2,186) |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|---------|

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

|                            |              |       |
|----------------------------|--------------|-------|
| Change in accrued interest | 36           |       |
| Change in inventory        | <u>(584)</u> | (548) |

|                                                                                                                                                                                                          |  |         |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|---------|
| Internal service funds are used by management to charge costs to individual funds. The net revenue/ (expenses) of certain activities of internal service funds is reported with governmental activities. |  | (1,368) |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|---------|

|                                                                                                                                                                             |  |        |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--------|
| Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. |  | 22,481 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--------|

|                                                                                                                                                                |  |                 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-----------------|
| Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. |  | <u>(24,744)</u> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-----------------|

|                                                    |    |                 |
|----------------------------------------------------|----|-----------------|
| Changes in net position of governmental activities | \$ | <u>(34,720)</u> |
|----------------------------------------------------|----|-----------------|

See accompanying notes to the basic financial statements.

# UNAUDITED

**City of Toledo, Ohio**  
Statement of Net Position  
Proprietary Funds  
December 31, 2015  
(Amounts in Thousands)

|                                                       | Business-Type Activities |            |                                 |                           |                        | Governmental Activities |
|-------------------------------------------------------|--------------------------|------------|---------------------------------|---------------------------|------------------------|-------------------------|
|                                                       | Water                    | Sewer      | Utility Administrative Services | Nonmajor Enterprise Funds | Total Enterprise Funds | Internal Services Funds |
| <b>ASSETS</b>                                         |                          |            |                                 |                           |                        |                         |
| <u>Current:</u>                                       |                          |            |                                 |                           |                        |                         |
| Cash and Equivalents with Treasury                    | \$ 1,038                 | \$ 13,027  | \$ 8,466                        | \$ 179                    | \$ 22,710              | \$ -                    |
| Cash and Equivalents Held by Escrow                   | 20,758                   | 2,436      | -                               | 3                         | 23,197                 | 8,154                   |
| Cash and Equivalents Other                            | 2                        | -          | 139                             | 1                         | 142                    | -                       |
| Investments                                           | 19,715                   | 11,301     | 13,436                          | 13,029                    | 57,481                 | -                       |
| Restricted Investments                                | 178,216                  | 1,113      | -                               | 5,346                     | 184,675                | 15                      |
| Receivables (Net of Allowance)                        | 13,131                   | 15,206     | 199                             | 8,065                     | 36,601                 | 604                     |
| Due From Other:                                       |                          |            |                                 |                           |                        |                         |
| Funds                                                 | -                        | 33,572     | -                               | 5,540                     | 39,112                 | 25,820                  |
| Prepaid Expenses                                      | -                        | 5          | -                               | -                         | 5                      | -                       |
| Inventory of Supplies                                 | 5,058                    | 1,064      | 8                               | -                         | 6,130                  | 826                     |
| Total current assets                                  | 237,918                  | 77,724     | 22,248                          | 32,163                    | 370,053                | 35,419                  |
| <u>Noncurrent:</u>                                    |                          |            |                                 |                           |                        |                         |
| Prepaid Bond Insurance                                | 121                      | 19         | -                               | -                         | 140                    | -                       |
| Land and Construction in Progress                     | 96,068                   | 206,323    | -                               | 10,777                    | 313,168                | 1,223                   |
| Other Capital Assets, net of Accumulated Depreciation | 171,706                  | 388,682    | 140                             | 33,388                    | 593,916                | 21,952                  |
| Total noncurrent assets                               | 267,895                  | 595,024    | 140                             | 44,165                    | 907,224                | 23,175                  |
| Total Assets                                          | 505,813                  | 672,748    | 22,388                          | 76,328                    | 1,277,277              | 58,594                  |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                 |                          |            |                                 |                           |                        |                         |
| Pensions                                              | 1,598                    | 1,851      | 781                             | 438                       | 4,668                  | 872                     |
| Total Deferred Outflows of Resources                  | 1,598                    | 1,851      | 781                             | 438                       | 4,668                  | 872                     |
| <b>LIABILITIES</b>                                    |                          |            |                                 |                           |                        |                         |
| <u>Current:</u>                                       |                          |            |                                 |                           |                        |                         |
| Accounts Payable                                      | 3,625                    | 2,343      | 166                             | 351                       | 6,485                  | 1,275                   |
| Customer Deposits                                     | 2,439                    | 557        | 1                               | 420                       | 3,417                  | 317                     |
| Retainage                                             | 799                      | 3,942      | -                               | 185                       | 4,926                  | -                       |
| Due To Other:                                         |                          |            |                                 |                           |                        |                         |
| Funds                                                 | 6,419                    | -          | 18,446                          | 5,307                     | 30,172                 | 4,102                   |
| Governments                                           | 25                       | 160        | -                               | 16                        | 201                    | -                       |
| Other Current Liabilities                             | -                        | -          | -                               | -                         | -                      | 11,560                  |
| Accrued Interest Payable                              | 1,721                    | 4,133      | -                               | 58                        | 5,912                  | -                       |
| Accrued Wages and Benefits                            | 813                      | 1,036      | 458                             | 202                       | 2,509                  | 528                     |
| Current Portion of:                                   |                          |            |                                 |                           |                        |                         |
| Compensated Absences Payable                          | -                        | 135        | 5                               | -                         | 140                    | -                       |
| Bonds, Loans and Notes Payable, net                   | 9,782                    | 21,948     | -                               | 1,465                     | 33,195                 | 4,547                   |
| Total current liabilities                             | 25,623                   | 34,254     | 19,076                          | 8,004                     | 86,957                 | 22,329                  |
| <u>Noncurrent:</u>                                    |                          |            |                                 |                           |                        |                         |
| Compensated Absences Payable                          | 1,433                    | 2,033      | 1,041                           | 396                       | 4,903                  | -                       |
| Bonds, Loans and Notes Payable, net                   | 306,992                  | 342,215    | -                               | 17,295                    | 666,502                | 5,754                   |
| Net Pension Liabilities                               | 9,824                    | 11,379     | 4,806                           | 2,686                     | 28,695                 | 5,371                   |
| Total noncurrent liabilities                          | 318,249                  | 355,627    | 5,847                           | 20,377                    | 700,100                | 11,125                  |
| Total Liabilities                                     | 343,872                  | 389,881    | 24,923                          | 28,381                    | 787,057                | 33,454                  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                  |                          |            |                                 |                           |                        |                         |
| Pensions                                              | 173                      | 200        | 84                              | 47                        | 504                    | 95                      |
| <b>NET POSITION</b>                                   |                          |            |                                 |                           |                        |                         |
| Net Investment in Capital Assets                      | 129,216                  | 234,391    | 140                             | 41,135                    | 404,882                | 19,925                  |
| Restricted:                                           |                          |            |                                 |                           |                        |                         |
| Debt Service                                          | 3,836                    | 6,500      | -                               | 22                        | 10,358                 | -                       |
| Replacement                                           | 34,288                   | 22,013     | -                               | 5,598                     | 61,899                 | -                       |
| Improvement                                           | 1,153                    | 135        | -                               | 1,528                     | 2,816                  | -                       |
| Unrestricted (deficit)                                | (5,127)                  | 21,479     | (1,978)                         | 55                        | 14,429                 | 5,992                   |
| Total Net Position                                    | \$ 163,366               | \$ 284,518 | \$ (1,838)                      | \$ 48,338                 | \$ 494,384             | \$ 25,917               |

See accompanying notes to the basic financial statements.

# UNAUDITED

**City of Toledo, Ohio**  
Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Funds  
For the Year Ended December 31, 2015  
(Amounts in Thousands)

|                                                  | <b>Business-Type Activities</b> |                   |                                                |                                          |                                       | <b>Governmental Activities</b>         |
|--------------------------------------------------|---------------------------------|-------------------|------------------------------------------------|------------------------------------------|---------------------------------------|----------------------------------------|
|                                                  | <b>Water</b>                    | <b>Sewer</b>      | <b>Utility<br/>Administrative<br/>Services</b> | <b>Nonmajor<br/>Enterprise<br/>Funds</b> | <b>Total<br/>Enterprise<br/>Funds</b> | <b>Internal<br/>Services<br/>Funds</b> |
| <b>OPERATING REVENUES</b>                        |                                 |                   |                                                |                                          |                                       |                                        |
| Charges for Services                             | \$ 63,323                       | \$ 70,640         | \$ 16,222                                      | \$ 12,126                                | \$ 162,311                            | \$ 35,211                              |
| Other Revenue                                    | -                               | 223               | -                                              | 434                                      | 657                                   | 154                                    |
| Total Operating Revenue                          | <u>63,323</u>                   | <u>70,863</u>     | <u>16,222</u>                                  | <u>12,560</u>                            | <u>162,968</u>                        | <u>35,365</u>                          |
| <b>OPERATING EXPENSES</b>                        |                                 |                   |                                                |                                          |                                       |                                        |
| Personnel Services                               | 14,448                          | 17,140            | 7,230                                          | 3,301                                    | 42,119                                | 7,754                                  |
| Contractual Services                             | 13,263                          | 8,334             | 3,408                                          | 2,907                                    | 27,912                                | 10,674                                 |
| Materials and Supplies                           | 8,461                           | 2,431             | 503                                            | 411                                      | 11,806                                | 5,915                                  |
| Utilities                                        | 2,992                           | 3,551             | 46                                             | 654                                      | 7,243                                 | 2,090                                  |
| Depreciation                                     | 5,322                           | 15,525            | 17                                             | 1,178                                    | 22,042                                | 2,022                                  |
| Total Operating Expenses                         | <u>44,486</u>                   | <u>46,981</u>     | <u>11,204</u>                                  | <u>8,451</u>                             | <u>111,122</u>                        | <u>28,455</u>                          |
| Operating Income (Loss)                          | <u>18,837</u>                   | <u>23,882</u>     | <u>5,018</u>                                   | <u>4,109</u>                             | <u>51,846</u>                         | <u>6,910</u>                           |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>         |                                 |                   |                                                |                                          |                                       |                                        |
| Investment Earnings                              | 698                             | 61                | 252                                            | 67                                       | 1,078                                 | -                                      |
| Interest Expense and Fiscal Charges              | (11,931)                        | (11,426)          | -                                              | (749)                                    | (24,106)                              | (8,278)                                |
| Gain (Loss) on Sale of Capital Assets            | -                               | -                 | -                                              | 48                                       | 48                                    | -                                      |
| Total Non-operating Revenues (Expenses)          | <u>(11,233)</u>                 | <u>(11,365)</u>   | <u>252</u>                                     | <u>(634)</u>                             | <u>(22,980)</u>                       | <u>(8,278)</u>                         |
| Income (Loss) Before Transfers and Contributions | <u>7,604</u>                    | <u>12,517</u>     | <u>5,270</u>                                   | <u>3,475</u>                             | <u>28,866</u>                         | <u>(1,368)</u>                         |
| Capital Contributions                            | -                               | 888               | -                                              | 636                                      | 1,524                                 | -                                      |
| Transfers in                                     | 2,004                           | 2,249             | -                                              | 2,112                                    | 6,365                                 | -                                      |
| Transfers Out                                    | <u>(75)</u>                     | <u>(75)</u>       | <u>(4,566)</u>                                 | <u>(925)</u>                             | <u>(5,641)</u>                        | <u>-</u>                               |
| Change in Net Position                           | 9,533                           | 15,579            | 704                                            | 5,298                                    | 31,114                                | (1,368)                                |
| Net Position at January 1                        | 162,237                         | 278,673           | 1,569                                          | 45,337                                   | 487,816                               | 31,879                                 |
| Restatement, see Note 15                         | <u>(8,404)</u>                  | <u>(9,734)</u>    | <u>(4,111)</u>                                 | <u>(2,297)</u>                           | <u>(24,546)</u>                       | <u>(4,594)</u>                         |
| Net Position at December 31                      | <u>\$ 163,366</u>               | <u>\$ 284,518</u> | <u>\$ (1,838)</u>                              | <u>\$ 48,338</u>                         | <u>\$ 494,384</u>                     | <u>\$ 25,917</u>                       |

See accompanying notes to the basic financial statements.

# UNAUDITED

**City of Toledo, Ohio**  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2015  
(Amounts in Thousands)

|                                                                                             | Business-Type Activities |           |                                 |                           |                        | Governmental Activities |
|---------------------------------------------------------------------------------------------|--------------------------|-----------|---------------------------------|---------------------------|------------------------|-------------------------|
|                                                                                             | Water                    | Sewer     | Utility Administrative Services | Nonmajor Enterprise Funds | Total Enterprise Funds | Internal Services Funds |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                 |                          |           |                                 |                           |                        |                         |
| Cash received from customers                                                                | \$ 61,061                | \$ 72,234 | \$ 16,223                       | \$ 12,601                 | \$ 162,119             | \$ 40,251               |
| Cash paid to employees                                                                      | (14,367)                 | (16,988)  | (7,183)                         | (3,240)                   | (41,778)               | (7,713)                 |
| Cash paid to supplies                                                                       | (14,228)                 | (3,491)   | (60,406)                        | (3,147)                   | (81,272)               | (18,432)                |
| Other receipts                                                                              | -                        | 223       | -                               | 434                       | 657                    | 154                     |
| Net Cash Flows From Operating Activities                                                    | 32,466                   | 51,978    | (51,366)                        | 6,648                     | 39,726                 | 14,260                  |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                                      |                          |           |                                 |                           |                        |                         |
| Transfers in                                                                                | 2,004                    | 2,249     | -                               | 2,112                     | 6,365                  | -                       |
| Transfers out                                                                               | (75)                     | (75)      | (4,566)                         | (925)                     | (5,641)                | -                       |
| Net Cash Flows From Noncapital Financing Activities                                         | 1,929                    | 2,174     | (4,566)                         | 1,187                     | 724                    | -                       |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                             |                          |           |                                 |                           |                        |                         |
| Proceeds from the sale of assets                                                            | -                        | -         | -                               | 363                       | 363                    | -                       |
| Purchases of property, plant and equipment                                                  | (31,702)                 | (43,241)  | -                               | (3,221)                   | (78,164)               | (3,629)                 |
| Principal payments                                                                          | (23,143)                 | (18,053)  | -                               | (2,876)                   | (44,072)               | (5,603)                 |
| Proceeds from the issuance of bonds, loans and notes                                        | 23,185                   | 41,259    | -                               | 1,929                     | 66,373                 | 11,404                  |
| Interest and fiscal charges paid on bonds, loans and notes                                  | (12,063)                 | (11,365)  | -                               | (752)                     | (24,180)               | (8,278)                 |
| Net Cash Flows From Capital and Related Financing Activities                                | (43,723)                 | (31,400)  | -                               | (4,557)                   | (79,680)               | (6,106)                 |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                                 |                          |           |                                 |                           |                        |                         |
| Proceeds from sales and maturities of investments                                           | 308,130                  | 17,143    | 100,323                         | 55,338                    | 480,934                | -                       |
| Purchase of investment                                                                      | (278,736)                | (24,664)  | (47,241)                        | (58,494)                  | (409,135)              | -                       |
| Investment income received on investments                                                   | 536                      | 45        | 370                             | 51                        | 1,002                  | -                       |
| Net Cash Flows From Investing Activities                                                    | 29,930                   | (7,476)   | 53,452                          | (3,105)                   | 72,801                 | -                       |
| Change in cash and cash equivalents                                                         | 20,602                   | 15,276    | (2,480)                         | 173                       | 33,571                 | 8,154                   |
| Cash and cash equivalents at January 1                                                      | 1,196                    | 187       | 11,085                          | 10                        | 12,478                 | -                       |
| Cash and cash equivalents at December 31                                                    | 21,798                   | 15,463    | 8,605                           | 183                       | 46,049                 | 8,154                   |
| <b>Reconciliation of net operating income (loss) to net cash from operating activities:</b> |                          |           |                                 |                           |                        |                         |
| Operating income (loss)                                                                     | \$ 18,837                | \$ 23,882 | \$ 5,018                        | \$ 4,109                  | \$ 51,846              | \$ 6,910                |
| Adjustments to reconcile operating income (loss) to net cash from operating activities:     |                          |           |                                 |                           |                        |                         |
| Depreciation                                                                                | 5,322                    | 15,525    | 17                              | 1,178                     | 22,042                 | 2,022                   |
| Change in assets, liabilities, deferred outflows and deferred inflows:                      |                          |           |                                 |                           |                        |                         |
| Receivables                                                                                 | (2,262)                  | 1,594     | 1                               | 475                       | (192)                  | 354                     |
| Due to (from) other:                                                                        |                          |           |                                 |                           |                        |                         |
| Funds                                                                                       | 13,374                   | 11,784    | (56,515)                        | 748                       | (30,609)               | 11,557                  |
| Prepaid expenses                                                                            | -                        | (5)       | -                               | -                         | (5)                    | -                       |
| Inventory of supplies                                                                       | (289)                    | (191)     | 18                              | -                         | (462)                  | (23)                    |
| Accounts payable and other liabilities                                                      | (2,352)                  | (762)     | 48                              | 78                        | (2,988)                | (6,601)                 |
| Customer deposits                                                                           | (245)                    | (1)       | -                               | (1)                       | (247)                  | -                       |
| Accrued wages and benefits                                                                  | 66                       | 32        | 14                              | 10                        | 122                    | 41                      |
| Compensated absences                                                                        | 20                       | 126       | 35                              | 53                        | 234                    | -                       |
| Deferred outflows - pensions                                                                | (400)                    | (463)     | (195)                           | (110)                     | (1,168)                | (217)                   |
| Net pension liability                                                                       | 222                      | 257       | 109                             | 61                        | 649                    | 122                     |
| Deferred inflows - pensions                                                                 | 173                      | 200       | 84                              | 47                        | 504                    | 95                      |
| Net cash from operating activities                                                          | \$ 32,466                | \$ 51,978 | \$ (51,366)                     | \$ 6,648                  | \$ 39,726              | \$ 14,260               |

See accompanying notes to the basic financial statements.

# UNAUDITED

**City of Toledo, Ohio**  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
December 31, 2015  
(Amounts in Thousands)

|                                 | Agency<br>Funds        |
|---------------------------------|------------------------|
| <b>ASSETS</b>                   |                        |
| Cash and cash equivalents other | \$ 1,114               |
| Receivables (net of allowances) | <u>2,779</u>           |
| Total Assets                    | <u><u>3,893</u></u>    |
| <b>LIABILITIES</b>              |                        |
| Accounts payable                | 100                    |
| Deposits                        | <u>3,793</u>           |
| Total Liabilities               | <u><u>\$ 3,893</u></u> |

See accompanying notes to the basic financial statements.

UNAUDITED

**NOTES TO THE  
FINANCIAL STATEMENTS**

UNAUDITED

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2015**  
**(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 one component units.

### **Component Unit**

#### *Toledo Improvement Corporation*

The Toledo Improvement Corporation is the City of Toledo's designated agency and instrumentality for industrial, commercial, distribution and research development. The Board is made up of nine members, all of which are appointed by the City. The TIC is considered a blended component unit of the City, but there is no financial activity for the 2015 fiscal year, and therefore no activity is reflected in this report.

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2015**  
**(Amounts in Thousands)**

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **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 \$121 in revenues from the JEDZ in 2015.

#### *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 \$1,293 in revenues from the JEDZ in 2015.

#### *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 did not received revenues from this agreement in 2015.

#### *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 \$38 in revenues from the JEDD in 2015.

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2015**  
**(Amounts in Thousands)**

## **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 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 2015.

#### *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 \$73 in revenues from the JEDD in 2015.

#### *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 \$5,397 for the operation of the Commission in 2015. Financial information can be obtained from the Commission's administrative office located at 3151 County Road 2425, Stryker, OH 43557-9418.

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2015**  
**(Amounts in Thousands)**

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **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. Interfund services provided and used are not eliminated in the process of consolidation. 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.

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2015**  
**(Amounts in Thousands)**

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Fund Accounting**

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The City's funds are classified as Governmental, Proprietary and Fiduciary.

#### *Governmental Funds:*

Governmental Funds are those through which most governmental functions typically are financed. Governmental reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various Governmental Funds according to the purposes for which they may or must be used. Current Liabilities are assigned to the fund from which they will be paid. The difference between Governmental Fund Assets, 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 using Lake Erie as the water supply. The Department also provides water services to several areas outside of the City. Revenue is generated by charges set at a level sufficient to cover outstanding debt requirements while providing funds for the operation and maintenance of the water operating and distribution system.

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2015**  
**(Amounts in Thousands)**

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Fund Accounting (continued)**

#### *Proprietary Funds (continued):*

*Sewer:* To account for the operations of the sanitary sewage collection and treatment systems operated of the City. Revenue is generated by charges that are set a level sufficient to provide funds for the costs of operating, maintaining and providing necessary replacements and improvements and for the debt service requirements on outstanding debt.

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

*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. The City's internal service funds account for municipal garage operations, capital replacement, storeroom and printshop services, information technology services, risk management, facility operations and workers' compensation.

#### *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 the City is a collection agent for various licenses, fees and taxes for the State of Ohio.

**UNAUDITED**  
**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2015**  
**(Amounts in Thousands)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

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.

*Fund Financial Statements:*

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.

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2015**  
**(Amounts in Thousands)**

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Basis of Accounting**

Basis of Accounting determines when transactions are recorded in the financial records and reported on the Financial Statements. The Government-Wide as well as the Fiduciary Funds and Proprietary Fund Financial Statements are prepared using the accrual basis of accounting. The Governmental Funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflow of resources and in the presentation of expenses versus expenditures.

#### *Revenues – Exchange and Non-Exchange Transactions*

Revenue resulting from Exchange Transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Under the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities for the current fiscal year. For the City, available means expected to be received within sixty days after year-end.

Non-exchange Transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Under the accrual basis, revenue from income taxes is recognized in the period in which the income is earned (see Note 4). Revenue from property taxes is recognized in the year in which the taxes are levied (see Note 5).

Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: income tax, state-levied local shared taxes (including gasoline tax), fines and forfeitures, licenses and permits, interest, grants and rentals.

#### *Deferred Outflows 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. For the City, deferred outflows of resources are reported on the government-wide and the proprietary fund statements of net position. The deferred outflows of resources related to pensions are explained in Note 12.

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2015**  
**(Amounts in Thousands)**

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Basis of Accounting (continued)**

#### *Deferred Inflows of Resources*

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. For the City, deferred inflows of resources include property taxes, pension and unavailable revenue. Property taxes for which there is an enforceable legal claim as of December 31, 2015, but which were levied to finance year 2016 operations have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund financial statements balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, income taxes, special assessments and other receivables not received within the available period. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide and proprietary fund statements of net position, see Note 12.

#### *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."

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2015**  
**(Amounts in Thousands)**

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Cash and Cash Equivalents (continued)**

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.

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, 2015.

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.

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2015**  
**(Amounts in Thousands)**

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Capital Assets (continued)**

All Capital Assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated Capital Assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five hundred dollars. The City's infrastructure consists of bridges, curbs and gutters, lighting, sidewalks, roads, drainage systems and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not. Interest incurred during the construction of capital assets are capitalized in the proprietary funds.

All reported Capital Assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related Capital Assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following estimated useful lives:

|                                   |             |
|-----------------------------------|-------------|
| Buildings                         | 35-50 years |
| Improvements other than buildings | 10-20 years |
| Machinery and Equipment           | 5-25 years  |
| Furniture and fixtures            | 8-20 years  |
| Infrastructure                    | 20-50 years |
| Distribution systems              | 100 years   |

### **Interfund Balances**

On Fund Financial Statements, outstanding Interfund loans and unpaid amounts for Interfund services are reported as "due to/from". Interfund balance amounts are eliminated in the Statement of Net Position.

### **Compensated Absences**

The City follows the provisions of Governmental Accounting Standards board No. 16, *Accounting for Compensated Absences*. Vacation and compensatory time benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the city will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation and compensatory time when earned for all employees with more than one year of service.

Sick leave benefits are accrued using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the City's past experience of making termination payments.

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2015**  
**(Amounts in Thousands)**

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Compensated Absences (continued)**

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the Balance Sheet date, and reduced to the maximum payments allowed by labor contract and/or statute, plus applicable additional salary related payments. City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation and sick leave at various rates.

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

On Governmental Fund Financial Statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due during each period upon the occurrence of employee resignations and retirements. For Proprietary Funds, the entire amount of compensated absences is reported as a fund liability.

### **Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

### **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, prepaid 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 an asset.

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2015**  
**(Amounts in Thousands)**

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Debt Insurance Costs, Premiums, Discounts and Deferred Amount on Refunding (continued)**

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.

### **Interfund Transactions**

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

Exchange transactions between funds are reported as revenues in seller funds, and expenditures/expenses in purchaser funds. Flows of cash or goods from one fund to another without a repayment requirement 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*.

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2015**  
**(Amounts in Thousands)**

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Fund Balance Classifications (continued)**

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.

### **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.

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2015**  
**(Amounts in Thousands)**

## **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.
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.

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2015**  
**(Amounts in Thousands)**

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

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 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.

### **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.

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2015**  
**(Amounts in Thousands)**

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

### **Deposits (continued)**

At December 31, 2015, the carrying amount of the City's deposits was \$36,996 and the bank balance was \$34,909. 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 \$35,872 being held by a third party trustee. This amount is more than the previous year due to the issuance of additional City bonds and sales of investments. The City also has petty cash funds of \$14 held by departments that are not covered by Federal Depository Insurance or collateralized.

Cash and cash equivalents held by escrow represent amounts held by third parties for debt service requirements and capital lease proceeds remaining to be spent.

At December 31, 2015, the carrying amount of the Toledo Municipal Court, an agency fund of the City, was \$1,114 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, 2015, the carrying amounts in the General and Nonmajor Governmental Funds were \$10 and \$2, respectively, represent fiduciary deposits in transit. The carrying amounts in the Water, Utility Administrative Services fund was Nonmajor Enterprise Funds were \$2, \$139, and \$1, respectively, and represent utility customer payments in transit.

### **Investments**

Investments are reported at fair value. As of December 31, 2015, the City had the following investments:

|                                       | <u>Maturity</u>   |                      |                   |
|---------------------------------------|-------------------|----------------------|-------------------|
|                                       | <u>Within One</u> | <u>More than</u>     |                   |
|                                       | <u>Year</u>       | <u>One Year</u>      |                   |
|                                       |                   | <u>but Less than</u> | <u>Total</u>      |
|                                       |                   | <u>Three Years</u>   |                   |
| Federal Farm Credit Bank              | \$ 5,999          | \$ 73,884            | \$ 79,883         |
| Federal Home Loan Bank                | 6,934             | 50,805               | 57,739            |
| Federal Home Loan Mortgage Corp       | 8,924             | 64,531               | 73,455            |
| Federal National Mortgage Association | 5,018             | 60,570               | 65,588            |
| STAR Ohio                             | 12,784            | -                    | 12,784            |
| STAR Plus Deposits                    | 13                | -                    | 13                |
| US Treasury                           | 620               | -                    | 620               |
|                                       | <u>620</u>        | <u>-</u>             | <u>620</u>        |
| <b>Total Portfolio</b>                | <b>\$ 40,292</b>  | <b>\$ 249,790</b>    | <b>\$ 290,082</b> |

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2015**  
**(Amounts in Thousands)**

## **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<sup>Am</sup> 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<sup>+</sup> 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.

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2015**  
**(Amounts in Thousands)**

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

### **Investments (continued)**

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 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, 2015:

|                                       | <u>Fair Value</u> | <u>% of Total</u> |
|---------------------------------------|-------------------|-------------------|
| Federal Farm Credit Bank              | \$ 79,883         | 27.53             |
| Federal Home Loan Bank                | 57,739            | 19.90             |
| Federal Home Loan Mortgage Corp       | 73,455            | 25.32             |
| Federal National Mortgage Association | 65,588            | 22.61             |
| STAROhio                              | 12,784            | 4.41              |
| STAR Plus Deposits                    | 13                | 0.01              |
| US Treasury                           | 620               | 0.21              |
|                                       | <u>          </u> | <u>          </u> |
| Total Portfolio                       | <u>\$ 290,082</u> | <u>100.00</u>     |

# UNAUDITED

City of Toledo, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015  
(Amounts in Thousands)

## NOTE 3 – RECEIVABLES

Receivables at December 31, 2015 consist of the following:

|                                                     | <u>Taxes</u>                   | <u>Customer<br/>and Other</u> | <u>Special<br/>Assessments</u>          | <u>Notes<br/>Receivable</u> |
|-----------------------------------------------------|--------------------------------|-------------------------------|-----------------------------------------|-----------------------------|
| <b><i>Governmental Activities:</i></b>              |                                |                               |                                         |                             |
| General Fund                                        | \$ 42,062                      | \$ 11,755                     | \$ -                                    | \$ -                        |
| Capital Improvement                                 | -                              | 5,081                         | -                                       | -                           |
| Special Assessment                                  | -                              | 110                           | 58,566                                  | -                           |
| Other Governmental Funds                            | -                              | 13,442                        | 1,141                                   | 30,614                      |
| Total Governmental Funds                            | <u>42,062</u>                  | <u>30,388</u>                 | <u>59,707</u>                           | <u>30,614</u>               |
| <b><i>Business-Type Activities:</i></b>             |                                |                               |                                         |                             |
| Water                                               | -                              | 17,906                        | -                                       | -                           |
| Sewer                                               | -                              | 23,552                        | -                                       | -                           |
| Utility Administrative Services                     | -                              | 190                           | -                                       | -                           |
| Other Business-Type Activities                      | -                              | 5,801                         | -                                       | 22,730                      |
| Total Business-Type Activities                      | <u>-</u>                       | <u>47,449</u>                 | <u>-</u>                                | <u>22,730</u>               |
| Internal Service                                    | <u>-</u>                       | <u>950</u>                    | <u>-</u>                                | <u>-</u>                    |
| Total                                               | <u>\$ 42,062</u>               | <u>\$ 78,787</u>              | <u>\$ 59,707</u>                        | <u>\$ 53,344</u>            |
|                                                     |                                |                               | Less:                                   |                             |
|                                                     | <u>Interest<br/>Receivable</u> | <u>Gross<br/>Receivables</u>  | <u>Allowance for<br/>Uncollectibles</u> | <u>Receivables<br/>Net</u>  |
| <b><i>Governmental Activities (continued):</i></b>  |                                |                               |                                         |                             |
| General Fund                                        | \$ 48                          | 53,865                        | \$ (13,656)                             | \$ 40,209                   |
| Capital Improvement                                 | -                              | 5,081                         | (3,456)                                 | 1,625                       |
| Special Assessment                                  | -                              | 58,676                        | -                                       | 58,676                      |
| Other Governmental Funds                            | -                              | 45,197                        | (29,524)                                | 15,673                      |
| Total Governmental Funds                            | <u>48</u>                      | <u>162,819</u>                | <u>(46,636)</u>                         | <u>116,183</u>              |
| <b><i>Business-Type Activities (continued):</i></b> |                                |                               |                                         |                             |
| Water                                               | 465                            | 18,371                        | (5,240)                                 | 13,131                      |
| Sewer                                               | 17                             | 23,569                        | (8,363)                                 | 15,206                      |
| Utility Administrative Services                     | 9                              | 199                           | -                                       | 199                         |
| Other Business-Type Activities                      | 46                             | 28,577                        | (20,512)                                | 8,065                       |
| Total Business-Type Activities                      | <u>537</u>                     | <u>70,716</u>                 | <u>(34,115)</u>                         | <u>36,601</u>               |
| Internal Service                                    | <u>-</u>                       | <u>950</u>                    | <u>(346)</u>                            | <u>604</u>                  |
| Total                                               | <u>\$ 585</u>                  | <u>\$ 234,485</u>             | <u>\$ (81,097)</u>                      | <u>\$ 153,388</u>           |

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2015**  
**(Amounts in Thousands)**

## **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 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 funds to move from the Capital Improvements Fund to the General Fund through December 31, 2016. The required transfers to the Capital Improvements Fund for 2015 have been completed.

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 2015 public utility property taxes became a lien on December 31, 2014, were levied on October 1, 2015 and will be collected in 2016 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes.

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2015**  
**(Amounts in Thousands)**

## **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, 2015 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 2015 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, 2015 was \$4.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2015 property tax receipts were based are as follows:

|                                                           |                            |
|-----------------------------------------------------------|----------------------------|
| <b>Public Utility Real and Tangible Personal Property</b> | <b>\$ 161,170</b>          |
| <b>Real Property (Other than Public Utility)</b>          | <b>3,039,205</b>           |
| <b>Total Assessed Value</b>                               | <b><u>\$ 3,200,375</u></b> |

### *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.

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2015**  
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## NOTE 6 – CAPITAL ASSETS

Capital asset activity for the Governmental Activities for the year ended December 31, 2015, was as follows:

|                                              | Balance<br>1/1/2015 | Additions         | Deletions          | Balance<br>12/31/2015 |
|----------------------------------------------|---------------------|-------------------|--------------------|-----------------------|
| <b><i>Governmental Activities:</i></b>       |                     |                   |                    |                       |
| <i>Capital Assets not being Depreciated:</i> |                     |                   |                    |                       |
| Land                                         | \$ 28,388           | \$ 798            | \$ (6)             | \$ 29,180             |
| Construction in Progress                     | <u>87,086</u>       | <u>16,532</u>     | <u>(15,467)</u>    | <u>88,151</u>         |
| Total Capital Assets not being Depreciated   | 115,474             | 17,330            | (15,473)           | 117,331               |
| <i>Capital Assets being Depreciated:</i>     |                     |                   |                    |                       |
| Buildings                                    | 69,046              | 2,474             | -                  | 71,520                |
| Furniture & Fixtures                         | 10,019              | 5                 | (34)               | 9,990                 |
| Improvements                                 | 79,852              | 2,769             | (2,769)            | 79,852                |
| Infrastructure                               | 860,671             | 2,638             | (189)              | 863,120               |
| Machinery & Equipment                        | <u>172,255</u>      | <u>7,828</u>      | <u>(210)</u>       | <u>179,873</u>        |
| Total Capital Assets being Depreciated       | 1,191,843           | 15,714            | (3,202)            | 1,204,355             |
| <i>Less: Accumulated Depreciation</i>        |                     |                   |                    |                       |
| Buildings                                    | 33,077              | 1,437             | -                  | 34,514                |
| Furniture & Fixtures                         | 5,976               | 452               | (7)                | 6,421                 |
| Improvements                                 | 27,476              | 3,843             | (276)              | 31,043                |
| Infrastructure                               | 544,995             | 24,852            | (55)               | 569,792               |
| Machinery & Equipment                        | <u>130,752</u>      | <u>10,946</u>     | <u>(1)</u>         | <u>141,697</u>        |
| Total Accumulated Depreciation               | <u>742,276</u>      | <u>41,530</u>     | <u>(339)</u>       | <u>783,467</u>        |
| Total Capital Assets being Depreciated, net  | <u>449,567</u>      | <u>(25,816)</u>   | <u>(2,863)</u>     | <u>420,888</u>        |
| Governmental Activities Capital Assets, net  | <u>\$ 565,041</u>   | <u>\$ (8,486)</u> | <u>\$ (18,336)</u> | <u>\$ 538,219</u>     |

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

|                                                      |                  |
|------------------------------------------------------|------------------|
| General Government                                   | \$ 4,071         |
| Public Service                                       | 22,053           |
| Public Safety                                        | 6,951            |
| Public Utility                                       | 3,625            |
| Community Environment                                | 444              |
| Health                                               | 1,107            |
| Parks and Recreation                                 | <u>3,279</u>     |
| Total Depreciation Expense - Governmental Activities | <u>\$ 41,530</u> |

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2015**  
**(Amounts in Thousands)**

## 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, 2015, 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, 2015, was as follows:

|                                                     | <u>Balance</u><br><u>1/1/2015</u> | <u>Additions</u> | <u>Deletions</u>   | <u>Balance</u><br><u>12/31/2015</u> |
|-----------------------------------------------------|-----------------------------------|------------------|--------------------|-------------------------------------|
| <b><i>Business-Type Activities:</i></b>             |                                   |                  |                    |                                     |
| <b><i>Capital Assets not being Depreciated:</i></b> |                                   |                  |                    |                                     |
| Land                                                | \$ 3,466                          | \$ -             | \$ (44)            | \$ 3,422                            |
| Construction in Progress                            | <u>243,482</u>                    | <u>80,095</u>    | <u>(13,831)</u>    | <u>309,746</u>                      |
| Total Capital Assets not being Depreciated          | 246,948                           | 80,095           | (13,875)           | 313,168                             |
| <br><b><i>Capital Assets being Depreciated:</i></b> |                                   |                  |                    |                                     |
| Buildings                                           | 51,836                            | -                | (569)              | 51,267                              |
| Furniture & Fixtures                                | 1,993                             | -                | -                  | 1,993                               |
| Improvements                                        | 94,149                            | 15               | (15)               | 94,149                              |
| Infrastructure                                      | 806,658                           | 14,719           | (152)              | 821,225                             |
| Machinery & Equipment                               | <u>122,436</u>                    | <u>2,846</u>     | <u>(2,141)</u>     | <u>123,141</u>                      |
| Total Capital Assets being Depreciated              | 1,077,072                         | 17,580           | (2,877)            | 1,091,775                           |
| <br><b><i>Less: Accumulated Depreciation</i></b>    |                                   |                  |                    |                                     |
| Buildings                                           | 28,227                            | 934              | (298)              | 28,863                              |
| Furniture & Fixtures                                | 1,574                             | 90               | -                  | 1,664                               |
| Improvements                                        | 29,173                            | 3,310            | (15)               | 32,468                              |
| Infrastructure                                      | 331,963                           | 11,199           | (1)                | 343,161                             |
| Machinery & Equipment                               | <u>85,330</u>                     | <u>6,509</u>     | <u>(136)</u>       | <u>91,703</u>                       |
| Total Accumulated Depreciation                      | <u>476,267</u>                    | <u>22,042</u>    | <u>(450)</u>       | <u>497,859</u>                      |
| Total Capital Assets being Depreciated, net         | <u>600,805</u>                    | <u>(4,462)</u>   | <u>(2,427)</u>     | <u>593,916</u>                      |
| Business-Type Activities Capital Assets, net        | <u>\$ 847,753</u>                 | <u>\$ 75,633</u> | <u>\$ (16,302)</u> | <u>\$ 907,084</u>                   |

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2015**  
**(Amounts in Thousands)**

## NOTE 6 – CAPITAL ASSETS (continued)

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

|                                                       |                  |
|-------------------------------------------------------|------------------|
| Water                                                 | \$ 5,322         |
| Sewer                                                 | 15,525           |
| Utility Administrative Services                       | 17               |
| Non-Major Enterprise                                  | <u>1,178</u>     |
| Total Depreciation Expense - Business-Type Activities | <u>\$ 22,042</u> |

## NOTE 7 – NOTES PAYABLE

The City's Notes Payable obligations at December 31, 2015 and a schedule of current year activity are as follows:

|                        | Maturity<br>Date | Interest<br>Rate (%) | Original<br>Issue<br>Amount | Balance<br>1/1/2015 | Increase         | Decrease           | Balance<br>12/31/2015 | Amount<br>Due In<br>One Year |
|------------------------|------------------|----------------------|-----------------------------|---------------------|------------------|--------------------|-----------------------|------------------------------|
| General Obligations:   |                  |                      |                             |                     |                  |                    |                       |                              |
| Capital Projects       | 2016             | 1.25-1.36            | \$ 16,910                   | \$ 3,198            | \$ 16,910        | \$ (14,943)        | \$ 5,165              | \$ 5,165                     |
| Special Assessments    | 2016             | 1.25                 | 1,275                       | 4,175               | 1,275            | (4,175)            | 1,275                 | 1,275                        |
| Internal Service Funds | 2016             | 1.25                 | 1,245                       | 1,245               | -                | (1,245)            | -                     | -                            |
| Building               | 2016             | 1.375                | 3,250                       | 3,255               | 3,250            | (3,255)            | 3,250                 | 3,250                        |
| Revenue Obligations:   |                  |                      |                             |                     |                  |                    |                       |                              |
| Assessed Services 2013 | 2015             | 1.25                 | 19,800                      | 19,800              | -                | (19,800)           | -                     | -                            |
| Assessed Services 2014 | 2016             | 1.41                 | 20,900                      | 20,900              | -                | -                  | 20,900                | 20,900                       |
| Assessed Services 2015 | 2017             | 1.74                 | 19,200                      |                     | 19,200           | -                  | 19,200                | -                            |
|                        |                  |                      |                             | <u>\$ 52,573</u>    | <u>\$ 40,635</u> | <u>\$ (43,418)</u> | <u>\$ 49,790</u>      | <u>\$ 30,590</u>             |

# UNAUDITED

## City of Toledo, Ohio Notes to the Basic Financial Statements For the Year Ended December 31, 2015 (Amounts in Thousands)

### NOTE 8 – LONG-TERM OBLIGATIONS

The City's Governmental Activities Long-Term Obligations at December 31, 2015 and a schedule of current year activity are as follows:

|                                      | Issue<br>Date | Maturity<br>Date | Interest<br>Rate (%) | Original<br>Issue<br>Amount | Restated<br>Balance<br>1/1/2015 | Increase         | Decrease           | Balance<br>12/31/2015 | Amount<br>Due In<br>One Year |
|--------------------------------------|---------------|------------------|----------------------|-----------------------------|---------------------------------|------------------|--------------------|-----------------------|------------------------------|
| <b>Government Activities:</b>        |               |                  |                      |                             |                                 |                  |                    |                       |                              |
| <b>General Obligation Bonds:</b>     |               |                  |                      |                             |                                 |                  |                    |                       |                              |
| Capital Projects                     | Various       | Various          | 1.5 - 6.08           | \$ 198,155                  | \$ 123,583                      | \$ 28,579        | \$ (23,105)        | \$ 129,057            | \$ 12,341                    |
| Special Assessments                  | Various       | Various          | 1.55 - 5.0           | 115                         | 65                              | -                | (10)               | 55                    | 10                           |
| <b>Loans Outstanding:</b>            |               |                  |                      |                             |                                 |                  |                    |                       |                              |
| State Agencies:                      |               |                  |                      |                             |                                 |                  |                    |                       |                              |
| Ohio Public Works Commission         |               |                  |                      |                             |                                 |                  |                    |                       |                              |
| Capital Projects                     | Various       | Various          | 0                    | 10,289                      | 4,321                           | 249              | (752)              | 3,818                 | 633                          |
| Ohio Water Dev Authority             |               |                  |                      |                             |                                 |                  |                    |                       |                              |
| Capital Projects                     | Various       | Various          | 4.02 - 4.12          | 9,843                       | 3,942                           | -                | (570)              | 3,372                 | 594                          |
| ODOD Chapter 166                     |               |                  |                      |                             |                                 |                  |                    |                       |                              |
| Capital Projects                     | 1998          | 2018             | 4                    | 10,000                      | 2,880                           | -                | (709)              | 2,171                 | 738                          |
| State Infrastructure Bank            |               |                  |                      |                             |                                 |                  |                    |                       |                              |
| Capital Projects                     | 2009          | 2019             | 3                    | 4,869                       | 3,968                           | -                | (332)              | 3,636                 | 356                          |
| Federal Agencies:                    |               |                  |                      |                             |                                 |                  |                    |                       |                              |
| HUD 108                              |               |                  |                      |                             |                                 |                  |                    |                       |                              |
| Capital Projects                     | Various       | Various          | 6.56 - 7.96          | 24,140                      | 7,670                           | -                | (1,715)            | 5,955                 | 1,830                        |
| Other Loans:                         |               |                  |                      |                             |                                 |                  |                    |                       |                              |
| Capital Projects                     | Various       | Various          | 0 - 6.55             | 18,201                      | 10,971                          | -                | (772)              | 10,199                | 807                          |
| <b>Capital Lease Obligations:</b>    |               |                  |                      |                             |                                 |                  |                    |                       |                              |
| Fire Ambulances II                   | 2010          | 2015             | 3.428                | 1,185                       | 251                             | -                | (251)              | -                     | -                            |
| Police Vehicles                      | 2013          | 2015             | 1.15                 | 3,386                       | 1,355                           | -                | (1,355)            | -                     | -                            |
| Ambulance                            | 2012          | 2017             | 1.66                 | 1,413                       | 862                             | -                | (283)              | 579                   | 287                          |
| Landfill Vehicles                    | 2012          | 2016             | 1.60                 | 1,588                       | 807                             | -                | (400)              | 407                   | 407                          |
| Fire Rescue Squads                   | 2014          | 2018             | 1.75                 | 948                         | 752                             | -                | (183)              | 569                   | 186                          |
| Fire Engines & Bucket Truck          | 2015          | 2019             | 1.75                 | 3,600                       | -                               | 3,600            | (745)              | 2,855                 | 697                          |
| Pumper Trucks                        | 2015          | 2020             | 1.75                 | 940                         | -                               | 940              | -                  | 940                   | 181                          |
| Pickup Trucks & Brine Facility       | 2015          | 2019             | 1.85                 | 1,833                       | -                               | 1,833            | (372)              | 1,461                 | 355                          |
| Single & Double Axle Trucks          | 2015          | 2021             | 1.85                 | 4,997                       | -                               | 4,997            | (731)              | 4,266                 | 671                          |
| Forestry Equipment                   | 2015          | 2020             | 1.85                 | 1,324                       | -                               | 1,324            | -                  | 1,324                 | 272                          |
| <b>Other Obligations:</b>            |               |                  |                      |                             |                                 |                  |                    |                       |                              |
| Landfill Closure                     |               |                  |                      |                             | 15,799                          | -                | (2,243)            | 13,556                | -                            |
| Compensated Absences                 |               |                  |                      |                             | 31,692                          | 333              | (2,602)            | 29,423                | 372                          |
| Net Pension Liability:               |               |                  |                      |                             |                                 |                  |                    |                       |                              |
| OPERS                                |               |                  |                      |                             | 41,032                          | 949              | -                  | 41,981                | -                            |
| OP&F                                 |               |                  |                      |                             | 200,099                         | 12,741           | -                  | 212,840               | -                            |
| <b>Total Governmental Activities</b> |               |                  |                      |                             | <b>\$ 450,049</b>               | <b>\$ 55,545</b> | <b>\$ (37,130)</b> | <b>\$ 468,464</b>     | <b>\$ 20,737</b>             |

# UNAUDITED

## City of Toledo, Ohio Notes to the Basic Financial Statements For the Year Ended December 31, 2015 (Amounts in Thousands)

### NOTE 8 – LONG-TERM OBLIGATIONS (continued)

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 85.5 percent from the general fund, 11.4 percent from other governmental funds, and 3.1 percent from the internal service funds.

The following is a schedule of Future Principal and Interest Payments to retire the Long-Term Obligations Outstanding and Notes Payable at December 31, 2015 for the City's Governmental Activities:

| Year      | General Obligation Bonds |                  | General Obligation Notes |               | Revenue Obligation Notes |                 |
|-----------|--------------------------|------------------|--------------------------|---------------|--------------------------|-----------------|
|           | Principal                | Interest         | Principal                | Interest      | Principal                | Interest        |
| 2016      | \$ 12,351                | \$ 5,208         | \$ 9,690                 | \$ 130        | \$ 20,900                | \$ 657          |
| 2017      | 13,276                   | 4,768            | -                        | -             | 19,200                   | 362             |
| 2018      | 13,054                   | 4,257            | -                        | -             | -                        | -               |
| 2019      | 11,515                   | 3,743            | -                        | -             | -                        | -               |
| 2020      | 10,590                   | 3,233            | -                        | -             | -                        | -               |
| 2021-2025 | 43,329                   | 9,907            | -                        | -             | -                        | -               |
| 2026-2030 | 23,837                   | 2,564            | -                        | -             | -                        | -               |
| 2031-2035 | 1,160                    | 41               | -                        | -             | -                        | -               |
| Total     | <u>\$ 129,112</u>        | <u>\$ 33,721</u> | <u>\$ 9,690</u>          | <u>\$ 130</u> | <u>\$ 40,100</u>         | <u>\$ 1,019</u> |

| Year      | State Agency Loans |                 | Federal and Other Loans |                 | Total             |                  |
|-----------|--------------------|-----------------|-------------------------|-----------------|-------------------|------------------|
|           | Principal          | Interest        | Principal               | Interest        | Principal         | Interest         |
| 2016      | \$ 2,321           | \$ 316          | \$ 2,637                | \$ 709          | \$ 47,899         | \$ 7,020         |
| 2017      | 2,304              | 249             | 2,625                   | 635             | 37,405            | 6,014            |
| 2018      | 2,107              | 179             | 2,719                   | 564             | 17,880            | 5,000            |
| 2019      | 1,446              | 128             | 579                     | 477             | 13,540            | 4,348            |
| 2020      | 1,432              | 88              | 530                     | 441             | 12,552            | 3,762            |
| 2021-2025 | 3,001              | 123             | 3,095                   | 1,765           | 49,425            | 11,795           |
| 2026-2030 | 354                | -               | 2,750                   | 913             | 26,941            | 3,477            |
| 2031-2035 | 32                 | -               | 1,219                   | 121             | 2,411             | 162              |
| Total     | <u>\$ 12,997</u>   | <u>\$ 1,083</u> | <u>\$ 16,154</u>        | <u>\$ 5,625</u> | <u>\$ 208,053</u> | <u>\$ 41,578</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 46 years.

# UNAUDITED

## City of Toledo, Ohio Notes to the Basic Financial Statements For the Year Ended December 31, 2015 (Amounts in Thousands)

### NOTE 8 – LONG-TERM OBLIGATIONS (continued)

#### Landfill Closure and Post-closure Care Costs (continued)

The \$13,556 reported as landfill closure and post-closure care liability at December 31, 2015 represents the cumulative amount reported to date based on the use of 60.60% of the used capacity of the landfill. The City will recognize the remaining estimated cost of closure and post-closure care of \$8,814 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 2015 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.

The City's Business-Type Activities Long-Term Obligations at December 31, 2015 and a schedule of current year activity are as follows:

| Business-Type Activities       | Issue   | Maturity | Interest    | Original     | Balance    |           |             | Balance    | Amount          |
|--------------------------------|---------|----------|-------------|--------------|------------|-----------|-------------|------------|-----------------|
|                                | Date    | Date     | Rate (%)    | Issue Amount | 1/1/2015   | Increase  | Decrease    | 12/31/2015 | Due In One Year |
| General Obligation Bonds:      |         |          |             |              |            |           |             |            |                 |
| Tow Lot                        | 2006    | 2024     | 4.0 - 5.0   | \$ 2,835     | \$ 1,555   | \$ 1,305  | \$ (1,555)  | \$ 1,305   | \$ 155          |
| Property Management            | Various | Various  | 2.0 - 7.0   | 22,971       | 16,649     | -         | (1,039)     | 15,610     | 1,076           |
| Revenue Obligation Bonds:      |         |          |             |              |            |           |             |            |                 |
| Water System                   | Various | Various  | 1.25 - 6.20 | 358,359      | 287,273    | 14,263    | (22,273)    | 279,263    | 8,379           |
| Sanitary Sewer System          | Various | Various  | 2.0 - 6.45  | 50,835       | 20,553     | -         | (2,902)     | 17,651     | 2,962           |
| Loans Outstanding:             |         |          |             |              |            |           |             |            |                 |
| State Agencies:                |         |          |             |              |            |           |             |            |                 |
| Ohio Public Works Commission   |         |          |             |              |            |           |             |            |                 |
| Water System                   | Various | Various  | 0           | 2,238        | 1,765      | -         | (111)       | 1,654      | 112             |
| Sanitary Sewer System          | Various | Various  | 0           | 9,875        | 7,721      | -         | (432)       | 7,289      | 466             |
| Storm Water System             | Various | Various  | 0           | 2,372        | 1,209      | 245       | (108)       | 1,346      | 114             |
| Ohio Water Dev Authority       |         |          |             |              |            |           |             |            |                 |
| Water System                   | 2006    | 2028     | 3.25        | 42,602       | 27,694     | 8,922     | (759)       | 35,857     | 1,291           |
| Sanitary Sewer System          | Various | Various  | 2.38-4.8    | 467,013      | 312,400    | 41,259    | (14,436)    | 339,223    | 18,520          |
| Storm Water System             | 2015    |          |             | 379          | -          | 379       | -           | 379        | -               |
| ODOD Chapter 166               |         |          |             |              |            |           |             |            |                 |
| Property Management            | 2000    | 2016     | 4           | 1,500        | 294        | -         | (174)       | 120        | 120             |
| Capital Lease Obligations:     |         |          |             |              |            |           |             |            |                 |
| Sewer Cleaners II              | 2011    | 2015     | 4.99        | 1,361        | 283        | -         | (283)       | -          | -               |
| Other Obligations:             |         |          |             |              |            |           |             |            |                 |
| Compensated Absences           |         |          |             |              | 4,809      | 442       | (208)       | 5,043      | 140             |
| Net Pension Liabilities:       |         |          |             |              |            |           |             |            |                 |
| OPERS                          |         |          |             |              | 28,046     | 649       | -           | 28,695     | -               |
| Total Business-Type Activities |         |          |             |              | \$ 710,251 | \$ 67,464 | \$ (44,280) | \$ 733,435 | \$ 33,335       |

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2015**  
**(Amounts in Thousands)**

## 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, 2015 for the City's Business-Type Activities:

| Year      | General Obligation Bonds |          | Revenue Obligation Bonds |            |
|-----------|--------------------------|----------|--------------------------|------------|
|           | Principal                | Interest | Principal                | Interest   |
| 2016      | \$ 1,231                 | \$ 696   | \$ 11,341                | \$ 13,750  |
| 2017      | 1,301                    | 660      | 10,796                   | 13,443     |
| 2018      | 1,366                    | 614      | 9,154                    | 12,827     |
| 2019      | 1,426                    | 563      | 9,332                    | 12,496     |
| 2020      | 1,526                    | 508      | 9,692                    | 12,122     |
| 2021-2025 | 7,420                    | 1,677    | 57,416                   | 54,082     |
| 2026-2030 | 2,645                    | 269      | 70,263                   | 39,426     |
| 2031-2035 | -                        | -        | 74,917                   | 23,270     |
| 2036-2040 | -                        | -        | 44,003                   | 5,201      |
| Total     | \$ 16,915                | \$ 4,987 | \$ 296,914               | \$ 186,617 |

| Year      | State Agency Loans |            | Total      |            |
|-----------|--------------------|------------|------------|------------|
|           | Principal          | Interest   | Principal  | Interest   |
| 2016      | \$ 20,623          | \$ 12,504  | \$ 33,195  | \$ 26,950  |
| 2017      | 22,953             | 11,686     | 35,050     | 25,789     |
| 2018      | 24,242             | 10,877     | 34,762     | 24,318     |
| 2019      | 24,845             | 10,144     | 35,603     | 23,203     |
| 2020      | 25,428             | 9,390      | 36,646     | 22,020     |
| 2021-2025 | 127,549            | 35,705     | 192,385    | 91,464     |
| 2026-2030 | 89,746             | 18,529     | 162,654    | 58,224     |
| 2031-2035 | 50,021             | 8,289      | 124,938    | 31,559     |
| 2036-2040 | 461                | 43         | 44,464     | 5,244      |
| Total     | \$ 385,868         | \$ 117,167 | \$ 699,697 | \$ 308,771 |

## 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 2015:

In 2015, the City issued \$26,575 of General Obligation Bonds for the purpose of funding certain permanent improvements and refunding existing obligations with a lower net interest cost. The current and advance refunding portions reduced the City's total debt service payments by \$730 to obtain an economic gain (difference between the present values of the debt service payments on the old and new bonds) of \$719.

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**City of Toledo, Ohio**  
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## **NOTE 8 – LONG-TERM OBLIGATIONS (continued)**

### **New Issues and Advanced Refunding (continued)**

In 2015, the City issued \$1,275 of General Obligation Notes for funding the construction of certain sidewalk improvements and the acquisition of certain motor vehicles and equipment.

In 2015, the City issued \$1,750 of Taxable Industrial Development Notes for the purpose of property acquisitions.

In 2015, the City renewed \$4,450 of Taxable Industrial Development Notes for the purpose of property acquisitions.

In 2015, the City issued \$10,710 of Street and Bridge Improvement Notes for the purpose of improving City streets and bridges.

In 2015, the City issued \$19,200 in Special Assessment Notes for City Services. These notes mature on June 1 and December 1 of 2017.

In 2015, the City renewed \$3,250 of Building Acquisition Notes to mature in September of 2016.

In 2015, the City issued \$12,305 of Water Revenue Refunding Bonds for the purpose of refunding existing obligations with a lower net interest cost. The advanced refunding, called on November 15, 2015, reduced the City's total debt service payments by \$2,097 to obtain an economic gain (difference between the present values of the debt service payments on the old and new bonds) of \$1,749.

### **Defeasance of Debt**

The City defeased general obligation bonds by placing the proceeds of the new bonds in irrevocable trust accounts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At December 31, 2015, \$8,280 of defeased bonds remain outstanding.

### **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 \$4,057 as of December 31, 2015, with \$3,636 reported with the State Infrastructure Bank loan balance and \$421 reported with the Other Loans balance.

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**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
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## **NOTE 8 – LONG-TERM OBLIGATIONS (continued)**

### **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, 2015 was \$378,831. Of this amount, \$35,857 is obligations incurred to help finance the water distribution system and are to be repaid from charges from water services. \$339,223 is obligations incurred to help finance the sanitary sewage facilities and are to be repaid from charges from sanitary sewer services. \$379 is obligations incurred to help finance storm water system and are to be repaid from charges from storm water services. The remaining amount of \$3,372 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 Department of Administrative Services 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 \$1,508 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 2015.

### **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 \$651.

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**City of Toledo, Ohio**  
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## **NOTE 9 – LEASES AND OTHER COMMITMENTS (continued)**

### **Capital Leases (continued)**

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 \$447.

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 \$335.

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 \$1,693.

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 \$160.

In 2015, the City entered into a tax-exempt lease purchase with PNC Equipment Finance, LLC for the lease of six fire pumper apparatus and one aerial bucket fire apparatus. 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 statement at \$3,600.

In 2015, the City entered into a tax-exempt lease purchase with PNC Equipment Finance, LLC for the lease of two fire pumper apparatus. 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 statement at \$940.

In 2015, the City entered into a tax-exempt lease purchase with PNC Equipment Finance, LLC for the lease of twenty-one trucks. The 5 year lease is classified as a capital lease with work on the vehicles still in process as of year-end.

In 2015, the City entered into a tax-exempt lease purchase with PNC Equipment Finance, LLC for the lease of eight trucks and a brine facility. The 5 year lease is classified as a capital with work on the vehicles still in process as of year-end.

In 2015, the City entered into a tax-exempt lease purchase with PNC Equipment Finance, LLC for the lease of forestry equipment. The 5 year lease is classified as a capital lease with work on the vehicles still in process as of year-end.

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**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
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## **NOTE 9 – LEASES AND OTHER COMMITMENTS (continued)**

### **Capital Leases (continued)**

Future minimum lease payments on these capital leases together with the present value of the net minimum lease payments as of December 31, 2015 are as follows:

| Year Ending                                 | Governmental<br>Activities |
|---------------------------------------------|----------------------------|
| 2016                                        | \$ 3,280                   |
| 2017                                        | 2,867                      |
| 2018                                        | 2,570                      |
| 2019                                        | 2,373                      |
| 2020                                        | 1,245                      |
| 2021-2025                                   | <u>770</u>                 |
| Total Minimum Lease Payments                | 13,105                     |
| Less: Amount Representing Interest          | <u>(704)</u>               |
| Present Value of net Minimum Lease Payments | <u><u>\$ 12,401</u></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 provided by bonds issued by the Port Authority in the approximate amount of \$5,349. 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.

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 2015 requires an assessment of \$475.

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City of Toledo, Ohio  
Notes to the Basic Financial Statements  
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## NOTE 9 – LEASES AND OTHER COMMITMENTS (continued)

### Other Commitments (continued)

Outstanding encumbrances for the Year Ended December 31, 2015 were as follows:

|                                  |                          |
|----------------------------------|--------------------------|
| <i>Governmental Activities:</i>  |                          |
| General                          | \$ 1,605                 |
| Capital Improvements             | 18,978                   |
| Special Assessments              | 795                      |
| Nonmajor Governmental            | 4,576                    |
| Total Governmental Activities    | <u>25,954</u>            |
| <i>Business-Type Activities:</i> |                          |
| Water                            | 53,782                   |
| Sewer                            | 62,596                   |
| Utility Administrative Services  | 333                      |
| Nonmajor Enterprise              | 620                      |
| Internal Service Funds           | 4,292                    |
| Total Business-Type Activities   | <u>121,623</u>           |
| Total                            | <u><u>\$ 147,577</u></u> |

# UNAUDITED

City of Toledo, Ohio  
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## 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, 2015 the Interfund Balances consist of the following individual Interfund receivables and payables as reported on the Fund Statements:

|                                  | Due From<br>Other Funds | Due To<br>Other Funds |
|----------------------------------|-------------------------|-----------------------|
| <i>Governmental Activities:</i>  |                         |                       |
| General                          | \$ -                    | \$ 24,246             |
| Capital Improvements             | -                       | 3,580                 |
| Special Assessments Services     | -                       | 23,998                |
| Nonmajor Governmental Funds      | 26,854                  | 5,688                 |
| Internal Service Funds           | 25,820                  | 4,102                 |
| Total Governmental Activities    | <u>52,674</u>           | <u>61,614</u>         |
| <i>Business-Type Activities:</i> |                         |                       |
| Water                            | -                       | 6,419                 |
| Sewer                            | 33,572                  | -                     |
| Utility Administrative Services  | -                       | 18,446                |
| Nonmajor Enterprise Funds        | 5,540                   | 5,307                 |
| Total Business-Type Activities   | <u>39,112</u>           | <u>30,172</u>         |
|                                  | <u>\$ 91,786</u>        | <u>\$ 91,786</u>      |

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
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## NOTE 10 - INTERFUND ACTIVITY (continued)

Interfund transfers for the Year Ended December 31, 2015, consisted of the following, as reported on the Fund Statements:

| Transfers Out                         | Transfers In     |                      |                             |                 |                 |                           | Total            |
|---------------------------------------|------------------|----------------------|-----------------------------|-----------------|-----------------|---------------------------|------------------|
|                                       | General Fund     | Capital Improvements | Nonmajor Governmental Funds | Water           | Sewer           | Nonmajor Enterprise Funds |                  |
| <b>Governmental Activities:</b>       |                  |                      |                             |                 |                 |                           |                  |
| General                               | \$ -             | \$ 36,967            | \$ -                        | \$ -            | \$ -            | \$ -                      | \$ 36,967        |
| Capital Improvements                  | 9,500            | -                    | 17,754                      | -               | -               | 1,799                     | 29,053           |
| Nonmajor Governmental Funds           | 246              | 1,355                | 225                         | -               | -               | -                         | 1,826            |
| <b>Total Governmental Activities</b>  | <b>9,746</b>     | <b>38,322</b>        | <b>17,979</b>               | <b>-</b>        | <b>-</b>        | <b>1,799</b>              | <b>67,846</b>    |
| <b>Business-Type Activities:</b>      |                  |                      |                             |                 |                 |                           |                  |
| Water                                 | -                | -                    | 75                          | -               | -               | -                         | 75               |
| Sewer                                 | -                | -                    | 75                          | -               | -               | -                         | 75               |
| Utility Administrative Services       | -                | -                    | -                           | 2,004           | 2,249           | 313                       | 4,566            |
| Nonmajor Enterprise Funds             | 800              | -                    | 125                         | -               | -               | -                         | 925              |
| <b>Total Business-Type Activities</b> | <b>800</b>       | <b>-</b>             | <b>275</b>                  | <b>2,004</b>    | <b>2,249</b>    | <b>313</b>                | <b>5,641</b>     |
| <b>Total Fund Balances</b>            | <b>\$ 10,546</b> | <b>\$ 38,322</b>     | <b>\$ 18,254</b>            | <b>\$ 2,004</b> | <b>\$ 2,249</b> | <b>\$ 2,112</b>           | <b>\$ 73,487</b> |

In 2015, the General Fund transferred \$36,967 into the Capital Improvement Fund. This amount is a percentage of the income tax collections in 2015 that is authorized by Toledo City Council and the Mayor for transfer.

In 2015, the Capital Improvement Fund transferred \$9,500 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 2015, the Capital Improvement Fund transferred \$19,553 to various Nonmajor Governmental and Enterprise Funds for the purpose of debt management.

# UNAUDITED

**City of Toledo, Ohio**  
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## NOTE 11 – FUND BALANCE

A summary of Fund Balances as of December 31, 2015 by category with specific purpose information follows:

|                            | General<br>Fund  | Capital<br>Improvements | Special<br>Assessment<br>Services | Nonmajor<br>Governmental<br>Funds | Total           |
|----------------------------|------------------|-------------------------|-----------------------------------|-----------------------------------|-----------------|
| <b>Nonspendable:</b>       |                  |                         |                                   |                                   |                 |
| Prepaid Expenses           | \$ 17            | \$ -                    | \$ -                              | \$ -                              | \$ 17           |
| Inventory                  | 1,187            | 1,053                   | 4,074                             | 842                               | 7,156           |
| Cemetery Perpetual Care    | -                | -                       | -                                 | 884                               | 884             |
|                            | <u>1,204</u>     | <u>1,053</u>            | <u>4,074</u>                      | <u>1,726</u>                      | <u>8,057</u>    |
| <b>Restricted for:</b>     |                  |                         |                                   |                                   |                 |
| Landfill Activities        | 4,771            | -                       | -                                 | -                                 | 4,771           |
| Capital Improvements       | -                | 21,607                  | -                                 | -                                 | 21,607          |
| Grant Programs             | -                | -                       | -                                 | 13,657                            | 13,657          |
| Street Projects            | -                | -                       | -                                 | 3,528                             | 3,528           |
| Various Trust Purposes     | -                | -                       | -                                 | 5,832                             | 5,832           |
| Right Of Way Activities    | -                | -                       | -                                 | 11                                | 11              |
| Debt Service               | -                | -                       | -                                 | 185                               | 185             |
|                            | <u>4,771</u>     | <u>21,607</u>           | <u>-</u>                          | <u>23,213</u>                     | <u>49,591</u>   |
| <b>Committed to:</b>       |                  |                         |                                   |                                   |                 |
| Budget Stabilization       | 1,948            | -                       | -                                 | -                                 | 1,948           |
| Cemetery Activities        | -                | -                       | -                                 | 421                               | 421             |
| Facilities Maintenance     | -                | -                       | -                                 | 772                               | 772             |
| Various Trust Purposes     | -                | -                       | -                                 | 66                                | 66              |
| Parks and Recreation       | -                | -                       | -                                 | 99                                | 99              |
| Debt Service               | -                | -                       | -                                 | 8,756                             | 8,756           |
|                            | <u>1,948</u>     | <u>-</u>                | <u>-</u>                          | <u>10,114</u>                     | <u>12,062</u>   |
| <b>Unassigned</b>          | <u>2,255</u>     | <u>-</u>                | <u>(64,667)</u>                   | <u>(2,041)</u>                    | <u>(64,453)</u> |
| <b>Total Fund Balances</b> | <u>\$ 10,178</u> | <u>\$ 22,660</u>        | <u>\$ (60,593)</u>                | <u>\$ 33,012</u>                  | <u>\$ 5,257</u> |

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 2015, 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. Withdrawals are permitted when income tax revenues for any calendar year will represent an annual growth rate which is 1.5% or more below the average annual growth rate over an economic cycle. In 2015, the General Fund designated an additional \$395 to the balance of the Designation.

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**City of Toledo, Ohio**  
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## **NOTE 12 – PENSION PLANS**

### ***Net Pension Liability***

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the City's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension.

GASB Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in due to other governments on both the accrual and modified accrual bases of accounting.

### **Ohio Public Employees Retirement System (OPERS)**

Plan Description—City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g., City employees) may elect the Member-Directed Plan and the Combined Plan, the majority of employee members are in OPERS' Traditional Plan; therefore, the following disclosures focus on the Traditional Pension Plan.

# UNAUDITED

## City of Toledo, Ohio Notes to the Basic Financial Statements For the Year Ended December 31, 2015 (Amounts in Thousands)

### NOTE 12 – PENSION PLANS (continued)

#### Ohio Public Employees Retirement System (OPERS) (continued)

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code (ORC). OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, OH 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the Traditional Pension Plan as per the reduced benefits adopted by SB 343 (see OPERS' CAFR referenced above for additional information):

| <b>Group A</b><br>Eligible to retire prior to<br>January 7, 2013 or five years<br>after January 7, 2013                                  | <b>Group B</b><br>20 years of service credit prior to<br>January 7, 2013 or eligible to retire<br>ten years after January 7, 2013    | <b>Group C</b><br>Members not in other Groups<br>and members hired on or after<br>January 7, 2013                                     |
|------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|
| <b>State and Local</b>                                                                                                                   | <b>State and Local</b>                                                                                                               | <b>State and Local</b>                                                                                                                |
| <b>Age and Service Requirements:</b><br>Age 60 with 60 months of service<br>credit or Age 55 with 25 years of<br>service credit          | <b>Age and Service Requirements:</b><br>Age 60 with 60 months of service credit<br>or Age 55 with 25 years of service<br>credit      | <b>Age and Service Requirements:</b><br>Age 57 with 25 years of service credit<br>or Age 62 with 5 years of service credit            |
| <b>Formula:</b><br>2.2% of FAS multiplied by years of<br>Service for the first 30 years and<br>2.5% for service years in excess of<br>30 | <b>Formula:</b><br>2.2% of FAS multiplied by year of<br>service for the first 30 years and 2.5%<br>for service years in excess of 30 | <b>Formula:</b><br>2.2% of FAS multiplied by years of<br>service for the first 35 years and 2.5%<br>for service years in excess of 35 |

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3%.

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**City of Toledo, Ohio**  
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## **NOTE 12 – PENSION PLANS (continued)**

### **Ohio Public Employees Retirement System (OPERS) (continued)**

**Funding Policy**—The ORC provides statutory authority for member and employer contributions. For 2015, member contribution rates were 10% of salary and employer contribution rates were 14%. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan was 2.0% during calendar year 2015 (see Note 13). Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$7,727 for 2015. Of this amount, \$2,115 is reported as due to other governments.

### **Ohio Police & Fire Pension Fund (OP&F)**

**Plan Description**—City full-time police and firefighters participate in the Ohio Police & Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. 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 (ORC). OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report may be obtained by visiting the OP&F website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, OH 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5% for each of the first 20 years of service credit, 2.0% for each of the next five years of service credit and 1.5% for each year of service credit in excess of 25 years. The maximum pension of 72% of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living adjustment (COLA). The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

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## NOTE 12 – PENSION PLANS (continued)

### Ohio Police & Fire Pension Fund (OP&F) (continued)

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either 3% or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to 3% of their base pension or disability benefit.

Funding Policy—The ORC provides statutory authority for member and employer contributions as follows:

|                                                  | <u>Police</u> |   | <u>Firefighters</u> |   |
|--------------------------------------------------|---------------|---|---------------------|---|
| <b>2015 Statutory Maximum Contribution Rates</b> |               |   |                     |   |
| Employer                                         | 19.50         | % | 24.00               | % |
| Employee:                                        |               |   |                     |   |
| January 1, 2015 through July 1, 2015             | 11.50         | % | 11.50               | % |
| July 2, 2015 through December 31, 2015           | 12.25         | % | 12.25               | % |
| <b>2015 Actual Contribution Rates</b>            |               |   |                     |   |
| Employer::                                       |               |   |                     |   |
| Pension                                          | 19.00         | % | 23.50               | % |
| Post-employment Health Care Benefits             | 0.50          | % | 0.50                | % |
| Total Employer                                   | 19.50         | % | 24.00               | % |
| Employee:                                        |               |   |                     |   |
| January 1, 2015 through July 1, 2015             | 11.50         | % | 11.50               | % |
| July 2, 2015 through December 31, 2015           | 12.25         | % | 12.25               | % |

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$18,478 for 2015. Of this amount, \$2,306 is reported as due to other governments.

### ***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability for OPERS was measured as of December 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

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**NOTE 12 – PENSION PLANS (continued)**

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)***

|                                              | <u>OPERS</u> | <u>OP&amp;F</u> | <u>Total</u> |
|----------------------------------------------|--------------|-----------------|--------------|
| Proportionate Share of Net Pension Liability | \$ 70,676    | \$ 212,840      | \$ 283,516   |
| Proportion of Net Pension Liability          | 0.585985%    | 4.1085439%      |              |
| Pension Expense                              | \$ 7,688     | \$ 20,762       | \$ 28,450    |

At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                                  | <u>OPERS</u>     | <u>OP&amp;F</u>  | <u>Total</u>     |
|------------------------------------------------------------------|------------------|------------------|------------------|
| <b><u>Deferred Outflows of Resources</u></b>                     |                  |                  |                  |
| Net differences between projected and actual investment earnings | \$ 3,771         | \$ 9,172         | \$ 12,943        |
| City contributions subsequent to the measurement date            | <u>7,727</u>     | <u>18,478</u>    | <u>26,205</u>    |
|                                                                  | <u>\$ 11,498</u> | <u>\$ 27,650</u> | <u>\$ 39,148</u> |
| <b><u>Deferred Inflows of Resources</u></b>                      |                  |                  |                  |
| Differences between expected and actual experience               | <u>\$ 1,242</u>  | <u>\$ -</u>      | <u>\$ 1,242</u>  |

\$26,205 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

|                                 | <u>OPERS</u>    | <u>OP&amp;F</u> | <u>Total</u>     |
|---------------------------------|-----------------|-----------------|------------------|
| <b>Year Ending December 31:</b> |                 |                 |                  |
| 2016                            | \$ 370          | \$ 2,293        | \$ 2,663         |
| 2017                            | 370             | 2,293           | 2,663            |
| 2018                            | 847             | 2,293           | 3,140            |
| 2019                            | <u>942</u>      | <u>2,293</u>    | <u>3,235</u>     |
|                                 | <u>\$ 2,529</u> | <u>\$ 9,172</u> | <u>\$ 11,701</u> |

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**City of Toledo, Ohio**  
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## **NOTE 12 – PENSION PLANS (continued)**

### **Actuarial Assumptions – OPERS**

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                                              |                                           |
|----------------------------------------------|-------------------------------------------|
| Wage inflation                               | 3.75%                                     |
| Future salary increases, including inflation | 4.25% to 10.05%, including wage inflation |
| COLA or Ad Hoc COLA                          | 3%, simple                                |
| Investment rate of return                    | 8%                                        |
| Actuarial cost method                        | Individual entry age                      |

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105% of the combined healthy male mortality rates were used. For females, 100% of the combined health female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males, 120% of the disabled female mortality rates were used set forward two years. For females, 100% of the disabled female mortality rates were used.

The most recent experience study was completed for the five-year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95% for 2014.

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## NOTE 12 – PENSION PLANS (continued)

### Actuarial Assumptions – OPERS (continued)

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

| Asset Class            | Target<br>Allocation | Weighted Average<br>Long-Term Expected<br>Real Rate of Return<br>(Arithmetic) |
|------------------------|----------------------|-------------------------------------------------------------------------------|
| Fixed Income           | 23.00%               | 2.31%                                                                         |
| Domestic Equities      | 19.90%               | 5.84%                                                                         |
| Real Estate            | 10.00%               | 4.25%                                                                         |
| Private Equity         | 10.00%               | 9.25%                                                                         |
| International Equities | 19.10%               | 7.40%                                                                         |
| Other Investments      | <u>18.00%</u>        | <u>4.59%</u>                                                                  |
| Total                  | <u>100.00%</u>       | <u>5.28%</u>                                                                  |

**Discount Rate.** The discount rate used to measure the total pension liability was 8%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.** The following table represents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (7%) and one-percentage point higher (9%) than the current rate:

|                                                            | 1% Decrease<br>(7.00%) | Current<br>Discount<br>Rate of 8.00% | 1% Increase<br>(9.00%) |
|------------------------------------------------------------|------------------------|--------------------------------------|------------------------|
| City's proportionate share<br>of the net pension liability | \$ 130,025             | \$ 70,676                            | \$ 20,691              |

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**City of Toledo, Ohio**  
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## **NOTE 12 – PENSION PLANS (continued)**

### **Actuarial Assumptions – OP&F**

OP&F's total pension liability as of December 31, 2014 is based on the results of an actuarial valuation date of January 1, 2014, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past experiences and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2014, are presented below:

|                            |                  |
|----------------------------|------------------|
| Valuation date             | January 1, 2014  |
| Actuarial cost method      | Entry age normal |
| Investment rate of return  | 8.25%            |
| Projected salary increases | 4.25% to 11.00%  |
| Payroll increases          | 3.75%            |
| Inflation assumptions      | 3.25%            |
| Cost of living adjustments | 2.60% and 3.00%  |

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2014 are summarized below:

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## NOTE 12 – PENSION PLANS (continued)

### Actuarial Assumptions – OP&F (continued)

| Asset Class                 | Target<br>Allocation | Long Term Expected<br>Real Rate of Return |
|-----------------------------|----------------------|-------------------------------------------|
| Cash and cash equivalents   | -%                   | (0.25)%                                   |
| Domestic equity             | 16.00%               | 4.47%                                     |
| Non-US equity               | 16.00%               | 4.47%                                     |
| Core fixed income*          | 20.00%               | 1.62%                                     |
| Global inflation protected* | 20.00%               | 1.33%                                     |
| High yield                  | 15.00%               | 3.39%                                     |
| Real estate                 | 12.00%               | 3.93%                                     |
| Private markets             | 8.00%                | 6.98%                                     |
| Timber                      | 5.00%                | 4.92%                                     |
| Master limited partnerships | <u>8.00%</u>         | 7.03%                                     |
| Total                       | <u>120.00%</u>       |                                           |
| * levered 2x                |                      |                                           |

OP&F's Board of Trustees has incorporated the "risk parity" concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

**Discount Rate.** The total pension liability was calculated using the discount rate of 8.25%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8.25%. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (7.25%) or one-percentage point higher (9.25%) than the current rate.

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**City of Toledo, Ohio**  
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## **NOTE 12 – PENSION PLANS (continued)**

|                                                            | <u>1% Decrease</u><br><u>(7.25%)</u> | <u>Current</u><br><u>Discount</u><br><u>Rate of 8.25%</u> | <u>1% Increase</u><br><u>(9.25%)</u> |
|------------------------------------------------------------|--------------------------------------|-----------------------------------------------------------|--------------------------------------|
| City's proportionate share<br>of the net pension liability | \$ 294,390                           | \$ 212,840                                                | \$ 143,792                           |

### **Deferred Compensation Plans**

City employees may elect to participate in deferred compensation plans, which defers earned income until future years pursuant to IRS guidelines. Deferred compensation is generally not available without penalty until termination, retirement, death or a qualified unforeseeable circumstance. Under the Ohio Deferred Compensation Plan and the Ohio Association of Professional Firefighters Deferred Compensation Plans, plan assets are held in a trust for the exclusive benefit of the participants and their beneficiaries by the plan administrators. These plans were created in accordance with Internal Revenue Code Section 457, and participation is on a voluntary payroll deduction basis. The City does not make contributions on an employee's behalf.

The City also offers a voluntary pre-tax savings contribution retirement plan commonly referred to as a 401(k), and a post-tax savings contribution retirement plan commonly referred to as a Roth 401(k). The availability of this type of plan to governments is unique, as it was grandfathered due to its effective establishment date of December 1, 1985. Under the 401(k) plan, an employee retirement savings contributions are deducted from the employee's paycheck on a pre-tax basis. Annual contributions to the pre-tax 401(k) plan are limited to a maximum pre-tax annual contribution established by the Internal Revenue Service. Annual contributions to the Roth 401(k) are made on a post-tax basis and are also limited to a maximum post-tax annual contribution established by the IRS. The City does not make contributions on an employee's behalf.

## **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.

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## **NOTE 13 – POSTRETIREMENT BENEFIT PLANS (continued)**

### **Ohio Public Employees Retirement System (continued)**

OPERS maintains two cost-sharing multiple employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit 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. Please see the Plan Statement in the OPERS 2014 CAFR.

The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible benefit recipients. Authority to establish and amend health care coverage is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, 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 health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2015, state and local employers contributed at a rate of 14.0% of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members' contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. 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 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0% for both plans. The Board 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 employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5%.

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## **NOTE 13 – POSTRETIREMENT BENEFIT PLANS (continued)**

### **Ohio Public Employees Retirement System (continued)**

Actual employer contributions for 2015, 2014 and 2013 which were used to fund post-employment benefits were approximately \$1,376, \$1,536 and \$729, respectively.

### **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 to 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 statutory survivor benefit 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, Ohio 43215-5164 or on OP&F's website at [www.op-f.org](http://www.op-f.org).

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to 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 contribution 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 an 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 to the OP&F Board of Trustees.

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## **NOTE 13 – POSTRETIREMENT BENEFIT PLANS (continued)**

### **Ohio Police and Fire Pension Fund (continued)**

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) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was 0.5% of covered payroll throughout 2015. 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 provisions of Sections 115 and 401(h).

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 depending on the number of covered dependents and the coverage selected. The City's actual contributions for 2015, 2014 and 2013 that were used to fund post-employment benefits were approximately \$444, \$404 and \$5,863, respectively.

## **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. Although \$3,000 current liability exists in the general fund, claims activity is generally accounted for within the Risk Management Fund, which derives revenue on a pro-rata basis from other City funds to cover liability losses. Settled claims have not materially exceeded coverage in any of the last three years, and the City added coverage through new policies in 2015, without significant reduction in coverage from the prior year policies. 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 2015, the City contracted with various insurance companies to provide the following coverage:

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## NOTE 14 – RISK MANAGEMENT (continued)

### Property and Liability (continued)

|                                                     | <u>Coverage</u><br>(in Whole Dollars) | <u>Deductible</u><br>(in Whole Dollars) |
|-----------------------------------------------------|---------------------------------------|-----------------------------------------|
| Accident/ Liability Policy - Youth Commission       | 25,000                                | -                                       |
| Accident/Liability Policy - Adult Probation Program | 25,000                                | -                                       |
| Accident/Liability Policy- Mobil Speedvan           | 1,000,000                             | 500                                     |
| Boat Policy (Crestline)                             | 1,000,000                             | 1,000                                   |
| BUSTR/Cleanup for Underground Fuel Tanks            | Total cost of cleanup                 | 50,000                                  |
| Commercial Liability for The Unique Center          | 1,000,000                             | 5,000                                   |
| Commercial/Liquor for Erie Street Market            | 7,000,000                             | 500                                     |
| Crime Policy for the City                           | 3,000,000                             | 75,000                                  |
| Crime Policy for the Toledo Police                  | 1,000,000                             | 50,000                                  |
| Crime Policy for Toledo Clerk of Courts             | 3,000,000                             | 50,000                                  |
| Employee Tool Insurance                             | 211,000                               | 500                                     |
| Fine Arts Policy for Blair Museum                   | 1,000,000                             | 1,000                                   |
| Hull/Liability Policy for Helicopter                | 10,000,000                            | 10,000                                  |
| Museum Place Apartments                             | 1,000,000                             | -                                       |
| Ocean Marine Policy (Hanson)                        | 1,000,000                             | 1,000                                   |
| Ocean Marine Policy (Sounder)                       | 1,000,000                             | 1,000                                   |
| Professional Liability for TMC                      | 10,000,000                            | -                                       |
| Property Policy for the City                        | \$ 600,000,000                        | \$ 250,000                              |
| Toledo Express JEDD                                 | 1,000,000                             | -                                       |

Changes in the claim liability amount in 2013, 2014 and 2015 for funds other than workers' compensation were:

| <u>Year</u> | <u>Beginning of Year</u> | <u>in Estimate</u> | <u>Payments</u> | <u>End of Year</u> |
|-------------|--------------------------|--------------------|-----------------|--------------------|
| 2013        | 1,560                    | 1,306              | 1,306           | 1,560              |
| 2014        | 1,560                    | 2,120              | 2,120           | 1,560              |
| 2015        | 1,560                    | 5,004              | 2,004           | 4,560              |

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## **NOTE 14 – RISK MANAGEMENT (continued)**

The City has elected to take advantage of the workers' compensation plan offered by the State of Ohio. This plan, called Merit Rating, allows the City to take advantage of Destination Excellence program rebates. Destination Excellence programs enable the City receive a percentage of premiums paid based on fulfilling the requirements of each program.

In contrast to the program utilized in prior years, Merit Rating has no dollar for dollar liability. Claim costs are paid by the Ohio Bureau of Workers' Compensation (BWC) and those costs are used to calculate an annual insurance premium established by BWC.

The City also retains liability for its Individual Retrospective Rating Plan from January 2006 through December 2014. In the Retrospective Rating plan, the City agreed to assume a portion of the risk in return for a reduction in premium. The greater the percentage of risk the City assumed, the greater the reduction in the premium. If the City's loss experience is better than predicted by the experience-rating system, its total obligation will be less than what it would have paid under experience rating. If its experience is worse than predicted, its total 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 BWC. Ten years after each year the City elected the retrospective plan for workers' compensation, the City settles up for the reserve (if any) on 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 \$10,000 reported at December 31, 2015 was determined after review of the City's actuarial report provided by a third party actuary. This estimate complies with 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 adjusted in 2015 to reflect a substantial reduction in claim liability, primarily as a result of the sub-contracting of the City's refuse workers beginning in 2011, additional safety training, better claims management, and the implantation of changes related to worker safety based upon training provided by the Safety Council of Northwest Ohio.

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## NOTE 14 – RISK MANAGEMENT (continued)

Changes in the funds' claim liability amount in 2013, 2014 and 2015 were:

| <u>Year</u> | <u>Balance at<br/>Beginning of Year</u> | <u>Current Year<br/>Claims and Change<br/>in Estimate</u> | <u>Claims<br/>Payments</u> | <u>Balance at<br/>End of Year</u> |
|-------------|-----------------------------------------|-----------------------------------------------------------|----------------------------|-----------------------------------|
| 2013        | 17,930                                  | 4,289                                                     | 6,021                      | 16,198                            |
| 2014        | 16,198                                  | 5,059                                                     | 5,059                      | 16,198                            |
| 2015        | 16,198                                  | (1,068)                                                   | 5,130                      | 10,000                            |

### 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 2013, 2014 and 2015 were:

| <u>Year</u> | <u>Balance at<br/>Beginning of Year</u> | <u>Current Year<br/>Claims and Change<br/>in Estimate</u> | <u>Claims<br/>Payments</u> | <u>Balance at<br/>End of Year</u> |
|-------------|-----------------------------------------|-----------------------------------------------------------|----------------------------|-----------------------------------|
| 2013        | 2,652                                   | 17,305                                                    | 17,197                     | 2,760                             |
| 2014        | 2,760                                   | 19,717                                                    | 19,746                     | 2,789                             |
| 2015        | 2,789                                   | 22,902                                                    | 20,937                     | 3,754                             |

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## NOTE 15 – ACCOUNTABILITY AND COMPLIANCE

### Fund Balance Deficits

The following deficit fund balances existed at December 31, 2015:

|                                      |           |
|--------------------------------------|-----------|
| <i>Governmental Funds:</i>           |           |
| Special Assessment Services Fund     | \$ 60,593 |
| Non-Major Governmental Fund:         |           |
| Special Assessment Improvements Fund | 1,853     |
| <br><i>Proprietary Funds:</i>        |           |
| Utility Administrative Services Fund | 1,838     |
| Non-Major Enterprise Fund:           |           |
| Property Management Fund             | 10,145    |
| <br><i>Internal Service Funds:</i>   |           |
| Facilities Operations Fund           | 882       |

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

### Change in Accounting Principles

For 2015, the City implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. GASB Statement No. 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expense. The implementation of this pronouncement had the following effect on net position as reported December 31, 2014:

|                                            | Water             | Sewer             | Utility<br>Administrative<br>Services | Nonmajor<br>Enterprise | Internal<br>Service<br>Fnds |
|--------------------------------------------|-------------------|-------------------|---------------------------------------|------------------------|-----------------------------|
| Net Position at December 31, 2014          | \$ 162,237        | \$ 278,673        | \$ 1,569                              | \$ 45,337              | \$ 31,879                   |
| Adjustments:                               |                   |                   |                                       |                        |                             |
| Net Pension Liability                      | (9,602)           | (11,122)          | (4,697)                               | (2,625)                | (5,249)                     |
| Deferred Outflows - Payments               |                   |                   |                                       |                        |                             |
| Subsequent to Measurement Date             | 1,198             | 1,388             | 586                                   | 328                    | 655                         |
| Restated Net Position at December 31, 2014 | <u>\$ 153,833</u> | <u>\$ 268,939</u> | <u>\$ (2,542)</u>                     | <u>\$ 43,040</u>       | <u>\$ 27,285</u>            |

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## **NOTE 15 – ACCOUNTABILITY AND COMPLIANCE (continued)**

### **Change in Accounting Principles (continued)**

|                                            | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> |
|--------------------------------------------|------------------------------------|-------------------------------------|
| Net Position at December 31, 2014          | \$ 456,221                         | \$ 487,816                          |
| Adjustments:                               |                                    |                                     |
| Net Pension Liability                      | (241,131)                          | (28,046)                            |
| Deferred Outflows - Payments               |                                    |                                     |
| Subsequent to Measurement Date             | <u>22,315</u>                      | <u>3,500</u>                        |
| Restated Net Position at December 31, 2014 | <u>\$ 237,405</u>                  | <u>\$ 463,270</u>                   |

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

## **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 for which it reserves resources. Those proceedings are unrelated to any outstanding City debt or the security therefore. The ultimate disposition of those proceedings is not now determinable, but based on the aforementioned 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.

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, 2015 and at the date of this Statement, is sufficient to meet the claims and judgments that may arise in 2016. 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.

# UNAUDITED

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## **NOTE 16 – CONTINGENCIES (continued)**

### **Grants**

In 2015, 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**

On January 5, 2016, the City Council passed an agreement to accept loan proceeds not to exceed \$.87 million from the Ohio Water Development Authority for the repair of sewer failure at the Laskey and Talmadge Road intersection.

On January 5, 2016, the City Council passed an agreement to accept loan proceeds of \$1.38 million from the Ohio Environmental Protection Agency Water Pollution Control Loan Fund for the Arlington/Heatherdowns SSO Elimination Project.

In February 2016, the City Council passed legislation for the issuance and sale of notes in the aggregate principal amount of \$12.1 million in the anticipation of the issuance of bonds to provide funds to pay costs of improving the City's street and bridge systems.

On February 17, 2016, the City Council passed an agreement to accept loan proceeds from the Ohio Environmental Protection Agency and the Ohio Public Works Commission in the amount of \$27.9 million for the International Park Storage Basin

On March 1, 2016, the City Council passed an agreement to accept grant and loan proceeds of \$2.4 million from the Ohio Public Works Commission for five roadway projects and one bridge project.

In April and May of 2016, 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 42<sup>nd</sup> year CDBG grant (\$6.8 million), the 30<sup>th</sup> year ESG grant (\$.6 million) and the 24<sup>th</sup> year HOME grant (\$1.6 million).

The Lucas County Common Pleas Court recently ruled in favor of the City in litigation surrounding a dispute with Lucas County over incarceration costs related to the City's charges and contributions to the Corrections Center of Northwest Ohio. Although this is a positive development, it remains unclear what the financial impact will be for the City, not only for past services, but also for incarceration services moving forward. The Mayor has publicly indicated that negotiation is necessary and practical in this ongoing dispute.



