

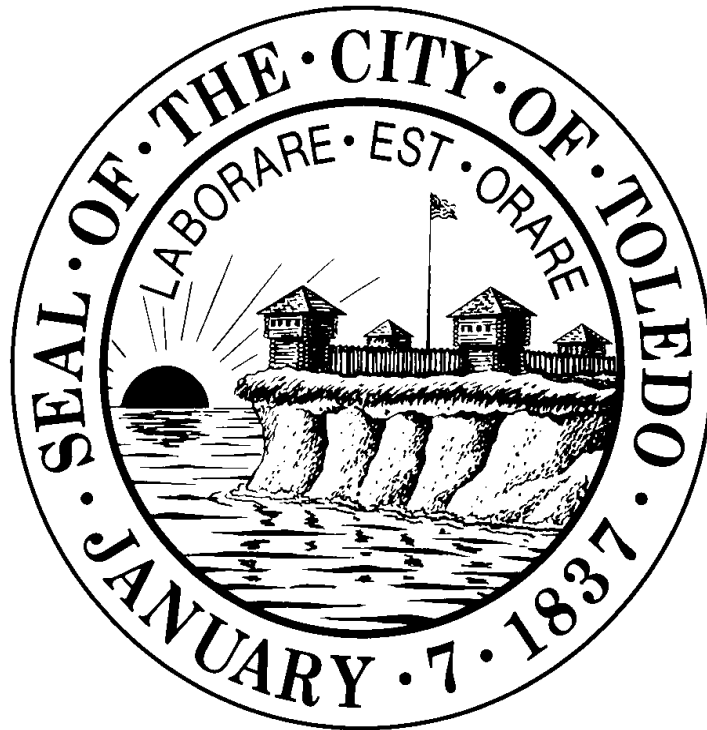
# CITY OF TOLEDO, OHIO

## 2017

### 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 July 15, 2017.



## 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 2016 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 for Fiscal Year 2016 agreed to be provided under the Continuing Disclosure Agreements. It also includes certain such information pertaining to post-Fiscal Year 2016 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 2016”) means the Fiscal Year ending on December 31 in that year.
- “**Revised Code**” means the Ohio Revised Code.
- “**State**” or “**Ohio**” means the State of Ohio.

## **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 Census Bureau has estimated that in 2016 the City had a population of 278,508.

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 (65.09%), Commercial (29.88%), Industrial (4.62%), Railroad (0.37%) 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

(located approximately 45 miles north of the City); 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 (792 beds) and Toledo Children's Hospital (151 beds); Mercy Health Partners' St. Vincent Medical Center (568 beds) and St. Anne's Community Hospital (128 beds); and The University of Toledo Medical Center (319 beds). ProMedica's Flower Hospital (315 beds) and Bay Park Hospital (77 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, and internet service 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.

Opened in 2014, the Great Lakes Historical Society's National Museum of the Great Lakes located in the City's Marina District features more than 50 interactive exhibits as well as displays of artifacts and a Great Lakes freight ship and maritime park. In 2016, the Museum had approximately 25,000 visitors. See **Economic and Community Development Activities – Industry and Commerce – Other Recent Commercial Development Activities**.

The Valentine Theater, an historic 122-year old 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 901-seat auditorium, three rehearsal halls and administrative offices. The Toledo Cultural Arts Center, Inc., a non-profit organization, owns and operates The Valentine and 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's Board of County Commissioners 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 19 branch libraries throughout the County, including 13 within the City. It has the fifth largest public library circulation in the State and has been ranked by the Hennen American Public Library Rating as one of the top libraries in the United States.

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 ad valorem property tax levies approved by County voters for operations and capital improvements, completed a \$25.5 million 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 15 parks covering more than 12,000 acres in the County. In 2016, the Metroparks welcomed over five million visitors. In September 2016, the Metroparks opened a new park in the Downtown area of the City. See **Public Projects**. The Toledo Botanical Garden, located in the City, has over 60 acres of display gardens and relevant plant collections and a two-acre urban agricultural center supporting over 125 community gardens and has more than 120,000 visitors annually. The Botanical Garden is operated as a public/private partnership between the the Metroparks and the non-profit Toledo Botanical Garden Board, Inc. in collaboration with the City.

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 and conversion of 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 Downtown Development Activities**.

In 2009, the County completed construction of a \$105 million, 8,000-seat multipurpose arena located in the Downtown area of the City that now serves as the home of the Toledo Walleye, a Class AA professional hockey team, and as a venue for concerts and other activities. The arena was designed and certified as the first new Leadership in Energy and Environmental Design (LEED) sports arena in the United States.

A total of 16 private and public golf courses are located in the County, one of which (Ottawa Park Golf Course) is owned by the City. One of the other courses, Inverness Club, 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 USGA annually. 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 12-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 other 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.

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

	<u>Name</u>	<u>Years of Service As of July 15, 2017</u>	<u>Occupation in Private Life</u>
At-Large	Dr. Cecilia Adams (D)	2 years(a)	Retired school administrator
At-Large	Rob Ludeman (R)	7½ years(c)	Realtor
At-Large	Sandy Spang (I)	3½ years	Business owner
At-Large	Steven Steel (D)(d)	8 years	College professor
At-Large	Larry Sykes (D)	3½ years	Retired bank executive
At-Large	Kurt Young (D)	3 months(b)	Attorney
District 1	Tyrone Riley (D)	5½ years	Attorney
District 2	Matt Cherry (D)	3½ years	Business agent
District 3	Peter Ujvagi (D)	1½ years(e)	Civic leader
District 4	Yvonne Harper (D)	2 years	Retired court bailiff
District 5	Tom Waniewski (R)	9½ years	Development director
District 6	Lindsay M. Webb (D)	9½ 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. Young was appointed by the Council on April 25, 2017, to fill a vacancy created by the resignation of Theresa M. Gabriel on April 5, 2017. Ms. Gabriel resigned to take the position of deputy director of the Lucas County Board of Elections.
- (c) Mr. Ludeman also previously served on Council for 14 years from 1994 through 2007, when he was barred from running again by term limits.
- (d) The Council annually elects one of its members to serve as President of Council. Dr. Steel has been elected by his colleagues on Council to serve as President of Council for 2015, 2016 and 2017.
- (e) 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 will expire on January 1, 2018, and those of all members of Council elected from districts 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, and she has announced her intention to seek re-election for the next term.

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 four years. She also served the City as a Legislative Director for the City Council from 1999 through 2002, Lucas County as the 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 the economic development field for 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 Ohio Governors Ted Strickland and John 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 Boards of Trustees of WGTE Public Broadcasting and 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's Director of Economic and Business 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 Commission as its Director from 2008 through 2012. Prior to his service in those positions, Mr. Lawshe was a 30-year employee of The University of Toledo, working in various capacities. Mr. Lawshe earned both a Bachelor of Business degree and a Master of Business Administration 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.

Acting Commissioner of Taxation- John Zawisza

Mr. Zawisza was appointed as Acting Commissioner of Taxation by Mayor Hicks-Hudson on January 26, 2017. Prior to his appointment, he had served the City for 22 years in various positions in its Departments of Finance and Law. Mr. Zawisza earned his Bachelor's degree in Business Administration at The University of Toledo.

Commissioner of Debt Management and Capital Improvement Programs and Acting Commissioner of Treasury – Bryan Benner

Mr. Benner was appointed by Mayor Hicks-Hudson as Commissioner of Debt Management and Capital Improvement Programs on June 1, 2015, and as Acting Commissioner of Treasury on February 1, 2017, and currently serves in both such capacities. Prior to his appointment as Commissioner of Debt Management and Capital Improvement Programs, he had served the City for three years as Commissioner of Purchasing and two years as Commissioner of Administration, assisting all City finance divisions. Prior to joining the City, Mr. Benner had worked for 12 years in healthcare finance and for 19 years in higher education finance and administration. Mr. Benner earned both a Bachelor of Arts degree and a Master of Public Administration degree from The University of Toledo.

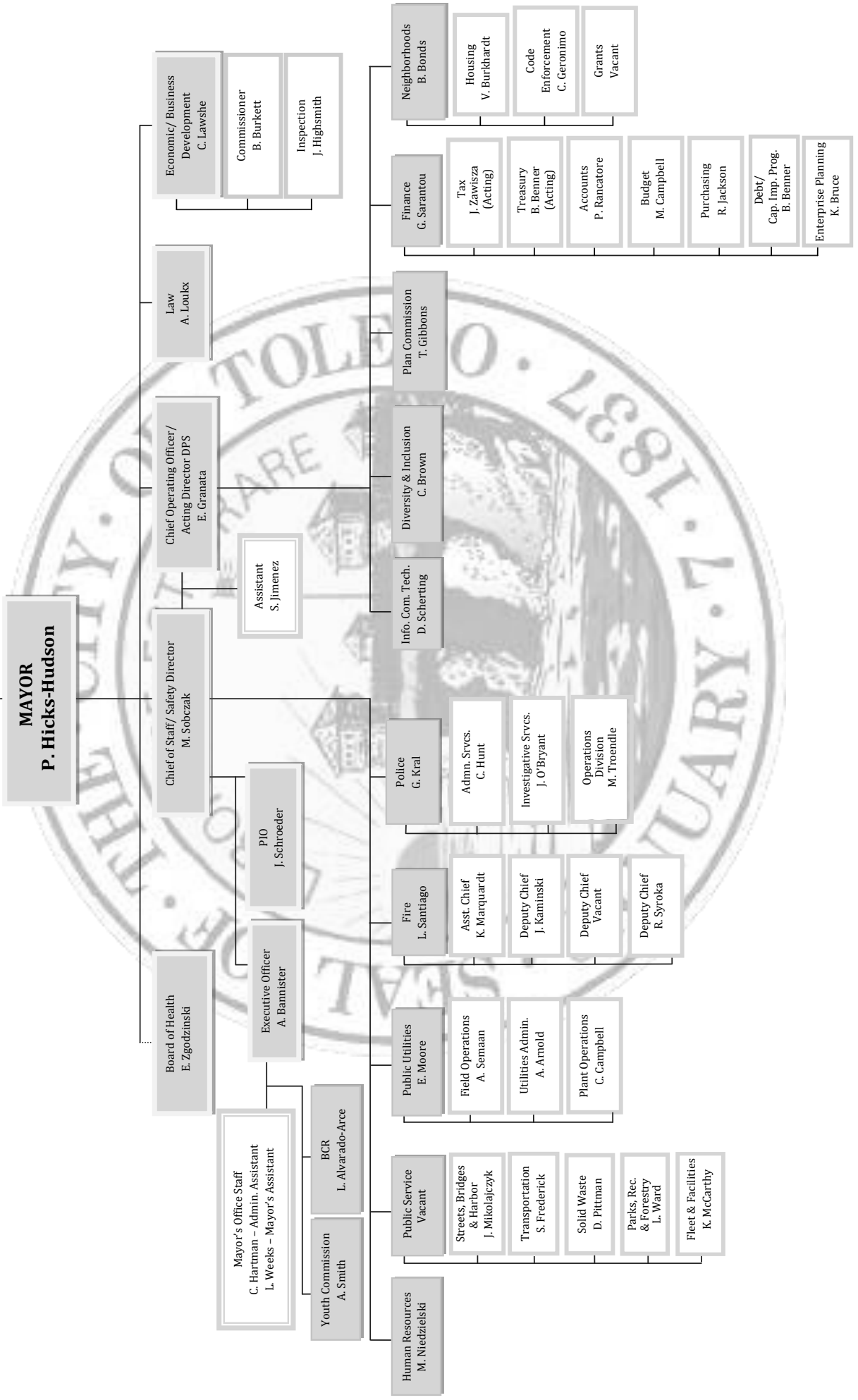
City Auditor – John Jaksetic, CPA

Mr. Jaksetic was appointed as City Auditor by the Council 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 20 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



## Employees

The City had 2,626 full-time and part-time employees as of June 1, 2017. That number of employees has decreased by approximately 13 since 2012. 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:

<u>Bargaining Unit</u>	<u>Approximate Number of Employees</u>	<u>Labor Agreement Expiration</u>
Ohio Council 8 of the American Federation of State, County and Municipal Employees (AFSCME), Local 7	740	June 30, 2017(a)
Ohio Council 8 of AFSCME, Local 7, Communications Operators	62	June 30, 2017(a)
Toledo Police Patrolman's Association	467	December 31, 2017(b)
International Association of Fire Fighters, Local 92	503	December 31, 2017(b)
International Brotherhood of Teamsters, Local 20	78	December 31, 2018
Ohio Council 8 of AFSCME, Local 2058, Supervisors	213	May 31, 2018
Ohio Council 8 of AFSCME, Local 2058, Communication Supervisors	7	May 31, 2018
Toledo Police Command Officers' Association	135	December 31, 2017(b)
United Auto Workers, Local 12 (Clerk of Courts – Supervision)	8	December 31, 2019
Ohio Council 8 of AFSCME, Local 3411 (Clerk of Court – Deputy Clerks)	66	December 31, 2018
Toledo Fire Chiefs' Association	22	December 31, 2017(b)

- (a) Negotiations for the next agreement commenced in May 2017 and are ongoing. Employees are continuing to work under the terms of the prior agreement.
- (b) Negotiations for each of the next agreements are expected to commence in October of 2017.

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, currently representing approximately 802 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, 2016 and 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. Negotiations for the new contracts for those employees commenced in May 2017 and are ongoing.

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 have provided 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 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 provided 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 three-year contracts with AFSCME Local 2058, representing communications and various other supervisors, running through May 31, 2018. Under the terms of those contracts, employees in the bargaining units represented by AFSCME Local 2058 received 1.0% pay increases on January 1 in 2016 and 2017 and are to receive an additional 1.0% pay increase on January 1, 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 in May 2016, the City entered into a three-year contract through 2018, with AFSCME Local 3411, representing Deputy Clerks in the Clerk of Courts office. That contract provided for 1.0% base wage increases effective on January 1 in 2016, 2017 and 2018, respectively. The City concluded contract negotiations with the United Auto Workers Local 12 on the same terms as its contract with AFSCME Local 3411 in the Fall of 2016.

In July 2017, the City entered into a three-year contract through 2018, with the International Brotherhood of Teamsters, Local 20. That contract provides for a \$750 payment for 2016 and for 1.0% base wage increases effective retroactively to January 1, 2017 and on January 1, 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.

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 is active in promoting industrial and commercial development in the City and the Toledo MSA, working in concert with, among others, the County, the Port Authority, the Toledo Regional Growth Partnership, The University of Toledo and the State and JobsOhio, a private non-profit corporation created by the State, to provide 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 of Major Employers***

### **Healthcare**

The ProMedica Health System (ProMedica), the largest employer in the Toledo MSA, has been an active participant in development activities in the City. ProMedica is currently completing construction of on a new headquarters campus in the Downtown area of the City and expects to move approximately 840 administrative staff members, including more than 500 who were previously working in facilities in various locations outside the City, into facilities on that campus in August 2017. The campus will include offices in a renovated historic building (the former Toledo Edison Steam Plant) and a renovated office building and amenities including a bagel and coffee shop and an entertainment space on the Maumee River, green space and a newly constructed six-story, 764-space parking garage. The City and ProMedica entered into a development agreement pursuant to which ProMedica agreed to invest at least \$50 million in the campus, and the City agreed to provide certain land for the parking garage and infrastructure improvements in support of the project, to maintain and improve green space on the campus and to provide a seven-year property tax abatement and other financial incentives. The State awarded \$5 million in Ohio Historic Preservation Tax Credits for the project. ProMedica has committed to having 2,500 total jobs, at an average salary of not less than \$48,000, in the Downtown area of the City by 2019. The project has also promoted additional development in the Downtown area of the City. See ***Recent Downtown Development Activities***.

ProMedica also has under construction a \$350 million project, commenced in 2016, 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. 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 and additional development.

In June 2016, ProMedica acquired 69 acres of land for redevelopment in the Marina District on the east bank of the Maumee River in the City. That land, formerly owned by the City, was purchased from Dashing Pacific Group, LLC for \$3.8 million. In April 2017, ProMedica and Continental Real Estate proposed the development of 370 apartment units, a restaurant, a pool and a clubhouse on 15 acres of that land that are to be purchased from ProMedica by Continental. ProMedica is selling the remaining portion of that land to the Metroparks for approximately \$3 million for use as a riverfront park. See **Public Projects**.

In March 2016, Mercy Health Partners commenced construction of an estimated \$34 million project to expand facilities on the Mercy St. Vincent Medical Center and Mercy Children's Hospital campus in the Downtown area of the City. A new 29,000-square-foot, two-story building will house St. Vincent's and Mercy Children's emergency services, including a level 1 trauma center and an expanded surgical area with more space for pre-operative and post-operative care. The project is expected to be completed in the spring of 2018.

### **Automotive**

Fiat Chrysler Automobiles (Fiat Chrysler), the largest manufacturing employer in the City, is proceeding with a \$700 million project at its Toledo Assembly Complex in the City to prepare for the production of the next generation Jeep Wrangler and a new Jeep Wrangler pick-up truck model. To create room for production of those models without interrupting production of the current version of the Jeep Wrangler, Fiat Chrysler has moved production of its Jeep Cherokee model from the Complex to a plant in Belvedere, Illinois. Various industry sources have estimated that annual Jeep Wrangler production at the Complex will increase to 350,000 vehicles with the introduction of the model's next generation which is expected to occur late in 2017. Production of the new Jeep Wrangler pick-up is expected to commence in 2019. The City is investing approximately \$850,000 to improve roadways near the Assembly Complex in support of the project. According to Fiat Chrysler, employment at the plant will increase by 700 to 5,800 when the improved Assembly Complex achieves full production in 2019. See **Employment**.

The current investment in the Assembly Complex follows major improvement and expansion projects completed by Fiat Chrysler at the Complex and its Toledo Machining Plant in nearby Perrysburg

Township in 2013. The projects at the 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. They required an estimated investment of \$500 million by the company and increased the annual production capacity of the plants in the Complex 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.

General Motors has under construction a 650,000-square-foot addition to its GM Powertrain Division's Alexis Road transmission plant in the City, an estimated \$668 million project to prepare the plant for an unspecified new product line. In the past three years, General Motors completed two new investments in the plant – a \$55.7 million investment to support production of fuel-efficient eight-speed rear-wheel drive transmissions and six-speed front-wheel drive transmissions, and a \$30.6 million investment for equipment and tooling to expand capacity for the production of the six-speed rear-wheel drive transmissions – to accommodate General Motors' product growth and meet increasing demand for those transmissions. With those investments and others, General Motors has stated that it will have invested more than \$1.0 billion in the plant since 2011. General Motors currently produces 6-speed and 8-speed rear-wheel-drive transmissions and 6-speed front-wheel-drive transmissions at the plant that are used in a variety of GM vehicles, including at least 28 cars, trucks, sport utility vehicles and sports cars. The State and the City have provided grants and tax incentives to General Motors in connection with certain of those projects.

Dana Holdings Corporation, a Fortune 500 automotive and industrial components manufacturer, is investing approximately \$70 million in a new axle manufacturing facility in the Overland Industrial Park owned by the Port Authority and located 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 stated 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 less than three miles from the Fiat Chrysler's Toledo Assembly Complex. Dana received financial incentives for this project from the State, the County, the City, the Port Authority and FirstEnergy Corp., parent of the principal electric utility serving the City. 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 early 2017, Ohio developer NAI Harmon Group completed construction of an \$8 million, 102,600-square-foot plant on a site in the Overland Industrial Park. That plant has been leased to Detroit Manufacturing Systems LLC, a joint venture of Faurecia SA, one of the world's largest automotive parts suppliers, and Rush Group, that assembles interior components of automobiles and pick-up trucks and is expected to assemble components for Fiat Chrysler's next generation Jeep Wrangler. According to NAI Harmon Group, Detroit Manufacturing Systems is investing approximately \$70 million for equipment and to outfit the plant. Detroit Manufacturing Systems has announced that it will hire 140 workers in 2017 and could add 100 more within the plant's first 36 months of operation.

In 2015, Faurecia Automotive Holdings 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 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.

## ***Recent Downtown Development Activities***

### **Downtown Hotel**

Marriott Corp. will open the Renaissance Toledo Downtown Hotel on the west bank of the Maumee River in the Downtown area of the City in August 2017 following a \$31 million renovation of a hotel facility constructed in 1985 and previously operated under a number of other hotel brands. The renovated 13-story hotel, which will have 240 rooms, restaurants on its first floor and a 12<sup>th</sup>-floor rooftop, is expected to provide employment for a staff of 125.

### **Tower on the Maumee**

The former Fiberglass Tower, now called the Tower on the Maumee, a 28-story building in the Downtown area of the City, is being redeveloped for multiple uses. That building housed the headquarters of Owens Corning, a Fortune 500 glass fiber products manufacturer, before that company moved its headquarters to the Middlegrounds neighborhood just south of the Downtown area in the 1990s. The top 11 floors of the Tower are being converted to 106 luxury apartments. Construction of that \$20.4 million project began in October 2016 and is to be completed and ready for occupancy later this year. Directions Credit Union, a nonprofit credit union, has agreed to lease three other floors of the Tower and announced plans to move approximately 90 employees and its administrative and office operations now conducted in locations in adjacent suburbs to offices in that space in late 2017 or early 2018. The City assisted the current owner of the building in securing a \$3 million State grant for asbestos removal in connection with the redevelopment.

### **Hensville**

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 large 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.

The Lathrop Company, a subsidiary of Turner Construction Company, has moved its headquarters and 40 employees from the City of Maumee to Hensville, occupying 6,000 square feet of office space in the development’s Fleetwood Building. The regional office of PriceWaterhouseCoopers has also been located in Hensville since 2015. Approximately 6,000 square feet of office space currently remain available for lease in the Hensville development.

### **Other**

In May 2017, Hart Inc., an advertising and marketing agency, announced plans to return its operations to the Downtown area of the City after operating for 25 years in an adjacent suburb. Approximately 60 Hart Inc. employees are to occupy about 20,000 square feet on two floors in the Hylant Building. Other occupants in that office building now include the Hylant Group Inc., an insurance brokerage firm with approximately 230 employees, Pilkington North America, a glass manufacturer, and a small transportation company.

In 2013, the City and Owens Corning reached an agreement on an incentive package to extend the lease on its corporate headquarters facility located in the Downtown area 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 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**.

The City is undertaking a \$4.395 million road reconfiguration project to enhance the appearance of the entry to the Downtown area of the City from the Anthony Wayne Trail, a major artery, while also improving the physical access for pedestrians and motorists. The project will relocate the terminus of the Anthony Wayne Trail to allow reconstruction of a nearby intersection into a standard four-way configuration with pedestrian crossings on all four legs of the intersection. Once the relocation is completed, the existing portion of the road will be converted into a park. The project will include streetscape elements such as a public art installation to provide a welcoming and revitalized gateway into the Downtown area. The City broke ground on the project in June 2017, and the project is scheduled to be completed in Fall 2018.

### ***Other Recent Industrial and Commercial Development Activities***

In June 2017, Cleveland-based Cliffs Natural Resources Inc. (Cliffs) announced that it had selected the City as the site for a new \$700 million iron processing facility. The facility is to be located on a brownfield site in the Port of Toledo. When operational, the facility will receive iron ore mined in Minnesota and Michigan and process it into hot briquetted iron used in making steel. In its press release announcing the project, Cliffs stated that the project will create 1,200 construction jobs and 130 permanent jobs over the next two years, with groundbreaking on the project expected in early 2018 and operations to commence in 2020. According to the Port Authority, salaries for the jobs to be created at the facility will range from \$40,000 to \$140,000, with an average total compensation in salary and benefits for hourly workers of \$90,000. The City's waterworks system is expected to provide approximately 3.6 million gallons of water per day to the facility. See **Water System**. The project is to receive \$30 million in grants and other incentives from JobsOhio and the City will provide a Toledo Expansion Incentive with an estimated value of \$1,046,654.

In February 2017, Clean Energy Future LLC and the adjacent City of Oregon (Oregon) announced plans for construction of a second electric power plant at a cost of approximately \$900 million. The project, a 900 MW natural gas-fired plant, is expected to create 1,000 construction jobs and 25 permanent jobs, with groundbreaking on the project expected in early 2018 and operations to commence in 2020. Previously, Clean Energy, through affiliates, undertook construction of the Oregon Clean Energy Center, an 860 MW natural gas-fired plant scheduled for completion in 2017. The new facility will be located in Oregon adjacent to the Oregon Clean Energy Center. The City and Oregon and Clean Energy Future LLC entered into an agreement allowing to Clean Energy Future LLC to purchase cooling water for the facility from the City as well as providing for an emergency interconnection between the water systems of the two cities. Both the City and Oregon will approve the design and construction of the infrastructure necessary to make this connection and Clean Energy Future LLC will pay the costs. The agreement is to run for a 40-year term. Projected annual revenue for the City's Department of Utilities is in excess of \$1.4 million.

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%). With its recent renovation, the aquarium is now home to over 3,000 sea creatures in 178,000 gallons of water. The historic structure houses state-of-the-art water filtration systems and innovative exhibits like the interactive Touch Tanks, an infinite blue ocean tank showcasing Pacific sea nettles and "The Reef," where volunteer divers conduct underwater Q & A sessions with visitors.

The 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's Great Lakes freight 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 25,000 visitors in 2016 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 900 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 required to be distributed to local governments. The City received \$5.6 million in revenue from that tax in 2016. See **Casino Tax Revenue**.

### *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 365 projects have been financed for more than \$2 billion since 1988. These projects have helped create or retain approximately 19,000 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. Since that time, the Port Authority has approved 133 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 (ECDI), a nonprofit organization focused on economic development, to establish the Microenterprise Development Initiative, which provides area entrepreneurs with small business loans of up to \$350,000. Under the partnership, the Port Authority is the point of access and ECDI is the lending partner. The Port Authority helped ECDI close eight loans providing a total of \$245,250 in capital for small businesses since the initiative began last year.

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 invested approximately \$14 million for 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. See the discussion concerning the Dana Holdings Corporation project and NAI Harmon Group's project for Detroit Manufacturing Systems LLC under **Economic and Community Development Activities**.

### **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 capital repairs and alterations to the existing Courthouse building. Construction of the project is expected to begin in January 2018.

In its most recent capital budget, 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 rentals 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 approximately 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 September 2016, the Metropolitan Park District of the Toledo Area (the Metroparks) opened its Middlegrounds Metropark, a \$3.7 million, 28-acre park on half of a mile of frontage on the west bank of the Maumee River in the Downtown area of the City, that features a 2,500-square-foot picnic shelter, a dog park, walking trails, canoe and kayak launch inlet, river and wetland overlooks, woods, meadows, natural areas, and event and picnic lawns. 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 Rotary of Toledo donated the money to construct the picnic shelter.

ProMedica is selling approximately 55 acres of land that it owns in the Marina District on the east bank of the Maumee River in the City to the Metroparks. The Metroparks plans to buy the land in three phases for approximately \$3 million for use as a riverfront park. The Metroparks has secured a \$1.9 million State grant for the acquisition and development of the 21-acre first phase. The Metroparks will also assume an option to purchase an additional 17.8 acres in the Marina District owned by the City. ProMedica and a developer have proposed the development of 370 apartment units, a restaurant, a pool and a clubhouse on 15 acres of land adjacent to the site of the proposed riverfront park. See **Economic and Community Development Activities – Industry and Commerce – Recent Development Activities of Major Employers.**

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 sought to promote the development and renovation of housing units in the Downtown area of the City and other neighborhoods. As part of its efforts, 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, 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 a 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 2016, the City had made an aggregate of \$11.24 million in debt service payments (including \$1.86 million in Fiscal Year 2016) 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 City funds available for the purpose in Fiscal Year 2017 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 2017. 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 148 market-rate condominium units in the Downtown area of the City and the City's Warehouse District. More than 2,400 other new affordable and market-rate rental units have been completed in the Downtown area of the City and the nearby Uptown and Warehouse Districts.

The Standart Lofts, a 70-unit apartment complex, was completely leased within four months after having been developed in 2012 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 near the Hensville development in the Warehouse District, with parking for tenants and visitors on a lower floor. The project is expected to be completed in late 2017.

The current strong demand for market-rate living accommodations in the Downtown area of the City is further evidenced by residential occupancy levels reaching 98% and, with additional development projects including the relocation of the ProMedica Health System, The Lathrop Company headquarters and Hart Inc. to the area, that demand is expected to increase. More than 3,400 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. See the discussion of housing being developed in Hensville and other portions of the Downtown area under **Economic and Community Development Activities – Industry and Commerce – Recent Downtown Development Activities**.

Collingwood Green, a new mixed-income housing development in the Downtown area, is being developed by the Lucas County Housing Authority in three phases. Phase I of the development, completed in

2013, is a fully occupied 65 apartment midrise unit for the elderly. Phase II of the development, completed in 2015, is a 68-unit family townhouse development. Phase III of the development, expected to begin in late 2017, will provide 55 additional two, three and four family units.

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 began in 2016. In 2015, National Church Residences' Commons at Garden Lake, a 75-unit apartment building for homeless and at-risk homeless veterans, was completed in the Downtown area of the City. A renovation of the Newtown Apartments, an 11-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, 2017 through June 30, 2018 will be \$6,735,978, and its HOME funding allocation for that program year will be approximately \$1,611,011.

The City has assisted in, and 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 in 2014 that determined the overall condition of the City's housing stock. This inventory is 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 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. In 2016, the Land Bank demolished 441 blighted structures in partnership with the City and private contractors, and it plans to demolish approximately 400 more structures selected by the City in 2017. In 2016, the Land Bank received a \$15.7 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 July 2017, the City received a \$2.9 million grant from the Department of Housing and Urban Development to help reduce lead based hazards in homes located within the City. The City plans to use the grant funds to help homeowners, property owners and tenants pay for lead testing and abatement.

In 2016, the Port Authority awarded a 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, and in March 2017, the Museum purchased the Museum Place Apartments from the Land Bank, to which the City had transferred ownership of the property. The five buildings making up the Museum Place Apartments have a total of 62 units, with approximately 32 of the units currently leased. The management company hired by the Museum has stated that future leases will be on a market-rate basis. The ownership transfer does not relieve the City of the debt service liability on the general obligation bonds issued by the City to originally acquire the buildings, as discussed above.

## **Education**

The Toledo City School District is the principal school system in the City and the fifth largest school system in the State. See also **Overlapping Governmental Entities**. It serves approximately 21,849 pupils in 54 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 \$385.9 million. The Board currently receives approximately 27.24% of its funding from local sources,

including taxes, tuition, fees and interest income, approximately 72.28% of its funding from State sources and approximately 0.48% 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 reported a Fall 2016 enrollment of 16,247 undergraduates and 4,401 graduate and professional students, making it the seventh largest of 14 public universities in the State. As of November 2016, the University and its Medical Center together had approximately 6,662 employees and a combined annual operating budget of approximately \$922 million, the third largest of public university operating budgets in the State. The University's 13 colleges attract students from a broad region with a selection of thousands of course offerings in approximately 242 undergraduate and graduate 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 was awarded research grants of approximately \$38.35 million in its fiscal year ended June 30, 2016. A study released by the University in May 2017 estimates that the University contributes \$1.35 billion annually to the region's economy from payroll, University purchases and spending by students and visitors and the ripple effect of those expenditures.

Mercy College of Ohio, a private institution of higher learning with a focus on healthcare education, has its main campus in the City where approximately 1,166 students were enrolled in Spring 2017.

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 18,400 undergraduate and graduate students, and Lourdes University an enrollment of approximately 1,425 undergraduate and graduate students. In addition, approximately 16,400 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.

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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.

The U.S. Census Bureau has estimated that in 2016 the City had a population of 278,508.

### **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 2016 Fortune 500 corporation, has its headquarters in the City, and two other of the 2016 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 595<sup>th</sup>, also has its corporate headquarters in the Toledo MSA.

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The following private and public employers have been among 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</u>	<u>Nonmanufacturing Activity</u>
ProMedica Health System	Health care		15,000(a)
Mercy Health Partners	Health care		8,827
The University of Toledo	University and Medical Center		6,662(b)
Fiat Chrysler Automobiles	Automobile manufacturer	6,147	
Toledo City School District	Education		4,532(c)
Bowling Green State University	University		3,399(b)
The County	Government		3,086(d)
Sauder Woodworking Co.	Furniture, cabinets	2,850	
The City	Government		2,626(e)
General Motors Corp./GM Powertrain Division	Automotive manufacturer	1,971	
HCR Manor Care	Health care services		1,845
The Andersons	Grain storage/processing		1,545(f)
St. Luke's Hospital	Hospital		1,496(g)
United Parcel Service	Package delivery and logistics		1,400
Libbey, Inc.	Glass manufacturer	1,300	
Lott Industries	Sheltered workshop		1,200
Wood County	Government		1,200
YMCA of Greater Toledo	Nonprofit organization		1,200
Owens Community College	Education		1,064
Toledo Edison Company	Electric utility		1,060
Toledo Molding & Die, Inc.	Plastics manufacturer	1,025	
Owens-Corning	Building materials & reinforcements		1,000(h)
Block Communications, Inc.	Information services		955
Sylvania City School District	Education		909(i)
Hollywood Casino	Casino		892
Wood County Hospital	Medical facility		875
Washington Local School District	Education		850
Owens-Illinois, Inc.	Glass manufacturer		843(h)
FedEx Ground	Courier delivery services		810
First Solar LLC	Solar cell manufacturer	800	
State of Ohio	Government		761
Vehstek Systems Inc.	Automotive stampings	750	
Walgreens	Logistics and distribution		659
Ottawa County	Government		650
Sunshine, Inc.	Children's home		650
Materion Brush	Beryllium manufacturer	635	
NSG Pilkington	Glass manufacturer	626	
BP Oil Co.	Petroleum refiner	600	
International Automotive Components	Automotive interior systems	600	
Johnson Controls Battery Group, Inc.	Battery manufacturer	600	
Mobis North America LLC	Automotive	600	
Norfolk Southern	Transportation		600
Bennett Enterprises	Motor inns and restaurants		535
Dana Holding Corporation	Automotive and industrial components		500(h)
Norplas Industries, Inc.	Assemblies manufacturer	500	
Toledo Clinic, Inc.	Medical clinic		500
Toledo Refining Co.	Petroleum refiner		500

(a) As reported on the employer's website as of July 2017.

(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) Includes full-time, part-time and hourly employees and substitutes as of July 15, 2017. Source: The School District.

(d) Full-time employees as of January 1, 2017. Source: The County.

(e) As of June 1, 2017. Source: The City.

(f) See further discussion below.

(g) As reported by the City of Maumee, the city in which St. Luke's Hospital is located, in the statistical section accompanying its Fiscal Year 2015 audited financial statements.

(h) 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.

(i) As reported by the entity in the statistical section accompanying its Fiscal Year 2016 audited financial statements.

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

Large national retail chains, including Kroger's, Walmart and Meijer's, have a number of locations located throughout the City and the Toledo MSA but current employment data are unavailable for those employers.

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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 of Major Employers.**

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, is currently proceeding with a \$700 million project at its Toledo Assembly Complex located on 312 acres in the City to prepare its plants there for the production of the next generation Jeep Wrangler and a new Jeep Wrangler pick-up truck model. Fiat Chrysler completed approximately \$600 million of improvement and expansion projects at its Toledo area plants in 2013 and 2014. See **Economic and Community Development Activities – Industry and Commerce – Recent Development Activities of Major Employers.** In July 2016, with the completion of its 2013 and 2014 projects and its plants in full operation, Fiat Chrysler announced that employment at the Complex had 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 480,334 vehicles at the Assembly Complex in 2016, including 241,784 Jeep Cherokees and 238,550 Jeep Wranglers. In order to create room for the project to prepare for production of the next generation Jeep Wrangler and a new Jeep Wrangler pick-up truck model without interrupting production of the current version of the Jeep Wrangler, Fiat Chrysler moved production of its Jeep Cherokee model from the Complex to a plant in the State of Illinois in April, 2017. See **Economic and Community Development Activities – Industry and Commerce – Recent Development Activities of Major Employers.** As had been expected, Fiat Chrysler temporarily laid off approximately 3,200 workers at the Complex following the last day of production of the Cherokee there. Those layoffs are expected to last approximately six months, and Fiat Chrysler has stated that it expects all laid-off employees would return in late 2017 and approximately 700 new full-time jobs to be added at the Complex when its current project is completed and production of the new Jeep Wrangler pick-up truck begins in 2019.

General Motors' Powertrain Division manufactures and assembles both front-wheel and rear-wheel drive 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 multiple occasions. Rear-wheel transmissions produced at the plant are used in light trucks and sport utility vehicles, and the front-wheel drive transmissions in five small, fuel-efficient vehicles. Since 2007, General Motors has invested more than \$1.0 billion in improvements and equipment for the plant and is now investing another \$668 million in the plant to prepare for a new product line. See **Economic and Community Development Activities – Industry and Commerce – Recent Development Activities of Major Employers.** GM reported that it employed 1,971 workers at the plant as of December, 2016.

Owens Corning, a global producer of residential and commercial building materials, glass-fiber reinforcements and engineered materials for composite systems with sales of \$5.7 billion in 2016, employs approximately 16,000 in 25 countries, including approximately 1,237 in the Toledo MSA. The Owens Corning headquarters are located in facilities in the Downtown area of the City. 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 \$5.8 billion in 2016, currently employs approximately 27,000 in 34 countries worldwide, including approximately 500 in the Toledo MSA. 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 in a new axle manufacturing facility to be located in the Overland Industrial Park in the City. Dana has stated that it plans to begin assembling axles at that plant beginning in late 2017 and expects to employ more than 300 there by 2020. See **Economic and Community**

**Development Activities – Industry and Commerce – *Recent Development Activities of Major Employers.***

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 have included grain, fertilizers, general stores, and ethanol production for alternative energy fuel that had sales of approximately \$3.9 billion and employed approximately 1,672 workers in the Toledo MSA and 2,460 companywide in 2016. In January 2017, the company announced that it would exit the retail business and close its remaining four retail stores in the second quarter of 2017. The company stated that retail closings would have no impact on its grain, ethanol, plant nutrient and rail operations, but result in the elimination of approximately 650 positions in the Toledo MSA and 400 positions in the Columbus, Ohio area, of which approximately 75 percent were part-time positions.

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 Toledo Refining & Marketing Co. 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 19% since 2000 according to United States Labor Department data.

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The following table indicates the division of labor between different industrial classifications in the Toledo MSA for the years 2012 through 2016 and for May 2016 and May 2017.

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

<b>Industries</b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2016</u></b>	<b>May <u>2017<sup>(b)</sup></u></b>
<b>Service Providing</b>							
Transportation and Utilities	23.7	23.7	24.7	26.2	26.6	26.5	25.6
Wholesale and Retail Trade	42.9	43.4	43.8	44.7	45.5	45.2	45.9
Finance, Insurance and Real Estate Services	10.2	10.0	10.2	10.4	10.7	10.6	10.8
Government	118.8	121.5	120.9	121.3	123.2	125.3	127.7
<b>Total Service Providing</b>	<b>45.4</b>	<b>45.3</b>	<b>45.3</b>	<b>45.7</b>	<b>46.2</b>	<b>45.8</b>	<b>46.6</b>
<b>Goods Producing</b>							
Manufacturing							
Durable Goods	28.4	30.0	32.3	34.1	34.6	34.4	31.1
Nondurable Goods	10.3	10.0	9.9	9.7	10.1	10.1	10.8
<b>Total Manufacturing</b>	<b>38.7</b>	<b>40.0</b>	<b>42.2</b>	<b>43.8</b>	<b>44.7</b>	<b>44.5</b>	<b>41.9</b>
Construction	12.1	11.3	12.4	12.9	13.9	15.2	14.0
Mining	*	*	*	*	*	*	*
<b>Total Goods Producing</b>	<b>50.7</b>	<b>51.3</b>	<b>54.6</b>	<b>56.5</b>	<b>58.7</b>	<b>59.7</b>	<b>55.9</b>
<b>Total Employment</b>	<b>291.8</b>	<b>295.2</b>	<b>299.4</b>	<b>304.8</b>	<b>310.9</b>	<b>313.1</b>	<b>312.5</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.

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The table below shows the payrolls of employers in the County during the years from 2006 through 2015, and for the first three quarters of 2015 and 2016, broken down by type of employment.

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

	<b>Agriculture Forestry and Fishing</b>	<b>Mining and Quarrying</b>	<b>Construc- tion</b>	<b>Manufac- turing</b>	<b>Transporta- tion and Utilities</b>	<b>Wholesale and Retail Trade</b>	<b>Insurance Finance and Real Estate</b>	<b>Services</b>	<b>State and Local Govern- ment</b>	<b>Total All Industries<sup>(b)</sup></b>
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
2015	7,818	9,083	517,258	1,670,587	330,243	1,019,071	487,478	3,939,708	1,336,930	9,318,173
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
2016(c)	5,129	7,195	446,567	1,289,347	248,526	758,515	366,955	3,013,826	1,008,311	7,144,374

(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.
2012	118,400	192,800	277,500	9.1%	8.3%	8.0%	7.4%	8.1%
2013	118,100	192,700	277,700	9.5	8.7	8.3	7.5	7.4
2014	119,500	195,300	281,800	7.0	6.4	6.1	5.8	6.2
2015	120,800	197,600	285,800	5.8	5.3	5.0	4.9	5.3
2016	122,100	199,800	288,800	5.6	5.1	4.8	4.9	4.9
2017								
Jan.	120,900	197,900	285,700	6.7	6.2	5.9	6.0	5.1
Feb.	122,000	199,600	288,400	6.5	6.0	5.8	5.9	4.9
Mar.	122,300	200,100	289,600	6.0	5.5	5.2	5.2	4.6
Apr.	122,700	200,800	290,500	6.0	5.3	4.8	4.4	4.1
May	122,600	200,500	289,800	6.7	5.9	5.3	4.6	4.1
June	123,200	201,600	291,100	7.6	6.7	6.2	5.4	4.5

(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

	OHIO COUNTIES								OHIO	U.S.
	Lucas	Cuyahoga	Franklin	Hamilton	Mahoning	Montgomery	Stark	Summit		
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 2015 and for all such residents in all Ohio school districts.

School District of Residence	Average Amount	Approximate % of Real Property Tax Valuation of School District located in the City
Maumee City School District	\$ 55,101	1.40%
Ottawa Hills Local School District	184,631	0.01
Springfield Local School District	66,525	1.99
Sylvania City School District	88,055	3.36
Toledo City School District	38,539	69.47
Washington Local School District	44,252	23.78
All Ohio School Districts	78,257	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:

	Median Value of Owner-Occupied Homes(a)	% Constructed Prior to 1940(a)	Number of Housing Units		% Change
			2000	2010(b)	
City	\$ 78,200	35.1%	139,880	138,039	-1.33%
County	104,200	27.4	196,259	202,630	+3.2
State	129,900	20.8	4,783,051	5,127,508	+7.2

(a) Source: U.S. Census Bureau Selected Source Characteristics in the United States 2011-2015.

(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>
2012	3,492	\$140,435,657
2013	5,032	101,687,216
2014	4,662	162,652,810
2015	6,929	179,393,812
2016	9,831	346,762,534(a)

(a) Increase over prior year attributed to an improving local economy.

Source: City Inspection Division.

## Transportation

The City and 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 2016 provided \$12,944,866 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, replaced in 1997 and again in 2007 and renewed in 2016, will expire in 2027 unless renewed or replaced. TARTA ridership over the past five years has been as follows:

<u>Year</u>	<u>Number of Passengers</u>
2012	3,415,007
2013	3,448,956
2014	3,224,055
2015	3,092,995 <sup>(a)</sup>
2016	3,050,615

(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 started equipping its bus fleet with an automatic vehicle location 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 the Fall of 2018.

### **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 of the City. 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, in 2015 the Port Authority completed a \$7.14 million rehabilitation of the main commercial taxiway on the north (terminal) side of that runway, including LED lighting upgrades. Approximately 90 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 currently offer 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 and 2016, passenger traffic at Toledo Express Airport increased modestly from the 2014 level. See the table that follows. Toledo Express Airport is the principal general aviation airfield in northwest Ohio. In January 2017, the Port Authority announced that Allegiant Air, one of the two commercial airlines serving Toledo Express Airport, was dropping a seasonal route to Myrtle Beach, which had carried 8,500 passengers in and out of the Airport between June and September of 2016. In April 2017, the Port Authority announced that American Airlines, the other commercial airline serving Toledo Express Airport, will begin new twice daily nonstop service between Toledo Express Airport and Charlotte Douglas Airport beginning on August 22, 2017. This new route represents a 66 percent increase in American Airline's capacity in the Toledo market. The Port Authority anticipates that this new air service will increase total passenger traffic at the airport by as much as 30 percent.

Toledo Express Airport remains a base for the 180th Fighter Wing, Ohio National Guard (the 180<sup>th</sup>). With employment of more than 1,400, including both Active Guard Reservists and Drill Status Guardsmen, the total economic impact of the base for the region is estimated to be more than \$123 million.

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 the Airport. The General Aviation Facility is used to clear certain international 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.

In 2017, the Port Authority entered into a 10-year lease with Tronair, an offshoot of Dana Holdings Corporation that will manufacture ground support equipment for the aviation industry in the 300,000-square-foot facility at Toledo Express Airport formerly operated as an intermodal cargo distribution facility. Tronair will initially lease 224,000 square feet in that facility. The company plans to invest \$9.5 million in upgrades to the facility in preparation for its intermodal use. In addition to the 110 new jobs that Tronair is bringing to the site, 104 existing jobs will reportedly be retained.

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

Year	Passengers Enplaning	Cargo (pounds)	(Landings/Takeoffs)		
			Military Operations	Commercial Carrier	General
2012	72,612	57,992,536	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
2016	90,235	0(a)	5,232	1,522	33,697

(a) DHL, a cargo carrier, relocated its cargo flights to an airport near the City of Detroit in calendar year 2015.

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, managed and operated by the Port Authority and located in Wood County near interchanges on Interstate 75 and the Ohio Turnpike, provides an aircraft charter service, flight instruction facilities and facilities for fueling, maintenance and storage of private aircraft. Toledo Suburban Airport, a privately owned airport located within 10 miles northeast of the City in Ottawa Lake, Michigan, is the other general aviation airport serving the City.

### Seaport

The Maumee River, which runs through the City, is the largest river flowing 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 for \$3.8 million 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 2016, over 369,000 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 June 2017, Cleveland-based Cliffs Natural Resources Inc. (Cliffs) announced that it will construct a new \$700 million iron processing facility on the site. See **Economic and Community Development Activities – Industry and Commerce – Other Recent Commercial Development Activities**. Once the facility is in operation, Cliffs expects that it will receive two million tons of raw materials annually via an estimated 100 ships to the Ironville Docks operated by Midwest Terminals and that the finished product will be shipped out on 16,000 rail cars and trucks to plants in the State, Michigan and Indiana annually.

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 2008 through 2016.

**PORT AUTHORITY VESSEL AND CARGO STATISTICS 2008-2016**

	<u>Vessel Traffic</u>		<u>Net Tons of Cargo Handled</u>				
	Foreign(a)	Total	Total Receipts and Shipments	Coal	Iron Ore	Grain	All Overseas
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
2016	29	470	8,301,623	2,883,487	1,585,828	1,629,927	1,065,121

(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, Sewer System – Facilities and Operations and Storm Water Management System.**

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 the building 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 continued to lease the space on a month-to-month basis and 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. The negotiations were concluded during April 2017 with the City agreeing to continue leasing the space from the State on a month-to-month basis. See **Long-Term Financial Obligations Other than Bonds and Notes – Lease Agreements.**

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.**

The City purchased a 58.5-acre vacant site formerly occupied by a shopping center for economic development purposes, using the proceeds of a \$3.25 million Industrial Development Bond secured by nontax revenues of the City. See **Debt Table G.** The City is considering various other possible development options.

## **Water System**

### **Facilities and Operations**

The City owns and operates a waterworks system (the Water System) as a self-supporting enterprise that in 2016 produced an average of 69.1 million gallons of potable water per day, with a peak flow of 103.5 million gallons per day. Water is drawn from Lake Erie, treated at the City's Collins Park Water Treatment Plant (the Plant), which has capacity to treat up to 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 2016, the accrual-basis fund balance for Water System replacements amounted to \$5.1 million and the accrual-basis fund balance for Water System improvements and extensions amounted to \$0.9 million, compared to \$34.3 million for Water System replacements and \$1.2 million for Water System improvements and extensions at December 31, 2015. The City has spent an average of approximately \$19.3 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 Water System's fund balance, and expects to spend approximately \$60.0 million (including from funds already borrowed) for those purposes in 2017.

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 \$243,493,000, 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 an 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**. Also 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.” Remedial improvements for 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, and 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 Plan 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 21% 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 will pay costs of the improvements included in the Capital Improvement Program 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 issued in 2016. 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. See **Future Financings**. 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 that assisted 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 were designed, bid, and constructed in less than nine months and placed in operation in July 2015, and the new chemical feed/filter improvements are functioning as intended.

### Service Area and Users

The Water System is a regional utility that provides water service for approximately 128,000 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 2016, the Water System sold 1,489.5 million cubic feet (mcf) of treated water within the City, 369.1 mcf of treated water to Lucas County, 139.2 mcf of treated water to the City of Perrysburg, 141.7 mcf of treated water to Monroe County (Michigan), 94.3 mcf of treated water to the City of Maumee, and 83.9 mcf to the City of Sylvania, 110.2 mcf of treated water to adjacent Fulton County through Lucas County, and 139.5 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 2016 at 317.8 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	2012	2013	2014	2015	2016
Inside – Direct	1,442,163	1,499,183	1,520,711	1,487,505	1,489,487
Outside – Direct	439,041	389,465	382,520	356,143	366,315
Outside – Bulk	763,738	718,510	742,426	694,757	758,873
Total	2,644,942	2,607,158	2,645,657	2,538,405	2,614,675

Over the past five years, residential usage has accounted for approximately 38% of total usage, commercial usage for 14%, industrial usage for 20%, and bulk and hydrant meter usage for 28%. The user volume for each category of user for the years 2012 through 2016 was as follows:

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

Description	2012	2013	2014	2015	2016
Residential	937,352	1,034,966	996,380	961,987	1,038,287
Commercial	379,828	371,133	368,715	342,726	314,790
Industrial	564,024	482,549	534,477	534,418	502,725
Other (Bulk & Hydrant Meters)	763,738	718,510	746,084	699,274	758,873
Total	2,644,942	2,607,158	2,645,657	2,538,405	2,614,675

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	2012	2013	2014	2015	2016	Contract Expires
Toledo Inside	1,445,812	1,500,486	1,520,711	1,487,505	1,489,487	n/a
Maumee	99,719	97,218	101,804	93,114	94,259	2026
Perrysburg	135,552	128,459	132,508	129,582	139,212	2027
Sylvania	97,133	88,020	91,795	80,600	83,922	2028
Monroe County	153,046	136,507	143,567	126,553	141,726	2031
Lucas County	488,914	434,246	434,569	399,736	369,118	2024
Wood County(a)	144,400	141,500	135,625	136,180	139,462	2024
Northwood(a)	-	-	-	-	-	2024
Rossford(a)	-	-	-	-	-	2024
Fulton County	79,925	80,297	84,611	84,675	110,231	2036
Berkey	441	425	467	460	487	2042
<b>Total:</b>	<b>2,644,942</b>	<b>2,607,158</b>	<b>2,645,657</b>	<b>2,538,405</b>	<b>2,567,904</b>	

(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 2016:

	Water Revenue (\$)	% of Total Revenue
Monroe County	\$5,186,965	7.3%
Toledo Refining & Marketing	3,785,198	5.3
Northwest Water & Sewer District	2,785,166	3.9
City of Sylvania	3,089,916	4.4
Fulton County	2,632,913	3.7
City of Perrysburg	2,476,548	3.5
City of Maumee	1,643,591	2.3
City of Waterville	780,505	1.1(a)
The University of Toledo	654,204	0.9
Village of Whitehouse	629,092	0.9
<b>Top 10 Largest Users Total</b>	<b>\$23,664,098</b>	<b>33.4%</b>

(a) In January 2017, the City of Waterville completed a water line across the Maumee River to the City of Bowling Green's drinking water plant. As a result, the City no longer supplies water to the residents of Waterville.

See **Other Recent Industrialized Commercial Development Activities** for a discussion of future revenues anticipated from a Clean Energy Future LLC a plant.

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 \$79.5 million from metered sales in Fiscal Year 2017. 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 \$47.72.

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, 2013 and 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, 2016, Water System accounts totaling \$5.2 million were delinquent for more than 30 days, \$4.8 million of which were delinquent for more than 90 days. The Water System collection rate for 2016 was 99.2%.

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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.

	<u>(in thousands of dollars)</u>				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016(a)</u>
Operating revenues:					
Charges for services	\$44,031	\$52,413	\$57,205	\$63,323	\$72,864
Other revenue	<u>81</u>	<u>63</u>	<u>0</u>	<u>0</u>	<u>14</u>
Total operating revenues	\$44,112	\$52,476	\$57,205	\$63,323	\$72,878
Operating expenses:					
Personnel services	\$12,342	\$13,192	\$13,564	\$14,448(b)	\$13,876
Contractual services	10,826	7,017	10,351	13,263(c)	15,123
Materials and supplies	6,798	7,797	8,739	8,461	7,607
Utilities	3,031	2,713	2,646	2,992	3,244
Depreciation	<u>4,706(d)</u>	<u>5,109</u>	<u>5,471</u>	<u>5,322</u>	<u>5,063</u>
Total operating expenses	<u>\$37,703</u>	<u>\$35,828</u>	<u>\$40,771</u>	<u>\$44,486</u>	<u>\$44,913</u>
Operating income (loss)	\$6,409	\$16,648	\$16,434	\$18,837	\$27,965
Nonoperating revenues (expenses):					
Investment earnings	\$ 254	\$ 873	\$ 1,367	\$ 698	1,360
Interest expense and fiscal charges	(4,294)	(11,084)	(12,701)	(11,931)	(12,018)
Other revenues (expenses)	<u>-</u>	<u>-</u>	<u>17</u>	<u>-</u>	<u>-</u>
Total nonoperating revenues (expenses)	\$(4,040)	\$(10,211)	\$(11,317)	\$(11,233)	\$(10,658)
Income before operating transfers	\$ 2,369	\$ 6,437	\$ 5,117	\$ 7,604	\$17,307
Net Operating transfers in (out)	-	(75)	(75)	1,929(e)	671
Net Income	<u>\$ 2,369</u>	<u>\$ 6,362</u>	<u>\$ 5,042</u>	<u>\$ 9,533</u>	<u>\$17,978</u>
Net Position, beginning of year	<u>\$148,475(f)</u>	<u>\$150,833(d)</u>	<u>\$157,195</u>	<u>\$153,833(g)</u>	<u>\$163,366</u>
GASB Statement No. 68 Adjustment	N/A	N/A	<u>(8,404)(g)</u>	N/A	N/A
Net Position, end of year	\$150,844	\$157,195	\$153,833(g)	\$163,366	\$181,344

(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 net position 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 net position 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 net position from \$162,237,000 to \$153,833,000. See Note 15 to the Basic Financial Statements in **Appendix B**.

## Outstanding Water System Revenue Bonds and Other Obligations

The City has (and as of December 31, 2016, had) outstanding an aggregate principal amount of \$316,360,000 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, 2016, were as follows:

Year	Debt Service	Year	Debt Service
2017	\$23,063,160(a)	2030	\$23,493,656
2018	23,425,329	2031	23,496,513
2019	23,423,122	2032	23,497,088
2020	23,429,684	2033	23,496,538
2021	23,417,056	2034	23,492,400
2022	23,425,531	2035	23,494,100
2023	23,430,381	2036	23,497,650
2024	22,404,281	2037	23,495,750
2025	23,495,331	2038	23,493,750
2026	23,493,981	2039	4,630,000
2027	23,495,281	2040	4,625,000
2028	23,493,181	2041	4,625,250
2029	23,495,494		

(a) This amount includes \$7,821,581.26 of interest that was paid on May 15, 2017.

The City also has (and as of December 31, 2016, had) an aggregate of \$39,761,805 of outstanding loans from OWDA (in the principal amount of \$38,220,028) and OPWC (in the principal amount of \$1,541,777) 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)				
	2012	2013	2014	2015	2016(a)
Operating Revenues	\$44,112	\$52,476	\$57,205	\$63,323	\$72,878
Nonoperating Revenues(b)	<u>254</u>	<u>873</u>	<u>1,367</u>	<u>698</u>	<u>1,360</u>
Total Revenues	\$44,366	\$53,349	\$58,572	\$64,021	\$74,238
Total Operating Expenses (net of depreciation)	<u>\$32,997</u>	<u>\$30,719</u>	<u>\$35,300</u>	<u>\$39,164</u>	<u>\$39,850</u>
Net Revenues available for Debt Service	\$11,369	\$22,630	\$23,272	\$24,857	\$34,388
Total Debt Service on Bonds	\$9,313	\$11,145(c)	\$10,458(c)	\$19,172	\$9,733
Debt Service Coverage Ratio on Outstanding Bonds	1.22	2.03	2.23	1.30	3.53

(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.

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 began in 2016 and is planned to be operational 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 Discussion**

The idea of some form of regional water system has been discussed and studied in the Toledo region for more than 25 years.

Elected officials and administrators from the City and all the communities that purchase water from the City (i.e., the Counties of Fulton, Lucas, Monroe (Michigan), and Wood (Northwestern Water and Sewer District) and the Cities of Maumee, Perrysburg, Sylvania, and Waterville and the Village of Whitehouse) have been meeting for many months as the Regional Water Planning Committee, a committee of the Toledo Metropolitan Area Council of Governments. That Regional Water Planning Committee adopted a non-binding resolution in January 2017 in favor of exploring options for the creation of a regional water supply and distribution system under Chapter 6119 of the Revised Code. In April 2017, the Regional Water Planning Committee voted unanimously to hire a consultant from Galardi Rothstein Group (the Facilitator) to help area leaders reach a consensus on how to form regional water supply and distribution system under Chapter 6119 of the Revised Code. A subcommittee of the Regional Water Planning Committee, consisting of one elected official from each of the Regional Water Planning Committee member communities is meeting with the Facilitator, with the first meeting having occurred in June 2017. Members of the subcommittee have goals of completing the facilitation process in eight to ten months and reporting back to the Regional Water Planning Committee in early 2018.

There are a number of potential legal and practical considerations related to the formation of a regional water supply and distribution system and, at this time, the City cannot predict whether or when such a regional water supply and distribution will be formed and what form such a system would take.

## **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 2016 collected and treated approximately 63.5 million gallons of wastewater per day generated by residential, commercial, institutional and industrial users. 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 28% 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 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, 2016, the accrual-basis fund balance for Sewer System replacements amounted to \$26.9 million and the accrual-basis fund balance for improvements and extensions amounted to \$2.7 million, compared to \$22.0 million for Sewer System replacements and \$100,000 for Sewer System improvements and extensions at December 31, 2015. The City has spent an average of approximately \$41.4 million for replacements, extensions and improvements for the Sewer System annually over the past 10 years, and expects to spend up to \$57.4 million (including loan and bond funds) for those purposes in 2017.

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. 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 are continuing. In August 2016, the City filed a new NPDES permit request with the Ohio EPA. The permit is being reviewed for enhancements to remain in compliance. The City has not been advised the date on which the new permit will be released.

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 \$578.4 million on capital improvement and replacement projects, including Consent Decree projects, for the Sewer System and expects to spend up to \$55.2 million on such projects in 2017, and \$75.3 million from 2018 through 2020, inclusive.

Consent Decree projects to date have been funded with approximately \$23.0 million of State and federal grants, \$396.3 million of State loans and \$20.5 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 not yet under construction. The City 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 prior to August 2020.

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## Service Area and Users

The Sewer System collects and treats wastewater flows from approximately 93,621 residential, commercial/institutional and industrial users in the City, and approximately 21,541 users 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 2012 through 2016 was as follows:

<b>User Volume (in thousands of cubic feet)</b>					
<b>Category</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Residential	691,707	755,590	675,868	650,019	687,307
Commercial	190,321	203,991	278,432	269,955	295,341
Industrial	263,245	256,131	207,201	241,995	223,345
Governmental	16,053	162,766	181,957	114,009	113,208
Total	1,161,326	1,378,478	1,343,458	1,275,978	1,319,201

## 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 \$78.7 million in charges for services in Fiscal Year 2017. 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 \$33.40 for 2017 and added a Consent Decree fixed charge of \$19.43, bringing a total fixed charge of \$52.83 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, 2017, 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, 2016, Sewer System accounts totaling \$9.7 million were delinquent for more than 30 days, \$8.8 million of which were delinquent for more than 90 days. The Sewer System's collection rate for Fiscal Year 2016 was 96.5%.

## 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.

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016(a)</u>
Operating revenues:					
Charges for services	\$66,405	\$69,522	\$69,688	\$70,640	\$73,367
Other revenue	<u>203</u>	<u>197</u>	<u>202</u>	<u>223</u>	<u>71</u>
Total operating revenues	\$66,608	\$69,719	\$69,890	\$70,863	\$73,438
Operating expenses:					
Personnel services	\$16,971	\$18,484	\$17,503	\$17,140	\$15,683
Contractual services	16,743	4,605	13,994	8,334	11,773
Materials and supplies	2,636	3,036	2,604	2,431	2,582
Utilities	3,591	3,196	3,301	3,551	3,352
Depreciation	<u>17,796(b)</u>	<u>14,395</u>	<u>14,800</u>	<u>15,525</u>	<u>15,044</u>
Total operating expenses	<u>\$57,737</u>	<u>\$43,716</u>	<u>\$52,202</u>	<u>\$46,981</u>	<u>\$48,434</u>
Operating income (loss)	\$8,871	\$26,003	\$17,688	\$23,882	\$25,004
Nonoperating revenues (expenses):					
Capital grants and contributions	\$1,273	\$ 640	\$ 1,611	\$ 888	\$ 236
Interest revenue	44	8	13	61	96
Interest expense and fiscal charges	<u>(9,770)</u>	<u>(7,594)</u>	<u>(10,972)</u>	<u>(11,426)</u>	<u>(10,289)</u>
Total nonoperating revenues (expenses)	\$(8,453)	\$(6,946)	\$(9,348)	\$(10,477)	\$(9,957)
Income before transfers	\$418	\$19,057	\$8,340	\$13,405	\$15,047
Net transfers in (out)	<u>0</u>	<u>(75)</u>	<u>(75)</u>	<u>2,174(c)</u>	<u>731</u>
Net Income	\$418	\$18,982	\$8,265	\$15,579	\$15,778
Net Position, beginning of year	<u>\$240,299</u>	<u>\$251,426(b)</u>	\$270,408	<u>\$268,939(d)</u>	<u>\$284,518</u>
GASB Statement No. 68 Adjustment	N/A	N/A	<u>9,734(d)</u>	N/A	N/A
Net Position, end of year	\$240,717	\$270,408	\$268,939(d)	\$284,518	\$300,296

(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 net position 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 net position from \$278,673,000 to \$268,939,000. See Note 15 to the Basic Financial Statements in **Appendix B**.

## Outstanding Sewer System Revenue Bonds and Other Obligations

The City has (and as of December 31, 2016, had) outstanding an aggregate principal amount of \$13,805,000 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, 2017, were as follows:

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

(a) This amount includes \$286,397.50 of interest that was paid on May 15, 2017.

The City also has (and as of December 31, 2016, had) the City had an aggregate of \$312,648,467 of outstanding loans from OWDA (in the principal amount of \$305,752,658) and OPWC (in the principal amount of \$6,895,809) (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.

	2012	2013	2014	2015	2016(a)
Operating Revenues	\$66,405	\$69,719	\$69,890	\$70,863	\$73,438
Nonoperating Revenues	<u>203</u>	<u>648</u>	<u>1,624</u>	<u>949</u>	<u>332</u>
Total Revenues	\$66,608	\$70,367	\$71,514	\$71,812	\$73,770
Total Operating Expenses (exclusive of depreciation)	<u>\$39,941</u>	<u>\$29,321</u>	<u>\$37,402</u>	<u>\$31,456</u>	<u>\$33,390</u>
Net Revenues	\$26,667	\$41,046	\$34,112	\$40,356	\$40,380
Total Debt Service on Bonds	<u>\$ 3,674</u>	<u>\$ 3,754</u>	<u>\$ 3,562</u>	<u>\$ 3,567</u>	<u>\$ 3,625</u>
Debt Service Coverage Ratio on Outstanding Bonds	7.26	10.93	9.58	11.31	11.07
Net Revenues Available for Other Sewer System Obligations	\$22,993	\$33,452	\$30,550	\$36,789	\$36,755
Repayment of OWDA and OPWC Loans	\$17,400	\$18,431	\$21,754	\$22,928	\$18,177

(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 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.

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)				
	2012	2013	2014	2015	2016(a)
Operating revenues:					
Charges for services	\$10,318	\$9,605	\$9,328	\$9,902	\$9,872
Other revenue	<u>13</u>	<u>15</u>	<u>1,718</u>	<u>19</u>	<u>13</u>
Total operating revenues	\$10,331	\$9,620	\$11,046	\$9,921	\$9,885
Operating expenses:					
Personal services	\$3,557	\$3,476	\$3,431	\$3,301	\$3,436
Contractual services	1,881	1,347	1,590	2,008	1,757
Materials and supplies	381	464	434	397	404
Depreciation and amortization	<u>1,211</u>	<u>1,514(b)</u>	<u>883</u>	<u>962</u>	<u>1,037</u>
Total operating expenses	<u>\$7,030</u>	<u>\$6,801</u>	<u>\$6,338</u>	<u>\$6,668</u>	<u>\$6,634</u>
Operating income (loss)	\$3,301	\$2,819	\$4,708	\$3,253	\$3,251
Nonoperating revenues (expenses):					
Capital grants and contributions	\$ 175	\$ 0	\$ 0	\$ 0	\$ 0
Interest revenue	76	29	72	43	150
Interest expense and fiscal charges	<u>(37)</u>	<u>0</u>	<u>(20)</u>	<u>(5)</u>	<u>(4)</u>
Total nonoperating revenues (expenses)	<u>\$ 214</u>	<u>\$ 29</u>	<u>\$ 52</u>	<u>\$ 38</u>	<u>\$ 146</u>
Income before operating transfers	\$3,515	\$2,848	\$4,760	\$3,291	\$3,397
Capital Contributions	0	0	872	636	107
Net Operating transfers in (out)	<u>0</u>	<u>(75)</u>	<u>(75)</u>	<u>238</u>	<u>30</u>
Net Income	\$3,515	\$2,773	\$5,557	\$4,165	\$3,534
Net Position, beginning of year	<u>\$42,539</u>	<u>\$47,568(b)</u>	<u>\$50,341</u>	<u>\$53,601(c)</u>	<u>\$57,766</u>
GASB Statement No. 68 Adjustment	N/A	N/A	<u>(2,297)(c)</u>	N/A	N/A
Net Position, end of year	\$46,054	\$50,341	\$53,601(c)	\$57,766	\$61,300

(a) Unaudited.

(b) A post-audit adjustment in expenses for depreciation and a corresponding increase in net position 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 net position from \$55,898,000 to \$53,501,000. See Note 15 to the Basic Financial Statements in **Appendix B**.

The City has spent an average of approximately \$3.1 million annually for replacements and improvements for the Storm Water Management System over the past five Fiscal Years, and expects to spend approximately \$3.3 million for those purposes in Fiscal Year 2017.

Over the past five Fiscal Years, additional improvements to the Storm Water Management System have been funded with the proceeds of State loans and grants, through OWDA and OPWC. in the amount of \$4.02 million.

The City has (and as of December 31, 2016, had) an aggregate of \$4,345,436 of outstanding loans from OWDA (in the principal amount of \$2,988,828) and OPWC (in the principal amount of \$1,356,608).

## **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. Since 2012, that municipal electric utility has been operated 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 and internet 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 years of remaining operating capacity based on current levels of use.

Since 2011, residential solid waste and recycling collection services in the City have been provided by Lucas County Solid Waste Management District (LCSWMD). The LCSWMD, in turn, has contracted with a private operator to provide those services, which were formerly provided by the City. LCSWMD bills the City for those services, and the City bills and collects fees covering a portion of the costs, with the balance being subsidized with appropriations from the City's General Fund.

Under State law, solid waste management planning for the City and the County 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 – This Division is responsible for budgeting and collection of City income taxes and other revenues. The Commissioner of Taxation, who reports to the Director of Finance, manages these functions.

Division of Treasury – This Division is responsible for licensing, special assessments and the investment of City moneys. The Commissioner of 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.

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 2016, and Clark, Schaefer, Hackett & Co. issued unqualified independent auditor’s reports on the Basic Financial Statements of the City for Fiscal Years 2009 through 2015. Clark, Schaefer, Hackett & Co. has completed its audit for Fiscal Year 2016, 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 in 2014 through 2016, and Basic Financial Statements, for each of the years from 2002 through 2013. 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 2016 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 2015. The City expects to submit its CAFR for 2016 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 2017. **Appendices B** and **C** include the City's Basic Financial Statements for Fiscal Years 2015 (audited) and 2016 (unaudited), respectively. In accordance with the Continuing Disclosure Agreements, the City will file its audited Basic Financial Statements for Fiscal Year 2016 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 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, 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, 2016, the City's total portfolio of deposits and investments was approximately \$383.7 million. The average maturity of investments was approximately 1.8 years, with approximately 28% of those investments having a maturity of one year or less, 39% having a maturity of one to two years, 33% 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 administration's practice in recent years has been to budget its revenues and expenditures conservatively. The City's budget for Fiscal Year 2017 contemplates that its aggregate General Fund revenues and transfers in and other financing sources will be approximately \$710,000 less than its aggregate General Fund expenditures and transfers out and other financing uses in Fiscal Year 2017. For detailed information concerning historical (and budgeted Fiscal Year 2017) 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 \$158.5 million in Fiscal Year 2012, to \$158.7 million in Fiscal Year 2013, to \$164.8 million in Fiscal Year 2014, to \$169.8 million in Fiscal Year 2015, and to \$175.7 million in Fiscal Year 2016 on the continued strength of a growing 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) decreased from \$18.5 million in Fiscal Year 2011 to \$10.8 million in Fiscal Year 2014, and increased slightly to \$11.1 million in Fiscal Year 2015 and to \$11.5 million in Fiscal Year 2016. 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. Those distributions were \$7.8 million in Fiscal Year 2016. 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, \$5.7 million in Fiscal Year 2015, and \$5.6 million in Fiscal Year 2016. See **Casino Tax Revenues**.

The City's aggregate General Fund revenues were \$244.7 million in 2016, up from \$232.9 million in Fiscal Year 2015, \$227.8 million in Fiscal Year 2014, \$226.0 million in Fiscal Year 2013, and \$226.5 million in Fiscal Year 2012. See **Appendix A**.

In response to economic conditions and resulting decreases in property tax receipts 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 other measures to reduce expenditures in the General Fund, including 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 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 2016 were \$204.5 million, compared to \$205.0 million in Fiscal Year 2015, \$203.8 million in Fiscal Year 2014, \$201.2 million in Fiscal Year 2013, and \$196.5 million in Fiscal Year 2012.

The City's unaudited basic financial statements show that the City ended Fiscal Year 2016 with a total General Fund balance of \$15.8 million, compared to balances of \$10.2 million at the end of Fiscal Year 2015, \$9.8 million at the end of Fiscal Year 2014, \$8.0 million at the end of Fiscal Year 2013, and \$5.0 million at the end of Fiscal Year 2012. 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 2017 is based on operating revenues of \$245.2 million and operating expenditures of \$219.9 million. The assumptions for that budget include, among others, municipal income tax revenues of \$173.7 million (compared to \$170.7 million in Fiscal Year 2016) and State local government assistance distributions of \$8.2 million (compared to \$7.9 million in Fiscal Year 2016). For Fiscal Year 2017, the City has budgeted \$38.2 million of transfers out from the General Fund to the Capital Improvements Fund, and \$12.7 million of transfers from other funds into the General Fund (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 2016, revenues from the temporary component of the City's municipal income tax amounted to approximately \$58.6 million, with approximately \$19.5 million allocated to capital improvements. The City's budget for Fiscal Year 2016 contemplated that \$11.1 million of that amount would be reallocated (transferred back) to the General Fund; however, due to favorable variances in both revenues and expenditures, the City was able to limit that reallocation to \$3.0 million. The City's budget for Fiscal Year 2017 provides a reallocation to the General Fund of approximately \$11.1 million of the revenues from the portion of that component of the income tax allocated to capital improvements.

The City administration and Council submitted to the voters of the City at an election on November 8, 2016, 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. The voters approved that ordinance. See **Municipal Income Tax**.

The City administration believes that with the effect of improving national, state and regional economies, implementation of the City's development and regional collaboration initiatives and its cost reduction practices and 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**.

## **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, 2020, by votes of the electors of the City in 1985, 1989, 1993, 1997, 2002, 2005, 2008, 2012 and 2016. The latest extension, for a four-year period through December 31, 2020, was approved by a 62.25% majority vote at an election on November 8, 2016.

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 3-3/4% 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 that the revenues from the additional 3/4% tax from July 1, 2010 through December 31, 2012 were 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 the voter approval also authorized 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 that period 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 providing that the revenue from that additional 3/4% tax from January 1, 2013 through December 31, 2016 were 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 extending the authorization of 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 that period for use as determined by the Council.

At the election on November 8, 2016, the voters of the City approved, by a vote of 62.25% to 37.75%, an ordinance extending the temporary 3/4% component of the City's municipal income tax and

providing that the revenue from that additional ¾% tax from January 1, 2017 through December 31, 2020 are 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 extending the authorization of the Council, upon its determination of financial need and a request of the Mayor, to reallocate to the General Fund up to all of the 1/3 of the revenues from the temporary ¾% component of the City’s municipal income tax allocated to capital improvements during that period for use as determined by the Council.

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 2017, 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 2012 through 2016 have been, and its rate and budgeted collections for Fiscal Year 2017 are, as follows:

<u>Year</u>	<u>Amount</u>	<u>Rate(a)</u>
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	175,679,318	2-1/4
2017(budgeted)	173,650,000	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 ¾% tax first approved in 1982 (which constitutes 1/3 of the total 2-1/4% levy) provided \$52,912,138 in Fiscal Year 2013, \$54,929,110 in Fiscal Year 2014, \$56,348,445 in Fiscal Year 2015, and \$58,559,772 in Fiscal Year 2016, and is budgeted to provide approximately \$57,883,000 in Fiscal Year 2017.

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 ¾% component of the City’s municipal income tax allocated to capital improvements in Fiscal Years 2010 through 2016, 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, \$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, and \$3.0 million of the approximately \$19.5 million of revenues from that component of the income tax allocated to capital improvements to be reallocated to the General Fund in Fiscal Year 2016. The City administration currently expects such reallocations to continue in Fiscal Year 2017 and has budgeted an \$11.067 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 Fiscal Year 2016 were, in alphabetical order:

Board of Education, Toledo City School District	Libbey Glass Inc.
The City	St. Vincent Hospital and Medical Center
The County	The State
Fiat Chrysler Automobiles	ProMedica Health System
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>
2012	\$36,688,798	23.1%
2013	38,271,229	24.1
2014	41,276,830	25.2
2015	43,943,983	26.0
2016	45,669,524	25.9

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

No employers, through their employee salary and wage withholdings, contributed more than 5% of total City income tax receipts in Fiscal Year 2016.

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 2017 (budgeted), rounded to the nearest \$1,000, of certain of the more significant sources of nontax revenues for the City's General Fund and special revenue funds in which it accounts for certain payments in lieu of taxes and for its continuing revenues received from a parking system franchise granted to the Port Authority. 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>
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	28,308,000(d)	230,000	2,868,000	7,511,000	5,232,000	195,000	2,659,000(e)	47,003,000
2017(f)	30,459,000(d)	200,000	2,896,000	7,056,000	4,961,000	180,000	1,170,000	46,922,000

- (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 \$2,954,839 in Fiscal Year 2012, \$3,099,512 in Fiscal Year 2013, \$2,205,397 in Fiscal Year 2014, \$2,210,389 in Fiscal Year 2015 and \$4,592,000 in Fiscal Year 2016 and are budgeted to be \$4.3 million in Fiscal Year 2017 (which includes \$2.3 million 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 require a police officer 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 is entitled to receive certain additional ongoing fees for the franchise. The amounts shown are those ongoing fees being received by the City.
- (d) Increase attributed to an increase in the City's waste hauling fee charged to residents and overall improvement in the local economy causing building and inspection fees to rise.
- (e) Increase attributed to a \$1.6 million refund from the State and County to the City relating to certain 911 fees charged on cell phones.
- (f) Budgeted.

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. The State then appealed the decision to the Ohio Supreme Court, where the appeal is being held for a decision in a case involving same issue being litigated by the City of Dayton, Ohio, and the State. The matter is still pending in 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**.

The State budget act for the 2016-2017 budget biennium included a provision requiring 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 provided for distributions to the cities from the State's Local Government Fund to be offset by that amount. In a case brought by the City, the Lucas County Common Pleas Court enjoined the State from

implementing those provisions of the State budget act. The State appealed that decision to the Ohio Court of Appeals for the Sixth Appellate District, which affirmed the decision of the Lucas County Court of Common Pleas. The State then appealed the decision of the appellate court to the Ohio Supreme Court, which has not yet decided whether it will accept the appeal. The City cannot predict the final result of this lawsuit, and it is uncertain whether or 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 has continued to operate its existing photo-enforcement traffic program, with 42 stationary cameras mounted at 27 sites in the City, while the litigation discussed above is pending. In 2016, the City also used eight 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, as discussed above.

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 2012 through 2016 have been, and are budgeted to be in Fiscal Year 2017, as shown in the following table:

<u>Year</u>	<u>Amount</u>
2012	\$9,231,319
2013	7,011,112
2014	6,853,277
2015	7,497,215
2016	7,929,654
2017 (budgeted)	8,000,000

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

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## 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 State tax, established by the constitutional amendment, were in Fiscal Years 2012 through 2016, and its share in Fiscal Year 2017 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	5,647,422
2017 (budgeted)	5,700,000

## AD VALOREM PROPERTY TAXES

### Assessed Valuation

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

<u>Tax Collection Year</u>	<u>Real(a)</u>	<u>Public Utility(b)</u>	<u>Total Assessed Valuation</u>
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)
2017	2,984,595,590	188,320,800	3,172,916,390

(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.

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## Largest Property Tax Payers

Based on County Auditor records of assessed valuations for the 2017 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	\$99,020,390
GLP Capital LP	Casino	56,561,480
Columbia Gas of Ohio, Inc.	Public Utility	42,556,980
American Transmission Systems, Inc.(a)	Public Utility	25,795,400
Star-West Franklin Park	Retail Mall Owner-Lessor	21,136,950(b)
One Seagate Partners LLC	Real Estate Holdings	10,430,000
DFG – Glendale and Detroit/Hill Reynolds/Bryne Rd. Eagle Ridge/HL Monroe/Reynolds Associates	Real Estate Holdings	7,732,660
Toledo Hospital	Hospital	6,015,570
LC – Spring Hollow LLC	Apartment Complexes	8,050,420
Olde Town Crossing	Apartment Complexes	5,377,190
The Kroger Co.	Grocery Store	5,358,220
Robert J Lloyd & Co.	Apartment Complexes	5,211,070
LC Country Club LLC	Apartment Complexes	4,871,870
I.B.C. Inc.	Real Estate Holdings	4,381,290

- (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 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 any of its levies since 2015.

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). (43.86%)
- (2) Toledo City School District (K-12 educational responsibilities) (98.92%). The City’s assessed value is split among various school districts as follows:

Toledo City School District	69.47%
Washington Local School District	23.78%
Sylvania City School District	3.36%
Springfield Local School District	1.99%
Maumee City School District	1.40%
Ottawa Hills Local School District	0.01%
- (3) Toledo Area Regional Transit Authority (TARTA) (public mass transit system). (59.87%)
- (4) Toledo-Lucas County Port Authority (public port facilities in the Port of Toledo). (43.86%)
- (5) Metropolitan Park District of the Toledo Area (park and recreation areas). (43.86%)
- (6) Toledo-Lucas County Library District (public library system). (43.86%)
- (7) Penta County Joint Vocational School District (vocational educational responsibilities). (1.71%)

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 are generally further reduced by an additional 10% (12.5% in the case of owner-occupied residential property); however, legislation passed by the State's 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 the reimbursement by the State to taxing subdivisions for these reductions and related changes made by State legislation passed by the General Assembly in 2013.

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**TAX TABLE A  
TAX RATES FOR THE CITY AND OVERLAPPING TAXING SUBDIVISIONS  
FOR TAX YEARS 2012 THROUGH 2016 (COLLECTION YEARS 2013 THROUGH 2017)**

The City within(b):	CITY AND LOCAL SCHOOL DISTRICTS										CITY					
	LUCAS COUNTY(a)					CITY					PENTACOUNTY JVSD	POLICE & FIRE PENSION	RECREATION DISTRICT	TOTAL RATE	EFFECTIVE RATE	
	TARTATA	PORT AUTHORITY	GENERAL	VOTED LEVIES	LIBRARY	GENERAL	PERMANENT IMPROVEMENTS	BOND RETIREMENT	GENERAL	GENERAL					AGRS	OTHER
<b>TAX YEAR 2012</b>																
Toledo CSD	2.50	0.40	2.00	15.37	2.90	61.70	0.50	5.20	3.80	3.80	0.60	0.60	94.97	68.96	85.72	
Maumee CSD, PC JVSD	2.50	0.40	2.00	15.37	2.90	78.60	0.75	5.20	3.80	3.20	0.60	0.60	115.32	81.26	91.60	
Washington LSD	2.50	0.40	2.00	15.37	2.90	76.00	2.60		3.80		0.60	0.60	106.17	74.98	80.54	
Sylvania CSD	2.50	0.40	2.00	15.37	3.60(c)	77.10	0.30	6.20	3.80		2.10	2.10	113.97	80.88	83.71	
Ottawa Hills LSD	2.50	0.40	2.00	15.37	2.90	128.15	4.00	3.50	3.80		0.60	0.60	163.22	106.56	128.33	
Springfield LSD, PC JVSD	2.50	0.40	2.00	15.37	2.90	70.40	1.35	3.40	3.80	3.20	0.60	0.60	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	3.80	3.80	0.60	0.60	96.82	71.61	88.90	
Maumee CSD, PC JVSD	2.50	0.40	2.00	17.22	2.90	78.60	0.75	5.60	3.80	3.20	0.60	0.60	117.57	84.18	94.54	
Washington LSD	2.50	0.40	2.00	17.22	2.90	76.00	2.60		3.80		0.60	0.60	108.02	77.61	83.30	
Sylvania CSD	2.50	0.40	2.00	17.22	3.60(c)	77.10	0.30	6.20	3.80		2.10	2.10	115.82	83.40	86.72	
Ottawa Hills LSD	2.50	0.40	2.00	17.22	2.90	135.05	4.00	3.60	3.80		0.60	0.60	172.07	116.22	139.56	
Springfield LSD, PC JVSD	2.50	0.40	2.00	17.22	2.90	70.40	1.35	3.40	3.80	3.20	0.60	0.60	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	3.80	3.80	0.60	0.60	102.67	77.57	94.85	
Maumee CSD, PC JVSD	2.50	0.40	2.00	17.37	2.90	80.60	2.65	5.50	3.80	3.20	0.60	0.60	121.52	88.00	97.70	
Washington LSD	2.50	0.40	2.00	17.37	2.90	80.30	3.20		3.80		0.60	0.60	113.07	82.73	88.72	
Sylvania CSD	2.50	0.40	2.00	17.37	3.60(c)	77.10	0.30	6.10	3.80		2.10	2.10	115.87	83.46	86.21	
Ottawa Hills LSD	2.50	0.40	2.00	17.37	2.90	135.05	4.00	3.60	3.80		0.60	0.60	172.22	116.48	140.58	
Springfield LSD, PC JVSD	2.50	0.40	2.00	17.37	2.90	70.40	1.35	3.00	3.80	3.20	0.60	0.60	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	3.80	3.80	0.60	0.60	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	3.80	3.20	0.60	0.60	121.42	86.93	97.85	
Washington LSD	2.50	0.40	2.00	17.37	2.90	80.30	3.20		3.80		0.60	0.60	113.07	82.54	89.24	
Sylvania CSD	2.50	0.40	2.00	17.37	3.60(c)	77.10	0.30	5.90	3.80		2.10	2.10	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	3.80		0.60	0.60	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	3.80	3.20	0.60	0.60	113.30	79.58	82.40	
<b>TAX YEAR 2016</b>																
Toledo CSD	2.50	0.40	2.00	17.67	2.90	66.28	2.00	5.30	3.80	3.80	0.60	0.60	103.45	78.40	96.13	
Maumee CSD, PC JVSD	2.50	0.40	2.00	17.67	2.90	80.60	2.65	5.40	3.80	3.20	0.60	0.60	121.72	87.28	98.51	
Washington LSD	2.50	0.40	2.00	17.67	2.90	80.30	3.20		3.80		0.60	0.60	113.37	82.91	89.74	
Sylvania CSD	2.50	0.40	2.00	17.67	3.10(d)	81.80	1.30	5.35	3.80		2.11	2.11	120.63	86.71	91.29	
Ottawa Hills LSD	2.50	0.40	2.00	17.67	2.90	135.05	4.00		3.80		0.60	0.60	168.92	113.31	140.47	
Springfield LSD, PC JVSD	2.50	0.40	2.00	17.67	2.90	76.20	1.35	2.77	3.80	3.20	0.60	0.60	113.39	79.69	82.46	

(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.  
(d) Includes 0.20 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		
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
2015	Real and Public Utility(a)	2016	13,914	12,887	92.6	3,394	872	13,760	98.9
	Tangible Personal	2016	0	0	--	253	1	1	--
	Special Assessments	2016	32,884	27,962	85.0	18,718	3,046	31,008	94.3

(a) Amounts shown include approximately \$2 million that was paid 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 County wide 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 2016 was \$625,012 for the elderly/disabled homestead payment and \$1,021,438 for the rollback payment.

Legislation passed by the State’s 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 its effective date and for other taxes (or increases in taxes) not levied for tax year 2013. See **Tax Rates**.

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

### **Delinquency Procedures**

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

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

A program authorized by State legislation permits certain of the larger counties to “sell” rights to collect delinquent real estate taxes. That program has been implemented by the County, and the party purchasing those rights has reportedly filed many additional foreclosure actions. The City estimates that approximately half of the delinquent parcels are located in areas of the City where development is not

currently economically feasible and have fair market values less than the accumulated delinquent taxes and special assessments on them.

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

Of the 119,871 nonexempt parcels in the City for collection year 2016, the number of delinquent parcels was approximately 25,041 against 825 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 2016, 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, 2016 were and as of this date are:

<u>Limitation</u>	<u>As of December 31, 2016</u>		<u>As of July 15, 2017<sup>(a)</sup></u>	
	<u>Nonexempt Debt Outstanding</u>	<u>Additional Debt Capacity Within Limitation</u>	<u>Nonexempt Debt Outstanding</u>	<u>Additional Debt Capacity Within Limitation</u>
10-1/2% = \$333,156,220	\$141,124,992	\$192,031,228	\$147,974,992	\$185,181,228
5-1/2% = \$174,510,401	\$141,124,992	\$ 33,385,409	\$147,974,992	\$ 26,535,409

(a) On June 21, 2017, the City issued \$6,850,000 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 \$4,355,000 of its unvoted general obligation BANs outstanding as of December 31, 2016, 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 \$18,072,479 in 2018. That debt included unvoted general obligation bonds outstanding or bonds anticipated by BANs outstanding. The payment of that annual debt service would have required a levy of 5.6959 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 Springfield Local 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, 2016 was estimated to be 7.3979 mills for 2018 (the year of the highest projected aggregate millage requirements for debt service). There thus remained 2.6021 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 June 21, 2017, the City issued \$6,850,000 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 \$11,205,000 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 \$18,848,813 in 2018. The payment of that annual debt service would require a levy of 5.9405 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 Springfield Local School District (the combination of overlapping taxing subdivisions that, with the City, have the highest millage requirements for debt service on unvoted general obligation debt in any year) for their outstanding unvoted general obligation debt as of July 15, 2017, is estimated to be 7.3773 mills for 2018 (the year of the highest projected aggregate millage requirements for debt service). There thus now remain 2.6227 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, 2016<sup>(a)(b)</sup>**

A. Total Debt:		\$ 531,856,255 <sup>(a)</sup>
B. Exempt Debt:		\$ 390,731,263
	<u>Category</u>	<u>Outstanding Principal Amount</u>
	Water System Revenue Bonds	\$316,360,000
	Sewer System Revenue Bonds	13,805,000
	Special Assessment Services Notes <sup>(c)(d)</sup>	19,200,000
	Special Assessment Services Notes <sup>(c)(e)</sup>	19,300,000
	Final Judgment Bonds	393,750
	Nontax Revenue Debt <sup>(f)</sup>	<u>21,672,513</u>
	Total Exempt Debt	\$390,731,263
C. Total Nonexempt Debt (A minus B):		\$ 141,124,992 <sup>(a)</sup>
D. 5-1/2% of Assessed Valuation (Unvoted Debt Limitation):		\$ 174,510,401
E. Total Limited Tax Nonexempt Bonds and BANs outstanding:		
	Bonds	\$136,769,992
	BANs	4,355,000
		\$ 141,124,992
F. Debt Leeway Within 5-1/2% Unvoted Direct Limitation (But Subject to Indirect Debt Limitation) (D minus E):		\$ 33,385,409 <sup>(a)</sup>
G. 10-1/2% of Assessed Valuation (Voted and Unvoted Debt Limitation):		\$ 333,156,220 <sup>(a)</sup>
H. Total Nonexempt Bonds and BANs Outstanding:		
	Bonds	\$136,769,992
	BANs	4,355,000
		\$ 141,124,992
I. Debt Leeway Within 10-1/2% Direct Debt Limitation (G minus H):		\$ 192,031,228
(a)	On June 21, 2017, the City issued \$6.85 million 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 2015.	
(e)	For City services provided in 2016.	
(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, 2016**

	<u>Amount</u>	<u>Per Capita(a)</u>	<u>% of City's Current Assessed Valuation(b)</u>
City Nonexempt GO Debt(c)	\$141,124,992	\$ 491.37	4.45%
Total City GO Debt (Exempt and nonexempt)	141,518,742	492.74	4.46
Highest Total Overlapping GO Debt(d)(e)	316,486,545	1,101.94	9.97

**AS OF JULY 15, 2017**

	<u>Amount</u>	<u>Per Capita(a)</u>	<u>% of City's Current Assessed Valuation(b)</u>
City Nonexempt GO Debt(c)	\$147,974,992	\$ 515.22	4.66%
Total City GO Debt (Exempt and nonexempt)	148,368,742	516.59	4.68
Highest Total Overlapping GO Debt(d)(e)	323,198,824	1,125.31	10.19

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

(b) The City's current assessed valuation is \$3,172,916,390.

(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:

\$ 47,751,742 of County debt (43.86%) (as of December 31, 2016);

\$ 47,614,021 of County debt (43.86%) (as of July 15, 2017); and

\$127,216,061 of Toledo City School District debt (98.92%) (as of December 31, 2016).

(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:

\$ 120 of Ottawa Hills Local School District debt (0.16%)

\$2,749,796 of Maumee City School District debt (10.23%)

\$ 647,312 of Springfield Local School District debt (8.91%)

\$5,885,086 of Sylvania City School District debt (7.18%); and

\$ 590,444 of Sylvania Area Joint Recreational District debt (7.18%).

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  
2017 THROUGH 2037**

Calendar Year	Debt Service On:			Portion of Debt Service Anticipated to be Paid From:			
	Bonds Outstanding on December 31, 2016	Bonds in Anticipation of Which BANs Were Outstanding on December 31, 2016(b)	Bonds in Anticipation of Which BANs Were Issued on June 21, 2017(b)	Total Debt Service	Income Tax Revenues(c)	Housing Loan Payments(c)(d)	Federal Direct Payments(c)(e)
	2017(a)	\$14,910,198	\$ 33,583	\$ 0	\$14,943,781	\$14,173,109	\$433,145
2018	17,539,479	533,000	776,333	18,848,812	18,041,117	500,040	307,655
2019	16,702,576	520,488	712,400	17,935,464	17,155,693	503,190	276,581
2020	16,285,751	507,975	694,133	17,487,859	16,742,784	500,890	244,185
2021	15,956,712	495,463	675,867	17,128,041	16,444,308	473,290	210,443
2022	15,600,130	482,950	657,600	16,740,680	16,097,741	471,140	171,799
2023	15,235,645	470,438	639,333	16,345,416	15,750,110	463,690	131,616
2024	11,857,030	457,925	621,067	12,936,022	12,377,413	469,410	89,199
2025	11,619,185	445,413	602,800	12,667,397	12,182,573	439,450	45,374
2026	8,925,956	432,900	584,533	9,943,390	9,943,390	0	0
2027	8,497,431	420,388	566,267	9,484,085	9,484,085	0	0
2028	8,442,344	82,875	548,000	9,073,219	9,073,219	0	0
2029	4,588,025	80,113	529,733	5,197,871	5,197,871	0	0
2030	4,058,113	77,350	511,467	4,646,929	4,646,929	0	0
2031	2,603,700	74,588	493,200	3,171,488	3,171,488	0	0
2032	1,397,250	71,825	474,933	1,944,008	1,944,008	0	0
2033	0	69,063	0	69,063	69,063	0	0
2034	0	66,300	0	66,300	66,300	0	0
2035	0	63,538	0	63,538	63,538	0	0
2036	0	60,775	0	60,775	60,775	0	0
2037	0	58,013	0	58,013	58,013	0	0

- (a) Amounts exclude \$2,924,573 of interest paid on June 1, 2017. See footnote A to **Debt Table A** for information concerning BANs issued after December 31, 2016.
- (b) Assumes all presently outstanding BANs are retired with bonds dated October 1, 2017, having first interest payments December 1, 2017 and first principal payments December 1, 2018, 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%. As a result of this cut, the City only received \$334,404.50 of the \$362,545.42 of such Direct Payments that it had expected to receive in its Fiscal Year 2015. On September 30, 2016, the Internal Revenue Service announced that reductions in Direct Payments would continue and that the percentage reduction for federal fiscal year 2017, ending September 30, 2017, would be 6.9%. 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 2016.

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

**DEBT TABLE D**

**GENERAL OBLIGATION DEBT OUTSTANDING**

<u>Year</u>	<u>Exempt General Obligation</u>	<u>Total General Obligation</u>
2013	\$ 15,000	\$145,195,000
2014	0	141,119,992
2015	0	143,539,992
2016	459,375	141,339,367
2017	393,750	141,518,742

**Bond Anticipation Notes**

As of December 31, 2016, \$4,355,000 of the unvoted general obligation debt of the City was in the form of BANs. \$11,205,000 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 Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal Amount</u>
Sidewalk Improvement Notes, Series 2016	10/19/16	10/19/17	2.15%	\$1,105,000
Street and Bridge Improvement Notes, Series 2017	06/21/17	11/01/17	1.42%	\$6,850,000

**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 85.6%, and the combined total of such current

collections and collections of delinquent special assessments from prior years has averaged 97.0% of the current amount levied.

**CURRENT AND DELINQUENT COLLECTIONS OF SPECIAL ASSESSMENTS**

(In Thousands of Dollars)

Collection Year	Dollars of Current Amount		Percent of Current Levy Collected	Total of Dollars Unpaid Amount		Total Dollars Collected	Collections as a Percentage of Current Levy
	Levied	Collected		Billed	Collected		
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
2016	29,720	26,475	89.1	16,634	2,974	29,449	99.1

**Debt Table F** lists the City's City Services Special Assessment Notes outstanding as of December 31, 2016. These Notes are reflected in **Debt Table A** above.

**DEBT TABLE F**

**OUTSTANDING CITY SERVICES SPECIAL ASSESSMENT NOTES**

Project Year	Description	Dated Date	Maturity Date	Interest Rate	Principal Amount Outstanding
2015	City Services Special Assessment Notes (Services 2015)(a)	12/17/15	06/01/17	1.887%	\$ 7,400,000
		12/17/15	12/01/17	1.887%	\$11,800,000
2016	City Services Special Assessment Notes (Services 2016)(b)	12/16/16	06/01/18	2.031%	\$ 7,400,000
		12/16/16	12/01/18	2.031%	\$11,900,000

(a) The special assessments anticipated by these Notes are being collected in 2017. 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 2018.

**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, 2016(a)**

<u>Project</u>	<u>Obligation</u>	<u>Initial Amount</u>	<u>Outstanding Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Approximate Annual Debt Service(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	\$4,060,000	1.00%-3.00%	2018	\$1,650,000(c)
	Industrial Development Revenue Bonds (State Chapter 166 Loan)	\$10,000,000	\$1,432,513(d)	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	\$65,000	1.00%-3.00%	2018	\$25,000
C. Land acquisition and remediation in the Marina District	Industrial Development Bond	\$5,120,000	\$3,540,000	5.88%-6.55%	2032	\$503,000
D. Improvements supporting or part of expansion of facilities now owned by Fiat Chrysler Automobiles	Industrial Development Bond	\$9,000,000	\$5,505,000	4.25%-5.00%	2026	\$720,000(c)
E. Southwyck Project	Industrial Development Bond	\$3,250,000	\$2,620,000	3.45%	2019	\$720,000
F. Land acquisition for one or more industrial facilities	Taxable Industrial Development Note	\$4,450,000	\$4,450,000	6.00%(e)	2036(f)	\$382,000(f)

- (a) No additional economic development obligations have been issued since December 31, 2016. See footnote D for information concerning the principal amount retired since December 31, 2016.
- (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) Principal on these bonds is paid monthly. \$444,475 of that principal was retired between December 31, 2016 and July 15, 2017.
- (e) The City expects loan payments to be received from the developer will be sufficient to make this final debt service payment requirement.
- (f) 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 2017 THROUGH 2036  
AS OF DECEMBER 31, 2016(a)**

<b>Calendar Year</b>	<b>Total Debt Service on Nontax Revenue Bonds and Notes Outstanding on December 31, 2016(b)</b>	<b>Portion of Debt Service Anticipated to be Paid From:</b>		
		<b>Payments in Lieu of Taxes(c)</b>	<b>Other Nontax Revenues(d)</b>	<b>Other Sources(c)(d)</b>
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.

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## Other Revenue Bonds

See the discussions under **The City – Water System** and **– Sewer System** of the City’s utility revenue bonds outstanding as of July 15 2017, all of which were outstanding as of December 31, 2016. 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 \$305,752,658 as of December 31, 2016, with an undisbursed amount available to the City of approximately \$89,345,379. See **Appendix C**. Under those agreements, the City made \$18,119,777 of loan payments in Fiscal Year 2016 and is to make a total of \$22,793,024 of loan payments in Fiscal Year 2017. Each such outstanding loan is payable in substantially equal semiannual installments. Final payments on those outstanding loans are to be made by 2041.

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	\$ 27,543,000
2017	33,686,000
2018	34,676,000
2019	37,237,000
2020-2024	205,910,000
2025-2029	175,285,000
2030-2034	108,880,000
2035-2041	59,395,000

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 \$38,220,028 as of December 31, 2016, with an undisbursed amount available to the City was approximately \$1,448,275. See **Appendix C**. Under those loans, the City made \$1,241,184 of loan payments in Fiscal Year 2016 and is to make \$1,586,130 of loan payments in Fiscal Year 2017. 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 has also entered into a loan agreement with OWDA pursuant to which OWDA has provided a loan to the City to pay costs of improvements to the Storm Water Management System. The aggregate principal amount of the City's obligation under that OWDA loan agreement was approximately \$2,988,828 as of December 31, 2016, with an undisbursed amount available to the City was approximately \$211,638. See **Appendix C**. Under that loan, the City made \$112,327 of loan payments in Fiscal Year 2016 and is to make \$224,655 of loan payments in Fiscal Year 2017. This outstanding loan is payable in substantially equal semiannual installments. The final payment under this agreement is to be made by 2036.

The payments under that OWDA loan agreement are required to be made from the City's Storm Water Management System revenues after payment of operation and maintenance expenses of the Storm Water Management System. The loan agreement grants 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.

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 \$2,089,909. 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 \$679,553. The City expects to continue to make those payments from amounts in its General Fund or its Capital Improvements Fund.

On February 7, 2017, the City entered into a loan agreement with OWDA pursuant to which the City borrowed \$10.3 million from the State's Water Pollution Control Loan Fund for the Swan Creek North Sewer Separation Project. Under that agreement, the City is to make payments aggregating \$310,196 annually for a period of 20 years, commencing in 2021 and ending in 2041, to repay the loan. The City expects to make those payments from amounts in its Sewer Revenue Fund or Capital Improvement Fund.

On April 18, 2017, the City entered into a loan agreement with OWDA pursuant to which the City borrowed \$75.7 million from the State's Water Pollution Control Loan Fund for the Downtown Combined-Sewage Overflow (CSO) Storage Basis Project. Under that agreement, the City is to make payments aggregating \$1,465,745 annually for a period of 20 years, commencing in 2021 and ending in

2041, to repay the loan. The City expects to make those payments from amounts in its Sewer Revenue Fund or Capital Improvement Fund.

The City expects to enter into 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, 2016, those loans were outstanding in the aggregate principal amount of \$14,428,973. 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 2017 is \$1,341,918, of which \$650,038 is to be paid from moneys in the City's Capital Improvements Fund, \$111,926 from moneys in its Water Revenue Fund, \$465,684 from moneys in its Sewer Revenue Fund and \$116,712 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 \$3,599,551 as of December 31, 2016. The aggregate amount of payments on these loans payable in 2017 is \$486,222. Final payments are to be made by 2024, and the maximum remaining aggregate annual payments payable on the loans is \$633,799, which will be payable in 2017.

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**

In 1983, the City entered into a lease with the Ohio Building Authority for space in a Downtown office building occupied by many of the City's administrative offices. The 30-year lease expired on August 1, 2013, but the City is continuing to lease the space from the Ohio Building Authority on a month-to-month basis. The City's rent for that facility in Fiscal Year 2016 was \$1,359,000 and for Fiscal Year 2017 is expected to be approximately \$1,644,000. See **City Facilities**.

The City has entered into a lease with the Ohio Company Limited for space in a Downtown office building occupied by the City's Department of Public Utilities. The City's rent for that facility in Fiscal Year 2017 is expected to be approximately \$856,551. That lease is to expire in 2022. See **City Facilities**.

In each year from 2012 through 2016, inclusive, the City entered into agreements pursuant to which it is leasing with the expectation of acquiring certain ambulances (2012 and 2014), fire trucks (2014 and 2015), other motor vehicles (2012, 2013, 2015 and 2016), and certain equipment (2015 and 2016). 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 \$3,813,914 in Fiscal Year 2016 and will be approximately \$2,868,064 in Fiscal Year 2017, \$2,570,953 in Fiscal Year 2018, \$2,211,209 in Fiscal Year 2019, \$1,246,162 in Fiscal Year 2020, and \$348,484 in Fiscal Year 2021. As of December 31, 2016, the aggregate amount of the principal components of the remaining lease payments to be made under the outstanding leases was \$8,825,000. The agreements are to expire in Fiscal Years 2017, 2018, 2019, 2020, and 2021. See Note 9 to the Basic Financial Statements in **Appendices B and C**.

In January 2017, the City entered into a lease agreement pursuant to which it is leasing with the expectation of acquiring of marked and unmarked police cars. Under the terms of the lease agreement, the City's obligation to make annual lease payments is subject to annual appropriation. The aggregate amount of the principal component of all lease payments to be made under the lease agreement is \$748,183, and the annual lease payments are \$748,183, payable in 2017 through 2019.

### **Other**

See Notes 1 and 9 in **Appendix C** for information concerning the City's long-term obligations for compensated absences and landfill closure and post-closure care costs, and Notes 13 and 14 in **Appendix C** concerning the net pension liability, all as of December 31, 2016.

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 \$7.5 million of general obligation bonds in 2017 to (i) pay costs of information technology system, heating, cooling and ventilation system and traffic signalization upgrades included in its 2017 capital improvement plan, and (ii) to fund \$6.85 million of BANs issued for street and bridge improvements in 2017.

The City plans to issue approximately \$3.25 million of general obligation BANs in September 2017 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 \$1.405 million of general obligation BANs in October 2017 to provide funds to (i) retire, together with other funds available for the purpose, \$1.105 million of maturing BANs, and (ii) pay costs of City's 2017 sidewalk improvement program.

The City plans to issue approximately \$4.45 million of nontax revenue BANs in December 2017 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 \$19.8 million of special obligation City Services Special Assessments Notes in 2017, 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 2017 City services program. See **City Services Special Assessment Notes**.

The City also plans to issue Water System Revenue Bonds in 2018 and 2020 in the presently anticipated amounts of \$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 2017 to provide up to \$2,109,930 of additional funds to pay costs of a portion of the capital improvements program for its Sewer System planned for the period through 2017. 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 2017.

## 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% that began on July 2, 2013. 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 13 and 14 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.

City 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. City 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 in 2016, 2015, 2014, 2013, and 2012 were approximately \$10,618,000, \$10,889,000, \$10,761,000, \$10,204,000, and \$9,969,000, respectively, and were 88% of the required contributions in 2016, 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. The remaining 12% of the 2016 contribution was made in the first month of 2017, 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 2016, 2015, 2014, 2013, and 2012 were approximately \$18,314,000, \$18,955,000, \$17,185,000, \$16,728,000, and \$16,103,000, respectively, and were 87% of the required contribution in 2016, 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. The remaining 13% of the 2016 contribution was made in the first month of 2017, 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**.

The City's Basic Financial Statements have reflected a net pension liability determined in accordance with GASB Statement No. 68 and GASB Statement No. 71, since they were implemented beginning with Fiscal Year 2015. The City's net pension liability as of December 31, 2016 is reported and explained in Notes 13 and 14 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, 2016 and at the date of this Statement, is sufficient to meet the claims and judgments that may arise in 2017. 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.

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. 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.

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: July 28, 2017

**APPENDIX A**

**Comparative Modified Accrual Basis Summary of General Fund Revenues, Expenditures and Balances for Fiscal Years 2012 through 2016 (Actual) and Fiscal Year 2017 (Budgeted)**

(amounts in thousands)

	<b>2012(a)</b>	<b>2013(a)</b>	<b>2014(a)</b>	<b>2015(a)</b>	<b>2016(b)</b>	<b>Budgeted 2017</b>
<b>REVENUES:</b>						
Income Tax	\$158,523	\$158,775	\$164,787	\$169,045	\$175,679	\$173,650
Property Taxes	11,381	9,598	9,552	9,911	9,906	11,975
Licenses and Permits	2,264	2,408	2,468	2,455	2,868	2,896
Intergovernmental	20,828	21,044	17,708	18,100	17,541	17,690
Charges for Services	26,132	26,296	26,265	26,456	28,308	30,459
Investment Earnings	360	135	230	167	230	200
Fines and Forfeitures	6,715	7,118	5,876	5,457	7,511	7,056
All Other Revenue	325	620	898	611	2,659	1,294
<b>Total Revenues</b>	<b>\$226,528</b>	<b>\$225,994</b>	<b>\$227,784</b>	<b>\$232,202</b>	<b>\$244,702</b>	<b>\$245,220</b>
<b>EXPENDITURES</b>						
<b>Current:</b>						
General Government	\$ 14,164	\$ 27,112	\$ 25,555	\$ 24,687	\$23,814	\$ 25,502
Public Service	1,928	1,674	1,839	1,839	1,658	1,968
Public Safety	158,979	159,264	164,410	166,292	166,076	175,208
Public Utilities	0	1	8	0	0	0
Community Environment	4,355	4,671	4,394	4,824	4,414	5,518
Health	13,511	4,767	4,272	4,137	5,277	8,338
Parks and Recreation	2,750	2,947	2,623	2,486	2,619	2,692
Capital Outlay	53	1	0	0	0	0
<b>Debt Service</b>						
Principal Retirement	505	526	548	570	594	618
Interest & Fiscal Charges	221	200	178	156	97	108
<b>Total Expenditures</b>	<b>\$196,466</b>	<b>\$201,163</b>	<b>\$203,827</b>	<b>\$204,991</b>	<b>204,549</b>	<b>\$219,952</b>
Excess (Deficiency) of Revenues over Expenditures	\$30,062	\$24,831	\$23,957	\$27,211	\$40,153	\$25,268
<b>Other Financing Sources (Uses):</b>						
Transfers In	\$10,456	\$12,477	\$13,418	\$10,546	\$4,568	12,724
Transfers (Out)(c)	(35,999)	(34,657)	(36,008)	(36,967)	(39,109)	(38,702)
Sale of Capital Assets	0	25	0	0	0	0
Sale of Easements	25	0	0	0	0	0
<b>TOTAL OTHER FINANCING SOURCES AND (USES)</b>	<b>\$(25,518)</b>	<b>\$(22,155)</b>	<b>\$(22,590)</b>	<b>\$(26,421)</b>	<b>\$(34,541)</b>	<b>\$(25,978)</b>
Net Change in Fund Balance	\$4,544	\$2,676	\$1,367	\$790	\$5,612	\$(710)
Fund Balance (Deficit) at Beginning of Year(d)	326	5,008	7,977	9,795	10,178	15,754
Reserve for Inventory	138	293	451	(407)	(36)	0
Fund Balance (Deficit) at Year-End(d)	\$ 5,008	\$ 7,977	\$ 9,795	\$10,178	\$15,754	\$15,044

(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.

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**APPENDIX B**

**Basic Financial Statements from the City's  
Comprehensive Annual Financial Report for Fiscal Year 2015  
(audited)**

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# Dave Yost • Auditor of State

City Council  
City of Toledo  
One Government Center Ste 2050  
Toledo, OH 43604

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, 2015 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

August 26, 2016

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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, 2015, 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.

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

### **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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Effect of Adopting New Accounting Standards**

As discussed in Note 15 to the financial statements, the City adopted the provisions of 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*. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information and schedules of net pension liabilities and pension contributions, as listed in the table of contents, 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, 2016, 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, 2016

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# **BASIC FINANCIAL STATEMENTS**



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

	Governmental Activities	Business-type 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	738,465	1,247,105	1,985,570
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pensions	34,480	4,668	39,148
Total Deferred Outflows of Resources	34,480	4,668	39,148
<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	559,742	756,885	1,316,627
<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	10,518	504	11,022
<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	\$ 202,685	\$ 494,384	\$ 697,069

See accompanying notes to the basic financial statements.

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

Functions/Programs	Expenses	Charges for Services	Operating Grants	Capital Grants	Net (Expense) Revenue and Changes in Net Position				
					Governmental Activities	Business-type Activities	Total		
<b>Governmental activities:</b>									
General government	\$ 23,241	\$ 17,835	\$ -	\$ -	\$ (5,406)	\$ -	\$ -	\$ (5,406)	
Public service	68,533	27,852	-	7,733	(32,948)	-	-	(32,948)	
Public safety	199,620	15,338	3,531	3,746	(177,005)	-	-	(177,005)	
Public utilities	3,880	14	30	1,328	(2,508)	-	-	(2,508)	
Community environment	23,550	2,440	3,758	6,339	(11,013)	-	-	(11,013)	
Health	7,410	10,454	1,703	-	4,747	-	-	4,747	
Parks and recreation	6,388	479	-	850	(5,059)	-	-	(5,059)	
Interest and fiscal charges	16,676	-	-	-	(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>-</b>	<b>-</b>	<b>(245,868)</b>	
<b>Business-type activities:</b>									
Water	56,417	63,323	-	-	-	6,906	-	6,906	
Sewer	58,407	70,863	-	888	-	13,344	-	13,344	
Storm utility	6,673	9,921	-	636	-	3,884	-	3,884	
Utilities administration	11,204	16,222	-	-	-	5,018	-	5,018	
Property management	678	-	-	-	-	(678)	-	(678)	
Small business development	57	-	-	-	-	(57)	-	(57)	
Municipal tow lot	1,055	1,854	-	-	-	799	-	799	
Erie St. Market	75	97	-	-	-	22	-	22	
Toledo Public Power	662	688	-	-	-	26	-	26	
<b>Total business-type activities</b>	<b>135,228</b>	<b>162,968</b>	<b>-</b>	<b>1,524</b>	<b>-</b>	<b>29,264</b>	<b>-</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>(245,868)</b>	<b>29,264</b>	<b>(216,604)</b>		
<b>General revenues:</b>									
Income taxes					171,053	-	-	171,053	
Property taxes					9,793	-	-	9,793	
Investment earnings					850	1,078	-	1,928	
Intergovernmental services					24,536	-	-	24,536	
Gain on sale of capital assets					-	48	-	48	
Other revenue					5,640	-	-	5,640	
Transfers					(724)	724	-	-	
Total general revenues and transfers					211,148	1,850	-	212,998	
Change in net position					(34,720)	31,114	-	(3,606)	
Net position - beginning					456,221	487,816	-	944,037	
Restatement, see Note 15					(218,816)	(24,546)	-	(243,362)	
Net position - ending					\$ 202,685	\$ 494,384	\$ -	\$ 697,069	

See accompanying notes to the basic financial statements.

**City of Toledo, Ohio**  
Balance Sheet  
Governmental Funds  
December 31, 2015  
(Amounts in Thousands)

	<u>General</u>	<u>Capital Improvements</u>	<u>Special Assessments Services</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<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
<b>Total Assets</b>	<b>\$ 80,871</b>	<b>\$ 33,404</b>	<b>\$ 62,975</b>	<b>\$ 49,191</b>	<b>\$ 226,441</b>
<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
<b>Total Liabilities</b>	<b>44,544</b>	<b>10,084</b>	<b>65,002</b>	<b>11,838</b>	<b>131,468</b>
<b>Deferred Inflows of Resources:</b>					
Revenues Levied for the next year and Unavailable Revenue	26,149	660	58,566	4,341	89,716
<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	2,255	-	(64,667)	(2,041)	(64,453)
<b>Total Fund Balances</b>	<b>10,178</b>	<b>22,660</b>	<b>(60,593)</b>	<b>33,012</b>	<b>5,257</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$ 80,871</b>	<b>\$ 33,404</b>	<b>\$ 62,975</b>	<b>\$ 49,191</b>	<b>\$ 226,441</b>

See accompanying notes to the basic financial statements.

**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.

**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)

	<u>General</u>	<u>Capital Improvements</u>	<u>Special Assessments Services</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<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	<u>232,202</u>	<u>20,747</u>	<u>24,563</u>	<u>37,782</u>	<u>315,294</u>
<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	<u>204,991</u>	<u>49,619</u>	<u>28,366</u>	<u>59,112</u>	<u>342,088</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>27,211</u>	<u>(28,872)</u>	<u>(3,803)</u>	<u>(21,330)</u>	<u>(26,794)</u>
<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)	<u>(26,421)</u>	<u>32,456</u>	<u>-</u>	<u>16,429</u>	<u>22,464</u>
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	<u>\$ 10,178</u>	<u>\$ 22,660</u>	<u>\$ (60,593)</u>	<u>\$ 33,012</u>	<u>\$ 5,257</u>

See accompanying notes to the basic financial statements.

**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	(39,508)	(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	(2,975)	(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	(584)	(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.		
		(24,744)
Changes in net position of governmental activities		\$ (34,720)

See accompanying notes to the basic financial statements.

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

	Business-Type Activities					Governmental
	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	<u>237,918</u>	<u>77,724</u>	<u>22,248</u>	<u>32,163</u>	<u>370,053</u>	<u>35,419</u>
<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	<u>267,895</u>	<u>595,024</u>	<u>140</u>	<u>44,165</u>	<u>907,224</u>	<u>23,175</u>
Total Assets	<u>505,813</u>	<u>672,748</u>	<u>22,388</u>	<u>76,328</u>	<u>1,277,277</u>	<u>58,594</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Pensions	1,598	1,851	781	438	4,668	872
Total Deferred Outflows of Resources	<u>1,598</u>	<u>1,851</u>	<u>781</u>	<u>438</u>	<u>4,668</u>	<u>872</u>
<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	<u>25,623</u>	<u>34,254</u>	<u>19,076</u>	<u>8,004</u>	<u>86,957</u>	<u>22,329</u>
<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	<u>318,249</u>	<u>355,627</u>	<u>5,847</u>	<u>20,377</u>	<u>700,100</u>	<u>11,125</u>
Total Liabilities	<u>343,872</u>	<u>389,881</u>	<u>24,923</u>	<u>28,381</u>	<u>787,057</u>	<u>33,454</u>
<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	<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.

**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 Administrative Services</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total Enterprise Funds</b>	<b>Internal Services 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	(8,404)	(9,734)	(4,111)	(2,297)	(24,546)	(4,594)
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.

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

	Business-Type Activities					Governmental
	Water	Sewer	Utility	Nonmajor	Total	Internal
			Administrative Services	Enterprise Funds	Enterprise Funds	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	<u>32,466</u>	<u>51,978</u>	<u>(51,366)</u>	<u>6,648</u>	<u>39,726</u>	<u>14,260</u>
<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	<u>1,929</u>	<u>2,174</u>	<u>(4,566)</u>	<u>1,187</u>	<u>724</u>	<u>-</u>
<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	<u>(43,723)</u>	<u>(31,400)</u>	<u>-</u>	<u>(4,557)</u>	<u>(79,680)</u>	<u>(6,106)</u>
<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	<u>29,930</u>	<u>(7,476)</u>	<u>53,452</u>	<u>(3,105)</u>	<u>72,801</u>	<u>-</u>
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	<u>21,798</u>	<u>15,463</u>	<u>8,605</u>	<u>183</u>	<u>46,049</u>	<u>8,154</u>
<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	<u>\$ 32,466</u>	<u>\$ 51,978</u>	<u>\$ (51,366)</u>	<u>\$ 6,648</u>	<u>\$ 39,726</u>	<u>\$ 14,260</u>

See accompanying notes to the basic financial statements.

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

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

See accompanying notes to the basic financial statements.

# **NOTES TO THE FINANCIAL STATEMENTS**



**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.

**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.

**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.

**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.

**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.

**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.

**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.

**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.

**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 measurable. Allocations of cost, such as depreciation and amortization, are not recognized in Governmental Funds.

**Budgetary Information**

Annual budgets are adopted for all Governmental Funds other than capital projects funds on the GAAP basis in that revenues are recorded when earned and expenditures are recorded when incurred. Capital projects funds adopt project-length budgets at the time bonds are sold or other funding sources are determined. The City maintains budgetary controls by not permitting expenditures to exceed appropriations at the account for each division within each fund.

**Cash and Cash Equivalents**

Cash balances of the City's funds are pooled and invested in order to provide improved cash management. Monies for all funds are maintained in this pool. All of the City's depository accounts are maintained by the General Fund and reported on the Statement of Net Position as "Cash and Cash Equivalents with Treasurer."

**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.

**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.

**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.

**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*.

**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.

**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.

**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.

**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:

	Maturity		Total
	Within One Year	More than One Year but Less than Three Years	
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
	\$ 40,292	\$ 249,790	\$ 290,082

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2015**  
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**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 AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. All other investments of the City except for U.S. Treasury investments are registered and carry an AA+ rating by Standard and Poor's.

*Foreign Currency Risk* is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The City's investment policy does not allow for investment in foreign accounts.

*Concentration of Credit Risk* is defined by GASB as five percent or more in the securities of a single issuer. The City's investment policy addresses concentration of credit risk by requiring investments to be diversified to reduce the risk of loss resulting from over concentration of assets in a specific issue or specific class of securities. The City places the following limitations on the amount that can be invested in any one issuer:

1. City funds either invested in certificates of deposit or deposited in non-demand savings accounts with any one depository shall not exceed 10 percent of the aggregate principal amount of the City's investment portfolio.
2. City funds invested in certificates of deposits in a depository may not exceed 10 percent of the equity capital of the depository at any one time.
3. No more than \$10 million may be invested at any one time through repurchase agreements with any one institution.

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
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**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:

	Fair Value	% of Total
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
Total Portfolio	\$ 290,082	100.00

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
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**NOTE 3 – RECEIVABLES**

Receivables at December 31, 2015 consist of the following:

	Taxes	Customer and Other	Special Assessments	Notes Receivable
<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:	
	Interest Receivable	Gross Receivables	Allowance for Uncollectibles	Receivables Net
<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>

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2015**  
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**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 preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 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.

**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:

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, 2015**  
**(Amounts in Thousands)**

**NOTE 6 – CAPITAL ASSETS**

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

<i><b>Governmental Activities:</b></i>	Balance 1/1/2015	Additions	Deletions	Balance 12/31/2015
<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>

**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:

<i><b>Business-Type Activities:</b></i>	Balance			Balance
	<u>1/1/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2015</u>
<i>Capital Assets not being Depreciated:</i>				
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
 <i>Capital Assets being Depreciated:</i>				
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
 <i>Less: Accumulated Depreciation</i>				
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>

**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 (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 Date	Interest Rate (%)	Original Issue Amount	Balance 1/1/2015	Increase	Decrease	Balance 12/31/2015	Amount Due In 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>\$ 40,635</u>	<u>\$ (43,418)</u>	<u>\$ 49,790</u>	<u>\$ 30,590</u>

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
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**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:

<b>Government Activities:</b>	Issue Date	Maturity Date	Interest Rate (%)	Original Issue Amount	Restated Balance 1/1/2015	Increase	Decrease	Balance 12/31/2015	Amount Due In One Year
<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>

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
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**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.

**City of Toledo, Ohio**  
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**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:

<b>Business-Type Activities</b>	Issue Date	Maturity Date	Interest Rate (%)	Original				Amount	
				Issue Amount	Balance 1/1/2015	Increase	Decrease	Balance 12/31/2015	Due In One Year
<b>General Obligation Bonds:</b>									
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
<b>Revenue Obligation Bonds:</b>									
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
<b>Loans Outstanding:</b>									
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
<b>Capital Lease Obligations:</b>									
Sewer Cleaners II	2011	2015	4.99	1,361	283	-	(283)	-	-
<b>Other Obligations:</b>									
Compensated Absences					4,809	442	(208)	5,043	140
Net Pension Liabilities:									
OPERS					28,046	649	-	28,695	-
<b>Total Business-Type Activities</b>					<b>\$ 710,251</b>	<b>\$ 67,464</b>	<b>\$ (44,280)</b>	<b>\$ 733,435</b>	<b>\$ 33,335</b>

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
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**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.

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
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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.

**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.

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
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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.

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

**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>

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
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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 Other Funds	Due To 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	52,674	61,614
 <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	39,112	30,172
	\$ 91,786	\$ 91,786

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2015**  
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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>	<u>9,746</u>	<u>38,322</u>	<u>17,979</u>	<u>-</u>	<u>-</u>	<u>1,799</u>	<u>67,846</u>
<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>	<u>800</u>	<u>-</u>	<u>275</u>	<u>2,004</u>	<u>2,249</u>	<u>313</u>	<u>5,641</u>
<b>Total Fund Balances</b>	<u>\$ 10,546</u>	<u>\$ 38,322</u>	<u>\$ 18,254</u>	<u>\$ 2,004</u>	<u>\$ 2,249</u>	<u>\$ 2,112</u>	<u>\$ 73,487</u>

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.

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
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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 Fund	Capital Improvements	Special Assessment Services	Nonmajor Governmental 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>
Unassigned	<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.

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
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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.

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

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
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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:

	<b>Police</b>		<b>Firefighters</b>	
<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>
<u>Deferred Outflows of Resources</u>					
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>
<u>Deferred Inflows of Resources</u>					
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>
Year Ending December 31:					
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>

**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 Allocation	Weighted Average Long-Term Expected Real Rate of Return (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 (7.00%)	Current Discount Rate of 8.00%	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$ 130,025	\$ 70,676	\$ 20,691

**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 determine 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 determine 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)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
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.

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

	1% Decrease (7.25%)	Current Discount Rate of 8.25%	1% Increase (9.25%)
City's proportionate share 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.

**City of Toledo, Ohio**  
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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> (in Whole Dollars)	<u>Deductible</u> (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

**City of Toledo, Ohio**  
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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.

**City of Toledo, Ohio**  
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**NOTE 14 – RISK MANAGEMENT (continued)**

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

Year	Balance at Beginning of Year	Current Year Claims and Change in Estimate	Claims Payments	Balance at End of Year
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:

Year	Balance at Beginning of Year	Current Year Claims and Change in Estimate	Claims Payments	Balance at End of Year
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

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

**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
 <i>Proprietary Funds:</i>	
Utility Administrative Services Fund	1,838
Non-Major Enterprise Fund:	
Property Management Fund	10,145
 <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 Administrative Services	Nonmajor Enterprise	Internal Service 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	\$ 153,833	\$ 268,939	\$ (2,542)	\$ 43,040	\$ 27,285

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

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

**Change in Accounting Principles (continued)**

	<u>Governmental Activities</u>	<u>Business-Type 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.

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

**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.

**CITY OF TOLEDO, OHIO**  
 Schedule of Expenditures of Federal Awards  
 Year Ended December 31, 2015

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Grant Number</u>	<u>Federal CFDA Number</u>	<u>Passed through to Subrecipients</u>	<u>Federal Expenditures</u>
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>				
CDBG Entitlement Grants:				
Community Development Block Grants/Entitlement Grants				
37th Year CDBG Grant	G37000	14.218	25,501	126,453
38th Year CDBG Grant	G38000	14.218		58,960
39th Year CDBG Grant	G39000	14.218		207,325
40th Year CDBG Grant	G40000	14.218	1,242,546	3,278,749
41st Year CDBG Grant	G41000	14.218	783,811	2,849,359
2008 Neighborhood Stabilization	GNSP08	14.218		181,252
2010 Neighborhood Stabilization	GNSP10	14.218		41,615
<i>(Passed through Lucas Metropolitan Housing Authority):</i>				
LMHA 2014	G05574	14.218	149,660	132,164
LMHA 2015	G05575	14.218	302,485	267,123
Total CDBG Entitlement Grants			<u>2,504,003</u>	<u>7,143,000</u>
Emergency Solutions Grants Program				
27th Year Emergency Shelter	GE2702	14.231	3,963	3,963
28th Year Emergency Shelter	GE2802	14.231	428,044	428,044
29th Year Emergency Shelter	GE2902	14.231	108,836	108,836
			<u>540,843</u>	<u>540,843</u>
HOME Investment Partnerships Program	GH1302-GH2302	14.239	174,070	2,784,328
HOME Investment Partnerships Program	Outstanding Loans	14.239		2,362,488
			<u>174,070</u>	<u>5,146,816</u>
Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants				
Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants	GED802	14.251		100,000
Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants	G10325	14.251		17,400
Total EDI Grants				<u>117,400</u>
ARRA - Neighborhood Stabilization Program	G9NSP2	14.256		426,872
Lead-Based Paint Hazard Control in Privately-Owned Housing	GL7006	14.900		477,960
Total U.S. Department of Housing and Urban Development				<u>13,852,891</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		210,100
Total U.S. Department of the Interior				<u>210,100</u>
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>				
ARRA - Public Safety Partnership and Community Policing Grants				
ARRA - Public Safety Partnership and Community Policing Grants	GS7110	16.710		456,551
ARRA - Public Safety Partnership and Community Policing Grants	GS7111	16.710		331,832
Public Safety Partnership and Community Policing Grants	G00003	16.710		69,899
Total Public Safety Partnership and Community Policing Grants				<u>858,282</u>
Edward Byrne Memorial Justice Assistance Grant Program:				
2013 COVAW Grant	G13233	16.738		13
2014 COVAW Grant	G13234	16.738		1,360
2014 Justice Assistance Grant	G07724	16.738		157,453
				<u>158,826</u>
<i>(Passed through Ohio's Office of Criminal Justice):</i>				
ARRA - Violence Against Women Formula Grants	G07334	16.588		7,086
ARRA - Violence Against Women Formula Grants	G07335	16.588		21,684
Total ARRA - Violence Against Women Formula Grants				<u>28,770</u>
<i>(Passed through Ohio Department of Public Safety):</i>				
Community Capacity Development Office	G05614	16.595		16,154
Community Capacity Development Office	G00009	16.595		24,703
Total Community Capacity Development Office				<u>40,857</u>
Total U.S. Department of Justice				<u>1,086,735</u>

(Continued)

**CITY OF TOLEDO, OHIO**  
 Schedule of Expenditures of Federal Awards  
 Year Ended December 31, 2015

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Grant Number</u>	<u>Federal CFDA Number</u>	<u>Passed through to Subrecipients</u>	<u>Federal Expenditures</u>
<b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>				
<i>(Passed through Ohio Department of Transportation):</i>				
Highway Planning and Construction:				
MIAMI OVER NSRR BRIDGE	GA0101	20.205		42,880
EAST CIRCLE LANE BRIDGE	GA0102	20.205		137,218
REYNOLDS ROAD BIOSWALE	GA6742	20.205		27,043
REYNOLDS CORRIDOR IMPROVE, PH3	GA6752	20.205		53,488
COLLINGWOOD-MONROE TO CENTRAL	GA6802	20.205		725,963
RESURFACE SUDER AVE FROM MANHATTAN TO OTTAWA RIVER	GA6803	20.205		109,178
SR 184 (ALEXIS RD) FROM LEWIS TO TELEGRAPH	GA6813	20.205		2,636
ODOT ROUNDABOUTS	GA6904	20.205		2,119,346
DORR ST SAFETY PROJECT	GA8541	20.205		1,820,882
BANCROFT GLENWOOD TO ASHLAND	GA6914	20.205		1,717,703
SCHOONMAKER MUSEUM SHIP	GA6924	20.205		277,064
AIRPORT-WESTERN SOUTH TO BROADWAY	GA6964	20.205		920,000
DETROIT-SHERWOOD TO COPLAND	GA6974	20.205		336,441
Total Highway Planning and Construction				<u>8,289,842</u>
<i>(Passed through Toledo Area Regional Transit Authority):</i>				
Job Access and Reverse Commute Program	G00019	20.516		4,100
Highway Safety Cluster:				
<i>(Passed through Ohio Department of Highway Safety):</i>				
State and Community Highway Safety	G00114	20.600		26,499
State and Community Highway Safety	G06753	20.600		3,481
<i>(Passed through Ohio Department of Public Safety):</i>				
National Priority Safety Programs	G00014	20.616		40,489
National Priority Safety Programs	G00015	20.616		2,646
Total Highway Safety Cluster				<u>73,115</u>
Total U.S. Department of Transportation				<u>8,367,057</u>
<b><u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u></b>				
Great Lakes Program	UG1214	66.469		267,062
<i>(Passed through Ohio Environmental Protection Agency):</i>				
Brownfields Training, Research, and Technical Assistance Grants and Cooperative Agreements	G10400	66.814		45,800
<i>(Passed through Ohio Environmental Protection Agency):</i>				
Capitalization Grants for Clean Water State Revolving Funds				
GRIT FACILITY-161B CONSENT DECREE PROJECT	XL0210	66.458		316,292
OAKDALE STORAGEBASIN	XL0511	66.458		552,557
OTTAWA RIVER STORAGE FACILITY PHASE II PROJECT	XL0714	66.458		24,706,541
DETROIT SSOE PHASE 1	XL1110	66.458		158,324
DETROIT SSOE PHASE 2	XL1210	66.458		145,724
AYERS-MONROE STORAGE	XL1112	66.458		19,857
COLUMBUS ASH STORAGE PIPELINE	XL2010	66.458		6,471
PHASE IIB CONSENT DECREE PROJECT	XL2311	66.458		871,356
EQUALIZATION BASIN	XL3504	66.458		353
WPCLF SEWER SEPARATION & INFLOW REMOVAL IN SSES AREAS	XL3510	66.458		8,037
LOCKWOOD DEVILBISS SEWER SEPERATION	XL3809	66.458		9,958
MAUMEE CSO STORAGE	XL4110	66.458		136,115
PARKSIDE SEWER ELIMINATION	XL4411	66.458		535
LTCP 2C DESIGN	XL0914	66.458		1,520,358
DEARBORN CSO STORAGE PROJECT	XL4813	66.458		8,041,712
TUNNEL OPTIMIZATION PHASE 2	XL4611	66.458		99,613
Total Capitalization Grants for Clean Water State Revolving Funds				<u>36,593,803</u>
<i>(Passed through Ohio Environmental Protection Agency):</i>				
Capitalization Grants for Drinking Water State Revolving Funds				
PAC & PotassiumGA	UL2114	66.468		1,199,775
HAB Plan	UL2114	66.468		937,617
Total Capitalization Grants for Drinking Water State Revolving Funds				<u>2,137,392</u>
<i>(Passed through Ohio Environmental Protection Agency):</i>				
Air Pollution Control Program Support:				
Tire Amnesty Grant	G56401	66.001		9,916
2013 Title V	G2013V	66.001		280
2014 Title V	G2014V	66.001		304,631
2015 Title V	G2015V	66.001		11,774
Total Air Pollution Control Program Support				<u>326,601</u>

(Continued)

**CITY OF TOLEDO, OHIO**  
 Schedule of Expenditures of Federal Awards  
 Year Ended December 31, 2015

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Grant Number</u>	<u>Federal CFDA Number</u>	<u>Passed through to Subrecipients</u>	<u>Federal Expenditures</u>
<i>(Passed through Ohio Environmental Protection Agency):</i>				
ARRA - Brownfields Assessment and Cleanup Cooperative Agreements				
Cyanotoxin Testing Equipment and Supplies Grant	G00018	66.818		30,000
Chevrolet Transmission Plant Clean-Up Grant	G00011	66.818		93,729
ARRA- 2012 Petroleum Assessment Grant	G10401	66.818		199,184
ARRA- 2012 Hazardous Assessment Grant	G10402	66.818		46,216
				<u>369,129</u>
Total U.S. Environmental Protection Agency				<u>39,739,787</u>
<b><u>EXECUTIVE OFFICE OF THE PRESIDENT</u></b>				
High Intensity Drug Trafficking Area (HIDTA) Grants - 2012	G04862	95.001		25,985
High Intensity Drug Trafficking Area (HIDTA) Grants - 2013	G04863	95.001		89,462
High Intensity Drug Trafficking Area (HIDTA) Grants - 2014	G04864	95.001		55,703
High Intensity Drug Trafficking Area (HIDTA) Grants - 2015	G04865	95.001		46,878
Total Executive Office of the President				<u>218,028</u>
<b><u>U.S. DEPARTMENT OF HOMELAND SECURITY</u></b>				
<i>(Passed through Ohio Department of Public Safety):</i>				
Emergency Management Performance Grants	G04548	97.042		51
Emergency Management Performance Grants	G04549	97.042		4,089
Emergency Management Performance Grants	G04551	97.042		1,020
Emergency Management Performance Grants	G04552	97.042		444
				<u>5,604</u>
<i>(Passed through Toledo-Lucas County Port Authority):</i>				
Port Security Grant Program	G04531	97.056		48
<i>(Passed through Lucas County Emergency Management Agency):</i>				
Homeland Security Grant Program	G02314	97.067		9,105
Homeland Security Grant Program	G02414	97.067		16,340
Homeland Security Grant Program	G05000	97.067		48,666
Homeland Security Grant Program	G00007	97.067		9,900
Homeland Security Grant Program	G02014	97.067		46,843
Homeland Security Grant Program	G02113	97.067		58
Homeland Security Grant Program	G02114	97.067		4,573
Homeland Security Grant Program	G02214	97.067		20,840
				<u>156,325</u>
ARRA - Assistance to Firefighters Grant	G05439	97.115		3,001
Total U.S. Department of Homeland Security				<u>164,978</u>
Total Federal Awards			<u>\$ 3,218,916</u>	<u>63,639,576</u>

**NOTE A - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the City of Toledo, Ohio (the "City") under programs of the federal government for the year ended December 31, 2015. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

**NOTE B - 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. Such expenditures are recognized following the costs principles contained in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**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, 2015 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, 2016, wherein we noted the City adopted 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*.

**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, 2016

**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 UNIFORM GUIDANCE**

**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 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, 2015. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance 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, 2015.

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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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon dated June 30, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Clark, Schaefer, Hackett & Co.*

Toledo, Ohio  
June 30, 2016

**CITY OF TOLEDO, OHIO  
 Schedule of Findings and Questioned Costs  
 Year Ended December 31, 2015**

**Section I – Summary of Auditors’ Results**

**Financial Statements**

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	None
• Significant deficiency(ies) identified not considered to be material weaknesses?	None
Noncompliance material to the financial statements noted?	None

**Federal Awards**

Internal control over major programs:	
• Material weakness(es) identified?	None
• Significant deficiency(ies) identified not considered to be material weaknesses?	None
Type of auditors’ report issued on compliance for major programs:	Unmodified
Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?	None
Identification of major programs:	
• CFDA 14.218 – CDBG Entitlement Grants	
• CFDA 14.239 – HOME Investment Partnerships Program	
• CFDA 66.458 – Capitalization Grants for Clean Water State Revolving Funds	
• CFDA 66.468 – Capitalization Grants for Drinking Water State Revolving Funds	
Dollar threshold to distinguish between Type A and Type B Programs:	\$1,909,187
Auditee qualified as low-risk auditee?	No

**Section II – Financial Statement Findings**

None

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

None

**APPENDIX C**

**Basic Financial Statements for Fiscal Year 2016  
(unaudited)**

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# UNAUDITED

**City of Toledo, Ohio**  
Statement of Net Position  
December 31, 2016  
(Amounts in Thousands)

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents with treasurer	\$ 13,659	\$ 27,363	\$ 41,022
Cash and cash equivalents held by escrow agent	2,264	27,534	29,798
Cash and cash equivalents other	12	2	14
Investments	34,022	80,438	114,460
Restricted investments	34,993	233,090	268,083
Receivables (net of allowances)	107,758	41,431	149,189
Due from other governments	6,983	-	6,983
Internal balances	8,615	(8,615)	-
Prepaid items	284	12	296
Inventory	5,807	5,173	10,980
Prepaid bond insurance	-	761	761
Capital assets:			
Land and construction in progress	136,494	405,636	542,130
Other capital assets, net of accumulated depreciation	389,797	578,745	968,542
Total Assets	<u>740,688</u>	<u>1,391,570</u>	<u>2,132,258</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pensions	93,969	14,148	108,117
Total Deferred Outflows of Resources	<u>93,969</u>	<u>14,148</u>	<u>108,117</u>
<b>LIABILITIES</b>			
Accounts payable	11,030	10,084	21,114
Customer deposits	2,912	3,214	6,126
Accrued wages and benefits	18,143	1,003	19,146
Accrued interest payable	782	6,107	6,889
Retainage	482	6,574	7,056
Due to other governments	-	201	201
Other current liabilities	12,500	-	12,500
Notes payable	47,314	-	47,314
Current portion of long-term liabilities:			
Compensated absences	328	138	466
Bonds, notes, loans and other obligations	18,659	36,576	55,235
Long-term liabilities:			
Compensated absences	28,932	4,910	33,842
Bonds, notes, loans and other obligations	161,692	761,849	923,541
Net pension liabilities	339,104	37,098	376,202
Total Liabilities	<u>641,878</u>	<u>867,754</u>	<u>1,509,632</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Revenues levied for the next year	12,103	-	12,103
Pensions	2,055	741	2,796
Total Deferred Inflows of Resources	<u>14,158</u>	<u>741</u>	<u>14,899</u>
<b>NET POSITION</b>			
Net investment in capital assets	334,902	453,683	788,585
Restricted for:			
Debt service	284	9,978	10,262
Replacement	-	37,654	37,654
Capital improvement	28,975	4,358	33,333
Community programs	23,969	-	23,969
Other purposes	7,206	-	7,206
Unrestricted (deficit)	(216,715)	31,550	(185,165)
Total Net Position	<u>\$ 178,621</u>	<u>\$ 537,223</u>	<u>\$ 715,844</u>

See accompanying notes to the basic financial statements.

# UNAUDITED

**City of Toledo, Ohio**  
Statement of Activities  
For the Year Ended December 31, 2016  
(Amounts in Thousands)

Functions/Programs	Expenses	Charges for			Operating		Capital		Net (Expense) Revenue and Changes in Net Position			
		Services	Grants	Grants	Grants	Grants	Governmental Activities	Business-type Activities	Total			
<b>Governmental activities:</b>												
General government	\$ 24,154	\$ 14,616	\$ -	\$ -	\$ (9,538)	\$ -	\$ -	\$ -	\$ (9,538)		(9,538)	
Public service	64,777	29,997	80	1,037	(33,663)	-	-	-	(33,663)		(33,663)	
Public safety	211,044	16,715	3,036	-	(191,293)	-	-	-	(191,293)		(191,293)	
Public utilities	3,735	-	-	10,164	6,429	-	-	-	6,429		6,429	
Community environment	20,944	2,875	2,669	4,585	(10,815)	-	-	-	(10,815)		(10,815)	
Health	9,561	12,507	1,913	-	4,859	-	-	-	4,859		4,859	
Parks and recreation	5,202	68	-	-	(5,134)	-	-	-	(5,134)		(5,134)	
Interest and fiscal charges	9,075	-	-	-	(9,075)	-	-	-	(9,075)		(9,075)	
<b>Total governmental activities</b>	<b>348,492</b>	<b>76,778</b>	<b>7,698</b>	<b>15,786</b>	<b>(248,230)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(248,230)</b>		<b>(248,230)</b>	
<b>Business-type activities:</b>												
Water	56,931	72,878	-	-	-	-	-	-	15,947		15,947	
Sewer	58,723	73,438	-	236	-	-	-	-	14,951		14,951	
Storm utility	6,638	9,885	-	107	-	-	-	-	3,354		3,354	
Utilities administration	11,721	17,706	-	-	-	-	-	-	5,985		5,985	
Property management	652	11	-	-	-	-	-	-	(641)		(641)	
Small business development	47	-	-	-	-	-	-	-	(47)		(47)	
Municipal tow lot	1,089	2,219	-	-	-	-	-	-	1,130		1,130	
Erie St. Market	9	2	-	-	-	-	-	-	(7)		(7)	
Toledo Public Power	543	631	-	-	-	-	-	-	88		88	
<b>Total business-type activities</b>	<b>136,353</b>	<b>176,770</b>	<b>-</b>	<b>343</b>	<b>(248,230)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40,760</b>		<b>40,760</b>	
<b>Total</b>	<b>\$ 484,845</b>	<b>\$ 253,548</b>	<b>\$ 7,698</b>	<b>\$ 16,129</b>	<b>(248,230)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40,760</b>		<b>(207,470)</b>	
<b>General revenues:</b>												
Income taxes					175,958				-		175,958	
Property taxes					10,059				-		10,059	
Investment earnings					793				1,875		2,668	
Intergovernmental services					29,416				-		29,416	
Other revenue					8,144				-		8,144	
Transfers					(204)				204		-	
Total general revenues and transfers					224,166				2,079		226,245	
Change in net position					(24,064)				42,839		18,775	
<b>Net position - beginning</b>					202,685				494,384		697,069	
<b>Net position - ending</b>					\$ 178,621				\$ 537,223		\$ 715,844	

See accompanying notes to the basic financial statements.

# UNAUDITED

**City of Toledo, Ohio**  
Balance Sheet  
Governmental Funds  
December 31, 2016  
(Amounts in Thousands)

	<u>General</u>	<u>Capital Improvements</u>	<u>Special Assessments Services</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and Equivalents					
Cash and Equivalents with Treasurer	\$ 13,659	\$ -	\$ -	\$ -	\$ 13,659
Cash and Equivalents Held by Escrow Agent	-	940	-	-	940
Cash and Equivalents Other	10	-	-	2	12
Investments	33,887	98	-	37	34,022
Restricted Investments	3,814	30,160	377	642	34,993
Receivables (Net of Allowance)	39,125	2,040	56,016	9,983	107,164
Due From Other:					
Funds	-	18,063	-	31,390	49,453
Governments	1,744	-	224	5,015	6,983
Prepaid Items	7	-	-	-	7
Inventory of Supplies	1,151	1,147	2,145	878	5,321
Total Assets	<u>\$ 93,397</u>	<u>\$ 52,448</u>	<u>\$ 58,762</u>	<u>\$ 47,947</u>	<u>\$ 252,554</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 4,358	\$ 1,804	\$ 168	\$ 2,055	\$ 8,385
Deposits	448	12	-	2,159	2,619
Retainage	-	482	-	-	482
Due To Other:					
Funds	24,500	-	23,592	17,453	65,545
Accrued Wages and Benefits	17,301	57	256	273	17,887
Other Current Liabilities	4,300	-	-	-	4,300
Compensated Absences Payable	259	-	29	40	328
Notes Payable	-	4,450	38,500	1,114	44,064
Total Liabilities	<u>51,166</u>	<u>6,805</u>	<u>62,545</u>	<u>23,094</u>	<u>143,610</u>
<b>Deferred Inflows of Resources:</b>					
Revenues Levied for the next year and Unavailable Revenue	<u>26,477</u>	<u>-</u>	<u>55,889</u>	<u>4,305</u>	<u>86,671</u>
<b>Fund Balances:</b>					
Nonspendable	1,158	1,147	2,145	1,520	5,970
Restricted	3,814	44,496 *	377	35,651 *	84,338
Committed	4,754	-	-	1,392 *	6,146
Unassigned	6,028	-	(62,194)	(18,015) *	(74,181)
Total Fund Balances	<u>15,754</u>	<u>45,643</u>	<u>(59,672)</u>	<u>20,548</u>	<u>22,273</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 93,397</u>	<u>\$ 52,448</u>	<u>\$ 58,762</u>	<u>\$ 47,947</u>	<u>\$ 252,554</u>

\* Restatement, See Note 18

# UNAUDITED

**City of Toledo, Ohio**  
 Reconciliation of the Balance Sheet to the Statement of Net Position  
 Governmental Funds  
 December 31, 2016  
 (Amounts in Thousands)

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

Total fund balances for governmental funds		\$ 22,273
Capital assets used in governmental activities (excluding internal service funds' capital assets) are not financial resources and therefore are not reported in the funds		500,754
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	56,750	
Income taxes	9,361	
Delinquent property taxes	2,846	
Capital grants	731	
Operating grants	1,528	
Other revenue	1,498	
Reimbursements from other governments	1,854	74,568
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.		30,724
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.		
General obligation bonds	(131,531)	
Compensated absences	(28,932)	
Loans outstanding from federal agencies	(14,190)	
Loans outstanding from state agencies	(11,909)	
Accrued interest	(782)	
Landfill closure	(13,896)	
Capital leases	(3,594)	(204,834)
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	92,573	
Deferred inflows-pensions	(1,982)	
Net pension liability	(335,455)	(244,864)
Total net position of governmental activities		\$ 178,621

See accompanying notes to the basic financial statements.

# UNAUDITED

**City of Toledo, Ohio**  
 Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 December 31, 2016  
 (Amounts in Thousands)

	<u>General</u>	<u>Capital Improvements</u>	<u>Special Assessments Services</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Income Taxes	\$ 175,679	\$ -	\$ -	\$ -	\$ 175,679
Property Taxes	9,906	-	-	-	\$ 9,906
Special Assessments	-	-	30,255	194	30,449
Licenses and Permits	2,868	-	-	2	2,870
Intergovernmental Services	17,541	-	-	17,611	35,152
Charges for Services	28,308	90	153	865	29,416
Investment Earnings	230	528	31	4	793
Fines and Forfeitures	7,511	-	-	1,602	9,113
Grants	-	11,201	-	14,675	25,876
Other Revenue	2,659	88	25	4,590	7,362
Total Revenues	<u>244,702</u>	<u>11,907</u>	<u>30,464</u>	<u>39,543</u>	<u>326,616</u>
<b>EXPENDITURES</b>					
Current:					
General Government	23,814	213	554	174	24,755
Public Service	1,658	-	25,697	12,178	39,533
Public Safety	166,076	-	-	4,105	170,181
Public Utilities	-	-	-	30	30
Community Environment	4,414	-	-	14,785	19,199
Health	5,277	78	602	1,286	7,243
Parks and Recreation	2,619	-	180	14	2,813
Capital Outlay	-	31,776	260	370	32,406
Debt Service:					
Principal Retirement	594	3,849	-	14,023	18,466
Interest and Fiscal Charges	97	965	320	5,670	7,052
Debt Issuance Costs	-	185	-	-	185
Total Expenditures	<u>204,549</u>	<u>37,066</u>	<u>27,613</u>	<u>52,635</u>	<u>321,863</u>
Excess (Deficiency) of Revenues over (under) Expenditures	40,153	(25,159)	2,851	(13,092)	4,753
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	4,568	38,943	-	16,649	60,160
Transfers (Out)	(39,109)	(20,316)	-	(939)	(60,364)
Issuance of Bonds and Loans	-	24,229	-	-	24,229
Premiums on Bonds	-	2,806	-	-	2,806
Payment to Escrow Agent	-	(10,284)	-	-	(10,284)
Total Other Financing Sources (Uses)	<u>(34,541)</u>	<u>35,378</u>	<u>-</u>	<u>15,710</u>	<u>16,547</u>
Net Change in Fund Balance	5,612	10,219	2,851	2,618	21,300
Fund Balance (Deficit) at Beginning of Year	10,178	35,330 *	(60,593)	17,894 *	2,809
Increase (Decrease) for Inventory	(36)	94	(1,930)	36	(1,836)
Fund Balance (Deficit) at End of Year	<u>\$ 15,754</u>	<u>\$ 45,643</u>	<u>\$ (59,672)</u>	<u>\$ 20,548</u>	<u>\$ 22,273</u>

\* Restatement, See Note 18

# 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, 2016  
 (Amounts in Thousands)

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

Net change in fund balances for governmental funds		\$ 21,300
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	21,915	
Depreciation expense	(33,926)	(12,011)
In the statement of activities, loss on disposal of capital assets is reported, whereas only proceeds from sales are reported in the funds.		
		(1,572)
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	(2,957)	
Income taxes	279	
Delinquent property taxes	153	
Capital grants	(1,280)	
Operating grants	(1,112)	
Other revenue	(760)	
Reimbursements from other governments	309	(5,368)
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.		
		119
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.		
		(340)
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.		
		1,681
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	(18)	
Change in inventory	(1,836)	(1,854)
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.		
		2,359
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		26,494
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(54,872)
Changes in net position of governmental activities		\$ (24,064)

See accompanying notes to the basic financial statements.

# UNAUDITED

**City of Toledo, Ohio**  
**Statement of Net Position**  
**Proprietary Funds**  
**December 31, 2016**  
**(Amounts in Thousands)**

	Business-type Activities - Enterprise Funds					Governmental
	Water	Sewer	Utility Administrative Services	Nonmajor Enterprise	Total Enterprise Funds	Internal Service Funds
<b>ASSETS</b>						
<u>Current:</u>						
Cash and Equivalents with Treasury	\$ 10,180	\$ 14,059	\$ 2,125	\$ 999	\$ 27,363	\$ -
Cash and Equivalents Held by Escrow	25,408	2,123	-	3	27,534	1,324
Cash and Equivalents Other	2	-	-	-	2	-
Investments	20,181	7,126	2	4,994	32,303	-
Restricted Investments	43,265	633	-	5,127	49,025	-
Receivables (Net of Allowance)	14,366	18,550	316	8,199	41,431	594
Due From Other:						
Funds	-	18,343	5,919	5,152	29,414	26,199
Prepaid Items	-	12	-	-	12	277
Inventory of Supplies	4,216	938	19	-	5,173	486
Total Current Assets	117,618	61,784	8,381	24,474	212,257	28,880
<u>Noncurrent:</u>						
Investments	15,284	21,943	-	10,908	48,135	-
Restricted Investments	183,568	497	-	-	184,065	-
Prepaid Bond Issuance	742	19	-	-	761	-
Land and Construction in Progress	138,475	255,189	-	11,972	405,636	2,065
Other Capital Assets, net of Accumulated Depreciation	170,817	375,198	125	32,605	578,745	23,473
Total Noncurrent Assets	508,886	652,846	125	55,485	1,217,342	25,538
Total assets	626,504	714,630	8,506	79,959	1,429,599	54,418
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Pensions	4,872	5,369	2,591	1,316	14,148	1,396
<b>LIABILITIES</b>						
<u>Current:</u>						
Accounts Payable	7,125	2,476	318	165	10,084	2,645
Customer Deposits	2,242	556	-	416	3,214	293
Retainage	1,668	4,869	-	37	6,574	-
Due to Other:						
Funds	32,983	-	-	5,046	38,029	1,492
Governments	25	160	-	16	201	-
Other Current Liabilities	-	-	-	-	-	8,200
Accrued Interest Payable	1,865	4,185	-	57	6,107	-
Accrued Wages and Benefits	315	393	199	96	1,003	256
Current Portion of:						
Compensated Absences Payable	37	77	23	1	138	-
Bonds, Loans and Notes Payable, net	10,283	24,839	-	1,454	36,576	4,553
Total Current Liabilities	56,543	37,555	540	7,288	101,926	17,439
<u>Noncurrent:</u>						
Compensated Absences Payable	1,528	2,017	1,005	360	4,910	-
Bonds, Loans and Notes Payable, net	378,934	365,761	-	17,154	761,849	3,929
Net Pension Liabilities	12,772	14,089	6,791	3,446	37,098	3,649
Total Noncurrent Liabilities	393,234	381,867	7,796	20,960	803,857	7,578
Total Liabilities	449,777	419,422	8,336	28,248	905,783	25,017
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Pension	255	281	136	69	741	73
<b>NET POSITION</b>						
Net Investment in Capital Assets	170,015	243,040	125	40,503	453,683	18,380
Restricted:						
Debt Service	3,456	6,500	-	22	9,978	-
Replacement	5,130	26,875	-	5,649	37,654	-
Improvement	856	2,651	-	851	4,358	-
Unrestricted	1,887	21,230	2,500	5,933	31,550	12,344 *
Total Net Position	\$ 181,344	\$ 300,296	\$ 2,625	\$ 52,958	\$ 537,223	\$ 30,724

\* Restatement, See Note 18

# UNAUDITED

City of Toledo, Ohio  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the year ended December 31, 2016**  
**(Amounts in Thousands)**

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water	Sewer	Utility	Nonmajor Enterprise	Total Enterprise Funds	Internal Service Funds
			Administrative Services			
<b>OPERATING REVENUES</b>						
Charges for Services	\$ 72,864	\$ 73,367	\$ 17,706	\$ 12,384	\$ 176,321	\$ 27,579
Other Revenue	14	71	-	364	449	772
Total Operating Revenue	<u>72,878</u>	<u>73,438</u>	<u>17,706</u>	<u>12,748</u>	<u>176,770</u>	<u>28,351</u>
<b>OPERATING EXPENSES</b>						
Personnel Services	13,876	15,683	8,158	3,436	41,153	5,386
Contractual Services	15,123	11,773	3,198	2,644	32,738	10,860
Materials and Supplies	7,607	2,582	303	432	10,924	5,264
Utilities	3,244	3,352	46	526	7,168	2,385
Depreciation	5,063	15,044	16	1,243	21,366	1,872
Total Operating Expenses	<u>44,913</u>	<u>48,434</u>	<u>11,721</u>	<u>8,281</u>	<u>113,349</u>	<u>25,767</u>
Operating Income (Loss)	29,965	25,004	5,985	4,467	63,421	2,584
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Investment Earnings	1,360	96	201	218	1,875	-
Interest Expense and Fiscal Charges	(12,018)	(10,289)	-	(697)	(23,004)	(225)
Total Nonoperating Revenues (Expenses)	<u>(10,658)</u>	<u>(10,193)</u>	<u>201</u>	<u>(479)</u>	<u>(21,129)</u>	<u>(225)</u>
Income (Loss) Before Transfers and Contributions	17,307	14,811	6,186	3,988	42,292	2,359
Capital Contributions	-	236	-	107	343	-
Transfers In	812	806	-	1,922	3,540	-
Transfers Out	(141)	(75)	(1,723)	(1,397)	(3,336)	-
Change in Net Position	17,978	15,778	4,463	4,620	42,839	2,359
Net Position at January 1	163,366	284,518	(1,838)	48,338	494,384	28,365 *
Net Position at December 31	<u>\$ 181,344</u>	<u>\$ 300,296</u>	<u>\$ 2,625</u>	<u>\$ 52,958</u>	<u>\$ 537,223</u>	<u>\$ 30,724</u>

\* Restatement, See Note 18

# UNAUDITED

City of Toledo, Ohio  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2016  
(Amounts in Thousands)

	Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Water	Sewer	Utility Administrative Services	Nonmajor	Total	
<b>Operating activities:</b>						
Cash received from customers	\$ 98,233	\$ 70,025	\$ 17,589	\$ 12,643	\$ 198,490	\$ 29,658
Cash paid to employees	(14,486)	(17,127)	(8,208)	(3,673)	(43,494)	(7,925)
Cash paid to suppliers	(20,960)	(1,300)	(27,772)	(4,199)	(54,231)	(23,071)
Other receipts	14	71	-	364	449	772
<b>Net cash provided by (used by) operating activities</b>	<b>62,801</b>	<b>51,669</b>	<b>(18,391)</b>	<b>5,135</b>	<b>101,214</b>	<b>(566)</b>
<b>Noncapital financial activities:</b>						
Transfers in	746	806	-	1,922	3,474	-
Transfers out	(75)	(75)	(1,723)	(1,397)	(3,270)	-
<b>Net cash provided by (used by) noncapital financing activities</b>	<b>671</b>	<b>731</b>	<b>(1,723)</b>	<b>525</b>	<b>204</b>	<b>-</b>
<b>Capital and related financing activities:</b>						
Proceeds from capital grants and contributions	-	236	-	107	343	-
Purchases of property, plant and equipment	(46,581)	(50,426)	(1)	(1,656)	(98,664)	(4,235)
Principal payments	(9,733)	(19,846)	-	(1,400)	(30,979)	(4,546)
Proceeds from the issuance of bonds, loans, and notes	82,176	46,283	-	1,248	47,531	3,250
Interest and fiscal charges paid on bonds, loans and notes	(12,495)	(10,237)	-	(698)	(23,430)	(748)
<b>Net cash provided by (used by) capital and related financing activities</b>	<b>13,367</b>	<b>(33,990)</b>	<b>(1)</b>	<b>(2,399)</b>	<b>(105,199)</b>	<b>(6,279)</b>
<b>Investing activities:</b>						
Proceeds from sales and maturities of investments	98,334	7,228	29,946	21,870	157,378	15
Purchase of investments	(162,701)	(25,013)	(16,512)	(24,524)	(228,750)	-
Investment income received on investments	1,320	94	201	212	1,827	-
<b>Net cash provided by (used by) investing activities</b>	<b>(63,047)</b>	<b>(17,691)</b>	<b>13,635</b>	<b>(2,442)</b>	<b>(69,545)</b>	<b>15</b>
Increase (decrease) in cash and cash equivalents	13,792	719	(6,480)	819	8,850	(6,830)
Cash and cash equivalents at beginning of year	21,798	15,463	8,605	183	46,049	8,154
Cash and cash equivalents at end of year	<u>\$ 35,590</u>	<u>\$ 16,182</u>	<u>\$ 2,125</u>	<u>\$ 1,002</u>	<u>\$ 54,899</u>	<u>\$ 1,324</u>
<b>Reconciliation of net operating income (loss) to net cash provided by (used by) operating activities:</b>						
Operating income (loss)	\$ 27,965	\$ 25,004	\$ 5,985	\$ 4,467	\$ 63,421	\$ 2,584
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:						
Depreciation	5,063	15,044	16	1,243	21,366	1,872
Increase (decrease) in allowance for doubtful accounts	(2,604)	(1,099)	-	(792)	(4,495)	-
Changes in assets and liabilities:						
Receivables	1,409	(2,243)	(117)	663	(288)	10
Due to (from) other:						
Funds	26,564	15,229	(24,365)	127	17,555	(541)
Prepaid expenses	-	(7)	-	-	(7)	(277)
Inventory of supplies	842	126	(11)	-	957	340
Accounts payable	3,500	133	152	(184)	3,601	1,369
Customer deposits	(197)	(1)	(1)	(4)	(203)	(24)
Retainage	869	927	-	(148)	1,648	-
Other current liabilities	-	-	-	-	-	(3,360)
Accrued wages and benefits	(498)	(643)	(259)	(106)	(1,506)	(271)
Compensated absences	132	(74)	(18)	(35)	5	-
Deferred outflows of resources - pension	(3,274)	(3,518)	(1,810)	(878)	(9,480)	(524)
Net pension liability	2,948	2,710	1,985	760	8,403	(1,722)
Deferred inflows of resources - pension	82	81	52	22	237	(22)
<b>Net cash provided by (used by) operating activities</b>	<b>\$ 62,801</b>	<b>\$ 51,669</b>	<b>\$ (18,391)</b>	<b>\$ 5,135</b>	<b>\$ 101,214</b>	<b>\$ (566)</b>

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

# UNAUDITED

**City of Toledo, Ohio**  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
December 31, 2016  
(Amounts in Thousands)

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents other	\$ 875
Receivables (net of allowances)	<u>2,676</u>
Total Assets	<u><u>3,551</u></u>
<b>LIABILITIES</b>	
Accounts payable	327
Deposits	<u>3,224</u>
Total Liabilities	<u><u>\$ 3,551</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, 2016**  
**(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 unit.

### **Component Unit**

#### *Toledo Community Improvement Corporation*

The Toledo Community Improvement Corporation (TCIC) is the City of Toledo's designated agency and instrumentality for industrial, commercial, distribution and research development. The TCIC board is made up of nine members, all of which are appointed by the City. The TCIC is considered a blended component unit of the City, but there is no financial activity for the 2016 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, 2016**  
**(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 \$131 in revenues from the JEDZ in 2016.

#### *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 \$1,477 in revenues from the JEDZ in 2016.

#### *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 receive revenues from this agreement in 2016.

#### *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 \$34 in revenues from the JEDD in 2016.

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2016**  
**(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 2016.

#### *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 \$172 in revenues from the JEDD in 2016.

#### *City of Toledo-Monclova Township-Swanton Township (Toledo Express Airport JEDD, or TEA JEDD)*

In October 2015, the City entered into a contract with Monclova and Swanton Townships to create a JEDD at the Toledo Express Airport. 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 Townships, the City, the State, and the County. The agreement results in an income tax that shall be imposed based on the City's Municipal Code at a rate of 0.5% for 2016; 1% for 2017, and 1.5% for years after 2017. The City will receive one third of the net revenues generated by this agreement. The City received \$1 in revenues from the JEDD in 2016, its first year of receipts.

#### *Corrections Commission of Northwest Ohio*

In 1987, Toledo entered into a joint contractual agreement with five counties (Defiance, Fulton, Henry, Lucas and Williams) to form the Corrections Commission of Northwest Ohio (Commission) to oversee the construction and operation of a regional jail. The mission of the Commission is to protect the public, employees and offenders, while operating a cost effective detention center. 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. 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.

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2016**  
**(Amounts in Thousands)**

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

### **Jointly Governed Organizations (continued)**

The six member jurisdictional share in the cost of operation of the Commission was traditionally based upon the number of beds allocated to each member. The funding percentages originally approved for 2016 for each jurisdiction were 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 City contributed \$3,059 for the operation of the Commission in 2016. Financial information for the Commission can be obtained from their administrative office located at 3151 County Road 2425, Stryker, OH 43557-9418.

Effective during 2016, the City withdrew from the agreement with the Commission and entered into a distinctly separate agreement with Lucas County for incarceration costs associated with the Commission. The agreement with Lucas County calls for the City to pay Lucas County for 20 beds reserved specifically for offenders charged under the Toledo Municipal Code. Toledo paid \$130 to Lucas County for 2016 under this agreement, and prepaid \$134 for the first quarter of 2017.

### **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

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2016**  
**(Amounts in Thousands)**

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

### **Basis of Presentation (continued)**

goods and services offered by the program and (b) grants and contributions that are restricted to meeting the operational and capital requirements of a particular program. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

#### *Fund Financial Statements:*

During the year, the City segregates transactions related to specific City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund Financial Statements are designed to present financial information of the City at a more detailed level. The focus of Governmental and Enterprise Funds Financial Statements is on Major Funds. Each Major Fund is presented in a separate column. Non-Major Funds are aggregated and presented in a single column. The Internal Service Fund is presented in a single column on the Proprietary Fund Statements. Fiduciary Funds are reported by type.

### **Fund Accounting**

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

#### *Governmental Funds:*

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

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2016**  
**(Amounts in Thousands)**

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

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

#### *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.

*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.

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2016**  
**(Amounts in Thousands)**

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

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

#### *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.

### **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.

#### *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.

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2016**  
**(Amounts in Thousands)**

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

### **Measurement Focus (continued)**

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.

#### *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.

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2016**  
**(Amounts in Thousands)**

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

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

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 separate 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 the 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 13.

#### *Deferred Inflows of Resources*

The statements 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, unavailable revenue and pensions. Receivables for property taxes represent amounts that are measurable as of December 31, 2016, but are intended to finance 2017 operations. These amounts 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 and represents receivables that will not be collected within the available period (sixty days after year-end). Deferred inflows of resources related to pensions are explained in Note 13.

#### *Expenses/Expenditures*

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of Governmental Fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in Governmental Funds.

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2016**  
**(Amounts in Thousands)**

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

### **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 measured at fair value within the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Non-participating investment contracts, such as non-negotiable certificates of deposit, are excluded from fair value measurement requirements and are instead reported at amortized 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 the net asset value per share provided by STAR Ohio on an amortized cost basis at December 31, 2016, which approximates fair value.

For 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

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.

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2016**  
**(Amounts in Thousands)**

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

### 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 use by bond indentures, or other legal instruments.

### Capital Assets

Capital assets are defined by the government as anything purchased by, donated, or otherwise acquired by the City that has an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. In the case of the initial capitalization of infrastructure assets (i.e., those reported by governmental activities) the City includes all such items regardless of their acquisition date. The City's intangible assets include right of way and computer software. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the lives of the assets are not capitalized. Major outlays for capital assets and improvements are capitalized, as projects are constructed. Interest incurred during the construction phase of proprietary capital assets is included as part of the capitalized value of the assets constructed.

Capital assets, including property, plant, equipment, intangible assets and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City infrastructure consists of bridges, curbs and gutters, lighting, sidewalks, roads, drainage systems and water and sewer lines. All reported capital assets, except land, right of way and construction in progress, are depreciated using the straight line method over the following estimated useful lives, and these estimated useful lives may be periodically adjusted:

<u>Description</u>	<u>Estimated Useful Life</u>
Auto/Vehicle Equipment	3-15 years
Buildings	20-40 years
Distribution Systems	100 years
Furniture and Fixtures	5-15 years
Infrastructure (Roads, Bridges, Culverts)	20-40 years
Improvements (non-Building)	10-20 years
Intangible Assets	5 years
Machinery and Equipment	5-20 years

The City updated the capital asset policy in 2016 to include the new useful life schedule with a five thousand dollar (\$5,000) capitalization threshold (previously five hundred dollars). Assets depreciated under the previous methodology continue their original depreciation and remain a part of the City's financial statements until disposed.

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2016**  
**(Amounts in Thousands)**

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

### **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.

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.

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2016**  
**(Amounts in Thousands)**

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

### **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.

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.

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2016**  
**(Amounts in Thousands)**

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

### **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.

### **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, 2016**  
**(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.
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.

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2016**  
**(Amounts in Thousands)**

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

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.

At December 31, 2016, the carrying amount of the City's deposits was \$41,022 and the bank balance was \$43,842. 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 \$29,798 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 \$13 held by departments that are not covered by Federal Depository Insurance or collateralized.

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2016**  
**(Amounts in Thousands)**

## NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

### Deposits (continued)

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, 2016, the carrying amount of the Toledo Municipal Court, an agency fund of the City, was \$875 and the bank balance was \$1,288. Of the bank balance, the Federal Depository Insurance will cover up to \$250 per account.

### Cash and cash equivalents other

At December 31, 2016, 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 Fund is \$2.

### Investments

As of December 31, 2016, the City had the following investments:

	Within One Year	Maturity More than One Year but Less than Three Years	Total
Federal Farm Credit Bank	\$ 2,071	\$ 81,481	\$ 83,552
Federal Home Loan Bank	9,998	61,597	71,595
Federal Home Loan Mortgage Corp	20,319	55,837	76,156
Federal National Mortgage Association	2,752	74,201	76,953
STAR Ohio	57,071	-	57,071
STAR Plus Deposits	14	-	14
US Treasury	17,202	-	17,202
Total Portfolio	<u>\$ 109,427</u>	<u>\$ 273,116</u>	<u>\$ 382,543</u>

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

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2016**  
**(Amounts in Thousands)**

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

### **Investments (continued)**

*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 AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. All other investments of the City except for U.S. Treasury investments are registered and carry an AA+ rating by Standard and Poor's.

*Foreign Currency Risk* is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The City's investment policy does not allow for investment in foreign accounts.

*Concentration of Credit Risk* is defined by GASB as five percent or more in the securities of a single issuer. The City's investment policy addresses concentration of credit risk by requiring investments to be diversified to reduce the risk of loss resulting from over concentration of assets in a specific issue or specific class of securities. The City places the following limitations on the amount that can be invested in any one issuer:

1. City funds either invested in certificates of deposit or deposited in non-demand savings accounts with any one depository shall not exceed 10 percent of the aggregate principal amount of the City's investment portfolio.
2. City funds invested in certificates of deposits in a depository may not exceed 10 percent of the equity capital of the depository at any one time.
3. No more than \$10 million may be invested at any one time through repurchase agreements with any one institution.
4. No more than 40 percent of the aggregate principal amount of the City's investment portfolio shall be invested at any one time in STAR Ohio. Within this 40 percent, up to \$15,000 may be further invested through a STAR Plus Federally Insured Cash Account.

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2016**  
**(Amounts in Thousands)**

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

**Investments (continued)**

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.

*Fair Value Measurement.* The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Investments in U.S. Treasury securities of \$17,202 were classified in Level 1 of the fair value hierarchy and valued using quoted market prices. Investments in Federal Government Agency securities of \$308,256 were classified in Level 2 of the fair value hierarchy and valued using pricing sources as provided by the investment managers. Investments in STAR Ohio are valued at the net asset value per share provided by STAR Ohio on an amortized cost basis, which approximates fair value.

The following is the City's investment allocation:

	<u>12/31/2016</u>	<u>% of Total</u>
Federal Farm Credit Bank	\$ 83,552	21.84
Federal Home Loan Bank	71,595	18.71
Federal Home Loan Mortgage Corp	76,156	19.91
Federal National Mortgage Association	76,953	20.12
STAR Ohio	57,071	14.92
STAR Plus Deposits	14	0.00
US Treasury	<u>17,202</u>	<u>4.50</u>
Total Portfolio	<u>\$ 382,543</u>	<u>100.00</u>

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2016**  
**(Amounts in Thousands)**

**NOTE 3 – RECEIVABLES**

Receivables at December 31, 2016 consist of the following:

	Taxes	Customer and Other	Special Assessments	Notes Receivable
<b><i>Governmental Activities:</i></b>				
General Fund	\$ 40,337	\$ 12,116	\$ -	\$ -
Capital Improvement	-	5,496	-	-
Special Assessment	-	126	55,890	-
Other Governmental Funds	-	8,033	860	30,614
Total Governmental Funds	<u>40,337</u>	<u>25,771</u>	<u>56,750</u>	<u>30,614</u>
<b><i>Business-Type Activities:</i></b>				
Water	-	16,372	-	-
Sewer	-	25,728	-	-
Utility Administrative Services	-	316	-	-
Other Business-Type Activities	-	5,217	-	22,730
Total Business-Type Activities	<u>-</u>	<u>47,633</u>	<u>-</u>	<u>22,730</u>
Internal Service	<u>-</u>	<u>940</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 40,337</u>	<u>\$ 74,344</u>	<u>\$ 56,750</u>	<u>\$ 53,344</u>
			Less:	
	Interest Receivable	Gross Receivables	Allowance for Uncollectibles	Receivables Net
<b><i>Governmental Activities (continued):</i></b>				
General Fund	\$ 41	52,494	\$ (13,369)	\$ 39,125
Capital Improvement	-	5,496	(3,456)	2,040
Special Assessment	-	56,016	-	56,016
Other Governmental Funds	-	39,507	(29,524)	9,983
Total Governmental Funds	<u>41</u>	<u>153,513</u>	<u>(46,349)</u>	<u>107,164</u>
<b><i>Business-Type Activities (continued):</i></b>				
Water	630	17,002	(2,636)	14,366
Sewer	85	25,813	(7,263)	18,550
Utility Administrative Services	-	316	-	316
Other Business-Type Activities	74	28,021	(19,822)	8,199
Total Business-Type Activities	<u>789</u>	<u>71,152</u>	<u>(29,721)</u>	<u>41,431</u>
Internal Service	<u>-</u>	<u>940</u>	<u>(346)</u>	<u>594</u>
Total	<u>\$ 830</u>	<u>\$ 225,605</u>	<u>\$ (76,416)</u>	<u>\$ 149,189</u>

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2016**  
**(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 0.25% of this tax is dedicated to capital improvements. There is an additional 0.75% that is levied which was renewed January 1, 2017 for an additional four years. Of this additional tax, 0.25% is also dedicated for capital improvements. The City's voters renewed the 0.75% tax in November 2016, which allows the City to use a portion of the 0.25% for operating expenses rather than capital improvements. This allows funds to move from the Capital Improvements Fund to the General Fund through December 31, 2020. The required transfers to the Capital Improvements Fund for 2016 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 was due February 1, 2016, with the remainder payable by July 29, 2016.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined at December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 34.4 percent of true value. The 2016 public utility property taxes became a lien on December 31, 2015, were levied on October 1, 2016 and will be collected in 2017 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, 2016**  
**(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, 2016 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 2016 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, 2016 was \$4.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2016 property tax receipts were based are as follows:

Public Utility Real and Tangible Personal Property	\$ 167,719
Real Property (Other than Public Utility)	<u>2,994,559</u>
Total Assessed Value	<u><u>\$ 3,162,278</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.

## **NOTE 6 – TAX INCENTIVE AND ABATEMENT PROGRAMS**

Pursuant to GASB Statement No. 77, *Tax Abatement Disclosures*, the City is required to disclose certain information on its use of tax abatement incentives. A tax abatement incentive, under this Statement, is authorized by the Ohio Revised Code (ORC) and/or the Toledo Municipal Code (TMC) and is an agreement between the City and an individual or entity in which the City promises to forgo tax revenue, while the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the City or the citizens of the City. The City offers the following tax incentive and abatement programs:

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**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2016**  
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## **NOTE 6 – TAX INCENTIVE AND ABATEMENT PROGRAMS (continued)**

### **Community Reinvestment Area**

The Ohio Community Reinvestment Area (CRA) program is an economic development tool available to Toledo under ORC 3735 that is used to provide real property tax exemptions for property owners who construct new buildings or renovate existing properties. CRAs are areas of land in which property owners may receive tax incentives for investing in real property improvements. In order to participate in the CRA program, Toledo petitioned the Ohio Development Services Agency (ODSA) for confirmation of a geographic area in which investment in housing has traditionally been discouraged. Once an area is confirmed by the Director of ODSA, communities may offer real property tax exemptions to taxpayers that invest in that area.

The City determines the type of development to support by specifying the eligibility of residential, commercial or industrial projects. The City grants property tax abatements on improvement projects based on the increase in property valuation resulting from the improvements, for up to fifteen years. Participating properties are subject to annual inspections by the CRA Housing Council/Committed of the Toledo Housing Advisory Commission. As of December 31, 2016, the City had 1,430 participants in the CRA Program and abated \$316 property taxes. The CRA program impacts the City's General Fund.

### **Enterprise Zone Program**

The Enterprise Zone Program is an economic development tool administered by the City of Toledo pursuant to ORC 5709 that provides real and personal property tax exemptions to businesses making investments within an enterprise zone. Enterprise zones are designated areas of land in which businesses can receive tax incentives in the form of tax exemptions on eligible new investment. The Enterprise Zone Program can provide tax exemptions for a portion of the value of new real and personal property investment (when that personal property is still taxable) when the investment is made in conjunction with a project that includes job creation. Existing land values and existing building values are generally not eligible. Businesses may not participate in both the CRA and the Enterprise Zone Programs.

The City determines approval of projects based upon their contribution to the economic welfare of the community, including job creation or retention. Approved projects receive a 100% tax exemption on new real and personal property investment for up to fifteen years, with forty-five percent of the total tax exemption benefit paid to the local school district in which the project is located. Participants are monitored for compliance during the incentive period by the Tax Incentive Review Council. As of December 31, 2016, the City had 3 participants in the Enterprise Zone Program and abated \$78 in real and personal property taxes. The Enterprise Zone Program impacts the City's General Fund.

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**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
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## **NOTE 6 – TAX INCENTIVE AND ABATEMENT PROGRAMS (continued)**

### **Municipal Job Creation Tax Credit (MJCTC)**

Pursuant to ORC 718.15, the City established the MJTCP to create jobs and increase the tax base. Businesses must submit and have their application approved by the State of Ohio's Job Creation Tax Program in order to be eligible under the MJTCP. Businesses must be located within the City of Toledo's State Enterprise Zone or proposed Federal Enterprise Communities Zone and create a minimum of 25 *new*, full-time jobs within 3 years with hourly wages of at least 150% of the state minimum wage. The tax incentives under the MJTCP include a maximum tax credit of 40% of payroll taxes of eligible full-time employee per year, for up to 10 years, for businesses within the State Enterprise Zone. For businesses within the Enterprise Communities Zone, the maximum tax credit available is 80% of the total payroll taxes of eligible employees per year, for up to 10 years. Participants are monitored for compliance during the incentive period by the Tax Incentive Review Council. As of December 31, 2016, the City had 11 businesses eligible for the program that received \$32 in aggregate tax credits for participating businesses claiming the credit. The MJCTC program impacts the City's General and Capital Improvement Funds.

### **Toledo Expansion Incentive Program**

The purpose of the Toledo Expansion Incentive (TEI) Program is as an economic development tool authorized under City of Toledo Ordinance 487-07 and later revised under City of Toledo Ordinance 431-11 to provide significant incentives to attract and grow business in key Standard Industry Classification codes and site locations within the City. The program may be used in conjunction with other financing and incentive programs available through Federal, State and other local governments. A grant awarded in any one calendar year shall be based upon the amount of growth of an applicant's municipal income taxes actually received and retained by the City during the previous calendar year above specific expected revenue benchmarks as set forth in the TEI Agreement. Approved applicants can receive between 10% - 30% of the growth of yearly municipal income taxes actually paid to and retained by the City based upon the expected revenue benchmarks, up to ten years. An additional 10% grant can be awarded to an entity each year in which it spends at least 15% of its expenses on product research and development activities. Participants are monitored for compliance during the agreement period by the Department of Development. As of December 31, 2016, the City had 27 participants and paid \$489 in TEI awards. The TEI program impacts the City's General Fund.

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**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2016**  
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**NOTE 7 – CAPITAL ASSETS**

Capital asset activity for the Governmental Activities for the year ended December 31, 2016, was as follows:

	Balance 1/1/2016	Additions	Deletions	Balance 12/31/2016
<b><i>Governmental Activities:</i></b>				
<i>Capital Assets not being Depreciated:</i>				
Land	\$ 29,180	\$ 11	\$ (22)	\$ 29,169
Construction in Progress	88,151	23,754	(4,580)	107,325
Total Capital Assets not being Depreciated	117,331	23,765	(4,602)	136,494
 <i>Capital Assets being Depreciated:</i>				
Buildings	71,520	-	-	71,520
Furniture & Fixtures	9,990	-	-	9,990
Improvements	79,852	-	-	79,852
Infrastructure	863,120	197	-	863,317
Machinery & Equipment	179,873	6,060	(1,908)	184,025
Total Capital Assets being Depreciated	1,204,355	6,257	(1,908)	1,208,704
 <i>Less: Accumulated Depreciation</i>				
Buildings	34,514	1,448	-	35,962
Furniture & Fixtures	6,421	369	-	6,790
Improvements	31,043	4,113	-	35,156
Infrastructure	569,792	24,896	-	594,688
Machinery & Equipment	141,697	4,972	(358)	146,311
Total Accumulated Depreciation	783,467	35,798	(358)	818,907
Total Capital Assets being Depreciated, net	420,888	(29,541)	(1,550)	389,797
Governmental Activities Capital Assets, net	\$ 538,219	\$ (5,776)	\$ (6,152)	\$ 526,291

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

General Government	\$ 1,035
Public Service	22,513
Public Safety	3,705
Public Utility	3,681
Community Environment	458
Health	1,103
Parks and Recreation	3,303
Total Depreciation - Governmental Activities	\$ 35,798

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**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2016**  
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**NOTE 7 – 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, 2016, the Department owned approximately 94 parcels at an estimated historical cost of \$2,034. 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, 2016, was as follows:

	Balance			Balance
<i><b>Business-Type Activities:</b></i>	<u>1/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2016</u>
<i>Capital Assets not being Depreciated:</i>				
Land	\$ 3,422	\$ 2,967	\$ -	\$ 6,389
Construction in Progress	<u>309,746</u>	<u>92,486</u>	<u>(2,985)</u>	<u>399,247</u>
Total Capital Assets not being Depreciated	313,168	95,453	(2,985)	405,636
 <i>Capital Assets being Depreciated:</i>				
Buildings	51,267	-	-	51,267
Furniture & Fixtures	1,993	-	-	1,993
Improvements	94,149	-	-	94,149
Infrastructure	821,225	1,586	(380)	822,431
Machinery & Equipment	<u>123,141</u>	<u>5,445</u>	<u>(658)</u>	<u>127,928</u>
Total Capital Assets being Depreciated	1,091,775	7,031	(1,038)	1,097,768
 <i>Less: Accumulated Depreciation</i>				
Buildings	28,863	925	-	29,788
Furniture & Fixtures	1,664	66	-	1,730
Improvements	32,468	3,296	-	35,764
Infrastructure	343,161	11,073	(81)	354,153
Machinery & Equipment	<u>91,703</u>	<u>6,006</u>	<u>(121)</u>	<u>97,588</u>
Total Accumulated Depreciation	<u>497,859</u>	<u>21,366</u>	<u>(202)</u>	<u>519,023</u>
Total Capital Assets being Depreciated, net	<u>593,916</u>	<u>(14,335)</u>	<u>(836)</u>	<u>578,745</u>
Business-Type Activities Capital Assets, net	<u>\$ 907,084</u>	<u>\$ 81,118</u>	<u>\$ (3,821)</u>	<u>\$ 984,381</u>

# UNAUDITED

## City of Toledo, Ohio Notes to the Basic Financial Statements For the Year Ended December 31, 2016 (Amounts in Thousands)

### NOTE 7 – CAPITAL ASSETS (continued)

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

Water	\$	5,063
Sewer		15,044
Utility Administrative Services		16
NonMajor		1,243
Total Depreciation Expense - Business-Type Activities	\$	21,366

### NOTE 8 – NOTES PAYABLE

The City's Notes Payable obligations at December 31, 2016 and a schedule of current year activity are as follows:

	Maturity Date	Interest Rate (%)	Original Issue Amount	Balance 1/1/2016	Increase	Decrease	Balance 12/31/2016	Amount Due In One Year
General Obligations:								
Capital Projects	2017	1.25-1.36	\$ 5,165	\$ 5,165	\$ 16,550	\$ (17,265)	4,450	\$ 4,450
Special Assessments	2017	1.25	1,275	1,275	1,114	(1,275)	1,114	1,114
Building	2017	1.375	3,250	3,250	3,250	(3,250)	3,250	3,250
Revenue Obligations:								
Assessed Services 2014	2016	1.41	20,900	20,900		(20,900)	-	-
Assessed Services 2015	2017	1.74	19,200	19,200		-	19,200	19,200
Assessed Services 2016	2018	2.03	19,300		19,300		19,300	
				\$ 49,790	\$ 40,214	\$ (42,690)	\$ 47,314	\$ 28,014

The City carries notes for a building in the Facilities Operations fund; and for an industrial economic development project to finance site acquisition and preparation costs from the Capital Improvement fund. Notes in the Special Assessments – Capital Projects fund cover capital costs related to City services such as street lighting, street sweeping, snow removal, surface treatment of unimproved streets, leaf pick up and tree planting, and trimming and removal in the public right away. Costs of assessments are charged to property owners two years after incurred. Assessment notes finance the costs incurred over a two year period.

# UNAUDITED

## City of Toledo, Ohio Notes to the Basic Financial Statements For the Year Ended December 31, 2016 (Amounts in Thousands)

### NOTE 9 – LONG-TERM OBLIGATIONS

The City's Governmental Activities Long-Term Obligations at December 31, 2016 and a schedule of current year activity are as follows:

	Issue Date	Maturity Date	Interest Rate (%)	Original Issue Amount	Balance 1/1/2016	Increase	Decrease	Balance 12/31/2016	Amount Due In One Year
<b>Government Activities:</b>									
<b>General Obligation Bonds:</b>									
Capital Projects	Various	Various	1.50-6.08	\$ 169,440	\$ 129,057	\$ 25,126	\$ (22,697)	131,486	\$ 10,681
Special Assessments	Various	Various	1.55-5.00	115	55	-	(10)	45	15
<b>Loans Outstanding:</b>									
State Agencies:									
Ohio Public Works Commission									
Capital Projects	Various	Various	0.00	10,259	3,818	1,237	(652)	4,403	650
Ohio Water Dev Authority									
Capital Projects	Various	Various	4.02-4.12	9,843	3,372	-	(594)	2,778	618
ODOD Chapter 166									
Capital Projects	1998	2018	4.00	10,000	2,171	-	(738)	1,433	768
State Infrastructure Bank									
Capital Projects	2009	2019	3.00	4,869	3,636	-	(341)	3,295	367
Federal Agencies:									
HUD 108									
Capital Projects	Various	Various	6.56-7.96	24,140	5,955	-	(1,830)	4,125	2,030
Other Loans:									
Capital Projects	Various	Various	0.00-6.55	14,021	10,199	672	(806)	10,065	661
<b>Capital Lease Obligations:</b>									
Ambulance	2012	2017	1.66	1,413	579	-	(287)	292	292
Landfill Vehicles	2012	2016	1.60	1,588	407	-	(407)	-	-
Fire Rescue Squads	2014	2018	1.75	948	569	-	(186)	383	196
Fire Engines & Bucket Truck	2015	2019	1.75	3,600	2,855	-	(695)	2,160	745
Pumper Trucks	2015	2020	1.75	940	940	-	(181)	759	199
Pickup Trucks & Brine Facility	2015	2019	1.85	1,833	1,461	-	(507)	954	384
Single & Double Axle Trucks	2015	2021	1.85	4,997	4,266	-	(1,041)	3,225	776
Forestry Equipment	2015	2020	1.85	1,324	1,324	-	(272)	1,052	277
<b>Other Obligations:</b>									
Landfill Closure					13,556	340	-	13,896	-
Compensated Absences					29,423	346	(509)	29,260	328
Net Pension Liability:									
OPERS					41,981	22,283	-	64,264	-
OP&F					212,840	62,000	-	274,840	-
<b>Total Governmental Activities</b>					<b>\$ 468,464</b>	<b>\$ 112,004</b>	<b>\$ (31,753)</b>	<b>\$ 548,715</b>	<b>\$ 18,987</b>

# UNAUDITED

## City of Toledo, Ohio Notes to the Basic Financial Statements For the Year Ended December 31, 2016 (Amounts in Thousands)

### NOTE 9 – 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. In 2016, compensated absences in the governmental activities were liquidated at a rate of approximately 85.2 percent from the general fund, 11.6 percent from other governmental funds, and 3.2 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, 2016 for the City's Governmental Activities:

Year	General Obligation Bonds		General Obligation Notes		Revenue Obligation Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 10,696	\$ 6,065	\$ 8,814	\$ 173	\$ 19,200	\$ 754
2018	12,817	5,439	-	-	19,300	392
2019	12,482	4,935	-	-	-	-
2020	11,917	4,380	-	-	-	-
2021	12,152	3,856	-	-	-	-
2022-2026	48,160	11,660	-	-	-	-
2027-2031	20,926	2,747	-	-	-	-
2032-2036	2,381	47	-	-	-	-
Total	\$ 131,531	\$ 39,129	\$ 8,814	\$ 173	\$ 38,500	\$ 1,146

Year	State Agency Loans		Federal and Other Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 2,403	\$ 192	\$ 2,691	\$ 635	\$ 43,804	\$ 7,819
2018	2,207	157	2,719	564	37,043	6,552
2019	1,546	113	584	477	14,612	5,525
2020	1,524	82	1,195	441	14,636	4,903
2021	887	52	560	441	13,599	4,349
2022-2026	2,745	70	3,260	1,602	54,165	13,332
2027-2031	505	-	2,615	741	24,046	3,488
2032-2036	92	-	566	41	3,039	88
Total	\$ 11,909	\$ 666	\$ 14,190	\$ 4,942	\$ 204,944	\$ 46,056

### 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 43 years.

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**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2016**  
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**NOTE 9 – LONG-TERM OBLIGATIONS (continued)**

**Landfill Closure and Post-Closure Care Costs (continued)**

The \$13,896 reported as landfill closure and post-closure care liability at December 31, 2016 represents the cumulative amount reported to date based on the use of 61.5% of the used capacity of the landfill. The City will recognize the remaining estimated cost of closure and post-closure care of \$8,699 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 2016 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, 2016 and a schedule of current year activity are as follows:

<b>Business-Type Activities</b>	Issue Date	Maturity Date	Interest Rate (%)	Original Issue Amount	Balance 1/1/2016	Increase	Decrease	Balance 12/31/2016	Amount Due In One Year
<b>General Obligation Bonds:</b>									
Tow Lot	2006	2024	4.00-5.00	\$ 2,835	\$ 1,305	\$ -	(90)	\$ 1,215	\$ 155
Property Management	Various	Various	2.00-7.00	22,971	15,610	-	(1,076)	14,534	1,146
<b>Revenue Obligation Bonds:</b>									
Water System	Various	Various	1.25-6.20	381,541	279,263	80,254	(8,380)	351,137	8,585
Sanitary Sewer System	Various	Various	2.00-6.45	46,620	17,651	-	(2,962)	14,689	3,107
<b>Loans Outstanding:</b>									
State Agencies:									
Ohio Public Works Commission									
Water System	Various	Various	0.00	2,526	1,654	286	(112)	1,828	112
Sanitary Sewer System	Various	Various	0.00	9,773	7,289	46	(466)	6,869	466
Storm Water System	Various	Various	0.00	2,372	1,346	98	(114)	1,330	114
Ohio Water Dev Authority									
Water System	Various	Various	3.25	44,273	35,857	1,636	(1,241)	36,252	1,586
Sanitary Sewer System	Various	Various	2.38-4.80	572,395	339,223	44,714	(17,711)	366,226	21,206
Storm Water System	Various	Various	2.25-3.34	1,727	379	1,150	-	1,529	39
ODOD Chapter 166									
Property Management	2000	2016	4.00	1,500	120	-	(120)	-	-
<b>Capital Lease Obligations:</b>									
Norfolk Southern	2016	2035	2.50	2,967	-	2,967	(151)	2,816	60
<b>Other Obligations:</b>									
Compensated Absences					5,043	106	(101)	5,048	138
Net Pension Liabilities:									
OPERS					28,695	8,403	-	37,098	-
<b>Total Business-Type Activities</b>					<b>\$ 733,435</b>	<b>\$ 139,660</b>	<b>\$ (32,524)</b>	<b>\$ 840,571</b>	<b>\$ 36,714</b>

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
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**(Amounts in Thousands)**

**NOTE 9 – 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, 2016 for the City's Business-Type Activities:

<u>General Obligation Bonds</u>			<u>Revenue Obligation Bonds</u>		
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2017	1,301	659	2017	11,692	16,232
2018	1,361	615	2018	10,751	15,297
2019	1,421	566	2019	11,040	14,906
2020	1,521	510	2020	11,513	14,470
2021	1,366	449	2021	12,175	14,033
2022-2026	6,974	1,361	2022-2026	68,332	61,577
2027-2031	1,805	137	2027-2031	81,614	46,270
2032-2036	-	-	2032-2036	93,840	20,835
2037-2041	-	-	2037-2041	64,869	6,478
<b>Total</b>	<b>\$ 15,749</b>	<b>\$ 4,297</b>	<b>Total</b>	<b>\$ 365,826</b>	<b>\$ 210,098</b>

<u>State Agency Loans</u>			<u>Total</u>		
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2017	23,523	10,855	2017	36,516	27,746
2018	20,734	10,743	2018	32,846	26,655
2019	23,559	11,280	2019	36,020	26,752
2020	28,388	12,106	2020	41,422	27,086
2021	29,224	11,754	2021	42,765	26,236
2022-2026	121,445	45,532	2022-2026	196,751	108,470
2027-2031	86,053	26,763	2027-2031	169,472	73,170
2032-2036	80,448	12,223	2032-2036	174,288	33,058
2037-2041	660	54	2037-2041	65,529	6,532
<b>Total</b>	<b>\$ 414,034</b>	<b>\$ 141,310</b>	<b>Total</b>	<b>\$ 795,609</b>	<b>\$ 355,705</b>

**New Bond and Note Issues, Loans and Advanced Refunding**

As interest rates continue to remain at historic lows, the City refinanced bond issues and issued new debt. The following list of new issues and advanced refunding occurred in 2016:

In 2016, the City issued \$22,320 of General Obligation Bonds for the purpose of funding certain permanent improvements and refunding existing obligations with a lower net interest cost, including \$12,100 dedicated to street and bridge improvement notes. The refinancing saved the City 3%, or \$394 over the life of the refinanced debt.

In 2016, the City issued \$64,925 of Water Revenue Bonds for the purpose of funding water system improvements.

In 2016, the City issued \$19,300 in Special Assessment Notes for City Services. These notes mature on June 1 and December 1 of 2018.

# UNAUDITED

**City of Toledo, Ohio**  
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## **NOTE 9 – LONG-TERM OBLIGATIONS (continued)**

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

In 2016, the City refunded \$4,450 of Taxable Industrial Development Notes for the purpose of property acquisitions.

In 2016, there is a \$650 Jobs Ohio capital projects loan that may be forgivable after five years.

In 2016, the City refunded \$3,250 of Building Acquisition Notes to mature in September of 2017.

In 2016, the City refunded \$1,114 of Sidewalk Improvement Notes.

### **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 \$3,295 as of December 31, 2016.

### **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, 2016 was \$406,785. Of this amount, \$36,252 is obligations incurred to help finance the water distribution system and are to be repaid from charges from water services. Of this amount, \$366,226 is obligations incurred to help finance the sanitary sewage facilities and are to be repaid from charges from sanitary sewer services. Of this amount, \$1,529 is obligations incurred to help finance storm sewer and bio-swale services. The remaining amount of \$2,778 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.

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2016**  
**(Amounts in Thousands)**

## **NOTE 10 – 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 \$1,359 for the year. The City also leases various facilities and equipment under various operating leases. Expense relating to these leases amounted to \$1,251 in 2016.

### **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 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 \$589.

In 2012, the City entered into a non-cancelable long-term master equipment lease with Key Government Finance, Inc. 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 \$441.

In 2014, the City entered into a tax-exempt lease purchase with PNC Equipment Finance 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 \$221.

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 less accumulated depreciation of \$450.

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 is classified as a 5 year capital included in the capital assets as machinery and equipment in the government wide financial statement at \$940, less accumulated depreciation of \$31.

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 has been included in the capital assets as machinery and equipment in the government wide financial statement at \$4,997, less accumulated depreciation of \$749.

# UNAUDITED

**City of Toledo, Ohio**  
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## NOTE 10 – LEASES AND OTHER COMMITMENTS (continued)

### Capital Leases (continued)

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 lease has been included in the capital assets as machinery and equipment in the government wide financial statement at \$1,833.

In 2015, the City entered into a tax exempt lease purchase with PNC Equipment Finance, LLC for the lease forestry equipment. The 5 year lease is classified as a capital lease at \$1,324.

In 2016, the City entered into a lease purchase with Norfolk Southern Railway for the lease of land as part of Toledo Waterways Initiative. The 20 year lease is classified as a capital lease at \$2,967.

Future minimum lease payments on these capital leases together with the present value of the net minimum lease payments as of December 31, 2016 are as follows:

<u>Year Ending</u>	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
2017	\$ 2,869	\$ 130	\$ 2,999
2018	2,571	133	2,704
2019	2,221	135	2,356
2020	1,246	138	1,384
2021	401	141	542
2022-2026	-	747	747
2027-2031	-	825	825
2032-2036	-	1,535	1,535
Total Minimum Lease Payments	\$ 9,308	\$ 3,784	\$ 13,092
Less: Amount Representing Interest	\$ (483)	\$ (968)	\$ (1,451)
Present Value of net Minimum Lease Payments	\$ 8,825	\$ 2,816	\$ 11,641

### Other Commitments

#### *Energy Special Improvement District*

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.

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
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**NOTE 10 – LEASES AND OTHER COMMITMENTS (continued)**

**Other Commitments – *Energy Special Improvement District* (continued)**

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 2016 requires an assessment of \$476.

*Encumbrances*

Outstanding 2016 encumbrances will be funded with 2017 budgetary resources. Outstanding encumbrances for the Year Ended December 31, 2016 were as follows:

<i>Governmental Activities:</i>	
General	\$ 1,716
Capital Improvements	13,007
Special Assessments	2,068
Nonmajor Governmental	<u>3,778</u>
Total Governmental Activities	<u>20,569</u>
<i>Business-Type Activities:</i>	
Water	58,391
Sewer	46,096
Utility Administrative Services	223
Nonmajor Enterprise	358
Internal Service Funds	<u>1,065</u>
Total Business-Type Activities	<u>106,133</u>
Total	<u><u>\$ 126,702</u></u>

# UNAUDITED

**City of Toledo, Ohio**  
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## NOTE 11 - 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, 2016 the Interfund Balances consist of the following individual Interfund receivables and payables as reported on the Fund Statements:

	Due From Other Funds	Due To Other Funds
<i>Governmental Activities:</i>		
General	\$ -	\$ 24,500
Capital Improvements	18,063	-
Special Assessments Services	-	23,592
Nonmajor Governmental Funds	31,390	17,453
Internal Service Funds	<u>26,199</u>	<u>1,492</u>
Total Governmental Activities	<u>75,652</u>	<u>67,037</u>
 <i>Business-Type Activities:</i>		
Water	-	32,983
Sewer	18,343	-
Utility Administrative Services	5,919	-
Nonmajor Enterprise Funds	<u>5,152</u>	<u>5,046</u>
Total Business-Type Activities	<u>29,414</u>	<u>38,029</u>
	<u>\$ 105,066</u>	<u>\$ 105,066</u>

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
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**NOTE 11 - INTERFUND ACTIVITY (continued)**

Interfund transfers for the Year Ended December 31, 2016, 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	\$ -	\$ 38,409	\$ 700	\$ -	\$ -	\$ -	\$ 39,109
Capital Improvements	3,000	-	15,499	-	-	1,817	20,316
Nonmajor Governmental Funds	246	468	225	-	-	-	939
<b>Total Governmental Activities</b>	<b>3,246</b>	<b>38,877</b>	<b>16,424</b>	<b>-</b>	<b>-</b>	<b>1,817</b>	<b>60,364</b>
<b>Business-Type Activities:</b>							
Water	-	66	75	-	-	-	141
Sewer	-	-	75	-	-	-	75
Utility Administrative Services	-	-	-	812	806	105	1,723
Nonmajor Enterprise Funds	1,322	-	75	-	-	-	1,397
<b>Total Business-Type Activities</b>	<b>1,322</b>	<b>66</b>	<b>225</b>	<b>812</b>	<b>806</b>	<b>105</b>	<b>3,336</b>
<b>Total Fund Balances</b>	<b>\$ 4,568</b>	<b>\$ 38,943</b>	<b>\$ 16,649</b>	<b>\$ 812</b>	<b>\$ 806</b>	<b>\$ 1,922</b>	<b>\$ 63,700</b>

In 2016, the General Fund transferred \$38,409 into the Capital Improvement Fund. This amount represents 2016 income tax collection amounts required and authorized by Toledo Municipal Code, Toledo City Council, and the Mayor.

In 2016, the Capital Improvement Fund transferred \$3,000 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 2016, the Nonmajor Enterprise Funds transferred \$192 to the General fund as authorized by City Council after the Erie Street Market fund was officially closed.

In 2016, the Capital Improvement Fund transferred \$17,316 to various Nonmajor Governmental and Enterprise Funds for the purpose of debt management.

# UNAUDITED

## City of Toledo, Ohio Notes to the Basic Financial Statements For the Year Ended December 31, 2016 (Amounts in Thousands)

### NOTE 12 – FUND BALANCE

A summary of Fund Balances as of December 31, 2016 by category with specific purpose information

	General Fund	Capital Improvements	Assessment Services	Governmental Funds	Total
Nonspendable:					
Prepaid Items	\$ 7	\$ -	\$ -	\$ -	\$ 7
Inventory	1,151	1,147	2,145	878	5,321
Cemetery Perpetual Care	-	-	-	642	642
Total Nonspendable	<u>1,158</u>	<u>1,147</u>	<u>2,145</u>	<u>1,520</u>	<u>5,970</u>
Restricted for:					
Cemetery Perpetual Care	-	-	-	54	54
Landfill Activities	3,814	-	-	-	3,814
Capital Improvements	-	44,496	-	-	44,496
Grant Programs	-	-	-	13,221	13,221
Street Projects	-	-	-	4,281	4,281
Special Assessments	-	-	377	-	377
Various Trust Purposes	-	-	-	7,138	7,138
Westfield Muni Public Imp TIF	-	-	-	10,748	10,748
Right Of Way Activities	-	-	-	13	13
Debt Service	-	-	-	196	196
Total Restricted	<u>3,814</u>	<u>44,496</u>	<u>377</u>	<u>35,651</u>	<u>84,338</u>
Committed to:					
Budget Stabilization	4,754	-	-	-	4,754
Cemetery Activities	-	-	-	443	443
General Obligation Debt	-	-	-	1	1
Facilities Maintenance	-	-	-	812	812
Various Trust Purposes	-	-	-	37	37
Parks and Recreation	-	-	-	99	99
Total Committed	<u>4,754</u>	<u>-</u>	<u>-</u>	<u>1,392</u>	<u>6,146</u>
Unassigned	6,028	-	(62,194)	(18,015)	(74,181)
<b>Total Fund Balances</b>	<u><u>\$ 15,754</u></u>	<u><u>\$ 45,643</u></u>	<u><u>\$ (59,672)</u></u>	<u><u>\$ 20,548</u></u>	<u><u>\$ 22,273</u></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 2016, 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 2016, the General Fund designated an additional \$2,806 to the balance of the Designation.

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
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**(Amounts in Thousands)**

## **NOTE 13 – 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.

### **Plan Description – Ohio Public Employees Retirement System (OPERS)**

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, 2016**  
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**NOTE 13 – PENSION PLANS (continued)**

**Plan Description – Ohio Public Employees Retirement System (OPERS)**

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

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
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## **NOTE 13 – PENSION PLANS (continued)**

### **Plan Description – Ohio Public Employees Retirement System (OPERS) (continued)**

Funding Policy—The ORC provides statutory authority for member and employer contributions. For 2016, 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 2016 (see Note 14). Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$8,859 for 2016. Of this amount, \$2,157 is reported as accrued wages and benefits.

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

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.

# UNAUDITED

**City of Toledo, Ohio**  
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**NOTE 13 – PENSION PLANS (continued)**

**Plan Description – 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:

	Police		Firefighters	
2016 Statutory Maximum Contribution Rates				
Employer	19.50	%	24.00	%
Employee	12.25	%	12.25	%
2016 Actual Contribution Rates				
Employer:				
Pension	19.00	%	23.50	%
Post-employment Health Care Benefits	0.50	%	0.50	%
Total Employer	19.50	%	24.00	%
Employee	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 \$17,888 for 2016. Of this amount, \$ 3,708 is reported as accrued wages and benefits.

**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, 2015 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, 2015, and was determined by rolling forward the total pension liability as of January 1, 2015, to December 31, 2015. 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:

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
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**NOTE 13 – PENSION PLANS (continued)**

**Plan Description – Ohio Police & Fire Pension Fund (OP&F) (continued)**

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Proportionate Share of Net Pension Liability	\$ 101,362	\$ 274,840	\$ 376,202
Proportion of Net Pension Liability	0.585192%	4.2723050%	
Pension Expense	\$ 13,170	\$ 38,851	\$ 52,021
Change in Proportion	-0.000793%	0.1637611%	

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Deferred Outflows of Resources</u>	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Net differences between projected and actual investment earnings	\$ 29,798	\$ 44,459	\$ 74,257
Change in proportionate share	-	7,113	7,113
City contributions subsequent to the measurement date	8,859	17,888	26,747
	<u>\$ 38,657</u>	<u>\$ 69,460</u>	<u>\$ 108,117</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$ 1,959	\$ 772	\$ 2,731
Change in proportionate share	65	-	65
	<u>\$ 2,024</u>	<u>\$ 772</u>	<u>\$ 2,796</u>

\$26,747 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2016**  
**(Amounts in Thousands)**

**NOTE 13 – PENSION PLANS (continued)**

**Plan Description – Ohio Police & Fire Pension Fund (OP&F) (continued)**

Year Ending December 31:	OPERS	OP&F	Total
2017	\$ 6,487	\$ 12,910	\$ 19,397
2018	6,964	12,910	19,874
2019	7,581	12,910	20,491
2020	6,742	10,616	17,358
2021	-	1,222	1,222
Thereafter	-	232	232
	<u>\$ 27,774</u>	<u>\$ 50,800</u>	<u>\$ 78,574</u>

**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, 2015, 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 COLA or Ad Hoc COLA	4.25% to 10.05%, including wage inflation Pre 1/7/2013 Retirees: 3%, simple; Post 1/7/2013 Retirees: 3%, simple through 2018, then 2.80% 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.

# UNAUDITED

**City of Toledo, Ohio**  
**Notes to the Basic Financial Statements**  
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**(Amounts in Thousands)**

## NOTE 13 – PENSION PLANS (continued)

### Actuarial Assumptions – OPERS

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.

During 2015, 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. During 2016, OPERS consolidated the health care portfolios (see Note 14). 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 0.4% for 2015.

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 2015 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00%	2.31%
Domestic Equities	20.70%	5.84%
Real Estate	10.00%	4.25%
Private Equity	10.00%	9.25%
International Equities	18.30%	7.40%
Other Investments	<u>18.00%</u>	<u>4.59%</u>
Total	<u>100.00%</u>	<u>5.27%</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.

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## NOTE 13 – PENSION PLANS (continued)

### Actuarial Assumptions – OPERS

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:

	<u>1% Decrease</u> <u>(7.00%)</u>	<u>Discount</u> <u>Rate of 8.00%</u>	<u>1% Increase</u> <u>(9.00%)</u>
City's proportionate share of the net pension liability	\$ 161,495	\$ 101,362	\$ 50,643

### Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2015 is based on the results of an actuarial valuation date of January 1, 2015, 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, 2015, are presented below:

Valuation date	January 1, 2015
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% simple

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.

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## NOTE 13 – PENSION PLANS (continued)

### Actuarial Assumptions – OP&F

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, 2015 are summarized below:

Asset Class	Target Allocation	10 Year Expected Rate of Return**	30 Year Expected Rate of Return**
Cash and Cash Equivalent	0.0%		
Domestic Equity	16.0%	4.47%	7.80%
Non-U.S. Equity	16.0%	4.47%	8.00%
Core Fixed Income*	20.0%	1.62%	5.35%
Global Inflation Protected Securities*	20.0%	1.33%	4.73%
High Yield	15.0%	3.39%	7.21%
Real Estate	12.0%	3.93%	7.43%
Private Markets	8.0%	6.98%	10.73%
Timber	5.0%	4.92%	7.35%
Master Limited Partnerships	8.0%	7.03%	10.75%
	<u>120.0%</u>		

Note: Assumptions are geometric. \* Levered 2x; \*\* Numbers include inflation.

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.

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**City of Toledo, Ohio**  
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## NOTE 13 – PENSION PLANS (continued)

### Actuarial Assumptions – OP&F

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.

	1% Decrease (7.25%)	Current Discount Rate of 8.25%	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$ 362,478	\$ 274,840	\$ 200,603

## NOTE 14 - POSTEMPLOYMENT BENEFITS

### 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.

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016.

As of December 31, 2016, OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional and Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

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 2015 CAFR.

# UNAUDITED

**City of Toledo, Ohio**  
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## **NOTE 14 - POSTEMPLOYMENT BENEFITS (continued)**

### **Ohio Public Employees Retirement System**

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 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 2016, 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.

Each year, the OPERS Board 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 2016. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 decreased to 1.0% for both plans. The OPERS 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 into the RMA for participants in the Member-Directed Plan for 2016 was 4.0%.

Actual employer contributions for 2016, 2015 and 2014 which were used to fund post-employment benefits were approximately \$1,516, \$1,376 and \$1,536, 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.

# UNAUDITED

**City of Toledo, Ohio**  
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## **NOTE 14 - POSTEMPLOYMENT BENEFITS (continued)**

### **Ohio Police and Fire Pension Fund**

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.

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 2016. 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 2016, 2015 and 2014 that were used to fund post-employment benefits were approximately \$430, \$444 and \$404, respectively.

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**City of Toledo, Ohio**  
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## NOTE 15 – 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 \$4,300 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 2016, 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.

Changes in the claim liability amount in 2014, 2015 and 2016 for Risk Management and the General Fund were:

Year	Beginning Balance	Current Year Claims & Change in Estimate	Claims/ Payments	Ending Balance
2014	\$ 1,560	\$ 2,120	\$ 2,120	\$ 1,560
2015	1,560	5,004	2,004	4,560
2016	4,560	2,684	1,744	5,500

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**City of Toledo, Ohio**  
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**NOTE 15 – RISK MANAGEMENT (continued)**

**Property and Liability (continued)**

The City is fully insured through premium-based insurance policies for all other types of insurance. In 2016, the City contracted with various insurance companies to provide the following coverage:

	<u>Coverage</u>	<u>Deductible</u>
	(in Whole Dollars)	(in Whole Dollars)
Property Policy for the City	\$ 600,000,000	\$ 250,000
Accident/Liability Policy - Intern Program	25,000	
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 (Swan Creek & Trailer)	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
Ocean Marine Policy (Sea Ark)	1,000,000	500
Ocean Marine Policy (Zodiac)	1,000,000	500
Professional Liability for TMC	10,000,000	-

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**City of Toledo, Ohio**  
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## **NOTE 15 – RISK MANAGEMENT (continued)**

### **Workers' Compensation**

The City takes advantage of workers' compensation plans offered by the State of Ohio. The current plan, is a Group Retrospective Rating Plan and has been in effect since 2016. Group Retrospective Rating is a performance based incentive program designed to recover a portion of premium for employers that reduce injury rates and lower claims costs. Participating employers receive refunds or pay assessments based on the performance of the group. The 2015 plan, called Merit Rating or an Experience Rating Plan, allows the City to take advantage rebates through the Destination Excellence program, which enabled the City to receive credits for a percentage of premiums paid based on fulfilling the requirements of each program.

In contrast to the Individual Retrospective Rating program previously utilized, the Group Retrospective and the Experience plans have 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 participated in Individual Retrospective Rating from January 2006 through December 2014 and retains liability for claims incurred during those years. 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 reserves (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 \$7,000 reported at December 31, 2016 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 liability was adjusted significantly in 2016 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. The liability is associated with the Individual Retrospective Rating plan, and the City expects this liability to gradually decrease until eliminated entirely in the year 2024, the final year for which the City is required to make a payment to the BWC under the Individual Retrospective Rating Plan.

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**City of Toledo, Ohio**  
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**NOTE 15 – RISK MANAGEMENT (continued)**

**Workers' Compensation (continued)**

Changes in the Workers' Compensation claim liability amount in 2014, 2015 and 2016 were:

Year	Beginning Balance	Claims and Changes in Estimate	Claims/ Payments	Ending Balance
2014	\$ 16,198	\$ 5,059	\$ 5,059	\$16,198
2015	16,198	(1,068)	5,130	10,000
2016	10,000	3,132	6,132	7,000

**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 medical claims at year end based upon an actuarial estimate based on past experience and current claims outstanding.

Changes in the Health Insurance's claim liability amount in 2014, 2015 and 2016 were:

Year	Beginning Balance	Claims and Changes in Estimate	Claims/ Payments	Ending Balance
2014	\$ 2,760	\$ 19,746	\$ 19,717	\$ 2,789
2015	2,789	21,902	20,937	3,754
2016	3,754	20,615	20,382	3,987

# UNAUDITED

**City of Toledo, Ohio**  
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## NOTE 16 – ACCOUNTABILITY AND COMPLIANCE

### Fund Balance Deficits

The following deficit fund balances existed at December 31, 2016:

<i>Governmental Funds:</i>	
Special Assessment Services Fund	\$ 59,672
Non-Major Governmental Fund:	
Special Assessment Improvements Fund	1,819
Jeep Muni Public Imp TIF	16,196
 <i>Proprietary Funds:</i>	
Non-Major Enterprise Fund:	
Property Management Fund	8,903

These deficits will be eliminated by future charges for services, reduction of expenditures or future bond sales, where appropriate. The Jeep Muni Public Imp TIF receives payments in lieu of taxes, with its deficit due and payable to the Capital Improvement fund.

## NOTE 17 - 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, 2016 and at the date of this Statement, is sufficient to meet the claims and judgments that may arise in 2017. 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.

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**City of Toledo, Ohio**  
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## NOTE 17 – CONTINGENCIES (continued)

### Grants

In 2016, 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 18 – PRIOR PERIOD ADJUSTMENTS

Fund restatements occurred to reflect the reversal of a series of fund transfers into the General Obligation Debt fund for the Fiscal Year ended December 31, 2011, and to establish the *FranklinPk/Westfield Muni Public Imp TIF* and the *Jeep Muni Public Imp TIF* funds as separate and distinct funds from the *Capital Improvement* fund.

*FranklinPk/Westfield Muni Public Imp TIF* – The Municipal Public Improvement Tax Increment Equivalent Fund established by Ordinance 810-04 in the year 2004 that relates to the Franklin Park/Westfield Mall area is presented as a capital improvement fund and alluded to as *FranklinPk/Westfield Muni Public Imp TIF* in the City's financial statements. The activity of the *FranklinPk/Westfield Muni Public Imp TIF* fund was previously reflected within the *Capital Improvement* fund, and the fund balance is restated to \$8,784 as of 1-1-2016 for activity from 2004 through 2015.

*Jeep Muni Public Imp TIF* – The Municipal Public Improvement Tax Increment Equivalent Fund established by Ordinance 1223-98 in the year 1998 is presented as a bond retirement fund and alluded to as the *Jeep Muni Public Imp TIF* in the City's financial statements. The activity of the *Jeep Muni Public Imp TIF* fund was previously reflected within the *Capital Improvement* fund, and the fund balance is restated to (\$15,861) as of 1-1-2016 for activity from 1998 through 2015.

*Workers' Compensation* – The effect of a transfer out of the *Workers' Compensation* fund in the amount of \$2,448 to the *General Obligation Debt* fund in 2011 was eliminated, changing the original 1-1-2016 *Workers' Compensation* net position from \$1,727 to \$4,175.

*General Obligation Debt* – The effects of two 2011 transfers in were eliminated, resulting in a reduction in the overall *General Obligation Debt* fund balance. In addition to the elimination of the transfer in of \$2,448 to the *Workers' Compensation* Fund, an additional \$5,593 was also eliminated from the *Capital Improvement* fund in order to comply with the amount of authorized transfers for the fiscal year ended December 31, 2011.

*Capital Improvement Fund* – The *Capital Improvement* fund was restated to \$35,330 as of 1-1-2016 from \$22,660. The changes reflect the reduction of fund balance held by the *FranklinPk/Westfield Muni Public Imp TIF* fund of \$8,784; the addition of \$15,861 to unsubsidized the *Jeep Muni Public Imp TIF*, and the addition of \$5,593, reflecting the reversal of unauthorized 2011 transfer amounts to the *General Obligation Debt* fund.

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**City of Toledo, Ohio**  
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**NOTE 18 – PRIOR PERIOD ADJUSTMENTS (continued)**

A summary of prior period adjustments is listed in the table below:

<u>Description</u>	<u>Capital Improvement</u>	<u>FranklinPk/ Westfield Muni Public Imp TIF</u>	<u>Jeep Muni Public Imp TIF</u>	<u>Workers' Compensation</u>	<u>General Obligation Debt</u>
Fund Balance, as Previously Reported	\$ 22,660	\$ -	\$ -	\$ 1,727	\$ 8,756
Increase/(Decrease)	15,861	-	(15,861)	-	-
Increase/(Decrease)	5,593	-	-	-	(5,593)
Increase/(Decrease)	<u>(8,784)</u>	<u>8,784</u>	<u>-</u>	<u>2,448</u>	<u>(2,448)</u>
Fund Balance, Restated	<u>\$ 35,330</u>	<u>\$ 8,784</u>	<u>\$ (15,861)</u>	<u>\$ 4,175</u>	<u>\$ 715</u>

**NOTE 19 – SUBSEQUENT EVENTS**

On February 7, 2017, the City Council passed an agreement to accept loan proceeds of \$ \$10.3 million from the Ohio Environmental Protection Agency Water Pollution Control Loan Fund for the Swan Creek North Sewer Separation Project.

On February 7, 2017, the City Council passed an agreement to accept grant and loan proceeds of \$2.4 million from the Ohio Public Works Commission for the Swan Creek North Sewer Separation Project.

On April 18, 2017, the City Council passed an agreement to accept loan proceeds of \$ \$75.7 million from the Ohio Environmental Protection Agency Water Pollution Control Loan Fund for the Downtown CSO Storage Basin Project.

Lucas County filed an appeal of the decision in favor of Toledo in the litigation surrounding incarceration costs. The parties briefed the Court of Appeals and the matter is decisional. Recently, the Corrections Center of NW Ohio (CCNO) filed a new suit seeking to recover costs allegedly owed by the City under the now terminated agreement between the City and CCNO. The City has filed a motion to dispose of the case and is prepared to defend the case vigorously should the case not be dismissed. Meanwhile, a permanent and mutually agreeable resolution remains under consideration and negotiation.





