



Comprehensive Annual Financial Report

for the year ended December 31, 2014



Dave Yost • Auditor of State

City Council
City of Defiance
631 Perry Street
Defiance, Ohio 43512

We have reviewed the *Independent Auditor's Report* of the City of Defiance, Defiance County, prepared by Julian & Grube, Inc., for the audit period January 1, 2014 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

October 1, 2015

CITY OF DEFIANCE, OHIO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2014

JOHN W. LEHNER
FINANCE DIRECTOR

PREPARED BY THE CITY FINANCE DEPARTMENT

INTRODUCTORY SECTION

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CITY OF DEFIANCE, OHIO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2014

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Bob Armstrong
Mayor

Jeffery S. Leonard
City Administrator

John W. Lehner
Finance Director

David H. Williams
Law Director

June 25, 2015

Honorable Mayor Bob Armstrong
Members of City Council
Citizens of Defiance, Ohio

Transmittal Letter

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) for the City of Defiance, Ohio (the "City") for the year ended December 31, 2014. The CAFR is the official report of the City's operations and financial position for the year, and has been developed for the benefit of Defiance residents and elected officials, investment banks, underwriters and all other interested parties. The financial statements are presented in conformity with accounting principles generally accepted in the United States of America (GAAP) as set forth by the Governmental Accounting Standards Board (GASB).

The CAFR consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for these representations, the management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City is required by State law to have an annual audit performed by the Auditor of State's Office or an independent public accounting firm, if permitted by the Auditor of State. Julian & Grube, Inc. performed the audit for the year ended December 31, 2014, and they have issued an unmodified ("clean") opinion. The Independent Auditor's Report on the City's financial statements is included in the Financial Section of this report.

As part of the City's independent audit, tests are made to determine the adequacy of the internal control structure, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's independent audit for the year ended December 31, 2014 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report.

Profile of the Government

The City of Defiance is located in the northwest corner of Ohio and serves as the county seat of Defiance County. It was named for Fort Defiance, built at the confluence of the Auglaize and Maumee Rivers as a frontier outpost in 1794 and utilized as a staging area for attacks against the British in the War of 1812. The City was founded in 1823.

Today, the City of approximately 16,500 residents serves as a significant commercial center for a five-county, predominantly agricultural area, and is home to numerous industrial operations, including those of General Motors (automotive) and Johns Manville (construction materials/insulation). It is also home to Defiance College, an independent liberal arts college founded in 1850.

The City of Defiance is a home-rule municipal corporation operating under the laws of the State of Ohio. The City's charter was adopted in its original form on November 8, 1983 and provides for a "Mayor-Council" form of government. The laws of the State of Ohio prevail when conflicts exist between the charter and the State Constitution and in matters where the charter is silent. The charter can only be amended by a majority vote of the City's registered voters.

The Mayor is elected to a four-year term that begins on the first day of January following the election. According to the charter, the Mayor is the chief executive officer of the City and is responsible to the electors for enforcement of all laws and ordinances, and for control and proper operation of all departments and divisions. The Mayor appoints a City Administrator, Law Director, and Finance Director with the advice and consent of a majority of City Council. The City Administrator serves as the principal managerial aide to the Mayor.

Legislative authority is vested in a seven-member City Council, three of whom are elected at-large and four from existing wards. City Council members are elected to staggered four-year terms in the odd numbered years, and terms begin on the first day of January following the election. The City Council enacts legislation in the form of ordinances and resolutions relative to City services, appropriating and borrowing monies, and other municipal purposes. The President of City Council is elected at-large to a four-year term. The President presides over all City Council meetings, renders a vote only in case of a tie, and serves as the acting Mayor when the Mayor is absent or for any reason unable to perform the duties of the office.

The City Council is required to adopt an annual appropriation measure, which serves as the foundation for the City's financial planning and control. The legal level of budgetary control as established in the appropriation ordinance is at the fund, department, and object level ("personnel," "operating," etc.). Budgetary modifications at the legal level of control may only be made by a subsequent ordinance of City Council.

The City provides a full range of municipal services including police, fire, and emergency medical services; water and sewer utilities; street maintenance; parks and recreation; planning and zoning; a municipal court; and general administrative services.



Local Economy

The City of Defiance is a commercial hub for the surrounding five-county area, offering abundant shopping and dining opportunities. The economy is also fueled by several significant manufacturing facilities, two hospitals, Defiance College, and many other small businesses. In addition, two regional banks make their headquarters in Defiance.

After several years of stagnant growth in income tax revenues, the City's local economy seemed to take off in 2014. Income tax receipts from corporate profits and individual tax filers increased significantly, while receipts from employee withholdings remained steady. Unemployment rates in Defiance County continued to improve from a peak of 14.1 percent in 2009 to 5.4 percent in 2014. Current unemployment rates are lower than both the State of Ohio and national unemployment figures.

The City maintains an AA- rating from Standard & Poor's Ratings Services. Implementation of a new 0.3% income tax increase on January 1, 2014 bolstered general fund balances and should provide long-term stability in future budgets.

Long-Term Financial Planning

Initial forecasts incorporating the new income tax rate showed recovering, and then stable, general fund balances for a period extending beyond ten years. Receipts in 2014 were much better than originally projected, and the year-end general fund balance was well ahead of early projections. Due to somewhat stagnant job growth, however, the City Administration and City Council remain cautious in near-term budgeting and long-term capital planning.

The City's water and sewer utility rates have been set through 2015, and each currently carries healthy reserve balances. A new rate study is currently underway to address operating and capital needs for the next five-year period beginning in 2016.

The City is nearing the end of an EPA-approved study period to reassess its strategy in addressing combined sewer overflows into the Maumee and Auglaize Rivers. Overflows typically occur during significant rainfall events that overwhelm the capacity of the existing sewer system. Costs associated with the City's initial plan, as proscribed by the current consent order, became prohibitive after an investment of over \$30 million in the first eight years of a twenty-year plan. The study is nearly complete and recommendations will be reported to the Ohio EPA in the summer of 2015. Results of the study are promising, offering projected costs over 40 percent less than the initial plan costs of \$118 million.

Otherwise, the City has no imminent plans to issue new debt. Outstanding general obligation debt totals \$9.725 million, representing approximately \$580 per capita. Nearly two-thirds of this balance, however, is being funded from revenues of the water treatment utility, not general tax dollars.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Defiance, Ohio for its comprehensive annual financial report for the year ended December 31, 2013. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standard of preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

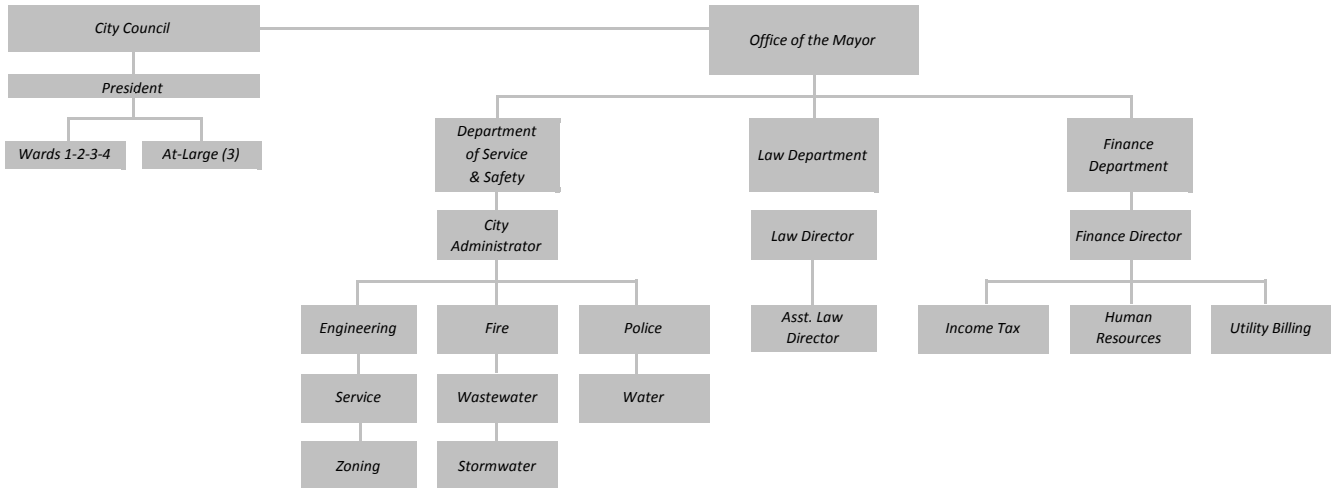
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate. I would like to express my appreciation to the employees of the Defiance Finance Department for their hard work and professionalism. The successful preparation of this document would not be possible without their efforts. I would also like to thank the Mayor and Members of City Council for their ongoing support of excellence in financial reporting and disclosure, and to Julian & Grube, Inc. for their assistance with the preparation of this CAFR.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'John W. Lehner', with a stylized flourish extending to the right.

John W. Lehner
Finance Director

CITY OF DEFIANCE, OHIO
ORGANIZATIONAL CHART



CITY OF DEFIANCE, OHIO
LIST OF ELECTED AND APPOINTED OFFICIALS
AS OF DECEMBER 31, 2014

Elected Officials

Mayor	Bob Armstrong
City Council:	
President	Mike McCann
At-Large	Mike Ketcham
At-Large	Jared Orzolek
At-Large	John Hancock
1 st Ward	Peter Lundberg
2 nd Ward	Steve Waxler
3 rd Ward	Jake Oberlin
4 th Ward	Chris Engel
Municipal Court Judge	John T. Rohrs, III

Appointed Officials

City Administrator	Jeffery S. Leonard
Law Director	David H. Williams
Finance Director	John W. Lehner
Council Clerk	Lisa Elders
Municipal Court Clerk	Julie Fitzenrider



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Defiance
Ohio**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2013

Executive Director/CEO

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FINANCIAL SECTION

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Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

City of Defiance
Defiance County
631 Perry Street
Defiance, Ohio 43512

To the Members of Council and Mayor:

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 Defiance, Defiance County, Ohio, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City of Defiance's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City of Defiance's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City of Defiance's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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 Defiance, Defiance County, Ohio, as of December 31, 2014, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General Fund and the major special revenue fund: Police and Fire Fund, thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Independent Auditor's Report
City of Defiance

Emphasis of Matter

As discussed in Note 3.A. to the financial statements, during 2014, the City of Defiance reclassified the Police and Fire fund from inclusion within the general fund to be reported as a separate special revenue fund. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the City of Defiance's basic financial statements taken as a whole.

The introductory section, the financial section's combining statements, individual fund statements and schedules, and the statistical section information present additional analysis and are not a required part of the basic financial statements.

The statements and schedules are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these statements and schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the statements and schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, these statements and schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

We did not subject the introductory section and statistical section information to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2015, on our consideration of the City of Defiance's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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 of Defiance's internal control over financial reporting and compliance.



Julian & Grube, Inc.
June 25, 2015

CITY OF DEFIANCE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014 (UNAUDITED)

The management's discussion and analysis of the City of Defiance's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2014. The intent of this discussion and analysis is to provide a narrative that describes the City's performance as a whole. To obtain a more detailed understanding, one should also review the transmittal letter, the notes to the basic financial statements, and the basic financial statements.

Financial Highlights

Key financial highlights for 2014 are as follows:

- The total net position of the City increased \$6,455,723. Net position of governmental activities increased \$1,029,955 from 2013, and net position of business-type activities increased \$5,425,768 from 2013.
- General revenues accounted for \$10,916,878 or 73.48% of total governmental activities revenue. Program specific revenues accounted for \$3,940,163 or 26.52% of total governmental activities revenue.
- The City had \$12,089,818 in expenses related to governmental activities; \$3,940,163 of these expenses were offset by program specific charges for services, grants, or contributions. The remaining expenses of the governmental activities were offset by general revenues (primarily property taxes, income taxes, and unrestricted grants and entitlements) of \$10,916,878.
- The City has three major governmental funds, the general fund, the police and fire fund, and the capital improvements fund. The general fund had revenues of \$8,618,800 in 2014, while the expenditures and other financing uses totaled \$7,837,343. The net increase in fund balance for the general fund was \$781,457.
- The police and fire fund had revenues and other financing sources in the amount of \$5,060,824 in 2014, and expenditures totaling \$4,430,067. The net increase in fund balance for the police and fire fund was \$630,757.
- The capital improvements fund had revenues and other financing sources of \$2,358,699 and expenditures of \$2,710,490 in 2014. The net decrease in fund balance for the capital improvements fund was \$351,791.
- Net position for the business-type activities, which is made up of the sewer, water, refuse, and utility deposit enterprise funds, increased in 2014 by \$5,425,768. The increase in business-type activities net position is a result of revenues from charges for services and sales continuing to outpace the operating expenses of the City's enterprise funds.
- In the general fund, the actual revenues and other financing sources came in \$715,457 greater than the amounts reported in the final budget, and actual expenditures and other financing uses were \$178,593 less than the amounts reported in the final budget as a result of closely monitored spending practices. Budgeted revenues and other financing sources increased \$7,053 from the original to the final budget. Budgeted expenditures and other financing uses increased \$105,861 from the original to the final budget.

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand the City as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and statement of activities provide information about the activities of the City as a whole, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

CITY OF DEFIANCE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014 (UNAUDITED)

Reporting the City as a Whole

Statement of Net Position and Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did the City do financially during 2014?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's net position and changes in net position. This change in net position is important because it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required community programs and other factors.

In the statement of net position and the statement of activities, the City is divided into two distinct kinds of activities:

Governmental activities - Most of the City's programs and services are reported here including police, fire and rescue, street maintenance, capital improvements, and general administration. These services are funded primarily by property and income taxes and intergovernmental revenues including federal and State grants and other shared revenues.

Business-type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The City's sewer, water, refuse, and utility deposits operations are reported here.

The City's statement of net position and statement of activities can be found on pages 17-19 of this report.

Reporting the City's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The analysis of the City's major governmental funds and proprietary funds begins on page 10.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

CITY OF DEFIANCE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014 (UNAUDITED)

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, the police and fire fund, and the capital improvements fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 20-25 of this report.

Proprietary Funds

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sewer, water, refuse, and utility deposits management functions. The City's major enterprise funds are the sewer fund and the water fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The basic proprietary fund financial statements can be found on pages 26-29 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency funds are the City's only fiduciary fund type. The basic fiduciary fund financial statement can be found on page 30 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 31-69 of this report.

CITY OF DEFIANCE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)**

Government-Wide Financial Analysis

The statement of net position provides the perspective of the City as a whole. The table below provides a summary of the City's net position at December 31, 2014 and December 31, 2013.

	Net Position					
	Governmental Activities 2014	Business-type Activities 2014	Governmental Activities 2013	Business-type Activities 2013	2014 Total	2013 Total
<u>Assets</u>						
Current and other assets	\$ 11,383,833	\$ 9,057,509	\$ 10,304,598	\$ 8,952,431	\$ 20,441,342	\$ 19,257,029
Capital assets, net	20,471,136	69,031,486	20,623,265	66,128,273	89,502,622	86,751,538
Total assets	<u>31,854,969</u>	<u>78,088,995</u>	<u>30,927,863</u>	<u>75,080,704</u>	<u>109,943,964</u>	<u>106,008,567</u>
<u>Deferred Outflows of Resources</u>	-	237,006	-	266,708	237,006	266,708
<u>Liabilities</u>						
Long-term liabilities outstanding	6,616,065	41,580,592	6,646,499	43,795,852	48,196,657	50,442,351
Other liabilities	975,395	1,969,355	1,090,810	2,201,274	2,944,750	3,292,084
Total liabilities	<u>7,591,460</u>	<u>43,549,947</u>	<u>7,737,309</u>	<u>45,997,126</u>	<u>51,141,407</u>	<u>53,734,435</u>
<u>Deferred Inflows of Resources</u>	748,800	-	705,800	-	748,800	705,800
<u>Net Position</u>						
Net investment in capital assets	14,422,564	26,579,042	14,481,473	21,292,299	41,001,606	35,773,772
Restricted	4,970,039	-	4,648,746	-	4,970,039	4,648,746
Unrestricted	4,122,106	8,197,012	3,354,535	8,057,987	12,319,118	11,412,522
Total net position	<u>\$ 23,514,709</u>	<u>\$ 34,776,054</u>	<u>\$ 22,484,754</u>	<u>\$ 29,350,286</u>	<u>\$ 58,290,763</u>	<u>\$ 51,835,040</u>

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2014, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$58,290,763. At December 31, 2014, net position was \$23,514,709 and \$34,776,054 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's net position. At December 31, 2014, capital assets represented 81.41% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, improvements other than buildings, equipment, vehicles, and infrastructure. Capital assets of the governmental activities equaled 64.26% of total assets, while capital assets of the business-type activities represented 88.40% of total assets. The net investment in capital assets at December 31, 2014 was \$14,422,564 and \$26,579,042 in governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of December 31, 2014, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental activities and business-type activities.

A portion of the City's net position, \$4,970,039, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net position of \$4,122,106 may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF DEFIANCE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)**

The table below shows the changes in net position for 2014 and 2013.

			Change in Net Position		2014 Total	2013 Total
	Governmental	Business-type	Governmental	Business-type		
	Activities 2014	Activities 2014	Activities 2013	Activities 2013		
Revenues:						
Program revenues:						
Charges for services and sales	\$ 1,850,650	\$ 13,550,513	\$ 1,933,615	\$ 13,038,711	\$ 15,401,163	\$ 14,972,326
Operating grants and contributions	1,613,806	-	1,420,889	-	1,613,806	1,420,889
Capital grants and contributions	475,707	414,190	982,639	158,860	889,897	1,141,499
Total program revenues	3,940,163	13,964,703	4,337,143	13,197,571	17,904,866	17,534,714
General revenues:						
Property taxes	1,059,711	-	962,313	-	1,059,711	962,313
Income taxes	9,032,625	-	7,196,097	-	9,032,625	7,196,097
Unrestricted grants and entitlements	387,599	-	524,815	-	387,599	524,815
Investment earnings	5,153	37,063	32,216	30,295	42,216	62,511
Payment in lieu of taxes	-	-	67,034	-	-	67,034
Miscellaneous	431,790	63,592	247,289	107,946	495,382	355,235
Total general revenues	10,916,878	100,655	9,029,764	138,241	11,017,533	9,168,005
Total revenues	14,857,041	14,065,358	13,366,907	13,335,812	28,922,399	26,702,719
Expenses:						
General government	2,943,207	-	3,154,896	-	2,943,207	3,154,896
Security of persons and property	5,490,081	-	5,516,843	-	5,490,081	5,516,843
Public health and welfare	283,541	-	259,593	-	283,541	259,593
Transportation	1,726,774	-	2,070,218	-	1,726,774	2,070,218
Community environment	422,575	-	464,158	-	422,575	464,158
Leisure time activity	647,226	-	777,604	-	647,226	777,604
Economic development	458,031	-	681,350	-	458,031	681,350
Interest and fiscal charges	118,383	-	121,774	-	118,383	121,774
Water	-	4,448,309	-	5,068,496	4,448,309	5,068,496
Sewer	-	4,955,025	-	4,769,476	4,955,025	4,769,476
Other business-type activities	-	973,524	-	787,148	973,524	787,148
Total expenses	12,089,818	10,376,858	13,046,436	10,625,120	22,466,676	23,671,556
Change in net position before special items and transfers	2,767,223	3,688,500	320,471	2,710,692	6,455,723	3,031,163
Special item - legal settlement	-	-	-	337,710	-	337,710
Transfers	(1,737,268)	1,737,268	(58,555)	58,555	-	-
Change in net position	1,029,955	5,425,768	261,916	3,106,957	6,455,723	3,368,873
Net position, beginning of year	22,484,754	29,350,286	22,222,838	26,243,329	51,835,040	48,466,167
Net position, end of year	\$ 23,514,709	\$ 34,776,054	\$ 22,484,754	\$ 29,350,286	\$ 58,290,763	\$ 51,835,040

CITY OF DEFIANCE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)**

Governmental Activities

Governmental activities net position increased \$1,029,955 in 2014.

During 2014, the City began receiving income tax revenue attributable to the 0.3% income tax increase that was approved by voters in November of 2013. The income tax revenues resulting from this increase are intended for the operations of the police and fire departments, and are reported as income taxes levied for special purposes in the statement of activities.

Also during 2014, the City's governmental activities provided capital contributions in the amount of \$1,769,855 to business-type activities, which is reported as a component of transfers in the statement of activities.

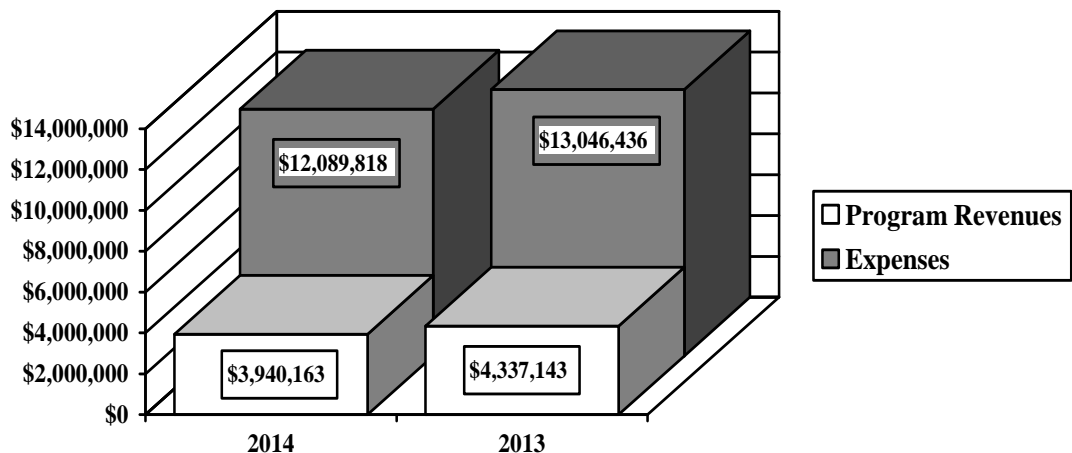
Security of persons and property, which primarily supports the operations of the police and fire departments, accounted for \$5,490,081 of the total expenses of the City. These expenses were partially funded by \$1,060,229 in direct charges to users of the services and \$179,907 in operating grants and contributions. Transportation expenses totaled \$1,726,774 in 2014. Transportation expenses were partially funded by \$1,023,951 in operating grants and contributions and \$65,281 in capital grants and contributions.

The State and federal government contributed to the City a total of \$1,613,806 in operating grants and contributions and \$475,707 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$49,484 subsidized general government operations and \$360,464 subsidized economic development programs. Of the total capital grants and contributions, \$410,426 subsidized public health and welfare activities.

General revenues totaled \$10,916,878 and amounted to 73.48% of total governmental activities revenue. These revenues primarily consist of property and income tax revenue totaling \$10,092,336. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government revenue and personal property tax reimbursements, making up \$387,599.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following shows, for governmental activities, the total cost of services and the net cost of services for 2014 and 2013. That is, it identifies the cost of these services supported by general revenues (such as tax revenue and unrestricted State grants and entitlements). The graph and table that follow illustrate the City's dependence upon general revenues, as program revenues are not sufficient to cover total governmental expenses.

Governmental Activities - Program Revenues vs. Total Expenses



CITY OF DEFIANCE, OHIO

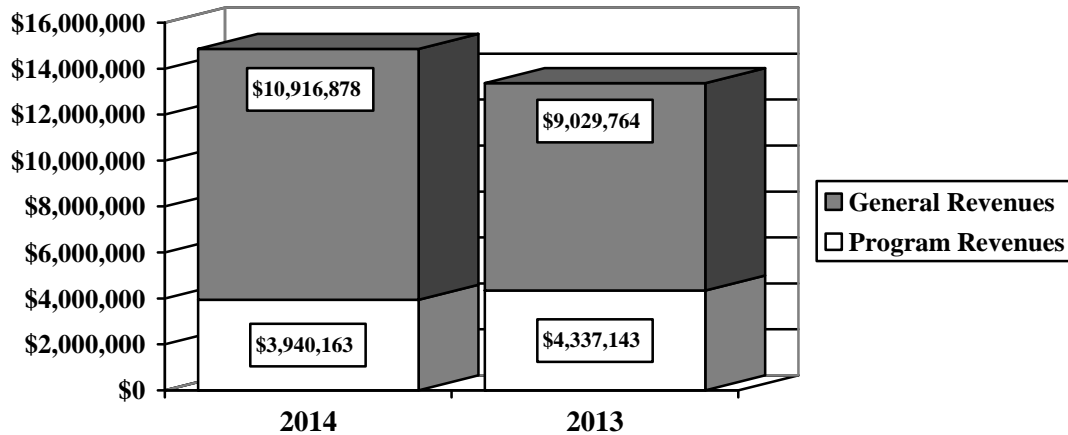
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)**

Governmental Activities

	Total Cost of Services <u>2014</u>	Net Cost of Services <u>2014</u>	Total Cost of Services <u>2013</u>	Net Cost of Services <u>2013</u>
Program Expenses:				
General government	\$ 2,943,207	\$ 2,450,903	\$ 3,154,896	\$ 2,598,887
Security of persons and property	5,490,081	4,249,945	5,516,843	4,163,442
Public health and welfare	283,541	(232,337)	259,593	190,190
Transportation	1,726,774	637,542	2,070,218	182,883
Community environment	422,575	324,054	464,158	387,710
Leisure time activity	647,226	632,161	777,604	760,875
Economic development	458,031	(30,996)	681,350	303,532
Interest and fiscal charges	<u>118,383</u>	<u>118,383</u>	<u>121,774</u>	<u>121,774</u>
Total	<u>\$ 12,089,818</u>	<u>\$ 8,149,655</u>	<u>\$ 13,046,436</u>	<u>\$ 8,709,293</u>

The dependence upon general revenues for governmental activities is apparent, with 67.41% of expenses supported through taxes and other general revenues.

Governmental Activities - General and Program Revenues



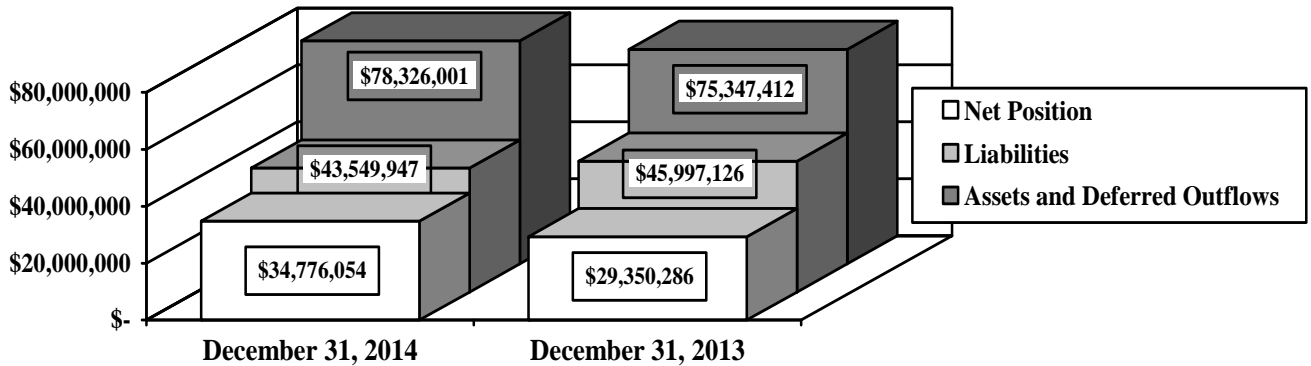
CITY OF DEFIANCE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)**

Business-type Activities

Business-type activities include the sewer, water, refuse, and utility deposit enterprise funds. These programs had program revenues of \$13,964,703, general revenues of \$100,655, transfers in of \$1,737,268, and expenses of \$10,376,858 in 2014. The graph below shows the business-type activities assets and deferred outflows of resources, liabilities, and net position at December 31, 2014 and December 31, 2013.

Net Position of Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

The fund balances of the City were restated at December 31, 2013 as described in Note 3.A to the basic financial statements. The City's governmental funds reported a combined fund balance of \$8,096,751, which is a \$1,136,113 increase from last year's total restated balance of \$6,960,638. The table below indicates the fund balances and the total change in fund balances as of December 31, 2014 and December 31, 2013 for all major and nonmajor governmental funds.

	Fund Balances <u>December 31, 2014</u>	(Restated) Fund Balances (Deficit) <u>December 31, 2013</u>	Increase/ (Decrease)
Major funds:			
General	\$ 2,621,157	\$ 1,839,700	\$ 781,457
Police and fire	132,706	(498,051)	630,757
Capital improvements	807,354	1,159,145	(351,791)
Nonmajor governmental funds	<u>4,535,534</u>	<u>4,459,844</u>	<u>75,690</u>
Total	<u>\$ 8,096,751</u>	<u>\$ 6,960,638</u>	<u>\$ 1,136,113</u>

CITY OF DEFIANCE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)**

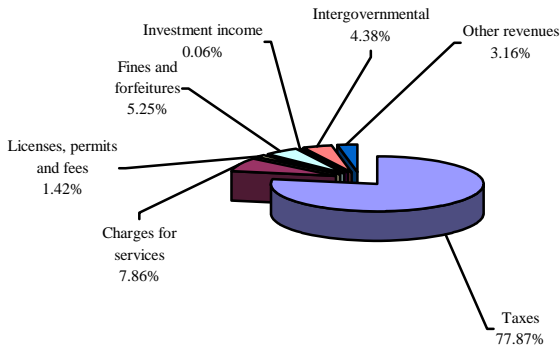
General Fund

The City's general fund balance increased \$781,457. The table that follows assists in illustrating the revenues of the general fund for 2014 and 2013.

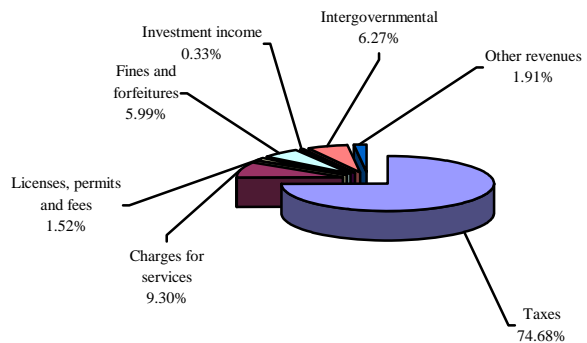
	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 6,711,985	\$ 6,041,456	\$ 670,529	11.10 %
Charges for services	677,255	752,713	(75,458)	(10.02) %
Licenses, permits and fees	121,994	122,671	(677)	(0.55) %
Fines and forfeitures	452,665	484,496	(31,831)	(6.57) %
Investment income	5,497	27,040	(21,543)	(79.67) %
Intergovernmental	377,082	507,587	(130,505)	(25.71) %
Other	<u>272,322</u>	<u>154,146</u>	<u>118,176</u>	76.66 %
Total	<u>\$ 8,618,800</u>	<u>\$ 8,090,109</u>	<u>\$ 528,691</u>	6.54 %

Overall revenues of the general fund increased \$528,691 or 6.54%. Taxes increased \$670,529 or 11.10% mainly due to an increase in income tax collections attributable to additional wages earned by the City's residents during 2014. Investment income decreased \$21,543 or 79.67% primarily due to a decline in the accrued interest available to the general fund at December 31, 2014 in comparison to December 31, 2013. Intergovernmental revenue decreased \$130,505 or 25.71% mainly due to the elimination of inheritance tax revenue during 2014. Other revenues increased \$118,176 or 76.66% primarily due to an increase in miscellaneous reimbursements received by the City in 2014. All other revenue classifications remained comparable to the prior year.

Revenues - 2014



Revenues - 2013



CITY OF DEFIANCE, OHIO

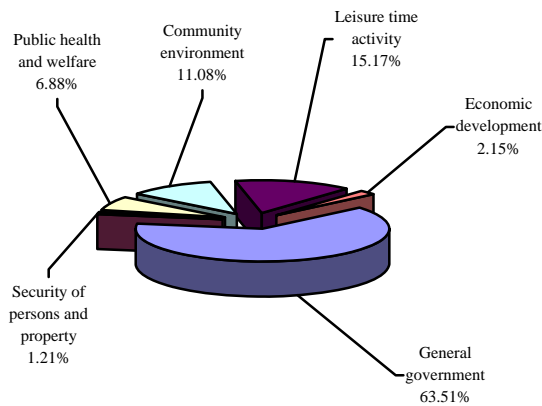
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)**

The fund balances of the City were restated at December 31, 2013 as described in Note 3.A to the basic financial statements. The table that follows assists in illustrating the expenditures of the general fund for 2014 and 2013.

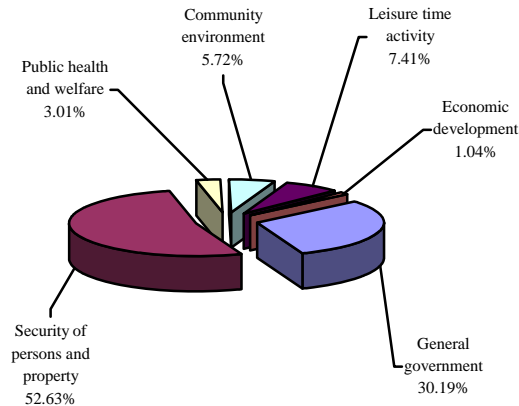
	2014 <u>Amount</u>	(Restated) 2013 <u>Amount</u>	Increase/ <u>(Decrease)</u>	Percentage <u>Change</u>
<u>Expenditures</u>				
General government	\$ 2,336,326	\$ 2,254,194	\$ 82,132	3.64 %
Security of persons and property	44,437	3,929,411	(3,884,974)	(98.87) %
Public health and welfare	252,955	224,443	28,512	12.70 %
Community environment	407,403	426,724	(19,321)	(4.53) %
Leisure time activity	557,923	552,903	5,020	0.91 %
Economic development	<u>79,136</u>	<u>77,822</u>	<u>1,314</u>	1.69 %
Total	<u>\$ 3,678,180</u>	<u>\$ 7,465,497</u>	<u>\$ (3,787,317)</u>	(50.73) %

Overall expenditures of the general fund decreased \$3,787,317 or 50.73%. Security of persons and property decreased \$3,884,974 or 98.87% due to the expenditures of the police and fire departments being reported within the new police and fire special revenue fund, as opposed to the general fund, during 2014. All other expenditure classifications remained comparable to the prior year.

Expenditures - 2014



Expenditures - 2013 (Restated)



Police and Fire Fund

The police and fire fund had revenues and other financing sources in the amount of \$5,060,824 in 2014, and expenditures totaling \$4,430,067. The net increase in fund balance for the police and fire fund was \$630,757. The expenditures of the police and fire fund were subsidized by income tax revenues of \$1,371,661, and transfers of \$3,689,163 from the general fund.

Capital Improvements Fund

The capital improvements fund had revenues and other financing sources of \$2,358,699 and expenditures of \$2,710,490 in 2014. The net decrease in fund balance for the capital improvements fund was \$351,791. This decrease in fund balance is mainly attributable to capital expenditures continuing to outpace the capital improvements fund revenues and other financing sources.

CITY OF DEFIANCE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)**

Budgeting Highlights

The City's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the City's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, the City's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity, then the appropriations can be adjusted accordingly.

Budgetary information is presented for the general fund and the police and fire fund. In the general fund, the actual revenues and other financing sources were \$8,659,739, which was \$715,457 greater than the final budgeted revenues and other financing sources of \$7,944,282. Original budgeted revenues and other financing sources were \$7,937,229, which is \$7,053 less than the final budgeted amounts. Actual expenditures and other financing uses were \$8,010,382, which was \$178,593 less than the final budgeted expenditures and other financing uses of \$8,188,975 due to the City's conservative budgeting practices. Original budgeted expenditures and other financing uses were \$8,083,114, which is \$105,861 less than the final budgeted amounts.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail. The only difference between the amounts reported as business-type activities and the amounts reported in the proprietary fund statements are interfund eliminations between proprietary funds and internal balances due to governmental activities for internal service fund activities. The only interfund activity reported in the government-wide statements are those between business-type activities and governmental activities (reported as internal balances and transfers), whereas interfund amounts between various enterprise funds are reported in the proprietary fund statements.

Capital Assets and Debt Administration

Capital Assets

At December 31, 2014, the City had \$89,502,622 (net of accumulated depreciation) invested in land, construction in progress, land improvements, buildings and improvements, improvements other than buildings, equipment, vehicles, and infrastructure. Of this total, \$20,471,136 was reported in governmental activities and \$69,031,486 was reported in business-type activities. The following table shows December 31, 2014 balances compared to December 31, 2013.

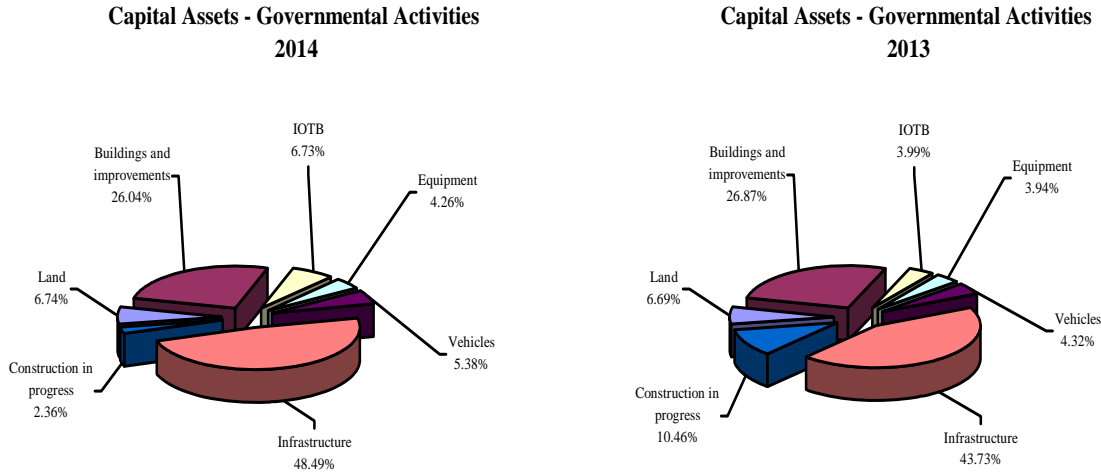
**Capital Assets at December 31
(Net of Accumulated Depreciation)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 1,378,358	\$ 1,378,358	\$ 359,741	\$ 359,741	\$ 1,738,099	\$ 1,738,099
Construction in progress	483,990	2,158,160	4,283,672	13,170,993	4,767,662	15,329,153
Land improvements	-	-	317,630	313,017	317,630	313,017
Buildings and improvements	5,330,903	5,542,117	17,114,999	17,634,588	22,445,902	23,176,705
IOTB	1,377,783	821,891	-	-	1,377,783	821,891
Equipment	871,509	813,165	1,530,709	1,278,880	2,402,218	2,092,045
Vehicles	1,101,459	891,802	448,747	440,855	1,550,206	1,332,657
Infrastructure	9,927,134	9,017,772	44,975,988	32,930,199	54,903,122	41,947,971
Totals	\$ 20,471,136	\$ 20,623,265	\$ 69,031,486	\$ 66,128,273	\$ 89,502,622	\$ 86,751,538

CITY OF DEFIANCE, OHIO

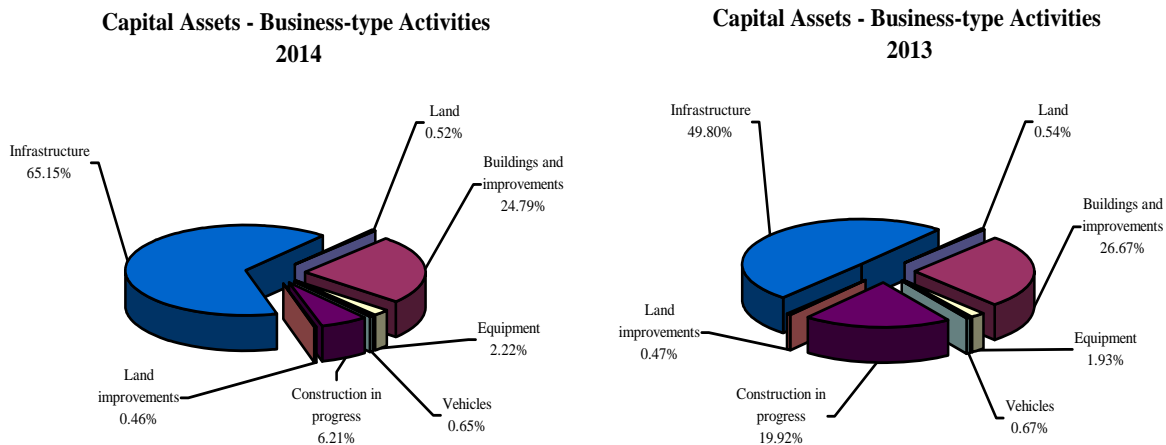
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)**

The following graphs show the breakdown of governmental activities capital assets by category at December 31, 2014 and December 31, 2013.



The infrastructure capital asset category includes roads, bridges, culverts, sidewalks, and curbs. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 48.49% of the City's total governmental activities capital assets at December 31, 2014.

The following graphs show the breakdown of business-type activities capital assets by category at December 31, 2014 and December 31, 2013.



The City's largest business-type activities capital asset category is infrastructure, which primarily includes sewer lines and water lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 65.15% of the City's total business-type activities capital assets at December 31, 2014.

See Note 9 for additional detail on the City's capital assets.

CITY OF DEFIANCE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)**

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2014 and December 31, 2013.

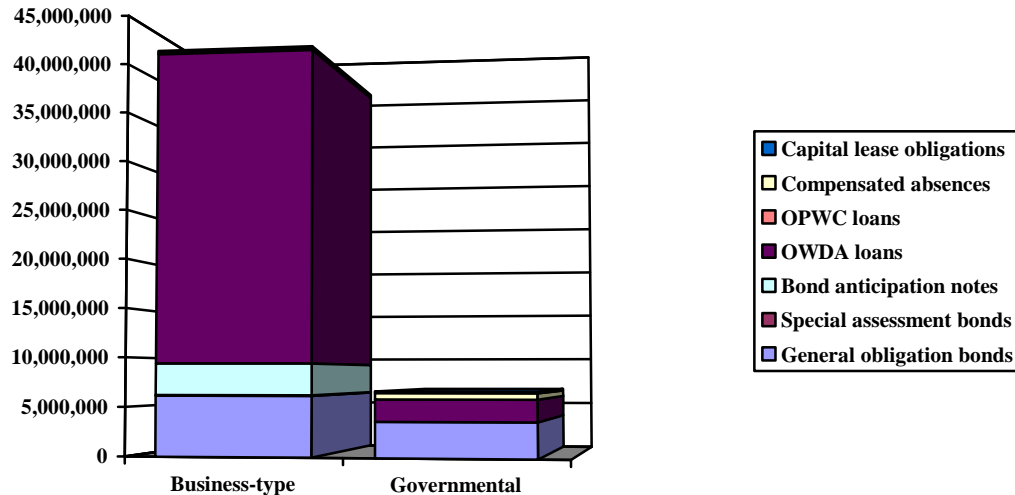
	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
General obligation bonds	\$ 3,585,000	\$ 3,755,000
Special assessment bonds	-	13,043
OWDA loans	2,214,437	2,220,458
Capital lease obligations	165,051	-
Compensated absences	<u>615,892</u>	<u>620,189</u>
Total long-term obligations	<u>\$ 6,580,380</u>	<u>\$ 6,608,690</u>

	<u>Business-type Activities</u>	
	<u>2014</u>	<u>2013</u>
General obligation bonds	\$ 6,140,000	\$ 6,795,000
Special assessment bonds	62,672	71,222
OWDA loans	31,533,115	32,532,365
OPWC loans	217,232	289,420
Bond anticipation notes	3,139,000	3,574,000
Compensated absences	<u>151,478</u>	<u>153,508</u>
Total long-term obligations	<u>\$ 41,243,497</u>	<u>\$ 43,415,515</u>

See Note 12 for additional detail on the City's debt administration.

A comparison of the long-term obligations by category is depicted in the graph below.

Long-term Obligations at December 31, 2014



CITY OF DEFIANCE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014 (UNAUDITED)

Economic Factors and Next Year's Budget

The following economic factors currently affect the City of Defiance, and were considered in developing the City's 2015 budget:

- During 2014, the City began collecting on its new 1.8% income tax rate, which represented a 20% increase over the previous rate of 1.5%. Actual collections produced a 30.8% increase over 2013, which equated to a 12.8% "real growth" rate (had the new rate not been in effect). The new growth was attributable to a significant increase in corporate profits and an improved job climate.
- The local unemployment rate in December of 2014 was 4.2%, compared to 7.2% in the previous December.
- In the final year of a five-year rate plan, sewer and water rates will be increased 4% in 2015. A new rate study will be conducted in 2015 for the next five-year period (2016 through 2020).
- City health insurance premiums were scheduled to increase nearly 30% in 2015 (on top of a 25% increase in 2014). Negotiated changes to employee benefit levels successfully reduced the scheduled 2015 increase to 15.6%, saving approximately \$340,000.
- Wage increases for AFSCME and non-bargaining unit employees were budgeted at 2.75% for 2015. At the time of budget passage, the City was still negotiating contracts for 2015 through 2017 with the police and fire bargaining units.
- Interest rates on investments remained very low in 2014 (weighted average yield of 0.69% at year end), but they did improve over the previous year by shifting portions of the City's portfolio into longer term investments (weighted average maturity went from 254 days to 492 days at year end).

In 2014, the local economy appeared to make significant strides. Income tax revenues reflected the City's first signs of substantial growth since 2006, and low unemployment numbers supported that growth. Evidence of a thriving retail sector was supported by numerous new and expanded retail establishments, and an annual increase in county sales tax proceeds. The City remains committed to economic development; and increasing the employment base, especially in manufacturing and professional service industries, remains one of its highest priorities.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Defiance, 631 Perry Street, Defiance, Ohio 43512.

CITY OF DEFIANCE, OHIO

STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 6,410,089	\$ 8,022,880	\$ 14,432,969
Cash in segregated accounts.	12,849	-	12,849
Investments.	62,672	-	62,672
Receivables (net of allowance for uncollectibles):			
Income taxes	1,471,907	-	1,471,907
Property and other local taxes	885,783	-	885,783
Accounts	478,795	543,362	1,022,157
Loans receivable	1,170,584	-	1,170,584
Special assessments	167,425	31,790	199,215
Accrued interest	3,369	6,973	10,342
Due from other governments	629,141	-	629,141
Materials and supplies inventory	47,100	78,907	126,007
Internal balance.	44,119	(44,119)	-
Restricted assets:			
Equity in pooled cash and cash equivalents	-	342,992	342,992
Cash in segregated accounts	-	74,724	74,724
Capital assets:			
Land and construction in progress.	1,862,348	4,643,413	6,505,761
Depreciable capital assets, net	18,608,788	64,388,073	82,996,861
Total capital assets, net	20,471,136	69,031,486	89,502,622
Total assets	31,854,969	78,088,995	109,943,964
Deferred outflows of resources:			
Unamortized deferred charges on debt refunding	-	237,006	237,006
Liabilities:			
Accounts payable	313,470	147,649	461,119
Contracts payable.	48,399	50,336	98,735
Accrued wages and benefits payable	275,364	101,368	376,732
Due to other governments	299,792	80,334	380,126
Due to claimants	28,690	-	28,690
Accrued interest payable	9,680	36,676	46,356
Payable from restricted assets:			
Refundable deposits.	-	342,992	342,992
Bond anticipation notes payable	-	1,210,000	1,210,000
Long-term liabilities:			
Due within one year	472,222	5,603,119	6,075,341
Due in more than one year	6,143,843	35,977,473	42,121,316
Total liabilities	7,591,460	43,549,947	51,141,407
Deferred inflows of resources:			
Property taxes levied for the next year	748,800	-	748,800
Net position:			
Net investment in capital assets	14,422,564	26,579,042	41,001,606
Restricted for:			
Capital projects	48,399	-	48,399
Debt service	714,360	-	714,360
Transportation projects	892,276	-	892,276
Safety projects	506,120	-	506,120
Special projects	315,471	-	315,471
Community environment projects	16,832	-	16,832
Economic development projects.	2,214,522	-	2,214,522
Health projects.	526	-	526
Other purposes.	261,533	-	261,533
Unrestricted	4,122,106	8,197,012	12,319,118
Total net position	\$ 23,514,709	\$ 34,776,054	\$ 58,290,763

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF DEFIANCE, OHIO

STATEMENT OF ACTIVITIES
DECEMBER 31, 2014

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 2,943,207	\$ 442,820	\$ 49,484	\$ -
Security of persons and property.	5,490,081	1,060,229	179,907	-
Public health and welfare.	283,541	105,452	-	410,426
Transportation	1,726,774	-	1,023,951	65,281
Community environment	422,575	98,521	-	-
Leisure time activity	647,226	15,065	-	-
Economic development.	458,031	128,563	360,464	-
Interest and fiscal charges	118,383	-	-	-
Total governmental activities.	<u>12,089,818</u>	<u>1,850,650</u>	<u>1,613,806</u>	<u>475,707</u>
Business-type activities:				
Sewer	4,955,025	6,842,532	-	134,310
Water	4,448,309	5,800,439	-	279,880
Other business-type activities:				
Refuse	973,524	907,542	-	-
Total business-type activities	<u>10,376,858</u>	<u>13,550,513</u>	<u>-</u>	<u>414,190</u>
Total primary government	<u>\$ 22,466,676</u>	<u>\$ 15,401,163</u>	<u>\$ 1,613,806</u>	<u>\$ 889,897</u>

General revenues:

Income taxes levied for:	
General purposes.	
Special purposes	
Capital purposes	
Property taxes levied for:	
General purposes.	
Special purposes	
Grants and entitlements not restricted to specific programs	
Investment earnings	
Miscellaneous	
Total general revenues.	
Transfers	
Total general revenues and transfers	
Change in net position	
Net position at beginning of year	
Net position at end of year	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (2,450,903)	\$ -	\$ (2,450,903)
(4,249,945)	-	(4,249,945)
232,337	-	232,337
(637,542)	-	(637,542)
(324,054)	-	(324,054)
(632,161)	-	(632,161)
30,996	-	30,996
(118,383)	-	(118,383)
<u>(8,149,655)</u>	<u>-</u>	<u>(8,149,655)</u>
-	2,021,817	2,021,817
-	1,632,010	1,632,010
-	(65,982)	(65,982)
<u>-</u>	<u>3,587,845</u>	<u>3,587,845</u>
<u>(8,149,655)</u>	<u>3,587,845</u>	<u>(4,561,810)</u>
6,015,181	-	6,015,181
1,495,912	-	1,495,912
1,521,532	-	1,521,532
620,421	-	620,421
439,290	-	439,290
387,599	-	387,599
5,153	37,063	42,216
431,790	63,592	495,382
<u>10,916,878</u>	<u>100,655</u>	<u>11,017,533</u>
<u>(1,737,268)</u>	<u>1,737,268</u>	<u>-</u>
<u>9,179,610</u>	<u>1,837,923</u>	<u>11,017,533</u>
1,029,955	5,425,768	6,455,723
<u>22,484,754</u>	<u>29,350,286</u>	<u>51,835,040</u>
<u>\$ 23,514,709</u>	<u>\$ 34,776,054</u>	<u>\$ 58,290,763</u>

CITY OF DEFIANCE, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	General	Police and Fire	Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and cash equivalents.	\$ 1,902,138	\$ 312,544	\$ 720,158	\$ 3,218,137	\$ 6,152,977
Cash in segregated accounts.	-	-	-	12,849	12,849
Investments	62,672	-	-	-	62,672
Receivables (net of allowance for uncollectibles):					
Income taxes	977,052	245,367	245,367	4,121	1,471,907
Property and other local taxes	645,511	-	-	240,272	885,783
Accounts	283,849	-	20,091	70,435	374,375
Loans receivable	-	-	-	1,170,584	1,170,584
Special assessments	-	-	-	167,425	167,425
Accrued interest	1,891	-	-	1,227	3,118
Due from other governments.	196,010	-	3,503	429,628	629,141
Materials and supplies inventory.	-	-	-	47,100	47,100
Total assets.	\$ 4,069,123	\$ 557,911	\$ 989,119	\$ 5,361,778	\$ 10,977,931
Liabilities:					
Accounts payable	\$ 134,164	\$ 12,869	\$ 34,657	\$ 127,930	\$ 309,620
Contracts payable	-	-	48,399	-	48,399
Accrued wages and benefits payable.	96,977	154,147	-	24,240	275,364
Due to other governments	83,784	159,480	-	56,503	299,767
Due to claimants	28,690	-	-	-	28,690
Total liabilities.	343,615	326,496	83,056	208,673	961,840
Deferred inflows of resources:					
Property taxes levied for the next year.	579,000	-	-	169,800	748,800
Delinquent property tax revenue not available.	63,370	-	-	-	63,370
Accrued interest not available	1,891	-	-	1,227	3,118
Special assessments revenue not available.	-	-	-	167,425	167,425
Income tax revenue not available	323,012	98,709	98,709	1,658	522,088
Intergovernmental revenue not available	136,698	-	-	277,461	414,159
Other revenue not available	380	-	-	-	380
Total deferred inflows of resources	1,104,351	98,709	98,709	617,571	1,919,340
Fund balances:					
Nonspendable	1,414	-	-	47,100	48,514
Restricted	-	132,706	-	4,519,050	4,651,756
Committed.	-	-	807,354	60,050	867,404
Assigned.	81,324	-	-	-	81,324
Unassigned (deficit).	2,538,419	-	-	(90,666)	2,447,753
Total fund balances.	2,621,157	132,706	807,354	4,535,534	8,096,751
Total liabilities, deferred inflows of resources and fund balances	\$ 4,069,123	\$ 557,911	\$ 989,119	\$ 5,361,778	\$ 10,977,931

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF DEFIANCE, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2014

Total governmental fund balances	\$	8,096,751
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		20,471,136
Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflows of resources in the funds.		
Income taxes receivable	\$ 522,088	
Property and other local taxes receivable	63,370	
Accounts receivable	380	
Special assessments receivable	167,425	
Intergovernmental receivable	414,159	
Accrued interest receivable	3,118	
Total	1,170,540	1,170,540
An internal service fund is used by management to charge the costs of health care to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position. The net position of the internal service fund, including an internal balance of \$(44,119), is:		402,027
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(9,680)
Unamortized premiums on bond issuances are not recognized in the funds.		(35,685)
Long-term liabilities, including bonds payable, loans payable, and compensated absences payable are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds payable	(3,585,000)	
OWDA loans payable	(2,214,437)	
Capital lease obligations payable	(165,051)	
Compensated absences payable	(615,892)	
Total	(6,580,380)	(6,580,380)
Net position of governmental activities	\$	<u>23,514,709</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF DEFIANCE, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	General	Police and Fire	Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Income taxes.	\$ 6,119,385	\$ 1,371,661	\$ 1,543,069	\$ 25,868	\$ 9,059,983
Property and other local taxes.	592,600	-	-	439,290	1,031,890
Charges for services.	677,255	-	-	-	677,255
Licenses, permits and fees.	121,994	-	-	181,819	303,813
Fines and forfeitures.	452,665	-	-	288,354	741,019
Intergovernmental	377,082	-	475,707	1,494,148	2,346,937
Special assessments	-	-	-	34,246	34,246
Investment income.	5,497	-	-	52,067	57,564
Donations	1,500	-	-	50,843	52,343
Other.	270,822	-	32,311	126,777	429,910
Total revenues	8,618,800	1,371,661	2,051,087	2,693,412	14,734,960
Expenditures:					
Current:					
General government	2,336,326	-	-	508,734	2,845,060
Security of persons and property.	44,437	4,430,067	-	1,031,283	5,505,787
Public health and welfare	252,955	-	-	-	252,955
Transportation	-	-	-	873,971	873,971
Community environment.	407,403	-	-	-	407,403
Leisure time activity	557,923	-	-	-	557,923
Economic development	79,136	-	-	412,966	492,102
Capital outlay	-	-	2,537,801	13,569	2,551,370
Debt service:					
Principal retirement	-	-	51,839	279,786	331,625
Interest and fiscal charges.	-	-	120,850	-	120,850
Total expenditures.	3,678,180	4,430,067	2,710,490	3,120,309	13,939,046
Excess (deficiency) of revenues over (under) expenditures	4,940,620	(3,058,406)	(659,403)	(426,897)	795,914
Other financing sources (uses):					
Capital lease transaction	-	-	196,890	-	196,890
Transfers in	-	3,689,163	-	511,137	4,200,300
Transfers (out).	(4,159,163)	-	-	(8,550)	(4,167,713)
Issuance of loans	-	-	110,722	-	110,722
Total other financing sources (uses).	(4,159,163)	3,689,163	307,612	502,587	340,199
Net change in fund balances.	781,457	630,757	(351,791)	75,690	1,136,113
Fund balances (deficit) at					
beginning of year (restated)	1,839,700	(498,051)	1,159,145	4,459,844	6,960,638
Fund balances at end of year.	\$ 2,621,157	\$ 132,706	\$ 807,354	\$ 4,535,534	\$ 8,096,751

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF DEFIANCE, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2014

Net change in fund balances - total governmental funds	\$	1,136,113
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.		
Capital asset additions	\$ 1,314,436	
Current year depreciation	<u>(1,336,576)</u>	
Total		(22,140)
The net effect of various transactions involving capital assets is to decrease net position.		
		(129,989)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income tax revenue	(27,358)	
Property and other local tax revenue	27,821	
Special assessments revenue	94,317	
Intergovernmental revenue	26,739	
Investment income	(972)	
Other revenue	<u>380</u>	
Total		120,927
The issuance of loans and capital lease transactions are reported as other financing sources in the governmental funds; however, in the statement of activities they are not reported as revenues as they increase the liabilities on the statement of net position.		
		(307,612)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		331,625
In the statement of activities, interest is accrued on outstanding bonds, whereas, in the governmental funds, an interest expenditure is reported when due. The following items resulted in less interest being reported in the statement of activities.		
Decrease in accrued interest payable	343	
Amortization of bond premium	<u>2,124</u>	
Total		2,467
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(17,899)
The internal service fund used by management to charge the costs of health care to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund, including internal balance activity of \$(65,804), is allocated among the governmental activities.		
		<u>(83,537)</u>
Change in net position of governmental activities	\$	<u>1,029,955</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF DEFIANCE, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Income taxes	\$ 5,600,539	\$ 5,605,515	\$ 6,110,345	\$ 504,830
Property and other local taxes	542,073	542,555	591,417	48,862
Charges for services	637,771	638,338	695,826	57,488
Licenses, permits and fees	111,816	111,915	121,994	10,079
Fines and forfeitures	415,816	416,186	453,667	37,481
Intergovernmental	344,809	345,115	376,196	31,081
Investment income	16,946	16,961	18,489	1,528
Donations	1,375	1,376	1,500	124
Other.	256,084	256,312	279,395	23,083
Total revenues	<u>7,927,229</u>	<u>7,934,273</u>	<u>8,648,829</u>	<u>714,556</u>
Expenditures:				
Current:				
General government.	2,531,848	2,585,743	2,462,186	123,557
Security of persons and property	78,744	68,160	55,345	12,815
Public health and welfare.	220,828	262,462	259,963	2,499
Community environment	410,726	432,056	418,690	13,366
Leisure time activity	593,688	590,174	575,719	14,455
Economic development	88,117	91,217	79,316	11,901
Total expenditures	<u>3,923,951</u>	<u>4,029,812</u>	<u>3,851,219</u>	<u>178,593</u>
Excess of revenues over expenditures	<u>4,003,278</u>	<u>3,904,461</u>	<u>4,797,610</u>	<u>893,149</u>
Other financing sources (uses):				
Sale of capital assets	10,000	10,009	10,910	901
Transfers (out)	(4,159,163)	(4,159,163)	(4,159,163)	-
Total other financing sources (uses)	<u>(4,149,163)</u>	<u>(4,149,154)</u>	<u>(4,148,253)</u>	<u>901</u>
Net change in fund balances	(145,885)	(244,693)	649,357	894,050
Fund balances at beginning of year.	926,053	926,053	926,053	-
Prior year encumbrances appropriated.	233,549	233,549	233,549	-
Fund balance at end of year.	<u>\$ 1,013,717</u>	<u>\$ 914,909</u>	<u>\$ 1,808,959</u>	<u>\$ 894,050</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF DEFIANCE, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 POLICE AND FIRE FUND
 DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Income taxes	\$ 1,277,299	\$ 1,227,031	\$ 1,225,003	\$ (2,028)
Total revenues	<u>1,277,299</u>	<u>1,227,031</u>	<u>1,225,003</u>	<u>(2,028)</u>
Expenditures:				
Current:				
Security of persons and property	5,123,953	4,927,303	4,622,288	305,015
Total expenditures	<u>5,123,953</u>	<u>4,927,303</u>	<u>4,622,288</u>	<u>305,015</u>
Excess of expenditures over revenues	<u>(3,846,654)</u>	<u>(3,700,272)</u>	<u>(3,397,285)</u>	<u>302,987</u>
Other financing sources:				
Transfers in	3,846,654	3,695,272	3,689,163	(6,109)
Total other financing sources	<u>3,846,654</u>	<u>3,695,272</u>	<u>3,689,163</u>	<u>(6,109)</u>
Net change in fund balances	-	(5,000)	291,878	296,878
Fund balances at beginning of year.	-	-	-	-
Fund balance (deficit) at end of year	<u>\$ -</u>	<u>\$ (5,000)</u>	<u>\$ 291,878</u>	<u>\$ 296,878</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF DEFIANCE, OHIO

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2014

	<u>Business-type Activities - Enterprise Funds</u>				<u>Governmental Activities - Internal Fund</u>
	<u>Sewer</u>	<u>Water</u>	<u>Nonmajor</u>	<u>Total</u>	
Assets:					
Current assets:					
Equity in pooled cash and cash equivalents . . .	\$ 4,289,168	\$ 3,189,640	\$ 544,072	\$ 8,022,880	\$ 257,112
Receivables (net of allowance for uncollectibles):					
Accounts	275,996	210,405	56,961	543,362	104,420
Accrued interest	4,024	2,949	-	6,973	251
Special assessments	-	31,790	-	31,790	-
Materials and supplies inventory	12,915	65,992	-	78,907	-
Total current assets	<u>4,582,103</u>	<u>3,500,776</u>	<u>601,033</u>	<u>8,683,912</u>	<u>361,783</u>
Noncurrent assets:					
Restricted equity in pooled cash and cash equivalents	-	-	342,992	342,992	-
Restricted cash in segregated accounts	-	-	74,724	74,724	-
Capital assets:					
Land and construction in progress	3,585,548	1,057,865	-	4,643,413	-
Depreciable capital assets, net	<u>41,718,857</u>	<u>22,669,216</u>	<u>-</u>	<u>64,388,073</u>	<u>-</u>
Total capital assets, net	<u>45,304,405</u>	<u>23,727,081</u>	<u>-</u>	<u>69,031,486</u>	<u>-</u>
Total noncurrent assets	<u>45,304,405</u>	<u>23,727,081</u>	<u>417,716</u>	<u>69,449,202</u>	<u>-</u>
Total assets	<u>49,886,508</u>	<u>27,227,857</u>	<u>1,018,749</u>	<u>78,133,114</u>	<u>361,783</u>
Deferred outflows of resources:					
Unamortized deferred charges on refunding	-	237,006	-	237,006	-
Liabilities:					
Current liabilities:					
Accounts payable	88,351	59,298	-	147,649	3,850
Contracts payable	24,005	26,331	-	50,336	-
Accrued wages and benefits payable	47,102	54,266	-	101,368	-
Due to other governments	38,347	41,987	-	80,334	25
Accrued interest payable	11,186	25,490	-	36,676	-
Payable from restricted assets:					
Refundable deposits	-	-	342,992	342,992	-
Bond anticipation notes payable	4,349,000	-	-	4,349,000	-
Compensated absences payable - current	42,655	53,558	-	96,213	-
General obligation bonds payable - current	-	690,000	-	690,000	-
Special assessment bonds payable - current	9,041	-	-	9,041	-
OWDA loans payable - current	1,429,152	178,142	-	1,607,294	-
OPWC loans payable - current	<u>10,710</u>	<u>50,861</u>	<u>-</u>	<u>61,571</u>	<u>-</u>
Total current liabilities	<u>6,049,549</u>	<u>1,179,933</u>	<u>342,992</u>	<u>7,572,474</u>	<u>3,875</u>
Long-term liabilities:					
Compensated absences payable	13,192	42,073	-	55,265	-
General obligation bonds payable	-	5,787,095	-	5,787,095	-
Special assessment bonds payable	53,631	-	-	53,631	-
OWDA loans payable	23,694,006	6,231,815	-	29,925,821	-
OPWC loans payable	<u>48,193</u>	<u>107,468</u>	<u>-</u>	<u>155,661</u>	<u>-</u>
Total noncurrent liabilities	<u>23,809,022</u>	<u>12,168,451</u>	<u>-</u>	<u>35,977,473</u>	<u>-</u>
Total liabilities	<u>29,858,571</u>	<u>13,348,384</u>	<u>342,992</u>	<u>43,549,947</u>	<u>3,875</u>
Net position:					
Net investment in capital assets	15,686,667	10,892,375	-	26,579,042	-
Unrestricted	<u>4,341,270</u>	<u>3,224,104</u>	<u>675,757</u>	<u>8,241,131</u>	<u>357,908</u>
Total net position	<u>\$ 20,027,937</u>	<u>\$ 14,116,479</u>	<u>\$ 675,757</u>	<u>34,820,173</u>	<u>\$ 357,908</u>
Adjustment to reflect the consolidation of the internal service fund activities related to enterprise funds.				(44,119)	
Net position of business-type activities.				<u>\$ 34,776,054</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF DEFIANCE, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Fund
	Sewer	Water	Nonmajor	Total	
Operating revenues:					
Charges for services	\$ 6,842,532	\$ 5,791,888	\$ 907,542	\$ 13,541,962	\$ 2,281,325
Tap-in fees	-	8,551	-	8,551	-
Other	32,296	26,528	-	58,824	-
Total operating revenues	<u>6,874,828</u>	<u>5,826,967</u>	<u>907,542</u>	<u>13,609,337</u>	<u>2,281,325</u>
Operating expenses:					
Personal services	1,879,806	1,857,211	-	3,737,017	-
Contract services	321,011	198,131	-	519,142	-
Materials and supplies	324,975	802,683	-	1,127,658	-
Administrative costs	42,232	20,331	-	62,563	-
Utilities	251,172	171,030	973,524	1,395,726	-
Claims	-	-	-	-	2,431,820
Depreciation	1,123,239	774,034	-	1,897,273	-
Other	1,474	11,869	-	13,343	-
Total operating expenses	<u>3,943,909</u>	<u>3,835,289</u>	<u>973,524</u>	<u>8,752,722</u>	<u>2,431,820</u>
Operating income (loss)	<u>2,930,919</u>	<u>1,991,678</u>	<u>(65,982)</u>	<u>4,856,615</u>	<u>(150,495)</u>
Nonoperating revenues (expenses):					
Interest revenue	20,632	16,431	-	37,063	1,154
Gain (loss) on sale of capital assets	(91,069)	4,768	-	(86,301)	-
Interest and fiscal charges	(885,999)	(581,264)	-	(1,467,263)	-
Total nonoperating revenues (expenses)	<u>(956,436)</u>	<u>(560,065)</u>	<u>-</u>	<u>(1,516,501)</u>	<u>1,154</u>
Income (loss) before transfers and capital contributions	1,974,483	1,431,613	(65,982)	3,340,114	(149,341)
Transfers in	8,550	-	-	8,550	-
Transfers (out)	(41,137)	-	-	(41,137)	-
Capital contributions	1,899,033	285,012	-	2,184,045	-
Change in net position	3,840,929	1,716,625	(65,982)	5,491,572	(149,341)
Net position at beginning of year	<u>16,187,008</u>	<u>12,399,854</u>	<u>741,739</u>		<u>507,249</u>
Net position at end of year	<u>\$ 20,027,937</u>	<u>\$ 14,116,479</u>	<u>\$ 675,757</u>		<u>\$ 357,908</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				(65,804)	
Change in net position of business-type activities.				<u>\$ 5,425,768</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF DEFIANCE, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 DECEMBER 31, 2014

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Fund
	Sewer	Water	Nonmajor	Total	
Cash flows from operating activities:					
Cash received from charges for services	\$ 6,859,023	\$ 5,812,167	\$ 1,006,588	\$ 13,677,778	\$ 2,250,165
Cash received from tap-in fees	-	8,551	-	8,551	-
Cash received from other operations	32,725	40,685	-	73,410	-
Cash payments for personal services	(1,894,227)	(1,905,835)	-	(3,800,062)	-
Cash payments for contractual services	(303,557)	(157,303)	-	(460,860)	-
Cash payments for administrative costs	(42,430)	(20,226)	-	(62,656)	-
Cash payments for materials and supplies	(300,637)	(837,907)	-	(1,138,544)	-
Cash payments for claims	-	-	-	-	(2,427,945)
Cash payments for utilities	(272,204)	(171,108)	(973,524)	(1,416,836)	-
Cash payments for other operations	(1,474)	(12,534)	(4,976)	(18,984)	-
Net cash provided by (used in) operating activities	<u>4,077,219</u>	<u>2,756,490</u>	<u>28,088</u>	<u>6,861,797</u>	<u>(177,780)</u>
Cash flows from noncapital financing activities:					
Cash received from transfers in	8,550	-	-	8,550	-
Cash payments for transfers out	(41,137)	-	-	(41,137)	-
Net cash used in noncapital financing activities	<u>(32,587)</u>	<u>-</u>	<u>-</u>	<u>(32,587)</u>	<u>-</u>
Cash flows from capital and related financing activities:					
Cash received from sale of capital assets	60,333	4,768	-	65,101	-
Cash payments for the acquisition of capital assets	(1,296,143)	(2,071,166)	-	(3,367,309)	-
Cash received from issuance of loans	617,821	-	-	617,821	-
Cash received from issuance of notes	4,349,000	-	-	4,349,000	-
Cash payments for principal retirement	(6,314,257)	(887,552)	-	(7,201,809)	-
Cash payments for interest and fiscal charges	(924,004)	(602,250)	-	(1,526,254)	-
Cash received from capital contributions	134,310	279,880	-	414,190	-
Net cash used in capital and related financing activities	<u>(3,372,940)</u>	<u>(3,276,320)</u>	<u>-</u>	<u>(6,649,260)</u>	<u>-</u>
Cash flows from investing activities:					
Cash received from interest earned	22,834	18,944	-	41,778	1,555
Net cash provided by investing activities	<u>22,834</u>	<u>18,944</u>	<u>-</u>	<u>41,778</u>	<u>1,555</u>
Net increase (decrease) in cash and cash equivalents	694,526	(500,886)	28,088	221,728	(176,225)
Cash and cash equivalents at beginning of year	3,594,642	3,690,526	933,700	8,218,868	433,337
Cash and cash equivalents at end of year	<u>\$ 4,289,168</u>	<u>\$ 3,189,640</u>	<u>\$ 961,788</u>	<u>\$ 8,440,596</u>	<u>\$ 257,112</u>

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CITY OF DEFIANCE, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 DECEMBER 31, 2014

	<u>Business-type Activities - Enterprise Funds</u>				<u>Governmental Activities - Internal Fund</u>
	<u>Sewer</u>	<u>Water</u>	<u>Nonmajor</u>	<u>Total</u>	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 2,930,919	\$ 1,991,678	\$ (65,982)	\$ 4,856,615	\$ (150,495)
Adjustments:					
Depreciation	1,123,239	774,034	-	1,897,273	-
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	16,920	32,679	241	49,840	(31,160)
Decrease in special assessments receivable	-	1,757	-	1,757	-
(Increase) decrease in materials and supplies inventory	7,845	(13,311)	-	(5,466)	-
Increase in accounts payable	12,201	18,210	-	30,411	3,850
(Decrease) in accrued wages and benefits	(12,642)	(46,291)	-	(58,933)	-
Increase (decrease) in compensated absences payable	(2,575)	545	-	(2,030)	-
Increase (decrease) in due to other governments	1,312	(2,811)	-	(1,499)	25
Increase in utility deposits payable	-	-	93,829	93,829	-
Net cash provided by (used in) operating activities	<u>\$ 4,077,219</u>	<u>\$ 2,756,490</u>	<u>\$ 28,088</u>	<u>\$ 6,861,797</u>	<u>\$ (177,780)</u>

Non-cash transactions:

At December 31, 2014 and December 31, 2013, the sewer fund purchased \$24,005 and \$116,838 in capital assets on account, respectively. During 2014, the sewer fund received \$1,764,723 in capital contributions from governmental activities.

At December 31, 2014 and December 31, 2013, the water fund purchased \$26,331 and \$118,774 in capital assets on account, respectively. During 2014, the water fund transferred fully depreciated capital assets in the amount of \$19,306 to governmental activities.

During 2014, governmental activities transferred capital assets to the water fund in the amount of \$38,356, with accumulated depreciation of \$33,224, resulting in capital contributions of \$5,132.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF DEFIANCE, OHIO

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
DECEMBER 31, 2014**

	<u>Agency</u>
Assets:	
Cash in segregated accounts	\$ 15,977
Total assets.	<u>\$ 15,977</u>
Liabilities:	
Due to other governments	\$ 15,977
Total liabilities.	<u>\$ 15,977</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 1 - DESCRIPTION OF THE CITY

The City of Defiance, Ohio (the "City"), located in Defiance County, is a politic and corporate body established for the purpose of exercising the rights and privileges conveyed to it by the Constitution and laws of the State of Ohio and its charter. The City operates under a Council/Mayor form of government and provides the following services to its residents: public safety, highways and streets, water, sewer, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

For financial reporting purposes, the City's BFS include all funds, agencies, boards, commissions, and departments for which the City is financially accountable. Financial accountability, as defined by the GASB, exists if the City appoints a voting majority of an organization's Governing Board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the City. The City may also be financially accountable for governmental organizations with a separately elected Governing Board, a Governing Board appointed by another government, or a jointly appointed Governing Board that is fiscally dependent on the City. The City also took into consideration other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's basic financial statements to be misleading or incomplete. Based upon the foregoing criteria, the City has no component units.

The primary government consists of all funds, agencies, departments, and offices that are not legally separate from the City. The primary government includes the City departments and agencies that provide the following services: police protection, fire fighting and prevention, emergency medical services, street maintenance and repair, parks and recreation, water, sanitary sewer, public service, and planning and zoning.

The following organizations are described due to their relationship with the City:

JOINTLY GOVERNED ORGANIZATIONS

Maumee Valley Planning Organization (MVPO) - The City is a member of the MVPO, which is a jointly governed organization between Defiance, Fulton, Henry, Paulding, and Williams Counties and the respective townships and municipalities in each of those counties. The purpose of the MVPO is to act as a joint regional planning commission to write and administer Community Development Block Grants (CDBG) and help with housing rehabilitation in the area.

The MVPO is governed by a Board consisting of fifteen members. The Board is made up of one County Commissioner from each member county, as well as one township representative and one municipal representative for each of the five member counties. The main source of revenue is fees charged by the MVPO to administer CDBG grants, and a per capita amount from each participating city.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The City provides resources to the Executive Council based on a membership fee and services provided to the City. The MVPO exercises total control over the operation of the MVPO including budgeting, contracting, and designating management. The City has no ongoing financial interest or responsibility for the MVPO. In 2014, the City contributed \$106,657 for the MVPO's operations. Information can be obtained from Brett J. Kolb, Fulton County Auditor, 152 South Fulton Avenue, Suite 165, Wauseon, Ohio 43567.

Noble Township - City of Defiance Joint Economic Development District - The City and Noble Township agreed to create a joint economic development district (JEDD). The JEDD is wholly situated within Noble Township, Defiance County. The purpose of the JEDD is to facilitate economic development to create and preserve employment opportunities within the JEDD.

The JEDD is governed by a Board of Directors consisting of five members. The Board of Directors is made up of one representative appointed by the City, Noble Township, the JEDD business owners' association, the JEDD employees' association, and one "at-large member". The main source of revenue is a tax levied upon the income earned by persons working in the JEDD, and the net profits of businesses located in the JEDD. The tax is at rates equal to those levied upon earned income and profits by the City.

JOINT VENTURES WITHOUT EQUITY INTEREST

Multi-Area Narcotics Task Force (MANTF) - The City is a member of the MANTF, which is a joint venture between Defiance, Paulding, and Putnam Counties, and the Cities of Defiance and Bryan. The purpose of the drug task force is to act as a joint task force in the fight against narcotics. The MANTF is jointly controlled by the Chief Law Enforcement Officer of each respective entity.

The main source of revenue for the MANTF is from federal grants and local matching shares from the entities. The City has no ongoing financial responsibility to the MANTF. The City has indirect access to the net resources of the MANTF since the City is able to influence the MANTF to use its surplus resources to undertake projects of interest to the City's residents. This access to the net resources of the Governing Board has not been explicitly defined, nor is it currently measurable. In 2014, the City did not make any contributions to the MANTF. Financial statements for the MANTF can be obtained through the Defiance County Sheriff's Office located at 113 Biede Street, Defiance, Ohio 43512.

Community Improvement Corporation of Defiance County (Corporation) - The Corporation shall be exercised, conducted, and controlled by the Board of Trustees and the Board of Trustees shall name a minimum of nine and a maximum of fifteen trustees with forty percent of the trustees to be elected officials. Further, each shall be a member of the Corporation and all of whom shall be citizens of the United States. Defiance County, the City of Defiance, and the villages and townships of Defiance County participate in the operation of the Corporation. The Corporation duties are to advance, encourage, and promote the industrial, economic, commercial, and civic development.

The Defiance County Economic Development Employment Agreement between the Board of Trustees of the Corporation and the Defiance County Director of Economic Development states that the County's Director of Economic Development may serve as Executive Director of the Corporation, as such the Corporation has agreed to furnish Defiance County with the funds needed to pay his salary. The City of Defiance partially funds the Corporation to pay the salary of the Director of the Defiance County Economic Development. The City's degree of control over the Board of Trustees is limited to its representation on the Board of Trustees. The City made \$93,024 in payments to the Corporation in 2014. Information can be obtained from Jerry Hayes, Executive Director, 1300 East Second Street, Suite 201, Defiance, Ohio 43512.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

RELATED ORGANIZATION

Defiance Public Library (Library) - The Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by City Council. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the City for operational subsidies. Although the City does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Defiance Public Library, Charlene Lee, Chief Fiscal Officer, 320 Fort Street, Defiance, Ohio 43512.

B. Basis of Presentation - Fund Accounting

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

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 for fiduciary funds. The activities of the internal service fund are eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. 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 charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental functions are self-financing or draw from the general revenues of the City.

Fund Financial Statements - During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund financial statements. Fiduciary funds are reported by type.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. 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. There are three categories of funds: governmental, proprietary, and fiduciary.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund 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 plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance. The following are the City's major governmental funds:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Police and fire fund - The police and fire fund accounts for and reports financial resources resulting from the City's additional 0.3% income tax levy that are restricted for use in the operations of the police and fire departments.

Capital improvements fund - The capital improvements fund accounts for financial resources that are committed to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Other governmental funds of the City are used to account for (a) financial resources that are restricted for expenditures related to building renovations and improvements of the City's courthouse, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects, and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Proprietary Funds - Proprietary fund reporting focuses on changes in net position, financial position, and cash flows. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds - The enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

Sewer fund - This fund accounts for the provision of sanitary sewer service to the residents and commercial users located within the City.

Water fund - This fund accounts for the provision of water treatment and distribution to the residential and commercial users located within the City.

Other enterprise funds of the City are used to account for refuse collection and utility deposits. These funds are nonmajor funds whose activity has been aggregated and presented in a single column in the basic financial statements.

Internal Service Fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service fund is used to account for employee health insurance.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's only fiduciary fund is an agency fund that accounts for the municipal court.

D. Measurement Focus and Basis of Accounting

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the City are included on the statement of net position. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current deferred outflows of resources, current liabilities, and current deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances 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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the financial statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows 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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the City's proprietary funds are charges for services. Operating expenses from the enterprise funds include personnel and other expenses related to sewer, water, refuse, and utility deposits, and operating expenses for the internal service fund include claims expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Agency funds do not report a measurement focus as they do not report operations.

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and agency funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources and deferred outflows of resources, and in the presentation of expenses versus expenditures.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants and entitlements, and donations. On the accrual basis, revenue from income taxes is recognized in the period in which the income is earned (See Note 7). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants and 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 specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: income taxes, State-levied locally shared taxes (including gasoline tax, local government funds, and permissive tax), fines and forfeitures, fees, and special assessments.

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the City that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the City that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of December 31, 2014, but which were levied to finance 2015 operations, have been recorded as deferred inflows of resources on both the government-wide and fund financial statements. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2014, are recorded as deferred inflows of resources on the governmental fund financial statements.

On the governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred inflows of resources.

On the accrual basis of accounting, unamortized deferred charges on debt refunding (the difference between the reacquisition price and the carrying amount of the refunded obligation) is reported as a deferred outflow of resources.

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.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. Budgetary Data

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources and the appropriations resolution, both of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount City Council may appropriate. The appropriations resolution is City Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by City Council. The legal level of budgetary control as established in the appropriations ordinance is at the fund, department, and object level ("personnel," "operating," etc.). Budgetary modifications at the legal level of control may only be made by a subsequent resolution of City Council.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Finance Director. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time the final appropriations were enacted by City Council.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by City Council during the year.

G. Health Care

The Comprehensive Omnibus Budget Reconciliation Act (COBRA) of 1986 required the City to offer and provide terminated or retired employees continued participation in the City's employee health care benefits program, provided that the employees pay the rate established by the plan administrator. The City incurred no expenditures or revenues in providing these services. The participating former employees make premium payments directly to the City's insurance provider and the insurance provider is responsible for all claims.

H. Cash and Investments

To improve cash management, cash received by the City, other than cash in segregated accounts, is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" and "investments" on the basic financial statements.

During 2014, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), the City's own bonds, and nonnegotiable certificates of deposit. Investments are reported at fair value, except for nonnegotiable certificates of deposit, which are reported at cost. Fair value is based on quoted market prices.

The City has invested funds in STAR Ohio during 2014. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within 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 shares price, which is the price the investment could be sold for on December 31, 2014.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Following Ohio statutes, City Council has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue earned and credited to the general fund during 2014 amounted to \$5,497, which included \$139 assigned from other funds of the City.

The City has segregated bank accounts for monies held separate from the City's central bank account. These monies are held for museum trust, environmental trust, and municipal court operations. These interest bearing depository accounts are presented on the basic financial statements as "cash in segregated accounts" since they are not required to be deposited into the City treasury.

For purposes of the statement of cash flows and for presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the City's investment account at year end is provided in Note 4.

I. Restricted Assets

Customer deposits and environmental trust resources in the nonmajor enterprise funds are classified as restricted assets because these funds are being held for specified purposes.

J. Inventories of Materials and Supplies

Inventory is stated at cost (first-in, first-out) in the governmental funds, and at the lower of cost (first-in, first-out) or market in the proprietary funds. The costs of inventory items are recorded as expenditures in the governmental funds when purchased and expenses in the proprietary funds when used.

On the governmental fund financial statements, reported materials and supplies inventory is equally offset by nonspendable fund balance, which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption.

K. Capital Assets

General capital assets are capital assets that are associated with, and generally arise from, governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position, but are 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 statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and disposals 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 \$2,500. The City's infrastructure consists primarily of roads, bridges, culverts, and sanitary sewers. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets is also capitalized for the business-type activities.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-type Activities Estimated Lives</u>
Improvements other than buildings	15 - 30 years	N/A
Land improvements	N/A	15 - 30 years
Buildings and improvements	15 - 45 years	30 - 50 years
Equipment	10 - 30 years	10 - 30 years
Infrastructure	30 years	50 years
Vehicles	6 - 15 years	6 - 15 years

L. Compensated Absences

Compensated absences of the City consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the City and the employee.

In conformity with GASB Statement No. 16, “Accounting for Compensated Absences”, vacation leave 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. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at year end by those employees who are currently eligible to receive termination payments and by those employees for whom it is probable they will become eligible to receive termination benefits in the future.

American Federation of State, County and Municipal Employees (AFSCME) and non-bargaining employees with a minimum of ten years of service are paid one day for every two days sick leave for the first 120 days of accumulated sick leave, and one day for every seven days for accumulated sick leave in excess of 120 days upon retirement, if hired prior to August 1, 1998. Non-bargaining employees with a minimum of ten years of service hired after August 1, 1998 are paid one day for every two days accumulated sick leave, not to exceed 120 days.

International Union of Police Associations (IUPA) bargaining unit employees who retire after ten years of continuous service will be compensated at one day’s pay for every two days of accumulated, but unused sick leave, not to exceed 120 days. However, IUPA bargaining unit individuals employed for ten years or more as of December 31, 1991 shall be eligible for sick leave conversion upon retirement at one day for each two days accumulation without limit. Beginning January 1, 1992, an IUPA bargaining unit individual with 22 or more years of service who resigns shall be eligible for payment for one day’s pay for every two days of accumulated, but unused sick leave, not to exceed 120 days.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

International Association of Firefighters (IAFF) bargaining unit individuals with ten or more years of service shall, upon retirement under provision of the Police & Firefighters Pension Fund, be eligible for payment of one-half of the employee's accrued, but unused sick leave earned up to a maximum payment for 50 24-hour days. An IAFF bargaining unit individual with 22 or more years of service who retires or resigns from the City shall be eligible for payment for one-half of accrued, but unused sick leave up to a maximum payment for 50 24-hour days.

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

The entire compensated absences liability is reported on the government-wide financial statements and proprietary fund financial statements.

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded, when applicable, in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bonds, loans, and capital lease obligations are recognized as liabilities on the governmental fund financial statements when due.

On the government-wide financial statements and proprietary fund financial statements, bond premiums are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of applicable bond premiums.

N. Interfund Activity

Transfers between governmental activities and business-type activities on the government-wide financial statements are reported in the same manner as general revenues. The net residual amounts due between governmental activities and business-type activities are presented as internal balances.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

O. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of City Council (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted or committed. City Council has, by ordinance, authorized the Finance Director to assign fund balance. The City may also assign fund balance in the general fund when appropriating fund balance to cover a gap between estimated receipts and appropriations in the subsequent year’s appropriated budget.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

P. Contributions of Capital

Contributions of capital in governmental activities and proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, from grants or outside contributions of resources restricted to capital acquisition and construction, or from other funds within the City.

During 2014, the sewer fund received \$1,764,723 in capital contributions from governmental activities and \$134,310 in capital contributions in the form of grants restricted to capital acquisition and construction. During 2014, the water fund received \$5,132 in capital contributions from governmental activities and \$279,880 in capital contributions in the form of grants restricted to capital acquisition and construction.

Q. Estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

R. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing or liabilities used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. Net position restricted for other purposes consists of resources restricted to court computerization, cable television franchise fees, and museum trust activities.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The City reported neither type of transaction during 2014.

T. Bond Issuance Costs/Bond Premium and Discount/Deferred Charges on Refunding

On both the government-wide financial statements and the fund financial statements, bond issuance costs are recognized in the period in which these items are incurred.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

On the government-wide financial statements, bond premiums and discounts are 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 and bond discounts are presented as a reduction to the face amount of the bonds.

On the governmental fund financial statements, bond premiums and discounts are recognized in the period in which these items are incurred. The reconciliation between the face value of bonds and the amount reported on the statement of net position is presented in Note 12.

For current and advance refundings resulting in the defeasance of debt reported in the government-wide financial statements and enterprise funds, the difference between the reacquisition price and the net carrying amount of the old debt is amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred inflow of resources or a deferred outflow of resources.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Restatement of Governmental Fund Balances

The City’s governmental fund balances were restated at December 31, 2013 as a result of the reclassification of the police and fire fund from inclusion within the City’s general fund to being reported as an entirely separate special revenue fund. This prior period adjustment had the following effect on the City’s governmental fund balances as previously reported:

	<u>General</u>	<u>Police and Fire</u>	<u>Capital Improvements</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balances as previously reported	\$ 1,341,649	\$ -	\$ 1,159,145	\$ 4,459,844	\$ 6,960,638
Reclassification of police and fire fund	<u>498,051</u>	<u>(498,051)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Restated fund balances (deficit) at January 1, 2014	<u>\$ 1,839,700</u>	<u>\$ (498,051)</u>	<u>\$ 1,159,145</u>	<u>\$ 4,459,844</u>	<u>\$ 6,960,638</u>

B. Changes in Accounting Principles

For 2014, the City has implemented GASB Statement No. 69, “Government Combinations and Disposals of Government Operations” and GASB Statement No. 70, “Accounting and Financial Reporting for Nonexchange Financial Guarantees”.

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the City.

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the City.

CITY OF DEFIANCE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Deficit Fund Balances

Fund balances at December 31, 2014 included the following individual fund deficit:

<u>Nonmajor governmental fund</u>	
Downtown revitalization grant	\$ 90,666

This fund complied with Ohio law, which does not permit a cash basis deficit at year end. The general fund is liable for any deficits in the funds and provides transfers when cash is required, not when accruals occur. The deficit fund balance is a result of adjustments for accrued liabilities. Deficit fund balances are eliminated as resources become available to liquidate fund liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the City into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the City Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

CITY OF DEFIANCE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and,
3. Obligations of the City.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Finance Director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the City, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At December 31, 2014, the City had \$2,225 in undeposited cash on hand, which is included on the basic financial statements of the City as part of "equity in pooled cash and cash equivalents".

B. Cash in Segregated Accounts

At December 31, 2014, the City had \$103,550 in cash in segregated accounts held for museum trust, environmental trust, and municipal court operations. This amount is not included in "Deposits with Financial Institutions" below.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Deposits with Financial Institutions

At December 31, 2014, the carrying amount of all City deposits was \$14,709,788. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2014, \$5,488,640 of the City’s bank balance of \$15,006,184 was exposed to custodial credit risk as discussed below, while \$9,517,544 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the City’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

D. Investments

At December 31, 2014, the City had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities				
		6 Months or Less	7 to 12 Months	13 to 18 Months	19 to 24 Months	Greater than 24 Months
STAR Ohio	\$ 63,948	\$ 63,948	\$ -	\$ -	\$ -	\$ -
City owned bonds	62,672	-	9,041	-	9,561	44,070
Total	\$ 126,620	\$ 63,948	\$ 9,041	\$ -	\$ 9,561	\$ 44,070

The weighted average maturity of investments is 1.77 years.

Interest Rate Risk: Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the City’s investment policy limits investment portfolio maturities to five years or less except for investments in City owned bonds, which extend beyond five years.

Credit Risk: Standard & Poor’s has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The City’s investment policy does not specifically address credit risk beyond requiring the City to only invest in securities authorized by State statute.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City’s investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The City places no limit on the amount that may be invested in any one issuer. The percentage of each investment type held by the City at December 31, 2014 follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 63,948	50.50
City owned bonds	62,672	49.50
Total	<u>\$ 126,620</u>	<u>100.00</u>

E. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position at December 31, 2014:

Cash and investments per note

Carrying amount of deposits	\$ 14,709,788
Investments	126,620
Cash in segregated accounts	103,550
Cash on hand	<u>2,225</u>
Total	<u>\$ 14,942,183</u>

Cash and investments per statement of net position

Governmental activities	\$ 6,485,610
Business-type activities	8,440,596
Agency fund	<u>15,977</u>
Total	<u>\$ 14,942,183</u>

NOTE 5 - INTERFUND TRANSACTIONS

During 2014, interfund transfers consisted of the following, as reported in the fund financial statements:

Transfers from the general fund to:

Police and fire fund	\$ 3,689,163
Nonmajor governmental funds	470,000

Transfer from the sewer fund to:

Nonmajor governmental fund	41,137
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Transfer from nonmajor governmental fund to:

Sewer fund	<u>8,550</u>
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Total transfers	<u>\$ 4,208,850</u>
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During 2014, the governmental activities provided capital contributions to the business-type activities in the amount of \$1,769,855. These capital contributions came in the form of net capital assets transferred to the sewer fund in the amount of \$1,764,723, and net capital assets transferred to the water fund in the amount of \$5,132. These transactions are reported as a component of transfers in the statement of activities.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

In 2014, the sewer fund transferred \$41,137 in principal retirement payments related to Ohio Water Development Authority (OWDA) loans to the bond retirement fund (a nonmajor governmental fund) to cover current year debt obligations. The bond retirement fund (a nonmajor governmental fund) transferred \$8,550 in principal retirement payments related to special assessment bonds to the sewer fund to cover current year debt obligations.

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Transfers between governmental funds are eliminated for reporting on the government-wide financial statements. Transfers between enterprise funds are eliminated for reporting on the government-wide financial statements. Transfers between governmental activities and business-type activities are reported as transfers in the statement of activities.

All transfers made were in accordance with Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16.

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property 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 that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain 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 as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2014 public utility property taxes became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Defiance. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2014 and for which there is an enforceable legal claim. In the governmental funds, property and other local taxes receivable has been offset by a deferred inflow of resources for the current portion, since the current taxes were not levied to finance 2014 operations, and the delinquent portion, 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 unavailable.

CITY OF DEFIANCE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 6 - PROPERTY TAXES - (Continued)

The full tax rate for all City operations for the year ended December 31, 2014 was \$3.00 per \$1,000 of assessed value. The assessed values of real property and public utility personal property upon which 2014 property tax receipts were based are as follows:

Real property

Residential/agricultural	\$	188,409,330
Commercial/industrial/mineral		81,654,700

Public utility

Real		49,300
Personal		<u>48,914,350</u>
Total assessed value	\$	<u><u>319,027,680</u></u>

NOTE 7 - LOCAL INCOME TAX

The locally levied income tax rate of 1.5 percent was increased to 1.8 percent effective January 1, 2014, and is applied to gross salaries, wages, and other personal service compensation earned by residents both within and outside of the City, and to earnings of nonresidents (except certain transients) earned within the City. It also applies to net income of for-profit organizations conducting business within the City. Income tax revenues are reported to the extent that they are measurable and available to finance current operations at December 31, 2014. Income tax revenue for 2014 was \$9,059,983 on the modified accrual basis of accounting.

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CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 8 - RECEIVABLES

Receivables at December 31, 2014 consisted of income taxes, property and other local taxes, accounts (billings for user charged services), loans receivable, special assessments, accrued interest, and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as “due from other governments” on the basic financial statements. Receivables have been recorded to the extent that they are measurable at December 31, 2014.

A list of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

Income taxes	\$1,471,907
Property and other local taxes	885,783
Accounts	478,795
Loans receivable	1,170,584
Special assessments	167,425
Accrued interest	3,369
Due from other governments	629,141

Business-type activities:

Accounts	543,362
Special assessments	31,790
Accrued interest	6,973

Receivables have been disaggregated on the face of the basic financial statements. The only receivables not expected to be collected within the subsequent year are the special assessments, which are collected over the life of the assessments, and loans receivable, which are collected over the term of the loans.

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CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 9 - CAPITAL ASSETS

The following activity occurred in the City's governmental activities capital assets during 2014:

<u>Governmental activities:</u>	Balance <u>January 1, 2014</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>December 31, 2014</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,378,358	\$ -	\$ -	\$ 1,378,358
Construction in progress	<u>2,158,160</u>	<u>1,343,459</u>	<u>(3,017,629)</u>	<u>483,990</u>
<i>Total capital assets, not being depreciated</i>	<u>3,536,518</u>	<u>1,343,459</u>	<u>(3,017,629)</u>	<u>1,862,348</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	9,721,332	67,184	(242,700)	9,545,816
Improvements other than buildings	1,696,038	629,213	(66,050)	2,259,201
Equipment	2,366,807	274,762	(116,845)	2,524,724
Vehicles	2,777,728	502,870	(202,558)	3,078,040
Infrastructure	<u>18,557,411</u>	<u>1,533,883</u>	<u>-</u>	<u>20,091,294</u>
<i>Total capital assets, being depreciated</i>	<u>35,119,316</u>	<u>3,007,912</u>	<u>(628,153)</u>	<u>37,499,075</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(4,179,215)	(246,952)	211,254	(4,214,913)
Improvements other than buildings	(874,147)	(73,321)	66,050	(881,418)
Equipment	(1,553,642)	(187,941)	88,368	(1,653,215)
Vehicles	(1,885,926)	(223,147)	132,492	(1,976,581)
Infrastructure	<u>(9,539,639)</u>	<u>(624,521)</u>	<u>-</u>	<u>(10,164,160)</u>
<i>Total accumulated depreciation</i>	<u>(18,032,569)</u>	<u>(1,355,882)</u>	<u>498,164</u>	<u>(18,890,287)</u>
Total capital assets, net	<u>\$ 20,623,265</u>	<u>\$ 2,995,489</u>	<u>\$ (3,147,618)</u>	<u>\$ 20,471,136</u>

Depreciation expense was charged to governmental activities as follows:

<u>Governmental activities:</u>	
General government	\$ 216,439
Security of persons and property	245,191
Public health and welfare	35,375
Transportation	712,416
Community environment	27,606
Leisure time activity	<u>99,549</u>
Total depreciation expense - governmental activities	<u>\$ 1,336,576</u> *

* During 2014, the water fund transferred capital assets with accumulated depreciation of \$19,306 to the governmental activities.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 9 - CAPITAL ASSETS - (Continued)

The following activity occurred in the City's business-type activities capital assets during 2014:

	Balance			Balance
<u>Business-type activities:</u>	<u>January 1, 2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>December 31, 2014</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 359,741	\$ -	\$ -	\$ 359,741
Construction in progress	<u>13,170,993</u>	<u>1,850,952</u>	<u>(10,738,273)</u>	<u>4,283,672</u>
<i>Total capital assets, not being depreciated</i>	<u>13,530,734</u>	<u>1,850,952</u>	<u>(10,738,273)</u>	<u>4,643,413</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	969,045	34,459	-	1,003,504
Buildings and improvements	30,548,834	243,544	(196,621)	30,595,757
Equipment	3,386,680	437,090	(88,319)	3,735,451
Vehicles	1,253,421	134,988	(246,293)	1,142,116
Infrastructure	<u>46,032,749</u>	<u>13,022,352</u>	<u>-</u>	<u>59,055,101</u>
<i>Total capital assets, being depreciated</i>	<u>82,190,729</u>	<u>13,872,433</u>	<u>(531,233)</u>	<u>95,531,929</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(656,028)	(29,846)	-	(685,874)
Buildings and improvements	(12,914,246)	(673,561)	107,049	(13,480,758)
Equipment	(2,107,800)	(123,431)	26,489	(2,204,742)
Vehicles	(812,566)	(127,096)	246,293	(693,369)
Infrastructure	<u>(13,102,550)</u>	<u>(976,563)</u>	<u>-</u>	<u>(14,079,113)</u>
<i>Total accumulated depreciation</i>	<u>(29,593,190)</u>	<u>(1,930,497)</u>	<u>379,831</u>	<u>(31,143,856)</u>
Total capital assets, net	<u>\$ 66,128,273</u>	<u>\$ 13,792,888</u>	<u>\$ (10,889,675)</u>	<u>\$ 69,031,486</u>

Depreciation expense was charged to business-type activities as follows:

<u>Business-type activities:</u>	
Sewer	\$ 1,123,239
Water	<u>774,034</u>
Total depreciation expense - business-type activities	<u>\$ 1,897,273</u> *

* During 2014, the governmental activities transferred capital assets with accumulated depreciation of \$33,224 to the water fund.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 10 - OTHER EMPLOYEE BENEFITS

Compensated Absences

Accumulated Unpaid Vacation Leave

City employees earn vacation leave at varying rates based upon length of service. In the case of death or retirement, an employee (or his estate) is paid for his unused vacation leave. The total obligation for vacation leave for the City as a whole amounted to \$365,887 at December 31, 2014. Amounts are recorded as a fund liability and/or on the government-wide financial statements, as applicable.

Accumulated Unpaid Sick Leave

City employees earn sick leave at varying rates based upon length of service. Upon retirement, an employee is paid a percentage of his accumulated sick leave within various limits. The total obligation for sick leave for the City as a whole amounted to \$401,483 at December 31, 2014. Amounts are recorded as a fund liability and/or on the government-wide financial statements, as applicable.

NOTE 11 - CAPITAL LEASES

During 2014, the City entered into a capital lease agreement for a tractor. This lease agreement meets the criteria of a capital lease as defined by generally accepted accounting principles, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds.

The tractor has been capitalized in the governmental activities. The cost of the capital asset resulting from the capital lease in the governmental activities totals \$196,890, which represents the present value of the minimum lease payments at the time of acquisition. As of December 31, 2014, accumulated depreciation was \$16,407, resulting in a net book value of \$180,483. A corresponding liability has been recorded in the governmental activities long-term obligations. Principal payments in 2014 totaled \$31,839. The capital lease payments were made from the capital improvements fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease agreement, and the present value of the minimum lease payments as of December 31, 2014:

Year Ending <u>December 31,</u>	<u>Amount</u>
2015	\$ 31,839
2016	31,839
2017	31,839
2018	31,840
2019	<u>51,800</u>
Total	179,157
Less: amount representing interest	<u>(14,106)</u>
Present value of net minimum lease payments	<u>\$ 165,051</u>

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 12 - LONG-TERM OBLIGATIONS

A. Governmental Activities Long-Term Obligations

The City's long-term obligations for the governmental activities at year end consist of the following:

<u>Governmental activities:</u>	Original Amount	Balance 1/1/14	Additions	Reductions	Balance 12/31/14	Amount Due in One Year
General obligation bonds:						
Series 2011 Bonds - 2.00-4.00%	\$4,075,000	\$ 3,755,000	\$ -	\$ (170,000)	\$3,585,000	\$ 175,000
Total general obligation bonds		<u>3,755,000</u>	<u>-</u>	<u>(170,000)</u>	<u>3,585,000</u>	<u>175,000</u>
Special assessment bonds:						
1995 Stadium Drive - 5.90%	260,849	13,043	-	(13,043)	-	-
Total special assessment bonds		<u>13,043</u>	<u>-</u>	<u>(13,043)</u>	<u>-</u>	<u>-</u>
OWDA loan - 0%	2,334,869	2,220,458	110,722	(116,743)	2,214,437	-
Capital lease obligation	196,890	-	196,890	(31,839)	165,051	27,548
Compensated absences		620,189	311,807	(316,104)	615,892	269,674
Total		<u>\$ 6,608,690</u>	<u>\$ 619,419</u>	<u>\$ (647,729)</u>	6,580,380	<u>\$ 472,222</u>
Add: unamortized bond premium					<u>35,685</u>	
Total on statement of net position					<u>\$6,616,065</u>	

General Obligation Bonds

On October 4, 2011, the City issued general obligation bonds (Municipal Court Improvement Bonds, Series 2011). These bonds are general obligations of the City, for which its full faith and credit is pledged for repayment. The bonds were issued to provide resources for building renovations and improvements to the City's courthouse. The bonds have an annual interest rate ranging from 2.00% to 4.00% and are scheduled to mature on December 1, 2031. Principal and interest payments on the general obligation bonds are being made from the capital improvements fund and the special projects fund (a nonmajor governmental fund).

Special Assessment Bonds

Special assessment bonds are secured by an unvoted property tax levy (special assessment), however, the bond indentures provide for principal and interest to be paid from use charges. Principal and interest payments on the special assessment bonds are being made from the bond retirement fund (a nonmajor governmental fund). The special assessment bonds were retired during 2014.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

OWDA Loan

In 2012, the City entered into an interest free debt financing arrangement to fund Richland Township sanitary sewer improvements through the Ohio Water Development Authority (OWDA). The City may borrow up to \$2,334,869 and had outstanding borrowings related to the OWDA loan of \$2,214,437 at December 31, 2014. Loan repayments began in 2014 and are scheduled to continue through 2033. As of December 31, 2014, the loan is still “open”, and therefore future annual debt service principal and interest requirements are not available. The proceeds of the OWDA loan are reported in the capital improvements fund, and the debt service payments are reported in the bond retirement fund (a nonmajor governmental fund).

Capital Lease Obligation

The capital lease obligation is described in Note 11.

Compensated Absences

The compensated absences will be paid primarily out of the general fund and the police and fire fund.

Future Debt Service Requirements

The following is a summary of the City’s future annual debt service requirements for the governmental activities long-term obligations:

Year Ending	General Obligation Bonds		
	Principal	Interest	Total
2015	\$ 175,000	\$ 117,450	\$ 292,450
2016	175,000	113,950	288,950
2017	175,000	110,450	285,450
2018	180,000	106,075	286,075
2019	185,000	98,875	283,875
2020 - 2024	1,000,000	407,612	1,407,612
2025 - 2029	1,165,000	233,658	1,398,658
2030 - 2031	530,000	31,200	561,200
Total	\$ 3,585,000	\$ 1,219,270	\$ 4,804,270

Legal Debt Margin

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the City’s legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City’s legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2014, the City’s voted debt margin was \$30,469,521 and the unvoted debt margin was \$17,546,522.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

B. Business-type Activities Long-Term Obligations

The City's long-term obligations for the business-type activities at year end consist of the following:

<u>Business-type activities:</u>	Interest Rate	Balance 1/1/14	Additions	Reductions	Balance 12/31/14	Amount Due in One Year
<u>General obligation bonds:</u>						
Waterworks - Series 2005 Refunding	4.00-5.00%	\$ 2,545,000	\$ -	\$ (315,000)	\$ 2,230,000	\$ 330,000
Waterworks - Series 2007 Refunding	4.50-5.25%	4,250,000	-	(340,000)	3,910,000	360,000
Total general obligation bonds		6,795,000	-	(655,000)	6,140,000	690,000
<u>Special assessment bonds:</u>						
Sewer Street Improvements - Series 2000	5.75%	71,222	-	(8,550)	62,672	9,041
<u>Bond anticipation notes:</u>						
Sewer - 2014 Bond Anticipation Notes	0.409%	-	3,139,000	-	3,139,000	3,139,000
Sewer - 2013 Bond Anticipation Notes	1.00%	3,574,000	-	(3,574,000)	-	-
Total bond anticipation notes		3,574,000	3,139,000	(3,574,000)	3,139,000	3,139,000
<u>Other long-term obligations:</u>						
OWDA loans	2.38-4.14%	32,532,365	617,821	(1,617,071)	31,533,115	1,607,294
OPWC loans	0.00-4.00%	289,420	-	(72,188)	217,232	61,571
Compensated absences		153,508	100,050	(102,080)	151,478	96,213
Total other long-term obligations		32,975,293	717,871	(1,791,339)	31,901,825	1,765,078
Total		\$ 43,415,515	\$ 3,856,871	\$ (6,028,889)	41,243,497	\$ 5,603,119
Add: unamortized bond premium					337,095	
Total on statement of net position					\$ 41,580,592	

General Obligation Bonds

General obligation bonds are expected to be retired with revenues of the enterprise funds. General obligation bonds are secured by the City's ability to levy a voted or unvoted property tax within limitations of Ohio law.

On July 6, 2005, the City issued \$4,805,000 in Series 2005 Waterworks System Improvement Refunding Bonds to advance refund all the outstanding 1994 Waterworks System Improvement Bonds (principal \$4,805,000; interest rate 6.10%). The refunded debt is considered defeased (in-substance), and accordingly has been removed from the statement of net position.

The Series 2005 Waterworks System Improvement Refunding Bonds issue is comprised of current interest bonds, par value \$4,805,000, with an annual interest rate ranging from 4.00% to 5.00%. The reacquisition price exceeded the net carrying amount of the old debt by \$143,106. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of new debt issued.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

The 2007 Waterworks System Improvement Refunding Bonds issue is comprised of current interest bonds, par value \$5,860,000, with an annual interest rate ranging from 4.50% to 5.25%. The reacquisition price exceeded the net carrying amount of the old debt by \$329,282. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of new debt issued.

Special Assessment Bonds

On August 3, 2000, the City issued \$145,434 in special assessment bonds to finance the costs of sewer improvements to South Jefferson Street. These bonds bear interest at a rate of 5.75% and mature on December 1, 2020. During 2014, the City retired \$8,550 of these bonds, leaving an outstanding balance of \$62,672 at December 31, 2014.

Compensated Absences

The compensated absences will be paid out of the sewer fund and the water fund.

Future Debt Service Requirements

The following is a summary of the City's future annual debt service requirements for the business-type activities bonds:

Year Ending	General Obligation Bonds			Sewer Special Assessment Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 690,000	\$ 298,757	\$ 988,757	\$ 9,041	\$ 3,604	\$ 12,645
2016	715,000	264,257	979,257	9,561	3,084	12,645
2017	750,000	228,507	978,507	10,111	2,534	12,645
2018	785,000	194,857	979,857	10,692	1,953	12,645
2019	825,000	158,394	983,394	11,307	1,337	12,644
2020 - 2023	<u>2,375,000</u>	<u>281,456</u>	<u>2,656,456</u>	<u>11,960</u>	<u>686</u>	<u>12,646</u>
Total	<u>\$ 6,140,000</u>	<u>\$ 1,426,228</u>	<u>\$ 7,566,228</u>	<u>\$ 62,672</u>	<u>\$ 13,198</u>	<u>\$ 75,870</u>

Bond Anticipation Notes

On April 8, 2014, the City issued a sewer improvement bond anticipation note payable in the amount of \$3,139,000. This note bears interest at a rate of 0.409% and matures on April 7, 2015. This note is a liability of the sewer fund. On April 2, 2015, the City refinanced the note through the issuance of \$2,704,000 in new bond anticipation notes as described in Note 23.

OWDA Loans

The City constructed a wastewater treatment facility in 1990. The project was financed through expenditure by the Ohio Water Development Authority (OWDA). In 1999, the City began making major improvements to its wastewater treatment facility, which was also partially financed by OWDA. Beginning in 2008, the City borrowed money through the OWDA to finance water reservoir construction and sewer improvement construction. Any OWDA loan currently classified as "open" relates to a project where final disbursements have not been made from the OWDA, and therefore future debt service requirements have not been finalized and are not presented in the schedule of future debt service requirements.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

At December 31, 2014, the City had the following OWDA loans outstanding:

Purpose	Interest Rate	Maturity Date	Balance Outstanding 12/31/2014
<u>Sewer Fund:</u>			
Wastewater treatment plant improvements	3.91%	7/1/2020	\$ 2,877,206
Group 6 sewer planning	3.25%	7/1/2029	394,204
Group 4 sewer design	3.25%	1/1/2029	650,122
Group 1/3 combined sewer separation	3.36%	1/1/2030	3,474,019
Group 2 express sewer	3.36%	1/1/2030	1,974,117
Group 5 sewer planning/SSES	3.25%	1/1/2031	388,130
Group 6 sewer design	3.25%	1/1/2030	333,712
Group 4 sewer separation	3.53%	1/1/2031	5,521,985
Group 5 design	4.14%	1/1/2031	159,145
Group 31A river intrusion elimination project	4.14%	1/1/2031	428,888
Group 6 sewer separation	3.70%	1/1/2031	1,800,305
Group 5 sewer separation	3.25%	1/1/2031	2,881,671
Group 12/14 sewer planning	2.62%	7/1/2031	469,881
LTCP planning	3.28%	1/1/2034	461,522
2012 CSO long-term control planning	2.69%	1/1/2034	409,487
<u>"Open" OWDA Loans</u>			
Group 14/15 sewer separation	2.45%	1/1/2034	2,161,800
CSO LTCP planning pace - year 2013	2.38%	7/1/2035	502,250
Group 13 inflow reduction	3.40%	7/1/2034	234,714
			<u>25,123,158</u>
<u>Water Fund:</u>			
Reservoir construction	4.09%	7/1/2037	<u>6,409,957</u>
Total OWDA loans			<u>\$ 31,533,115</u>

The City has pledged future sewer revenues and water revenues to repay OWDA loans. The loans are payable solely from sewer fund revenues and water fund revenues, and are payable through 2037. Annual principal and interest payments on the loans are expected to require 40.25 percent of net revenues and 21.73 percent of total revenues. The total principal and interest remaining to be paid on the loans is \$41,144,316. Principal and interest paid for the current year was \$2,760,018, total net revenues were \$6,856,933, and total revenues were \$12,701,795.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Future Debt Service Requirements

The following is a summary of the City's future annual debt service requirements for the business-type activities OWDA loans (the schedule below will not agree to the balance of OWDA loans outstanding in the schedule of long-term obligations due to various loans still being "open" at December 31, 2014):

<u>Year Ending</u>	<u>OWDA Loans Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,607,295	\$ 1,018,676	\$ 2,625,971
2016	1,666,149	959,822	2,625,971
2017	1,727,176	898,794	2,625,970
2018	1,790,459	835,512	2,625,971
2019	1,856,080	769,890	2,625,970
2020 - 2024	7,497,668	2,993,070	10,490,738
2025 - 2029	8,508,353	1,613,825	10,122,178
2030 - 2034	2,949,079	457,439	3,406,518
2035 - 2037	<u>1,032,092</u>	<u>64,173</u>	<u>1,096,265</u>
Total	<u>\$28,634,351</u>	<u>\$ 9,611,201</u>	<u>\$ 38,245,552</u>

OPWC Loans

Improvements to the City's water treatment facilities were financed through expenditures by the Ohio Public Works Commission (OPWC). At December 31, 2014, the City has the following loans outstanding with OPWC:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Outstanding 12/31/2014</u>
<u>Water Fund:</u>			
OPWC loan	3.00%	7/1/2017	\$ 79,935
OPWC loan	0.00%	1/1/2019	<u>78,394</u>
			<u>158,329</u>
<u>Sewer Fund:</u>			
OPWC loan	0.00%	7/1/2020	<u>58,903</u>
Total OPWC loans			<u>\$ 217,232</u>

The OPWC loans are payable in semi-annual installments of principal and interest (if applicable).

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Future Debt Service Requirements

The following is a summary of the City's future annual debt service requirements for the business-type activities OPWC loans:

Year Ending	OPWC Loans Payable		
	Principal	Interest	Total
2015	\$ 61,571	\$ 2,165	\$ 63,736
2016	62,514	1,220	63,734
2017	46,775	247	47,022
2018	30,307	-	30,307
2019	10,710	-	10,710
2020	5,355	-	5,355
Total	<u>\$ 217,232</u>	<u>\$ 3,632</u>	<u>\$ 220,864</u>

NOTE 13 - NOTES PAYABLE

On September 26, 2013, the City issued \$1,275,000 in bond anticipation notes to refinance \$1,350,000 of bond anticipation notes that were previously issued on October 3, 2012. The \$1,275,000 bond anticipation notes outstanding at December 31, 2013 had an interest rate of 1.00% and matured on September 26, 2014. On September 24, 2014, the City issued \$1,210,000 in bond anticipation notes to refinance the September 26, 2013 bond anticipation notes. The bond anticipation notes outstanding at December 31, 2014 bear interest at a rate of 0.482% and mature on September 23, 2015. Proceeds of the bond anticipation note issuances are being used to finance improvements to the City's sanitary sewer system. The bond anticipation notes are a liability of the sewer fund.

A summary of the bond anticipation note transactions for the year ended December 31, 2014 follows:

	Maturity Date	Outstanding 1/1/2014	Issued	Retired	Outstanding 12/31/2014
<u>Business-type activities:</u>					
Sewer bond anticipation notes:					
Series 2014 BAN - 0.482%	9/23/2015	\$ -	\$ 1,210,000	\$ -	\$ 1,210,000
Series 2013 BAN - 1.00%	9/26/2014	<u>1,275,000</u>	<u>-</u>	<u>(1,275,000)</u>	<u>-</u>
Total bond anticipation notes		<u>\$ 1,275,000</u>	<u>\$ 1,210,000</u>	<u>\$(1,275,000)</u>	<u>\$ 1,210,000</u>

NOTE 14 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters, and injuries to employees. To manage these risks, the City participates in various jointly funded pools, both risk sharing and group rated, to provide separate and distinct coverage for each type of risk, as described below.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 14 - RISK MANAGEMENT - (Continued)

A. BORMA Property and Casualty Pool

During 2014, the City participated in the Buckeye Ohio Risk Management Agency (BORMA), Inc. and Public Entity Risk Consortium (PERC) joint risk sharing pools for property, liability, and crime insurance. Member contributions to the pools are calculated annually to produce a sufficient sum of money within the pools to fund loss payment obligations for claims and administrative expenses. The City's contributions in 2014 totaled \$273,020.

For the plan year, which includes December 31, 2014, BORMA, Inc. is subject to a \$25,000 per occurrence retention for any property or liability loss. The loss amount in excess of BORMA, Inc.'s \$25,000 retention is covered through PERC and various excess insurance companies up to the following amounts:

Property	\$250,000,000
Boiler & Machinery	100,000,000
General Liability	10,000,000
Auto Liability	10,000,000
Law Enforcement Liability	10,000,000
Public Officials Liability	10,000,000
Employee Dishonesty	1,000,000
Depositors Forgery	500,000
Money & Securities	500,000

The City's individual liability is \$1,000 per occurrence for property and crime losses. The limits are inclusive of the above noted retentions.

Settled claims have not exceeded this coverage in any of the past three years, and there has not been a significant reduction in coverage from the prior year.

B. BORMA Benefits Pool

The BORMA Benefits Pool (the "Pool") is for employee benefits and includes life insurance, accidental death and dismemberment insurance, health insurance, and prescription drug insurance. Plan options and levels of coverage are established independently by each Pool member for its employees. Premiums paid into the Pool by each member are based on the level of coverage within each respective plan. The Pool includes twenty-one public entities in the State of Ohio. Member contributions are calculated annually to produce a sufficient sum of money within the Pool to fund administrative expenses and to create reserves for claims.

As of December 31, 2014, the Pool had total reported assets of \$2,129,710. The 2014 monthly premiums paid by the City per covered employee were \$1,648 for family coverage, \$1,280 for two-party coverage, and \$615 for single coverage. The monthly life insurance premium was \$1.80. The cost of coverage for premiums is paid out of each respective fund and division that pays the salary of the individuals covered under the plan. Employees contribute a portion of each monthly premium through payroll withholding. During 2014, the City paid \$2,411,341 into the Pool for all covered benefits. The amount of risk retained by the Pool in 2014 was \$200,000 per individual; coverage in excess of this amount was provided by HCC Life Insurance Co.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 14 - RISK MANAGEMENT - (Continued)

Both the BORMA, Inc./PERC and the BORMA Benefits Pool have the ability to require member entities to make supplemental payments in the event reserves are not adequate to cover claims. The probability of this occurring is considered remote due to the adequacy of the reserves and premium levels. Therefore, no additional amounts have been disclosed in the basic financial statements. Audited financial statements are maintained separately by each pool.

C. Workers' Compensation

The City participates in the State of Ohio Bureau of Workers' Compensation Group Rating Program through its membership in the Ohio Municipal League. The City pays the State Workers' Compensation System an annual premium that is a computed percentage of the previous year's payroll, plus administrative costs. Annual premiums are based on the previous five years' loss history. In 2014, the City paid \$136,225 in total workers' compensation premiums and administrative costs.

D. State Unemployment Benefits

Political subdivisions in Ohio are not required to pay the State's unemployment tax. Instead, the City pays unemployment benefits claims directly to the Ohio Department of Job and Family Services, as they occur. During 2014, the City paid \$11,523 to the Ohio Department of Job and Family Services for unemployment benefits claims.

NOTE 15 - PENSION PLANS

A. Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014, member and employer contribution rates were consistent across all three plans. The 2014 member contribution rates were 10.00% for members. The City's contribution rate for 2014 was 14.00% of covered payroll.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 15 - PENSION PLANS - (Continued)

The City's contribution rate for pension benefits for members in the Traditional Plan and Combined Plan for 2014 was 12.00%. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2014, 2013, and 2012 were \$503,868, \$517,693, and \$392,605, respectively; 90.55% has been contributed for 2014 and 100% has been contributed for 2013 and 2012. The remaining 2014 pension liability has been reported as due to other governments on the basic financial statements. Contributions to the Member-Directed Plan for 2014 were \$56,446 made by the City and \$40,319 made by the plan members.

B. Ohio Police and Fire Pension Fund

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting the website at www.op-f.org.

Funding Policy - From January 1, 2014 through July 1, 2014, plan members were required to contribute 10.75% of their annual covered salary. From July 2, 2014 through December 31, 2014, plan members were required to contribute 11.50% of their annual covered salary. Throughout 2014, the City was required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute.

For 2014, the portion of the City's contributions to fund pension obligations was 19.00% for police officers and 23.50% for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$320,231 and \$302,326 for the year ended December 31, 2014, \$253,276 and \$227,254 for the year ended December 31, 2013, and \$200,811 and \$200,587 for the year ended December 31, 2012. 100% has been contributed for 2013 and 2012. 90.92% has been contributed for police officers and 91.23% has been contributed for firefighters for 2014. The remaining 2014 pension liability has been reported as due to other governments on the basic financial statements.

NOTE 16 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment health care through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2014, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the post-employment health care benefits. The portion of employer contributions allocated to fund post-employment health care for members in the Traditional Plan and Combined Plan for 2014 was 2.00%.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2014, 2013, and 2012 were \$84,007, \$39,823, and \$161,922, respectively; 90.55% has been contributed for 2014 and 100% has been contributed for 2013 and 2012. The remaining 2014 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00% of the employer contributions toward the health care fund after the end of the transition period.

B. Ohio Police and Fire Pension Fund

Plan Description - The City contributes to the OP&F Pension Fund sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care 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-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person.

The 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.

CITY OF DEFIANCE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)

OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting the website at www.op-f.org.

Funding Policy - 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, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% 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 account is for health care benefits under an Internal Revenue Code Section 115 trust and the other account is for Medicare Part B reimbursements administered as an Internal Revenue Code Section 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 into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2014, the portion of employer contributions allocated to health care was 0.50% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the 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 contributions to OP&F which were allocated to fund post-employment health care benefits for police officers and firefighters were \$8,427 and \$6,432 for the year ended December 31, 2014, \$52,900 and \$37,212 for the year ended December 31, 2013, and \$106,312 and \$78,490 for the year ended December 31, 2012. 100% has been contributed for 2013 and 2012. 90.92% has been contributed for police officers and 91.23% has been contributed for firefighters for 2014. The remaining 2014 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

The statements of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund and for the police and fire fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);
- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (f) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for all governmental funds for which a budgetary basis statement is presented:

Net Change in Fund Balance

	<u>General</u>	<u>Police and Fire</u>
Budget basis	\$ 649,357	\$ 291,878
Net adjustment for revenue accruals	(31,350)	146,658
Net adjustment for expenditure accruals	52,149	171,555
Net adjustment for other sources/uses	(10,910)	-
Funds budgeted elsewhere	1,321	-
Adjustment for encumbrances	120,890	20,666
GAAP basis	\$ 781,457	\$ 630,757

The unclaimed monies fund is legally budgeted in a separate fund classification, but is considered part of the general fund on a GAAP basis.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 18 - LOANS RECEIVABLE

Loans receivable represent low interest loans made by the City for development projects and businesses under the Community Development Block Grant (CDBG) Program. A summary of the loans receivable activity is as follows:

	<u>Balance 1/1/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2014</u>
CDBG loans	<u>\$ 1,357,672</u>	<u>\$ -</u>	<u>\$ (187,088)</u>	<u>\$ 1,170,584</u>

The loans receivable are reported in the nonmajor governmental funds. Fund balance has been restricted for the outstanding balance due at year end.

NOTE 19 - CONTINGENCIES

A. Grants

The City received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2014.

B. Litigation

At December 31, 2014, the City was not involved in any pending litigation that would potentially have a material adverse effect on the City's financial position.

NOTE 20 - CONTRACTUAL COMMITMENTS

At December 31, 2014, the City had the following outstanding contractual commitments:

<u>Vendor</u>	<u>Contract Amount</u>	<u>Amount Paid</u>	<u>Amount Outstanding</u>
Beckett & Raeder, Inc.	\$ 25,175	\$ 11,804	\$ 13,371
Burgess & Niple, Inc.	108,650	93,118	15,532
GS Wood & Metal Coating, LLC.	45,355	29,600	15,755
Heritage Land Services	12,975	9,000	3,975
Mannik & Smith Group	628,827	378,347	250,480
Maumee Valley Planning Organization	39,800	15,596	24,204
Miller Contracting Group, Inc.	1,194,269	799,351	394,918
Poggemeyer Design Group	241,150	225,912	15,238
Reynolds Inliner, LLC.	824,964	764,867	60,097
Tetra-tech, Inc.	27,000	3,317	23,683
Total contractual commitments	<u>\$ 3,148,165</u>	<u>\$ 2,330,912</u>	<u>\$ 817,253</u>

CITY OF DEFIANCE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 21 - OTHER COMMITMENTS

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the City's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year End Encumbrances</u>
General	\$ 81,324
Police and fire	7,723
Capital improvements	<u>119,614</u>
Total	<u>\$ 208,661</u>

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CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 22 - FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all nonmajor governmental funds are presented below:

Fund Balance	General	Police and Fire	Capital Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Materials and supplies inventory	\$ -	\$ -	\$ -	\$ 47,100	\$ 47,100
Unclaimed monies	1,414	-	-	-	1,414
Total nonspendable	<u>1,414</u>	<u>-</u>	<u>-</u>	<u>47,100</u>	<u>48,514</u>
Restricted:					
General government operations	-	-	-	927,282	927,282
Safety and security programs	-	132,706	-	485,920	618,626
Street maintenance and improvements	-	-	-	668,308	668,308
Housing rehabilitation and cemetery care	-	-	-	17,358	17,358
Revolving loan program	-	-	-	1,863,567	1,863,567
Debt service	-	-	-	556,615	556,615
Total restricted	<u>-</u>	<u>132,706</u>	<u>-</u>	<u>4,519,050</u>	<u>4,651,756</u>
Committed:					
Safety and security programs	-	-	-	2,110	2,110
Parks and recreation	-	-	-	25,567	25,567
Tax redirection	-	-	-	32,373	32,373
Capital projects	-	-	807,354	-	807,354
Total committed	<u>-</u>	<u>-</u>	<u>807,354</u>	<u>60,050</u>	<u>867,404</u>
Assigned:					
General government operations	73,366	-	-	-	73,366
Cemetery care	2,351	-	-	-	2,351
Economic development	11	-	-	-	11
Parks and recreation	5,596	-	-	-	5,596
Total assigned	<u>81,324</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>81,324</u>
Unassigned (deficit)	<u>2,538,419</u>	<u>-</u>	<u>-</u>	<u>(90,666)</u>	<u>2,447,753</u>
Total fund balances	<u>\$ 2,621,157</u>	<u>\$ 132,706</u>	<u>\$ 807,354</u>	<u>\$ 4,535,534</u>	<u>\$ 8,096,751</u>

NOTE 23 - SIGNIFICANT SUBSEQUENT EVENT

On April 2, 2015, the City issued \$2,704,000 in bond anticipation notes (Series 2015) in the sewer fund to refinance the bond anticipation notes dated April 8, 2014 in the amount of \$3,139,000. The bond anticipation notes (Series 2015) are scheduled to mature on April 1, 2016 and bear interest at a rate of 1.00%.

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**COMBINING STATEMENTS
AND INDIVIDUAL FUND SCHEDULES**

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CITY OF DEFIANCE, OHIO

FUND DESCRIPTIONS - GOVERNMENTAL FUNDS

GENERAL FUND

The general fund accounts for all financial resources, except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the charter of the City and/or the general laws of Ohio.

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for all specific financial resources (other than debt service and capital projects) that are legally committed or restricted for specified expenditure purposes. Following is a description of the City's special revenue funds:

Major Special Revenue Fund

Police and Fire Fund

This fund accounts for and reports financial resources resulting from the City's additional 0.3% income tax levy that are restricted for use in the operations of the police and fire departments.

Nonmajor Special Revenue Funds

State Highway Improvements Fund

This fund accounts for the portion of the State gasoline tax and motor vehicle registration fees designated for maintenance of state highways within the City.

Permissive Tax Fund

This fund accounts for local vehicle license fees designated for the maintenance of streets within the City.

Street Construction, Maintenance and Repair Fund

This fund accounts for the portion of State gasoline tax and motor vehicle registration fees designated for the maintenance of the streets within the City.

Indigent Drivers Fund

This fund accounts for revenues generated from fines imposed by the municipal court for DUI arrests to be used for DUI enforcement training for police officers and other traffic safety programs.

Municipal Probation Services Fund

This fund accounts for fees collected from convicted offenders placed on probation and used to support the operations of the probation department.

Probation Grant Fund

This fund accounts for State grant monies that support the operations of the probation department.

Court Computerization Fund

This fund accounts for monies received for specific court costs that are designated for funding the acquisition and maintenance of computerized equipment or software for courts.

Tree of Life Fund

This fund accounts for monies donated to pay for the planting of trees, shrubs, flowers, etc. on public lands and right-of-ways within the City.

Special Project Fund

This fund accounts for monies received for specific court costs that are designated for various statutorily authorized purposes.

OVI Special Project Fund

This fund accounts for fines and court costs levied against those convicted of driving under the influence of alcohol or drugs and used exclusively for statutorily authorized purposes.

Cable TV - Franchise Fund

This fund accounts for franchise fees collected from local cable television operators and used to support the Defiance Community Cultural Council, whose purpose, among other things, is to record and televise City Council meetings.

CITY OF DEFIANCE, OHIO

FUND DESCRIPTIONS - GOVERNMENTAL FUNDS

Nonmajor Special Revenue Funds (Continued)

Housing Rehabilitation Grant Fund

This fund accounts for monies received from the Community Development Housing Rehabilitation Grant.

Revolving Loan - Industrial Fund

This fund accounts for monies received as development grants that become loans to a qualified industry for the purpose of economic development. As the initial loans are repaid, the money is perpetually "re-loaned" to stimulate growth in the community.

Downtown Revitalization Grant Fund

This fund accounts for Community Development Block Grant monies received for the purpose of improving the downtown business district.

Reservoir Enhancement Fund

This fund accounts for monies donated for the purpose of funding projects and enhancements for recreational purposes on the reservoir grounds.

Riverside Cemetery Enhancement Fund

This fund accounts for monies donated for the purpose of funding maintenance and enhancement projects at the municipal cemetery.

Hotel/Motel Tax Fund

This fund accounts for proceeds of the City's transient guest tax, half of which is used to fund the Downtown Defiance Visitors' Bureau, and half of which is used for discretionary municipal purposes.

Museum Trust Fund

This fund accounts for donations received and expenditures incurred in the operation of the City's museum.

Cemetery Trust Fund

This fund accounts for monies received from the sale of cemetery lots, burial permits, and general funds for burial services and upkeep of the City's cemetery.

Police Pension Fund

This fund accounts for property taxes levied and other monies received for the payment of the accrued liability for police disability and pension benefits.

Fire Pension Fund

This fund accounts for property taxes levied and other monies received for the payment of the accrued liability for fire disability and pension benefits.

Tax Redirection Fund

This fund accounts for monies received in connection with a 1986 tax redirection agreement to pay for street improvements along N. Clinton Street.

Law Enforcement Trust Fund

This fund accounts for monies donated to the police department for discretionary equipment and training needs.

East Side Firehouse Fund

This fund accounts for monies donated to restore and maintain the historic East Side Firehouse.

Fire and Rescue Trust Fund

This fund accounts for monies donated to the fire department for the purpose of providing equipment and training related to the City's fire and rescue services.

Fire Damage Repair Fund

This fund accounts for monies received from property insurance providers on behalf of private property owners and held in escrow pending the demolition or reclamation of residential properties damaged by fire.

Park and Recreation Trust Fund

This fund accounts for monies donated for equipment and improvements to enhance the City's parks and recreation programs.

CITY OF DEFIANCE, OHIO

FUND DESCRIPTIONS - GOVERNMENTAL FUNDS

The following fund is included in the general fund (GAAP basis), but has a separate legally adopted budget (budget basis):

Unclaimed Monies Fund

This fund accounts for uncashed checks issued by the City.

DEBT SERVICE FUNDS

Debt service funds are used to account for the accumulation of resources and the payments of principal, interest, and costs related to bond retirement and other debt obligations. Following is a description of the City's debt service fund:

Nonmajor Debt Service Fund

Bond Retirement Fund

This fund accounts for the resources that are used for the payment of principal, interest, and other fiscal charges on general obligation debt.

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by the proprietary fund types. Following is a description of the City's capital projects fund:

Major Capital Projects Fund

Capital Improvements Fund

This fund accounts for resources used to purchase equipment and construct capital assets.

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Income taxes	\$ 5,600,539	\$ 5,605,515	\$ 6,110,345	\$ 504,830
Property and other local taxes	542,073	542,555	591,417	48,862
Charges for services	637,771	638,338	695,826	57,488
Licenses, permits and fees	111,816	111,915	121,994	10,079
Fines and forfeitures	415,816	416,186	453,667	37,481
Intergovernmental	344,809	345,115	376,196	31,081
Investment income	16,946	16,961	18,489	1,528
Donations.	1,375	1,376	1,500	124
Other	256,084	256,312	279,395	23,083
Total revenues	<u>7,927,229</u>	<u>7,934,273</u>	<u>8,648,829</u>	<u>714,556</u>
Expenditures:				
Current:				
General Government:				
City Council:				
Salaries and wages	76,225	76,225	75,738	487
Operating	16,519	21,019	18,639	2,380
Total city council	<u>92,744</u>	<u>97,244</u>	<u>94,377</u>	<u>2,867</u>
Municipal Court:				
Salaries and wages	676,325	676,325	651,245	25,080
Operating	52,502	49,856	43,496	6,360
Total municipal court	<u>728,827</u>	<u>726,181</u>	<u>694,741</u>	<u>31,440</u>
County Law Library:				
Operating	20,837	18,436	18,436	-
Total county law library	<u>20,837</u>	<u>18,436</u>	<u>18,436</u>	<u>-</u>
Mayor:				
Salaries and wages	152,085	152,085	151,843	242
Operating	9,199	9,199	3,513	5,686
Total mayor.	<u>161,284</u>	<u>161,284</u>	<u>155,356</u>	<u>5,928</u>
City Administrator:				
Salaries and wages	122,640	124,640	124,088	552
Operating	70,886	65,974	46,122	19,852
Total city administrator	<u>193,526</u>	<u>190,614</u>	<u>170,210</u>	<u>20,404</u>
Finance Department:				
Salaries and wages	279,905	283,405	281,301	2,104
Operating	35,697	35,524	31,634	3,890
Total finance department.	<u>315,602</u>	<u>318,929</u>	<u>312,935</u>	<u>5,994</u>
County and State Charges:				
Operating	25,828	45,965	45,871	94
Total county and state charges.	<u>25,828</u>	<u>45,965</u>	<u>45,871</u>	<u>94</u>
Law Department:				
Salaries and wages	293,935	296,135	293,660	2,475
Operating	20,299	17,374	5,421	11,953
Total law department.	<u>314,234</u>	<u>313,509</u>	<u>299,081</u>	<u>14,428</u>

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CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Civil Service:				
Salaries and wages	\$ 7,095	\$ 7,095	\$ 7,088	\$ 7
Operating	11,430	36,640	36,509	131
Total civil service	18,525	43,735	43,597	138
Land and Buildings:				
Salaries and wages	76,365	77,365	75,592	1,773
Operating	266,041	260,214	230,785	29,429
Total land and buildings	342,406	337,579	306,377	31,202
Insurance Pool:				
Operating	145,450	145,450	145,445	5
Total insurance pool	145,450	145,450	145,445	5
Income Tax Collection and Distribution:				
Salaries and wages	61,125	62,125	61,845	280
Operating	111,460	124,692	113,915	10,777
Total income tax collection and distribution	172,585	186,817	175,760	11,057
Total General Government	2,531,848	2,585,743	2,462,186	123,557
Security of Persons and Property:				
Police:				
Salaries and wages	8,015	3,846	3,846	-
Operating	57,518	51,963	40,390	11,573
Total police	65,533	55,809	44,236	11,573
Fire:				
Salaries and wages	2,461	2,461	2,461	-
Operating	10,750	9,890	8,648	1,242
Total fire	13,211	12,351	11,109	1,242
Total Security of Persons and Property.	78,744	68,160	55,345	12,815
Public Health and Welfare:				
Cemetery:				
Salaries and wages	171,600	212,600	210,796	1,804
Operating	49,228	49,862	49,167	695
Total cemetery	220,828	262,462	259,963	2,499
Total Public Health and Welfare	220,828	262,462	259,963	2,499
Community Environment:				
Building Inspection:				
Salaries and wages	86,766	86,766	77,753	9,013
Operating	11,122	13,122	11,302	1,820
Total building inspection	97,888	99,888	89,055	10,833
Engineering:				
Salaries and wages	300,622	310,622	308,400	2,222
Operating	12,216	21,546	21,235	311
Total engineering	312,838	332,168	329,635	2,533
Total Community Environment	410,726	432,056	418,690	13,366

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CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Leisure Time Activity:				
Parks and Recreation:				
Salaries and wages	\$ 347,975	\$ 347,975	\$ 343,886	\$ 4,089
Operating	245,713	242,199	231,833	10,366
Total parks and recreation	<u>593,688</u>	<u>590,174</u>	<u>575,719</u>	<u>14,455</u>
Total Leisure Time Activity	<u>593,688</u>	<u>590,174</u>	<u>575,719</u>	<u>14,455</u>
Economic Development:				
Development Department:				
Operating	88,117	91,217	79,316	11,901
Total development department	<u>88,117</u>	<u>91,217</u>	<u>79,316</u>	<u>11,901</u>
Total Economic Development	<u>88,117</u>	<u>91,217</u>	<u>79,316</u>	<u>11,901</u>
Total expenditures	<u>3,923,951</u>	<u>4,029,812</u>	<u>3,851,219</u>	<u>178,593</u>
Excess of revenues over expenditures	<u>4,003,278</u>	<u>3,904,461</u>	<u>4,797,610</u>	<u>893,149</u>
Other financing sources (uses):				
Sale of capital assets.	10,000	10,009	10,910	901
Transfers (out).	<u>(4,159,163)</u>	<u>(4,159,163)</u>	<u>(4,159,163)</u>	<u>-</u>
Total other financing sources (uses).	<u>(4,149,163)</u>	<u>(4,149,154)</u>	<u>(4,148,253)</u>	<u>901</u>
Net change in fund balances.	(145,885)	(244,693)	649,357	894,050
Fund balances at beginning of year.	926,053	926,053	926,053	-
Prior year encumbrances appropriated	233,549	233,549	233,549	-
Fund balance at end of year	<u>\$ 1,013,717</u>	<u>\$ 914,909</u>	<u>\$ 1,808,959</u>	<u>\$ 894,050</u>

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
POLICE AND FIRE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Income taxes	\$ 1,277,299	\$ 1,227,031	\$ 1,225,003	\$ (2,028)
Total revenues	<u>1,277,299</u>	<u>1,227,031</u>	<u>1,225,003</u>	<u>(2,028)</u>
Expenditures:				
Current:				
Security of Persons and Property:				
Police:				
Salaries and wages	2,612,563	2,502,563	2,421,954	80,609
Operating	<u>449,060</u>	<u>449,060</u>	<u>326,319</u>	<u>122,741</u>
Total police	<u>3,061,623</u>	<u>2,951,623</u>	<u>2,748,273</u>	<u>203,350</u>
Fire:				
Salaries and wages	1,871,360	1,751,360	1,673,905	77,455
Operating	<u>190,970</u>	<u>224,320</u>	<u>200,110</u>	<u>24,210</u>
Total fire	<u>2,062,330</u>	<u>1,975,680</u>	<u>1,874,015</u>	<u>101,665</u>
Total expenditures	<u>5,123,953</u>	<u>4,927,303</u>	<u>4,622,288</u>	<u>305,015</u>
Excess of expenditures over revenues	<u>(3,846,654)</u>	<u>(3,700,272)</u>	<u>(3,397,285)</u>	<u>302,987</u>
Other financing sources:				
Transfers in	<u>3,846,654</u>	<u>3,695,272</u>	<u>3,689,163</u>	<u>(6,109)</u>
Total other financing sources	<u>3,846,654</u>	<u>3,695,272</u>	<u>3,689,163</u>	<u>(6,109)</u>
Net change in fund balances	-	(5,000)	291,878	296,878
Fund balances at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ -</u>	<u>\$ (5,000)</u>	<u>\$ 291,878</u>	<u>\$ 296,878</u>

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
CAPITAL IMPROVEMENTS FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Income taxes	\$ 1,160,137	\$ 1,434,790	\$ 1,534,374	\$ 99,584
Intergovernmental	710,856	879,146	571,404	(307,742)
Other	9,541	11,800	12,220	420
Total revenues	<u>1,880,534</u>	<u>2,325,736</u>	<u>2,117,998</u>	<u>(207,738)</u>
Expenditures:				
Current:				
Capital Outlay:				
Operating	2,203,267	3,014,769	2,632,767	382,002
Total capital outlay	<u>2,203,267</u>	<u>3,014,769</u>	<u>2,632,767</u>	<u>382,002</u>
Debt Service:				
Principal retirement	20,000	20,000	20,000	-
Interest and fiscal charges	120,850	120,850	120,850	-
Total debt service	<u>140,850</u>	<u>140,850</u>	<u>140,850</u>	<u>-</u>
Total expenditures.	<u>2,344,117</u>	<u>3,155,619</u>	<u>2,773,617</u>	<u>382,002</u>
Excess of expenditures over revenues	<u>(463,583)</u>	<u>(829,883)</u>	<u>(655,619)</u>	<u>174,264</u>
Other financing sources:				
Issuance of loans	89,752	111,000	110,723	(277)
Total other financing sources	<u>89,752</u>	<u>111,000</u>	<u>110,723</u>	<u>(277)</u>
Net change in fund balances.	(373,831)	(718,883)	(544,896)	173,987
Fund balances at beginning of year.	583,200	583,200	583,200	-
Prior year encumbrances appropriated	479,184	479,184	479,184	-
Fund balance at end of year	<u>\$ 688,553</u>	<u>\$ 343,501</u>	<u>\$ 517,488</u>	<u>\$ 173,987</u>

CITY OF DEFIANCE, OHIO

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Total Nonmajor Governmental Funds
Assets:			
Equity in pooled cash and cash equivalents . . .	\$ 2,661,522	\$ 556,615	\$ 3,218,137
Cash in segregated accounts	12,849	-	12,849
Receivables (net of allowance for uncollectibles):			
Income taxes	4,121	-	4,121
Property and other local taxes.	240,272	-	240,272
Accounts	70,435	-	70,435
Loans receivable.	1,170,584	-	1,170,584
Special assessments.	-	167,425	167,425
Accrued interest.	1,227	-	1,227
Due from other governments	429,628	-	429,628
Materials and supplies inventory	47,100	-	47,100
Total assets	<u>\$ 4,637,738</u>	<u>\$ 724,040</u>	<u>\$ 5,361,778</u>
Liabilities:			
Accounts payable.	\$ 127,930	\$ -	\$ 127,930
Accrued wages and benefits payable.	24,240	-	24,240
Due to other governments	56,503	-	56,503
Total liabilities	<u>208,673</u>	<u>-</u>	<u>208,673</u>
Deferred inflows of resources:			
Property taxes levied for the next year.	169,800	-	169,800
Accrued interest not available.	1,227	-	1,227
Special assessments revenue not available.	-	167,425	167,425
Income tax revenue not available	1,658	-	1,658
Intergovernmental revenue not available	277,461	-	277,461
Total deferred inflows of resources.	<u>450,146</u>	<u>167,425</u>	<u>617,571</u>
Fund balances:			
Nonspendable	47,100	-	47,100
Restricted	3,962,435	556,615	4,519,050
Committed.	60,050	-	60,050
Unassigned (deficit).	<u>(90,666)</u>	<u>-</u>	<u>(90,666)</u>
Total fund balances.	<u>3,978,919</u>	<u>556,615</u>	<u>4,535,534</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,637,738</u>	<u>\$ 724,040</u>	<u>\$ 5,361,778</u>

CITY OF DEFIANCE, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Total Nonmajor Governmental Funds
Revenues:			
Income taxes	\$ 25,868	\$ -	\$ 25,868
Property and other local taxes	439,290	-	439,290
Licenses, permits and fees	181,819	-	181,819
Fines and forfeitures	288,354	-	288,354
Intergovernmental	1,494,148	-	1,494,148
Special assessments	-	34,246	34,246
Investment income	52,067	-	52,067
Donations.	50,843	-	50,843
Other	126,777	-	126,777
Total revenues.	<u>2,659,166</u>	<u>34,246</u>	<u>2,693,412</u>
Expenditures:			
Current:			
General government	507,650	1,084	508,734
Security of persons and property.	1,031,283	-	1,031,283
Transportation	873,971	-	873,971
Economic development	412,966	-	412,966
Capital outlay.	13,569	-	13,569
Debt service:			
Principal retirement.	150,000	129,786	279,786
Total expenditures	<u>2,989,439</u>	<u>130,870</u>	<u>3,120,309</u>
Excess of expenditures over revenues.	<u>(330,273)</u>	<u>(96,624)</u>	<u>(426,897)</u>
Other financing sources (uses):			
Transfers in	470,000	41,137	511,137
Transfers (out).	-	(8,550)	(8,550)
Total other financing sources (uses).	<u>470,000</u>	<u>32,587</u>	<u>502,587</u>
Net change in fund balances	139,727	(64,037)	75,690
Fund balances at beginning of year	<u>3,839,192</u>	<u>620,652</u>	<u>4,459,844</u>
Fund balances at end of year	<u>\$ 3,978,919</u>	<u>\$ 556,615</u>	<u>\$ 4,535,534</u>

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CITY OF DEFIANCE, OHIO

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2014

	<u>State Highway Improvements</u>	<u>Permissive Tax</u>	<u>Street Construction, Maintenance and Repair</u>	<u>Indigent Drivers</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 164,563	\$ 28,703	\$ 397,948	\$ 16,776
Cash in segregated accounts	-	-	-	-
Receivables (net of allowance for uncollectibles):				
Income taxes	-	-	4,121	-
Property and other local taxes.	-	-	-	-
Accounts	-	-	-	1,135
Loans receivable.	-	-	-	-
Accrued interest.	161	-	389	-
Due from other governments	28,875	-	366,883	-
Materials and supplies inventory	-	-	47,100	-
Total assets.	<u>\$ 193,599</u>	<u>\$ 28,703</u>	<u>\$ 816,441</u>	<u>\$ 17,911</u>
Liabilities:				
Accounts payable	\$ -	\$ 14,001	\$ 5,712	\$ 2,640
Accrued wages and benefits payable.	-	-	24,240	-
Due to other governments	-	-	19,913	-
Total liabilities	<u>-</u>	<u>14,001</u>	<u>49,865</u>	<u>2,640</u>
Deferred inflows of resources:				
Property taxes levied for the next year.	-	-	-	-
Accrued interest not available.	161	-	389	-
Income tax revenue not available	-	-	1,658	-
Intergovernmental revenue not available	19,296	-	237,965	-
Total deferred inflows of resources.	<u>19,457</u>	<u>-</u>	<u>240,012</u>	<u>-</u>
Fund balances:				
Nonspendable	-	-	47,100	-
Restricted	174,142	14,702	479,464	15,271
Committed.	-	-	-	-
Unassigned (deficit).	-	-	-	-
Total fund balances (deficit).	<u>174,142</u>	<u>14,702</u>	<u>526,564</u>	<u>15,271</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 193,599</u>	<u>\$ 28,703</u>	<u>\$ 816,441</u>	<u>\$ 17,911</u>

Municipal Probation Services	Probation Grant	Court Computerization	Tree of Life	Special Project	OVI Special Project
\$ 257,206	\$ 1,603	\$ 183,627	\$ 1,214	\$ 183,848	\$ 116,957
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,274	-	6,620	-	13,173	1,493
-	-	-	-	-	-
-	-	-	-	-	-
-	13,670	-	-	-	-
-	-	-	-	-	-
<u>\$ 259,480</u>	<u>\$ 15,273</u>	<u>\$ 190,247</u>	<u>\$ 1,214</u>	<u>\$ 197,021</u>	<u>\$ 118,450</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	790	-	-	-	-
<u>-</u>	<u>790</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
259,480	14,483	190,247	-	197,021	118,450
-	-	-	1,214	-	-
-	-	-	-	-	-
<u>259,480</u>	<u>14,483</u>	<u>190,247</u>	<u>1,214</u>	<u>197,021</u>	<u>118,450</u>
<u>\$ 259,480</u>	<u>\$ 15,273</u>	<u>\$ 190,247</u>	<u>\$ 1,214</u>	<u>\$ 197,021</u>	<u>\$ 118,450</u>

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CITY OF DEFIANCE, OHIO

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
DECEMBER 31, 2014

	<u>Cable TV - Franchise</u>	<u>Housing Rehabilitation Grant</u>	<u>Revolving Loan - Industrial</u>	<u>Downtown Revitalization Grant</u>
Assets:				
Equity in pooled cash and cash equivalents . . .	\$ -	\$ 19,621	\$ 692,983	\$ 2
Cash in segregated accounts	-	-	-	-
Receivables (net of allowance for uncollectibles):				
Income taxes	-	-	-	-
Property and other local taxes.	-	-	-	-
Accounts	45,740	-	-	-
Loans receivable.	-	-	1,170,584	-
Accrued interest.	-	-	677	-
Due from other governments	-	-	-	-
Materials and supplies inventory	-	-	-	-
Total assets.	<u>\$ 45,740</u>	<u>\$ 19,621</u>	<u>\$ 1,864,244</u>	<u>\$ 2</u>
Liabilities:				
Accounts payable	\$ -	\$ 2,789	\$ -	\$ 90,668
Accrued wages and benefits payable.	-	-	-	-
Due to other governments	-	-	-	-
Total liabilities	<u>-</u>	<u>2,789</u>	<u>-</u>	<u>90,668</u>
Deferred inflows of resources:				
Property taxes levied for the next year.	-	-	-	-
Accrued interest not available.	-	-	677	-
Income tax revenue not available	-	-	-	-
Intergovernmental revenue not available	-	-	-	-
Total deferred inflows of resources.	<u>-</u>	<u>-</u>	<u>677</u>	<u>-</u>
Fund balances:				
Nonspendable	-	-	-	-
Restricted	45,740	16,832	1,863,567	-
Committed.	-	-	-	-
Unassigned (deficit).	-	-	-	(90,666)
Total fund balances (deficit).	<u>45,740</u>	<u>16,832</u>	<u>1,863,567</u>	<u>(90,666)</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 45,740</u>	<u>\$ 19,621</u>	<u>\$ 1,864,244</u>	<u>\$ 2</u>

<u>Reservoir Enhancement</u>	<u>Riverside Cemetery Enhancement</u>	<u>Hotel/Motel Tax</u>	<u>Museum Trust</u>	<u>Cemetery Trust</u>	<u>Police Pension</u>
\$ 21,123	\$ 465	\$ 315,658	\$ 12,697	\$ 61	\$ 40,205
-	-	-	12,849	-	-
-	-	-	-	-	-
-	-	70,472	-	-	84,900
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	10,100
-	-	-	-	-	-
<u>\$ 21,123</u>	<u>\$ 465</u>	<u>\$ 386,130</u>	<u>\$ 25,546</u>	<u>\$ 61</u>	<u>\$ 135,205</u>
\$ -	\$ -	\$ 52	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	35,800	-	-	-
-	-	35,852	-	-	-
-	-	-	-	-	-
-	-	-	-	-	84,900
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	10,100
-	-	-	-	-	95,000
-	-	-	-	-	-
-	465	350,278	25,546	61	40,205
21,123	-	-	-	-	-
-	-	-	-	-	-
<u>21,123</u>	<u>465</u>	<u>350,278</u>	<u>25,546</u>	<u>61</u>	<u>40,205</u>
<u>\$ 21,123</u>	<u>\$ 465</u>	<u>\$ 386,130</u>	<u>\$ 25,546</u>	<u>\$ 61</u>	<u>\$ 135,205</u>

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CITY OF DEFIANCE, OHIO

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
DECEMBER 31, 2014

	<u>Fire Pension</u>	<u>Tax Redirection</u>	<u>Law Enforcement Trust</u>	<u>East Side Firehouse</u>
Assets:				
Equity in pooled cash and cash equivalents . . .	\$ 50,562	\$ 32,373	\$ 49,799	\$ 2,110
Cash in segregated accounts	-	-	-	-
Receivables (net of allowance for uncollectibles):				
Income taxes	-	-	-	-
Property and other local taxes.	84,900	-	-	-
Accounts	-	-	-	-
Loans receivable.	-	-	-	-
Accrued interest.	-	-	-	-
Due from other governments	10,100	-	-	-
Materials and supplies inventory	-	-	-	-
Total assets.	<u>\$ 145,562</u>	<u>\$ 32,373</u>	<u>\$ 49,799</u>	<u>\$ 2,110</u>
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 68	\$ -
Accrued wages and benefits payable.	-	-	-	-
Due to other governments	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>68</u>	<u>-</u>
Deferred inflows of resources:				
Property taxes levied for the next year.	84,900	-	-	-
Accrued interest not available.	-	-	-	-
Income tax revenue not available	-	-	-	-
Intergovernmental revenue not available	10,100	-	-	-
Total deferred inflows of resources.	<u>95,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Nonspendable	-	-	-	-
Restricted	50,562	-	49,731	-
Committed.	-	32,373	-	2,110
Unassigned (deficit).	-	-	-	-
Total fund balances (deficit).	<u>50,562</u>	<u>32,373</u>	<u>49,731</u>	<u>2,110</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 145,562</u>	<u>\$ 32,373</u>	<u>\$ 49,799</u>	<u>\$ 2,110</u>

Fire and Rescue Trust	Fire Damage Repair	Park and Recreation Trust	Total Nonmajor Special Revenue Funds
\$ 24,088	\$ 44,100	\$ 3,230	\$ 2,661,522
-	-	-	12,849
-	-	-	4,121
-	-	-	240,272
-	-	-	70,435
-	-	-	1,170,584
-	-	-	1,227
-	-	-	429,628
-	-	-	47,100
<u>\$ 24,088</u>	<u>\$ 44,100</u>	<u>\$ 3,230</u>	<u>\$ 4,637,738</u>
\$ -	\$ 12,000	\$ -	\$ 127,930
-	-	-	24,240
-	-	-	56,503
<u>-</u>	<u>12,000</u>	<u>-</u>	<u>208,673</u>
-	-	-	169,800
-	-	-	1,227
-	-	-	1,658
<u>-</u>	<u>-</u>	<u>-</u>	<u>277,461</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>450,146</u>
-	-	-	47,100
24,088	32,100	-	3,962,435
-	-	3,230	60,050
-	-	-	(90,666)
<u>24,088</u>	<u>32,100</u>	<u>3,230</u>	<u>3,978,919</u>
<u>\$ 24,088</u>	<u>\$ 44,100</u>	<u>\$ 3,230</u>	<u>\$ 4,637,738</u>

CITY OF DEFIANCE, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>State Highway Improvements</u>	<u>Permissive Tax</u>	<u>Street Construction, Maintenance and Repair</u>	<u>Indigent Drivers</u>
Revenues:				
Income taxes	\$ -	\$ -	\$ 25,868	\$ -
Property and other local taxes	-	-	-	-
Licenses, permits and fees	-	-	-	-
Fines and forfeitures	-	-	-	24,269
Intergovernmental	65,830	-	932,784	-
Investment income	928	-	1,616	-
Donations.	-	-	-	-
Other	-	300	8,217	-
Total revenues.	<u>66,758</u>	<u>300</u>	<u>968,485</u>	<u>24,269</u>
Expenditures:				
Current:				
General government	-	-	-	-
Security of persons and property.	-	-	-	25,148
Transportation	57,440	26,207	790,324	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement.	-	-	-	-
Total expenditures	<u>57,440</u>	<u>26,207</u>	<u>790,324</u>	<u>25,148</u>
Excess (deficiency) of revenues over (under) expenditures	<u>9,318</u>	<u>(25,907)</u>	<u>178,161</u>	<u>(879)</u>
Other financing sources:				
Transfers in.	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	9,318	(25,907)	178,161	(879)
Fund balances at beginning of year.	164,824	40,609	348,403	16,150
Fund balances (deficit) at end of year	<u>\$ 174,142</u>	<u>\$ 14,702</u>	<u>\$ 526,564</u>	<u>\$ 15,271</u>

<u>Municipal Probation Services</u>	<u>Probation Grant</u>	<u>Court Computerization</u>	<u>Tree of Life</u>	<u>Special Project</u>	<u>OVI Special Project</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
19,809	-	76,535	-	152,990	11,034
-	54,679	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	519	-	-	-	9,304
<u>19,809</u>	<u>55,198</u>	<u>76,535</u>	<u>-</u>	<u>152,990</u>	<u>20,338</u>
-	-	85,707	-	-	-
33,033	56,287	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	150,000	-
<u>33,033</u>	<u>56,287</u>	<u>85,707</u>	<u>-</u>	<u>150,000</u>	<u>-</u>
<u>(13,224)</u>	<u>(1,089)</u>	<u>(9,172)</u>	<u>-</u>	<u>2,990</u>	<u>20,338</u>
-	-	-	-	-	-
-	-	-	-	-	-
(13,224)	(1,089)	(9,172)	-	2,990	20,338
272,704	15,572	199,419	1,214	194,031	98,112
<u>\$ 259,480</u>	<u>\$ 14,483</u>	<u>\$ 190,247</u>	<u>\$ 1,214</u>	<u>\$ 197,021</u>	<u>\$ 118,450</u>

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CITY OF DEFIANCE, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Cable TV - Franchise</u>	<u>Housing Rehabilitation Grant</u>	<u>Revolving Loan - Industrial</u>	<u>Downtown Revitalization Grant</u>
Revenues:				
Income taxes	\$ -	\$ -	\$ -	\$ -
Property and other local taxes	-	-	-	-
Licenses, permits and fees	181,819	-	-	-
Fines and forfeitures	-	-	-	-
Intergovernmental	-	189,360	-	121,611
Investment income	-	-	49,112	-
Donations.	-	-	-	-
Other	-	-	-	-
Total revenues.	<u>181,819</u>	<u>189,360</u>	<u>49,112</u>	<u>121,611</u>
Expenditures:				
Current:				
General government	183,702	-	-	-
Security of persons and property.	-	-	-	-
Transportation	-	-	-	-
Economic development	-	191,660	9,029	212,277
Capital outlay	-	-	-	-
Debt service:				
Principal retirement.	-	-	-	-
Total expenditures	<u>183,702</u>	<u>191,660</u>	<u>9,029</u>	<u>212,277</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,883)</u>	<u>(2,300)</u>	<u>40,083</u>	<u>(90,666)</u>
Other financing sources:				
Transfers in.	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(1,883)	(2,300)	40,083	(90,666)
Fund balances at beginning of year.	47,623	19,132	1,823,484	-
Fund balances (deficit) at end of year	<u>\$ 45,740</u>	<u>\$ 16,832</u>	<u>\$ 1,863,567</u>	<u>\$ (90,666)</u>

<u>Reservoir Enhancement</u>	<u>Riverside Cemetery Enhancement</u>	<u>Hotel/Motel Tax</u>	<u>Museum Trust</u>	<u>Cemetery Trust</u>	<u>Police Pension</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	267,716	-	-	85,787
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	6,814
-	6	-	405	-	-
20,554	-	-	28,519	-	-
-	-	336	-	-	1,512
<u>20,554</u>	<u>6</u>	<u>268,052</u>	<u>28,924</u>	<u>-</u>	<u>94,113</u>
517	1,574	228,550	6,600	1,000	-
-	-	-	-	-	327,968
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>517</u>	<u>1,574</u>	<u>228,550</u>	<u>6,600</u>	<u>1,000</u>	<u>327,968</u>
20,037	(1,568)	39,502	22,324	(1,000)	(233,855)
-	-	-	-	-	250,000
-	-	-	-	-	250,000
20,037	(1,568)	39,502	22,324	(1,000)	16,145
1,086	2,033	310,776	3,222	1,061	24,060
<u>\$ 21,123</u>	<u>\$ 465</u>	<u>\$ 350,278</u>	<u>\$ 25,546</u>	<u>\$ 61</u>	<u>\$ 40,205</u>

- - Continued

CITY OF DEFIANCE, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

	Fire Pension	Tax Redirection	Law Enforcement Trust	East Side Firehouse
Revenues:				
Income taxes	\$ -	\$ -	\$ -	\$ -
Property and other local taxes	85,787	-	-	-
Licenses, permits and fees	-	-	-	-
Fines and forfeitures	-	-	3,717	-
Intergovernmental	6,814	-	-	-
Investment income	-	-	-	-
Donations.	-	-	834	-
Other	575	-	-	-
Total revenues.	<u>93,176</u>	<u>-</u>	<u>4,551</u>	<u>-</u>
Expenditures:				
Current:				
General government	-	-	-	-
Security of persons and property.	306,886	-	2,735	-
Transportation	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement.	-	-	-	-
Total expenditures	<u>306,886</u>	<u>-</u>	<u>2,735</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(213,710)</u>	<u>-</u>	<u>1,816</u>	<u>-</u>
Other financing sources:				
Transfers in.	220,000	-	-	-
Total other financing sources	<u>220,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	6,290	-	1,816	-
Fund balances at beginning of year.	<u>44,272</u>	<u>32,373</u>	<u>47,915</u>	<u>2,110</u>
Fund balances (deficit) at end of year	<u>\$ 50,562</u>	<u>\$ 32,373</u>	<u>\$ 49,731</u>	<u>\$ 2,110</u>

Fire and Rescue Trust	Fire Damage Repair	Park and Recreation Trust	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ 25,868
-	-	-	439,290
-	-	-	181,819
-	-	-	288,354
116,256	-	-	1,494,148
-	-	-	52,067
936	-	-	50,843
-	106,014	-	126,777
<u>117,192</u>	<u>106,014</u>	<u>-</u>	<u>2,659,166</u>
-	-	-	507,650
181,212	98,014	-	1,031,283
-	-	-	873,971
-	-	-	412,966
-	-	13,569	13,569
-	-	-	150,000
<u>181,212</u>	<u>98,014</u>	<u>13,569</u>	<u>2,989,439</u>
<u>(64,020)</u>	<u>8,000</u>	<u>(13,569)</u>	<u>(330,273)</u>
-	-	-	470,000
-	-	-	470,000
(64,020)	8,000	(13,569)	139,727
88,108	24,100	16,799	3,839,192
<u>\$ 24,088</u>	<u>\$ 32,100</u>	<u>\$ 3,230</u>	<u>\$ 3,978,919</u>

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
STATE HIGHWAY IMPROVEMENTS FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 54,200	\$ 54,200	\$ 64,546	\$ 10,346
Investment income	500	500	515	15
Total revenues	<u>54,700</u>	<u>54,700</u>	<u>65,061</u>	<u>10,361</u>
Expenditures:				
Current:				
Transportation:				
Capital Improvements:				
Operating	<u>64,548</u>	<u>62,000</u>	<u>57,500</u>	<u>4,500</u>
Total expenditures	<u>64,548</u>	<u>62,000</u>	<u>57,500</u>	<u>4,500</u>
Net change in fund balances.	(9,848)	(7,300)	7,561	14,861
Fund balances at beginning of year. . . .	153,981	153,981	153,981	-
Prior year encumbrances appropriated .	2,548	2,548	2,548	-
Fund balance at end of year	<u>\$ 146,681</u>	<u>\$ 149,229</u>	<u>\$ 164,090</u>	<u>\$ 14,861</u>

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
PERMISSIVE TAX FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other	\$ -	\$ -	\$ 300	\$ 300
Total revenues.	<u>-</u>	<u>-</u>	<u>300</u>	<u>300</u>
Expenditures:				
Current:				
Transportation:				
Capital Improvements:				
Operating	-	30,000	20,763	9,237
Total expenditures	<u>-</u>	<u>30,000</u>	<u>20,763</u>	<u>9,237</u>
Net change in fund balances.	-	(30,000)	(20,463)	9,537
Fund balances at beginning of year. . . .	41,204	41,204	41,204	-
Fund balance at end of year	<u>\$ 41,204</u>	<u>\$ 11,204</u>	<u>\$ 20,741</u>	<u>\$ 9,537</u>

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
STREET CONSTRUCTION, MAINTENANCE AND REPAIR FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Income taxes	\$ 23,690	\$ 23,690	\$ 25,681	\$ 1,991
Intergovernmental	838,800	838,800	906,181	67,381
Investment income	400	400	875	475
Other	1,350	1,350	9,749	8,399
Total revenues.	<u>864,240</u>	<u>864,240</u>	<u>942,486</u>	<u>78,246</u>
Expenditures:				
Current:				
Transportation:				
Highway and Streets:				
Salaries and wages	664,065	674,065	666,687	7,378
Operating	211,903	204,628	178,608	26,020
Total expenditures.	<u>875,968</u>	<u>878,693</u>	<u>845,295</u>	<u>33,398</u>
Net change in fund balances.	(11,728)	(14,453)	97,191	111,644
Fund balances at beginning of year. . . .	280,588	280,588	280,588	-
Prior year encumbrances appropriated .	10,453	10,453	10,453	-
Fund balance at end of year	<u>\$ 279,313</u>	<u>\$ 276,588</u>	<u>\$ 388,232</u>	<u>\$ 111,644</u>

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
INDIGENT DRIVERS FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines and forfeitures	\$ 25,000	\$ 28,000	\$ 28,559	\$ 559
Total revenues	<u>25,000</u>	<u>28,000</u>	<u>28,559</u>	<u>559</u>
Expenditures:				
Current:				
Security of Persons and Property:				
Municipal Court:				
Operating	22,205	32,114	31,572	542
Total expenditures	<u>22,205</u>	<u>32,114</u>	<u>31,572</u>	<u>542</u>
Net change in fund balances.	2,795	(4,114)	(3,013)	1,101
Fund balances at beginning of year. . . .	8,520	8,520	8,520	-
Prior year encumbrances appropriated .	2,205	2,205	2,205	-
Fund balance at end of year	<u>\$ 13,520</u>	<u>\$ 6,611</u>	<u>\$ 7,712</u>	<u>\$ 1,101</u>

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
MUNICIPAL PROBATION SERVICES FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and forfeitures	\$ 25,000	\$ 25,000	\$ 18,976	\$ (6,024)
Total revenues	<u>25,000</u>	<u>25,000</u>	<u>18,976</u>	<u>(6,024)</u>
Expenditures:				
Current:				
Security of Persons and Property:				
Municipal Probation Service:				
Salaries and wages	-	17,240	17,219	21
Operating	39,739	21,179	15,887	5,292
Total expenditures	<u>39,739</u>	<u>38,419</u>	<u>33,106</u>	<u>5,313</u>
Net change in fund balances	(14,739)	(13,419)	(14,130)	(711)
Fund balances at beginning of year	261,037	261,037	261,037	-
Prior year encumbrances appropriated . .	10,299	10,299	10,299	-
Fund balance at end of year	<u>\$ 256,597</u>	<u>\$ 257,917</u>	<u>\$ 257,206</u>	<u>\$ (711)</u>

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
PROBATION GRANT FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 28,347	\$ 55,686	\$ 54,679	\$ (1,007)
Other	-	-	519	519
Total revenues	<u>28,347</u>	<u>55,686</u>	<u>55,198</u>	<u>(488)</u>
Expenditures:				
Current:				
Security of Persons and Property:				
Municipal Probation Service:				
Salaries and wages	<u>28,347</u>	<u>56,176</u>	<u>56,176</u>	<u>-</u>
Total expenditures	<u>28,347</u>	<u>56,176</u>	<u>56,176</u>	<u>-</u>
Net change in fund balances.	-	(490)	(978)	(488)
Fund balances at beginning of year. . . .	<u>2,581</u>	<u>2,581</u>	<u>2,581</u>	<u>-</u>
Fund balance at end of year	<u>\$ 2,581</u>	<u>\$ 2,091</u>	<u>\$ 1,603</u>	<u>\$ (488)</u>

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
COURT COMPUTERIZATION FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and forfeitures	\$ 80,000	\$ 80,000	\$ 76,205	\$ (3,795)
Total revenues	<u>80,000</u>	<u>80,000</u>	<u>76,205</u>	<u>(3,795)</u>
Expenditures:				
Current:				
General Government:				
Municipal Court:				
Operating	154,467	150,962	86,172	64,790
Total expenditures	<u>154,467</u>	<u>150,962</u>	<u>86,172</u>	<u>64,790</u>
Net change in fund balances.	(74,467)	(70,962)	(9,967)	60,995
Fund balances at beginning of year. . . .	128,662	128,662	128,662	-
Prior year encumbrances appropriated .	64,467	64,467	64,467	-
Fund balance at end of year	<u>\$ 118,662</u>	<u>\$ 122,167</u>	<u>\$ 183,162</u>	<u>\$ 60,995</u>

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
TREE OF LIFE FUND

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Fund balances at beginning of year. . . .	\$ 1,214	\$ 1,214	\$ 1,214	\$ -
Fund balance at end of year	<u>\$ 1,214</u>	<u>\$ 1,214</u>	<u>\$ 1,214</u>	<u>\$ -</u>

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SPECIAL PROJECT FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and forfeitures	\$ 160,000	\$ 160,000	\$ 152,570	\$ (7,430)
Total revenues	<u>160,000</u>	<u>160,000</u>	<u>152,570</u>	<u>(7,430)</u>
Expenditures:				
Current:				
General Government:				
Municipal Court:				
Operating	10,821	10,000	-	10,000
Total municipal court	<u>10,821</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Debt Service:				
Principal retirement	150,000	150,000	150,000	-
Total debt service	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>-</u>
Total expenditures	<u>160,821</u>	<u>160,000</u>	<u>150,000</u>	<u>10,000</u>
Net change in fund balances.	(821)	-	2,570	2,570
Fund balances at beginning of year. . . .	180,457	180,457	180,457	-
Prior year encumbrances appropriated .	821	821	821	-
Fund balance at end of year	<u>\$ 180,457</u>	<u>\$ 181,278</u>	<u>\$ 183,848</u>	<u>\$ 2,570</u>

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
OVI SPECIAL PROJECT FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and forfeitures	\$ 12,000	\$ 12,000	\$ 10,971	\$ (1,029)
Other	12,000	12,000	8,684	(3,316)
Total revenues	<u>24,000</u>	<u>24,000</u>	<u>19,655</u>	<u>(4,345)</u>
Expenditures:				
Current:				
Security of Persons and Property:				
Municipal Court:				
Operating	5,500	5,500	-	5,500
Total expenditures	<u>5,500</u>	<u>5,500</u>	<u>-</u>	<u>5,500</u>
Net change in fund balances.	18,500	18,500	19,655	1,155
Fund balances at beginning of year. . . .	96,802	96,802	96,802	-
Prior year encumbrances appropriated .	500	500	500	-
Fund balance at end of year	<u>\$ 115,802</u>	<u>\$ 115,802</u>	<u>\$ 116,957</u>	<u>\$ 1,155</u>

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
CABLE TV - FRANCHISE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Licenses, permits and fees	\$ 210,000	\$ 185,000	\$ 183,702	\$ (1,298)
Total revenues	210,000	185,000	183,702	(1,298)
Expenditures:				
Current:				
General Government:				
Cable TV:				
Operating	210,000	185,000	183,702	1,298
Total expenditures	210,000	185,000	183,702	1,298
Net change in fund balances.	-	-	-	-
Fund balances at beginning of year. . . .	-	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -	\$ -

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
HOUSING REHABILITATION GRANT FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 416,000	\$ 276,000	\$ 189,360	\$ (86,640)
Total revenues	<u>416,000</u>	<u>276,000</u>	<u>189,360</u>	<u>(86,640)</u>
Expenditures:				
Current:				
Economic Development:				
Housing Rehabilitation:				
Operating	416,000	276,000	189,137	86,863
Total expenditures	<u>416,000</u>	<u>276,000</u>	<u>189,137</u>	<u>86,863</u>
Net change in fund balances.	-	-	223	223
Fund balances at beginning of year. . . .	19,132	19,132	19,132	-
Fund balance at end of year	<u>\$ 19,132</u>	<u>\$ 19,132</u>	<u>\$ 19,355</u>	<u>\$ 223</u>

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
REVOLVING LOAN - INDUSTRIAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Investment income	\$ 950	\$ 950	\$ 47,744	\$ 46,794
Total revenues	<u>950</u>	<u>950</u>	<u>47,744</u>	<u>46,794</u>
Expenditures:				
Current:				
Economic Development:				
Capital Improvement:				
Operating	528,000	524,000	8,000	516,000
Total expenditures	<u>528,000</u>	<u>524,000</u>	<u>8,000</u>	<u>516,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(527,050)</u>	<u>(523,050)</u>	39,744	562,794
Other financing sources:				
Other financing sources	291,568	291,568	186,059	(105,509)
Total other financing sources	<u>291,568</u>	<u>291,568</u>	<u>186,059</u>	<u>(105,509)</u>
Net change in fund balances	(235,482)	(231,482)	225,803	457,285
Fund balances at beginning of year	461,440	461,440	461,440	-
Prior year encumbrances appropriated . .	4,000	4,000	4,000	-
Fund balance at end of year	<u>\$ 229,958</u>	<u>\$ 233,958</u>	<u>\$ 691,243</u>	<u>\$ 457,285</u>

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
DOWNTOWN REVITALIZATION GRANT FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 300,000	\$ 150,000	\$ 121,611	\$ (28,389)
Total revenues	<u>300,000</u>	<u>150,000</u>	<u>121,611</u>	<u>(28,389)</u>
Expenditures:				
Current:				
Economic Development:				
Downtown Revitalization:				
Operating	300,000	150,000	121,609	28,391
Total expenditures	<u>300,000</u>	<u>150,000</u>	<u>121,609</u>	<u>28,391</u>
Net change in fund balances.	-	-	2	2
Fund balances at beginning of year. . . .	-	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 2</u>

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
RESERVOIR ENHANCEMENT FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Donations	\$ -	\$ 520	\$ 20,554	\$ 20,034
Total revenues	<u>-</u>	<u>520</u>	<u>20,554</u>	<u>20,034</u>
Expenditures:				
Current:				
General Government:				
Reservoir Enhancement:				
Operating	-	520	517	3
Total expenditures	<u>-</u>	<u>520</u>	<u>517</u>	<u>3</u>
Net change in fund balances	-	-	20,037	20,037
Fund balances at beginning of year	1,086	1,086	1,086	-
Fund balance at end of year	<u>\$ 1,086</u>	<u>\$ 1,086</u>	<u>\$ 21,123</u>	<u>\$ 20,037</u>

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
RIVERSIDE CEMETERY ENHANCEMENT FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Investment income	\$ 800	\$ 800	\$ 6	\$ (794)
Total revenues	<u>800</u>	<u>800</u>	<u>6</u>	<u>(794)</u>
Expenditures:				
Current:				
General Government:				
Cemetery Enhancements:				
Operating	2,800	2,800	1,574	1,226
Total expenditures	<u>2,800</u>	<u>2,800</u>	<u>1,574</u>	<u>1,226</u>
Net change in fund balances.	(2,000)	(2,000)	(1,568)	432
Fund balances at beginning of year. . . .	2,033	2,033	2,033	-
Fund balance at end of year	<u>\$ 33</u>	<u>\$ 33</u>	<u>\$ 465</u>	<u>\$ 432</u>

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
HOTEL/MOTEL TAX FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property and other local taxes	\$ 240,000	\$ 257,700	\$ 260,463	\$ 2,763
Other	-	-	336	336
Total revenues	<u>240,000</u>	<u>257,700</u>	<u>260,799</u>	<u>3,099</u>
Expenditures:				
Current:				
General Government:				
General Operating:				
Salaries and wages	18,495	19,995	19,936	59
Operating.	<u>82,767</u>	<u>84,860</u>	<u>84,206</u>	<u>654</u>
Total general operating	<u>101,262</u>	<u>104,855</u>	<u>104,142</u>	<u>713</u>
Capital Improvements:				
Operating	<u>121,991</u>	<u>130,841</u>	<u>130,837</u>	<u>4</u>
Total capital improvements	<u>121,991</u>	<u>130,841</u>	<u>130,837</u>	<u>4</u>
Total expenditures	<u>223,253</u>	<u>235,696</u>	<u>234,979</u>	<u>717</u>
Net change in fund balances.	16,747	22,004	25,820	3,816
Fund balances at beginning of year.	272,189	272,189	272,189	-
Prior year encumbrances appropriated	<u>11,158</u>	<u>11,158</u>	<u>11,158</u>	<u>-</u>
Fund balance at end of year	<u>\$ 300,094</u>	<u>\$ 305,351</u>	<u>\$ 309,167</u>	<u>\$ 3,816</u>

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
MUSEUM TRUST FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Donations	\$ 3,000	\$ 14,000	\$ 16,075	\$ 2,075
Total revenues	<u>3,000</u>	<u>14,000</u>	<u>16,075</u>	<u>2,075</u>
Expenditures:				
Current:				
General Government:				
Trust Fund:				
Operating	3,000	6,600	6,600	-
Total expenditures	<u>3,000</u>	<u>6,600</u>	<u>6,600</u>	<u>-</u>
Net change in fund balances	-	7,400	9,475	2,075
Fund balances at beginning of year	3,222	3,222	3,222	-
Fund balance at end of year	<u>\$ 3,222</u>	<u>\$ 10,622</u>	<u>\$ 12,697</u>	<u>\$ 2,075</u>

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
CEMETERY TRUST FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Donations	\$ 1,800	\$ 1,800	\$ -	\$ (1,800)
Total revenues	<u>1,800</u>	<u>1,800</u>	<u>-</u>	<u>(1,800)</u>
Expenditures:				
Current:				
General Government:				
Cemetery Perpetual Trust:				
Operating	2,800	2,800	1,000	1,800
Total expenditures	<u>2,800</u>	<u>2,800</u>	<u>1,000</u>	<u>1,800</u>
Net change in fund balances	(1,000)	(1,000)	(1,000)	-
Fund balances at beginning of year	1,061	1,061	1,061	-
Fund balance at end of year	<u>\$ 61</u>	<u>\$ 61</u>	<u>\$ 61</u>	<u>\$ -</u>

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
POLICE PENSION FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property and other local taxes	\$ 90,385	\$ 90,385	\$ 85,787	\$ (4,598)
Intergovernmental	10,100	10,100	6,814	(3,286)
Other	-	-	1,512	1,512
Total revenues	<u>100,485</u>	<u>100,485</u>	<u>94,113</u>	<u>(6,372)</u>
Expenditures:				
Current:				
Security of Persons and Property:				
Police Pension:				
Salaries and wages	350,000	350,000	325,766	24,234
Operating	2,500	2,500	2,202	298
Total expenditures	<u>352,500</u>	<u>352,500</u>	<u>327,968</u>	<u>24,532</u>
Excess of expenditures over revenues . . .	<u>(252,015)</u>	<u>(252,015)</u>	<u>(233,855)</u>	<u>18,160</u>
Other financing sources:				
Transfers in	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>
Total other financing sources	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>
Net change in fund balances.	(2,015)	(2,015)	16,145	18,160
Fund balances at beginning of year. . . .	<u>24,060</u>	<u>24,060</u>	<u>24,060</u>	<u>-</u>
Fund balance at end of year	<u>\$ 22,045</u>	<u>\$ 22,045</u>	<u>\$ 40,205</u>	<u>\$ 18,160</u>

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FIRE PENSION FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and other local taxes	\$ 90,385	\$ 90,385	\$ 85,787	\$ (4,598)
Intergovernmental	10,100	10,100	6,814	(3,286)
Other	-	-	575	575
Total revenues	<u>100,485</u>	<u>100,485</u>	<u>93,176</u>	<u>(7,309)</u>
Expenditures:				
Current:				
Security of Persons and Property:				
Fire Pension:				
Salaries and wages	330,000	330,000	304,525	25,475
Operating	2,500	2,500	2,361	139
Total expenditures	<u>332,500</u>	<u>332,500</u>	<u>306,886</u>	<u>25,614</u>
Excess of expenditures over revenues . . .	<u>(232,015)</u>	<u>(232,015)</u>	<u>(213,710)</u>	<u>18,305</u>
Other financing sources:				
Transfers in	<u>220,000</u>	<u>220,000</u>	<u>220,000</u>	<u>-</u>
Total other financing sources	<u>220,000</u>	<u>220,000</u>	<u>220,000</u>	<u>-</u>
Net change in fund balances.	(12,015)	(12,015)	6,290	18,305
Fund balances at beginning of year. . . .	<u>44,272</u>	<u>44,272</u>	<u>44,272</u>	<u>-</u>
Fund balance at end of year	<u>\$ 32,257</u>	<u>\$ 32,257</u>	<u>\$ 50,562</u>	<u>\$ 18,305</u>

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
TAX REDIRECTION FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Fund balances at beginning of year. . . .	\$ 32,373	\$ 32,373	\$ 32,373	\$ -
Fund balance at end of year	<u>\$ 32,373</u>	<u>\$ 32,373</u>	<u>\$ 32,373</u>	<u>\$ -</u>

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
LAW ENFORCEMENT TRUST FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and forfeitures	\$ 2,200	\$ 2,200	\$ 3,717	\$ 1,517
Donations.	500	500	834	334
Total revenues	<u>2,700</u>	<u>2,700</u>	<u>4,551</u>	<u>1,851</u>
Expenditures:				
Current:				
Security of Persons and Property:				
Police:				
Operating	<u>12,000</u>	<u>12,000</u>	<u>2,667</u>	<u>9,333</u>
Total expenditures	<u>12,000</u>	<u>12,000</u>	<u>2,667</u>	<u>9,333</u>
Net change in fund balances.	(9,300)	(9,300)	1,884	11,184
Fund balances at beginning of year. . . .	<u>47,915</u>	<u>47,915</u>	<u>47,915</u>	<u>-</u>
Fund balance at end of year	<u>\$ 38,615</u>	<u>\$ 38,615</u>	<u>\$ 49,799</u>	<u>\$ 11,184</u>

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
EAST SIDE FIREHOUSE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Fund balances at beginning of year. . . .	\$ 2,110	\$ 2,110	\$ 2,110	\$ -
Fund balance at end of year	<u>\$ 2,110</u>	<u>\$ 2,110</u>	<u>\$ 2,110</u>	<u>\$ -</u>

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FIRE AND RESCUE TRUST FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 40,000	\$ 78,083	\$ 76,256	\$ (1,827)
Donations.	-	959	936	(23)
Total revenues	<u>40,000</u>	<u>79,042</u>	<u>77,192</u>	<u>(1,850)</u>
Expenditures:				
Current:				
Security of Persons and Property:				
Fire:				
Operating	-	181,364	181,212	152
Total expenditures	<u>-</u>	<u>181,364</u>	<u>181,212</u>	<u>152</u>
Excess (deficiency) of revenues over (under) expenditures	<u>40,000</u>	<u>(102,322)</u>	<u>(104,020)</u>	<u>(1,698)</u>
Other financing sources:				
Sale of capital assets.	-	40,958	40,000	(958)
Total other financing sources	<u>-</u>	<u>40,958</u>	<u>40,000</u>	<u>(958)</u>
Net change in fund balances.	40,000	(61,364)	(64,020)	(2,656)
Fund balances at beginning of year. . . .	88,108	88,108	88,108	-
Fund balance at end of year	<u>\$ 128,108</u>	<u>\$ 26,744</u>	<u>\$ 24,088</u>	<u>\$ (2,656)</u>

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FIRE DAMAGE REPAIR FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other	\$ -	\$ 112,014	\$ 112,014	\$ -
Total revenues	<u>-</u>	<u>112,014</u>	<u>112,014</u>	<u>-</u>
Expenditures:				
Current:				
Security of Persons and Property:				
Fire:				
Operating	18,000	130,014	130,014	-
Total expenditures	<u>18,000</u>	<u>130,014</u>	<u>130,014</u>	<u>-</u>
Net change in fund balances.	(18,000)	(18,000)	(18,000)	-
Fund balances at beginning of year. . . .	100	100	100	-
Prior year encumbrances appropriated .	18,000	18,000	18,000	-
Fund balance at end of year	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ -</u>

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
PARK AND RECREATION TRUST FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other	\$ 300	\$ 300	\$ -	\$ (300)
Total revenues	<u>300</u>	<u>300</u>	<u>-</u>	<u>(300)</u>
Expenditures:				
Current:				
Capital Outlay:				
Parks and Recreation:				
Operating	17,000	17,000	13,569	3,431
Total expenditures	<u>17,000</u>	<u>17,000</u>	<u>13,569</u>	<u>3,431</u>
Net change in fund balances.	(16,700)	(16,700)	(13,569)	3,131
Fund balances at beginning of year. . . .	16,799	16,799	16,799	-
Fund balance at end of year	<u>\$ 99</u>	<u>\$ 99</u>	<u>\$ 3,230</u>	<u>\$ 3,131</u>

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
UNCLAIMED MONIES FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other	\$ -	\$ -	\$ 1,321	\$ 1,321
Total revenues	<u>-</u>	<u>-</u>	<u>1,321</u>	<u>1,321</u>
Net change in fund balances.	-	-	1,321	1,321
Fund balances at beginning of year. . . .	28,783	28,783	28,783	-
Fund balance at end of year	<u>\$ 28,783</u>	<u>\$ 28,783</u>	<u>\$ 30,104</u>	<u>\$ 1,321</u>

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
BOND RETIREMENT FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Special assessments	\$ 40,000	\$ 40,000	\$ 34,246	\$ (5,754)
Total revenues.	<u>40,000</u>	<u>40,000</u>	<u>34,246</u>	<u>(5,754)</u>
Expenditures:				
Current:				
General Government:				
County and State Charges:				
Operating	2,500	2,500	1,084	1,416
Total county and state charges.	<u>2,500</u>	<u>2,500</u>	<u>1,084</u>	<u>1,416</u>
Debt Service:				
Principal retirement	119,824	119,824	119,824	-
Interest and fiscal charges	4,865	4,865	-	4,865
Total debt service	<u>124,689</u>	<u>124,689</u>	<u>119,824</u>	<u>4,865</u>
Total expenditures	<u>127,189</u>	<u>127,189</u>	<u>120,908</u>	<u>6,281</u>
Net change in fund balances.	(87,189)	(87,189)	(86,662)	527
Fund balances at beginning of year.	643,277	643,277	643,277	-
Fund balance at end of year	<u>\$ 556,088</u>	<u>\$ 556,088</u>	<u>\$ 556,615</u>	<u>\$ 527</u>

CITY OF DEFIANCE, OHIO

FUND DESCRIPTIONS - PROPRIETARY FUNDS

ENTERPRISE FUNDS

Enterprise funds are used to account for the financing of costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis that are financed or recovered primarily through user charges. Following is a description of the City's enterprise funds:

Major Enterprise Funds

Sewer Fund

This fund accounts for the sanitary sewer services provided to the residents and commercial users of the City. The costs of providing these services are financed primarily through user charges.

Water Fund

This fund accounts for revenues generated from the charges for the treatment and provision of water to the residents and commercial users of the City.

Nonmajor Enterprise Funds

Refuse Fund

This fund accounts for the operations of providing refuse waste removal to the residents and commercial users located within the City.

Utility Deposit Fund

This fund accounts for the deposits used to provide water service to the residents and commercial users of the City.

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. Following is a description of the City's internal service fund:

Health Care Trust Fund

This fund accounts for the costs of medical benefits provided to the City's employees.

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN
FUND EQUITY - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

SEWER FUND

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues:				
Charges for services	\$ 6,420,222	\$ 6,420,222	\$ 6,859,023	\$ 438,801
Other	5,000	5,000	32,725	27,725
Total operating revenues	<u>6,425,222</u>	<u>6,425,222</u>	<u>6,891,748</u>	<u>466,526</u>
Operating expenses:				
Personal services	2,012,095	2,014,095	1,894,227	119,868
Contract services	424,989	412,458	384,837	27,621
Materials and supplies	489,077	420,340	383,970	36,370
Administrative costs	56,286	55,339	42,732	12,607
Utilities	338,847	353,593	326,850	26,743
Capital outlay	3,127,579	2,685,314	1,681,197	1,004,117
Other	1,412	1,480	1,474	6
Total operating expenses	<u>6,450,285</u>	<u>5,942,619</u>	<u>4,715,287</u>	<u>1,227,332</u>
Operating income (loss)	<u>(25,063)</u>	<u>482,603</u>	<u>2,176,461</u>	<u>1,693,858</u>
Nonoperating revenues (expenses):				
Interest revenue	7,700	7,700	12,501	4,801
Intergovernmental	157,000	157,000	-	(157,000)
Sale of capital assets	-	-	60,333	60,333
Issuance of notes	4,349,000	4,349,000	4,349,000	-
Issuance of loans	950,500	950,500	605,126	(345,374)
Debt service:				
Principal retirement	(6,021,508)	(6,311,425)	(6,307,237)	4,188
Interest and fiscal charges	(881,562)	(924,006)	(924,004)	2
Total nonoperating revenues (expenses)	<u>(1,438,870)</u>	<u>(1,771,231)</u>	<u>(2,204,281)</u>	<u>(433,050)</u>
Loss before capital contributions	<u>(1,463,933)</u>	<u>(1,288,628)</u>	<u>(27,820)</u>	<u>1,260,808</u>
Capital contributions	<u>-</u>	<u>-</u>	<u>100,112</u>	<u>100,112</u>
Net change in fund equity	<u>(1,463,933)</u>	<u>(1,288,628)</u>	<u>72,292</u>	<u>1,360,920</u>
Fund equity at beginning of year	2,833,418	2,833,418	2,833,418	-
Prior year encumbrances appropriated	761,224	761,224	761,224	-
Fund equity at end of year	<u>\$ 2,130,709</u>	<u>\$ 2,306,014</u>	<u>\$ 3,666,934</u>	<u>\$ 1,360,920</u>

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN
FUND EQUITY - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

WATER FUND

FOR THE YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for services	\$ 6,047,446	\$ 6,047,446	\$ 5,812,167	\$ (235,279)
Tap-in fees	20,000	20,000	8,551	(11,449)
Other.	4,000	4,000	40,685	36,685
Total operating revenues.	6,071,446	6,071,446	5,861,403	(210,043)
Operating expenses:				
Personal services.	1,946,945	1,948,945	1,905,835	43,110
Contract services.	333,131	352,657	282,641	70,016
Materials and supplies	993,778	1,082,925	969,452	113,473
Administrative costs	23,487	29,179	21,288	7,891
Utilities	248,798	324,566	224,932	99,634
Capital outlay	3,157,189	3,330,513	2,395,831	934,682
Other.	15,288	16,772	12,534	4,238
Total operating expenses.	6,718,616	7,085,557	5,812,513	1,273,044
Operating income (loss)	(647,170)	(1,014,111)	48,890	1,063,001
Nonoperating revenues (expenses):				
Interest revenue	8,000	8,000	11,371	3,371
Sale of capital assets.	-	-	4,768	4,768
Debt service:				
Principal retirement.	(710,321)	(887,554)	(887,552)	2
Interest and fiscal charges.	(481,989)	(602,251)	(602,250)	1
Total nonoperating revenues (expenses)	(1,184,310)	(1,481,805)	(1,473,663)	8,142
Loss before capital contributions.	(1,831,480)	(2,495,916)	(1,424,773)	1,071,143
Capital contributions	650,000	650,000	279,880	(370,120)
Net change in fund equity	(1,181,480)	(1,845,916)	(1,144,893)	701,023
Fund equity at beginning of year.	2,958,650	2,958,650	2,958,650	-
Prior year encumbrances appropriated	731,876	731,876	731,876	-
Fund equity at end of year	\$ 2,509,046	\$ 1,844,610	\$ 2,545,633	\$ 701,023

CITY OF DEFIANCE, OHIO

COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
DECEMBER 31, 2014

	Refuse	Utility Deposit	Total Nonmajor Enterprise Funds
Assets:			
Current assets:			
Equity in pooled cash and cash equivalents . . .	\$ 544,072	\$ -	\$ 544,072
Receivables (net of allowance for uncollectibles):			
Accounts	56,961	-	56,961
Total current assets.	601,033	-	601,033
Noncurrent assets:			
Restricted assets:			
Equity in pooled cash and cash equivalents. .	-	342,992	342,992
Cash in segregated accounts	74,724	-	74,724
Total noncurrent assets	74,724	342,992	417,716
Total assets	675,757	342,992	1,018,749
Liabilities:			
Current liabilities:			
Payable from restricted assets:			
Refundable deposits	-	342,992	342,992
Total liabilities	-	342,992	342,992
Net position:			
Unrestricted	675,757	-	675,757
Total net position	\$ 675,757	\$ -	\$ 675,757

CITY OF DEFIANCE, OHIO

COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Refuse	Utility Deposit	Total Nonmajor Enterprise Funds
Operating revenues:			
Charges for services	\$ 907,542	\$ -	\$ 907,542
Total operating revenues	907,542	-	907,542
Operating expenses:			
Utilities	973,524	-	973,524
Total operating expenses	973,524	-	973,524
Change in net position.	(65,982)	-	(65,982)
Net position at beginning of year.	741,739	-	741,739
Net position at end of year	\$ 675,757	\$ -	\$ 675,757

CITY OF DEFIANCE, OHIO

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Refuse</u>	<u>Utility Deposit</u>	<u>Total Nonmajor Enterprise Funds</u>
Cash flows from operating activities:			
Cash received from charges for services.	\$ 907,783	\$ 98,805	\$ 1,006,588
Cash payments for utilities.	(973,524)	-	(973,524)
Cash payments for other operations	<u>-</u>	<u>(4,976)</u>	<u>(4,976)</u>
Net cash provided by (used in) operating activities	<u>(65,741)</u>	<u>93,829</u>	<u>28,088</u>
 Net increase (decrease) in cash and cash equivalents	 (65,741)	 93,829	 28,088
 Cash and cash equivalents at beginning of year . . .	 <u>684,537</u>	 <u>249,163</u>	 <u>933,700</u>
 Cash and cash equivalents at end of year	 <u>\$ 618,796</u>	 <u>\$ 342,992</u>	 <u>\$ 961,788</u>
 Reconciliation of operating loss to net cash provided by (used in) operating activities:			
Operating loss.	\$ (65,982)	\$ -	\$ (65,982)
 Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
 Changes in assets and liabilities:			
Decrease in accounts receivable.	241	-	241
Increase in utility deposits payable.	-	93,829	93,829
Net cash provided by (used in) operating activities	<u>\$ (65,741)</u>	<u>\$ 93,829</u>	<u>\$ 28,088</u>

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN
 FUND EQUITY - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
REFUSE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for services	\$ 870,000	\$ 870,000	\$ 907,783	\$ 37,783
Total operating revenues	870,000	870,000	907,783	37,783
Operating expenses:				
Utilities	960,000	975,000	973,773	1,227
Total operating expenses	960,000	975,000	973,773	1,227
Net change in fund equity	(90,000)	(105,000)	(65,990)	39,010
Fund equity at beginning of year.	610,062	610,062	610,062	-
Fund equity at end of year	\$ 520,062	\$ 505,062	\$ 544,072	\$ 39,010

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN
 FUND EQUITY - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
UTILITY DEPOSIT FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues:				
Charges for services	\$ 30,000	\$ 30,000	\$ 98,805	\$ 68,805
Total operating revenues	<u>30,000</u>	<u>30,000</u>	<u>98,805</u>	<u>68,805</u>
Operating expenses:				
Utilities	<u>30,000</u>	<u>30,000</u>	<u>4,976</u>	<u>25,024</u>
Total operating expenses	<u>30,000</u>	<u>30,000</u>	<u>4,976</u>	<u>25,024</u>
Net change in fund equity	-	-	93,829	93,829
Fund equity at beginning of year	<u>249,163</u>	<u>249,163</u>	<u>249,163</u>	<u>-</u>
Fund equity at end of year	<u>\$ 249,163</u>	<u>\$ 249,163</u>	<u>\$ 342,992</u>	<u>\$ 93,829</u>

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN
 FUND EQUITY - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
HEALTH CARE TRUST FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues:				
Charges for services	\$ 2,143,000	\$ 2,143,000	\$ 2,250,165	\$ 107,165
Total operating revenues.	<u>2,143,000</u>	<u>2,143,000</u>	<u>2,250,165</u>	<u>107,165</u>
Operating expenses:				
Claims	2,447,057	2,432,000	2,429,445	2,555
Total operating expenses.	<u>2,447,057</u>	<u>2,432,000</u>	<u>2,429,445</u>	<u>2,555</u>
Operating loss	<u>(304,057)</u>	<u>(289,000)</u>	<u>(179,280)</u>	<u>109,720</u>
Nonoperating revenues:				
Interest revenue	1,200	1,200	910	(290)
Total nonoperating revenues	<u>1,200</u>	<u>1,200</u>	<u>910</u>	<u>(290)</u>
Net change in fund equity	(302,857)	(287,800)	(178,370)	109,430
Fund equity at beginning of year.	418,280	418,280	418,280	-
Prior year encumbrances appropriated . . .	15,057	15,057	15,057	-
Fund equity at end of year	<u>\$ 130,480</u>	<u>\$ 145,537</u>	<u>\$ 254,967</u>	<u>\$ 109,430</u>

CITY OF DEFIANCE, OHIO

FUND DESCRIPTIONS - FIDUCIARY FUNDS

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the City in a trustee capacity, or as an agency for individuals, private organizations, other governments, and/or other funds. The City's only fiduciary fund is an agency fund.

AGENCY FUNDS

Agency funds maintain assets held by the City as an agent for individuals, private organizations, other governmental units, and/or other funds. These funds are purely custodial (assets equal liabilities) and therefore do not involve the measurement of results. Following is a description of the City's agency fund:

Municipal Court Fund

This fund accounts for assets received and disbursed by the municipal court as an agent or custodian related to various court matters and cases.

CITY OF DEFIANCE, OHIO

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014

Municipal Court Fund	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Assets:				
Cash in segregated accounts	\$ 13,409	\$ 15,977	\$ 13,409	\$ 15,977
Total assets	<u>\$ 13,409</u>	<u>\$ 15,977</u>	<u>\$ 13,409</u>	<u>\$ 15,977</u>
Liabilities:				
Due to other governments.	\$ 13,409	\$ 15,977	\$ 13,409	\$ 15,977
Total liabilities	<u>\$ 13,409</u>	<u>\$ 15,977</u>	<u>\$ 13,409</u>	<u>\$ 15,977</u>

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STATISTICAL SECTION

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CITY OF DEFIANCE, OHIO
STATISTICAL SECTION

The Statistical Section presents detailed information as a context for understanding what the information in the preceding sections says about the City's overall financial health. It differs from the financial statements in that it usually covers more than one year and may present non-accounting data. For this reason, the Statistical Section is unaudited.

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Sources: Unless otherwise noted, the information in these schedules is derived from the City's annual financial reports for the relevant year.

CITY OF DEFIANCE, OHIO

SCHEDULE 1
NET POSITION BY COMPONENT
LAST TEN YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011 (1)</u>
Governmental Activities:				
Net investment in capital assets	\$ 14,422,564	\$ 14,481,473	\$ 14,851,497	\$ 14,739,970
Restricted for:				
Capital projects	48,399	-	7,844	7,820
Debt service	714,360	683,737	844,314	1,085,623
Transportation projects	892,276	712,739	581,289	497,741
Safety projects	506,120	553,081	498,201	618,436
Special projects	315,471	292,143	263,351	234,068
Community environment projects	16,832	19,132	47,820	4,804
Economic development projects	2,214,522	2,134,556	2,114,679	1,909,300
Health projects	526	3,094	6,684	5,861
Parks and recreation projects	-	-	-	-
Other purposes	261,533	250,264	156,255	247,085
Unrestricted	4,122,106	3,354,535	2,850,904	4,013,245
Total governmental activities	<u>23,514,709</u>	<u>22,484,754</u>	<u>22,222,838</u>	<u>23,363,953</u>
Business-type Activities:				
Net investment in capital assets	26,579,042	21,292,299	21,768,542	18,422,430
Unrestricted	8,197,012	8,057,987	4,474,787	5,003,212
Total business-type activities	<u>34,776,054</u>	<u>29,350,286</u>	<u>26,243,329</u>	<u>23,425,642</u>
Total Primary Government:				
Net investment in capital assets	41,001,606	35,773,772	36,620,039	33,162,400
Restricted	4,970,039	4,648,746	4,520,437	4,610,738
Unrestricted	12,319,118	11,412,522	7,325,691	9,016,457
Total primary government	<u>\$ 58,290,763</u>	<u>\$ 51,835,040</u>	<u>\$ 48,466,167</u>	<u>\$ 46,789,595</u>

Note: The restricted and unrestricted net assets categories for governmental activities for 2010 have been restated to conform to 2011 presentation of restricted and unrestricted net position.

(1) Amounts have been restated to reflect a restatement related to GASB Statement No. 65.

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 13,848,663	\$ 14,665,319	\$ 14,021,819	\$ 13,799,408	\$ 13,549,449	\$ 12,348,500
-	1,180,352	1,392,724	967,504	836,427	535,747
1,237,297	1,188,099	1,212,716	1,194,515	1,210,403	1,188,950
541,136	632,776	745,459	706,547	601,417	-
625,783	583,247	492,417	400,250	-	-
333,266	498,582	621,966	551,384	-	-
23,804	27,686	125,358	130,221	-	-
2,031,638	1,950,777	1,921,779	1,826,439	1,575,853	-
5,367	6,169	7,718	19,564	-	-
-	34,995	34,995	34,995	-	-
154,865	245,406	195,598	166,967	1,885,332	2,803,022
3,667,142	2,597,515	3,940,429	4,826,514	3,938,352	4,259,774
<u>22,468,961</u>	<u>23,610,923</u>	<u>24,712,978</u>	<u>24,624,308</u>	<u>23,597,233</u>	<u>21,135,993</u>
15,279,312	15,197,096	12,651,704	11,696,962	9,780,309	7,214,254
5,493,597	2,742,655	3,787,353	3,571,350	4,651,099	5,131,920
<u>20,772,909</u>	<u>17,939,751</u>	<u>16,439,057</u>	<u>15,268,312</u>	<u>14,431,408</u>	<u>12,346,174</u>
29,127,975	29,862,415	26,673,523	25,496,370	23,329,758	19,562,754
4,953,156	6,348,089	6,750,730	5,998,386	6,109,432	4,527,719
9,160,739	5,340,170	7,727,782	8,397,864	8,589,451	9,391,694
<u>\$ 43,241,870</u>	<u>\$ 41,550,674</u>	<u>\$ 41,152,035</u>	<u>\$ 39,892,620</u>	<u>\$ 38,028,641</u>	<u>\$ 33,482,167</u>

CITY OF DEFIANCE, OHIO
SCHEDULE 2
CHANGES IN NET POSITION
LAST TEN YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Program Revenues:				
Governmental activities:				
Charges for services and sales:				
General government	\$ 442,820	\$ 552,784	\$ 391,824	\$ 367,422
Security of persons and property	1,060,229	1,198,534	1,130,824	1,191,219
Public health and welfare	105,452	69,403	68,467	68,689
Community environment	98,521	75,598	109,874	73,168
Leisure time activity	15,065	16,729	25,780	23,133
Economic development	128,563	20,567	21,715	573
Operating grants and contributions	1,613,806	1,420,889	1,752,458	1,863,347
Capital grants and contributions	475,707	982,639	489,168	1,056,917
Total governmental activities	<u>3,940,163</u>	<u>4,337,143</u>	<u>3,990,110</u>	<u>4,644,468</u>
Business-type activities:				
Charges for services and sales:				
Sewer	6,842,532	6,252,710	6,388,276	6,113,369
Water	5,800,439	5,900,065	6,031,392	5,415,327
Refuse	907,542	885,936	876,007	819,619
Operating grants and contributions	-	-	-	-
Capital grants and contributions	414,190	158,860	-	-
Total business-type activities	<u>13,964,703</u>	<u>13,197,571</u>	<u>13,295,675</u>	<u>12,348,315</u>
Total primary government	<u><u>17,904,866</u></u>	<u><u>17,534,714</u></u>	<u><u>17,285,785</u></u>	<u><u>16,992,783</u></u>
Expenses:				
Governmental activities:				
General government	2,943,207	3,154,896	3,065,260	2,817,789
Security of persons and property	5,490,081	5,516,843	5,725,571	5,429,001
Public health and welfare	283,541	259,593	237,991	244,943
Transportation	1,726,774	2,070,218	2,257,425	1,746,391
Community environment	422,575	464,158	600,805	475,458
Leisure time activity	647,226	777,604	820,217	650,516
Economic development	458,031	681,350	888,011	903,603
Utility services	-	-	-	5,335
Other	-	-	-	-
Interest and fiscal charges	118,383	121,774	124,912	83,200
Total governmental activities	<u>12,089,818</u>	<u>13,046,436</u>	<u>13,720,192</u>	<u>12,356,236</u>
Business-type activities:				
Sewer	4,955,025	4,769,476	5,313,868	4,691,866
Water	4,448,309	5,068,496	4,746,280	4,406,534
Refuse	973,524	787,148	828,551	785,210
Total business-type activities	<u>10,376,858</u>	<u>10,625,120</u>	<u>10,888,699</u>	<u>9,883,610</u>
Total primary government	<u><u>\$ 22,466,676</u></u>	<u><u>\$ 23,671,556</u></u>	<u><u>\$ 24,608,891</u></u>	<u><u>\$ 22,239,846</u></u>
Net (Expense) Revenue:				
Governmental activities	\$ (8,149,655)	\$ (8,709,293)	\$ (9,730,082)	\$ (7,711,768)
Business-type activities	<u>3,587,845</u>	<u>2,572,451</u>	<u>2,406,976</u>	<u>2,464,705</u>
Total primary government	<u><u>(4,561,810)</u></u>	<u><u>(6,136,842)</u></u>	<u><u>(7,323,106)</u></u>	<u><u>(5,247,063)</u></u>

	2010	2009	2008	2007	2006	2005
\$	289,696	\$ 378,315	\$ 395,715	\$ 464,448	\$ 619,931	\$ 561,760
	1,343,214	1,171,103	1,247,379	1,180,003	1,186,602	1,082,726
	72,449	41,521	58,774	66,705	53,899	65,541
	103,689	95,422	175,633	179,334	233,028	318,884
	25,835	21,246	25,162	37,141	32,086	26,613
	290	253	493	290	65,886	4,683
	1,685,214	1,644,771	1,331,141	1,409,456	1,697,228	1,276,237
	497,525	322,650	171,030	201,996	-	-
	4,017,912	3,675,281	3,405,327	3,539,373	3,888,660	3,336,444
	5,279,085	4,690,081	4,301,484	4,158,792	3,731,030	3,381,425
	4,842,869	4,194,197	4,090,704	4,020,403	3,600,821	3,523,194
	766,697	726,603	764,881	671,841	661,607	610,256
	-	-	-	23,077	326,154	454,589
	2,228,539	14,354	313,087	-	-	-
	13,117,190	9,625,235	9,470,156	8,874,113	8,319,612	7,969,464
	17,135,102	13,300,516	12,875,483	12,413,486	12,208,272	11,305,908
	3,429,558	3,405,877	2,700,947	3,438,927	2,493,160	3,000,979
	6,043,793	5,727,001	5,718,266	5,559,839	5,118,991	4,576,342
	224,256	207,391	288,007	253,008	213,337	243,875
	2,533,251	1,798,226	2,463,188	2,149,203	1,556,748	2,122,467
	556,280	522,191	586,847	523,893	424,583	403,071
	740,699	697,284	995,983	961,329	897,522	825,764
	381,070	834,468	84,009	275,686	274,914	423,379
	-	-	-	-	-	-
	-	15,700	4,913	4,908	4,732	6,460
	77,825	41,344	29,296	48,348	79,072	127,845
	13,986,732	13,249,482	12,871,456	13,215,141	11,063,059	11,730,182
	6,192,897	3,971,144	3,993,639	4,193,689	3,178,453	3,482,750
	4,224,602	4,196,427	4,282,755	3,827,063	3,830,920	3,700,775
	725,206	680,242	726,933	630,422	608,056	543,180
	11,142,705	8,847,813	9,003,327	8,651,174	7,617,429	7,726,705
\$	25,129,437	\$ 22,097,295	\$ 21,874,783	\$ 21,866,315	\$ 18,680,488	\$ 19,456,887
\$	(9,968,820)	\$ (9,574,201)	\$ (9,466,129)	\$ (9,675,768)	\$ (7,174,399)	\$ (8,393,738)
	1,974,485	777,422	466,829	222,939	702,183	242,759
	(7,994,335)	(8,796,779)	(8,999,300)	(9,452,829)	(6,472,216)	(8,150,979)

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CITY OF DEFIANCE, OHIO

SCHEDULE 2
 CHANGES IN NET POSITION (CONTINUED)
 LAST TEN YEARS
 (ACCRUAL BASIS OF ACCOUNTING)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
General Revenues and Other Changes in Net Position:				
Governmental activities:				
Income taxes levied for:				
General purposes	6,015,181	5,760,134	5,540,859	5,209,705
Special purposes	1,495,912	24,562	23,028	21,871
Capital purposes	1,521,532	1,411,401	1,381,685	1,312,258
Property taxes levied for:				
General purposes	620,421	550,030	523,667	521,650
Special purposes	439,290	412,283	403,551	365,707
Grants and entitlements not restricted to specific programs	387,599	524,815	768,909	1,096,255
Investment earnings	5,153	32,216	25,118	19,885
Payments in lieu of taxes	-	67,034	66,732	82,256
Miscellaneous	431,790	247,289	201,507	101,646
Transfers	<u>(1,737,268)</u>	<u>(58,555)</u>	<u>(346,089)</u>	<u>(50,409)</u>
Total governmental activities	<u>9,179,610</u>	<u>8,971,209</u>	<u>8,588,967</u>	<u>8,680,824</u>
Business-type activities:				
Investment earnings	37,063	30,295	19,942	14,382
Miscellaneous	63,592	107,946	44,680	263,944
Transfers	1,737,268	58,555	346,089	50,409
Special items	-	337,710	-	-
Total business-type activities	<u>1,837,923</u>	<u>534,506</u>	<u>410,711</u>	<u>328,735</u>
Total primary government	<u>11,017,533</u>	<u>9,505,715</u>	<u>8,999,678</u>	<u>9,009,559</u>
Change in Net Position:				
Governmental activities	1,029,955	261,916	(1,141,115)	969,056
Business-type activities	5,425,768	3,106,957	2,817,687	2,793,440
Total primary government	<u>\$ 6,455,723</u>	<u>\$ 3,368,873</u>	<u>\$ 1,676,572</u>	<u>\$ 3,762,496</u>

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
5,458,481	5,227,106	5,933,088	6,502,751	5,924,313	4,890,763
23,236	21,395	25,248	27,315	25,099	23,490
1,394,167	1,283,680	1,514,902	1,638,902	1,505,961	1,409,361
543,275	525,405	602,325	664,808	585,649	580,184
334,523	305,992	340,946	363,825	349,160	274,958
1,024,894	909,503	1,089,930	949,213	1,124,495	761,789
13,353	22,217	155,049	404,382	346,052	190,327
82,943	83,895	-	-	-	-
540,547	99,418	231,871	208,359	380,086	615,868
(588,561)	(6,465)	(338,560)	(56,712)	(605,176)	-
<u>8,826,858</u>	<u>8,472,146</u>	<u>9,554,799</u>	<u>10,702,843</u>	<u>9,635,639</u>	<u>8,746,740</u>
5,659	9,888	69,086	229,311	196,364	107,930
264,453	269,208	296,270	327,942	31,901	46,875
588,561	6,465	338,560	56,712	605,176	-
-	437,711	-	-	-	-
<u>858,673</u>	<u>723,272</u>	<u>703,916</u>	<u>613,965</u>	<u>833,441</u>	<u>154,805</u>
<u>9,685,531</u>	<u>9,195,418</u>	<u>10,258,715</u>	<u>11,316,808</u>	<u>10,469,080</u>	<u>8,901,545</u>
(1,141,962)	(1,102,055)	88,670	1,027,075	2,461,240	353,002
2,833,158	1,500,694	1,170,745	836,904	1,535,624	397,564
<u>\$ 1,691,196</u>	<u>\$ 398,639</u>	<u>\$ 1,259,415</u>	<u>\$ 1,863,979</u>	<u>\$ 3,996,864</u>	<u>\$ 750,566</u>

CITY OF DEFIANCE, OHIO

SCHEDULE 3
 FUND BALANCES, GOVERNMENTAL FUNDS
 LAST TEN YEARS
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	<u>2014</u>	<u>2013 (1)</u>	<u>2012</u>	<u>2011</u>
General Fund:				
Nonspendable	\$ 1,414	\$ 93	\$ 93	\$ 87
Committed	-	-	8,165	-
Assigned	81,324	200,750	535,956	364,029
Unassigned	2,538,419	1,638,857	1,050,874	1,255,774
Reserved	-	-	-	-
Unreserved	-	-	-	-
Total general fund	<u>2,621,157</u>	<u>1,839,700</u>	<u>1,595,088</u>	<u>1,619,890</u>
All Other Governmental Funds:				
Nonspendable	47,100	33,615	37,124	23,882
Restricted	4,651,756	4,372,647	4,223,607	4,345,580
Committed	867,404	1,212,727	1,037,169	2,073,285
Unassigned (deficit)	(90,666)	(498,051)	-	-
Reserved	-	-	-	-
Unreserved (deficit), reported in:				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Total all other governmental funds	<u>5,475,594</u>	<u>5,120,938</u>	<u>5,297,900</u>	<u>6,442,747</u>
Total governmental funds	<u>\$ 8,096,751</u>	<u>\$ 6,960,638</u>	<u>\$ 6,892,988</u>	<u>\$ 8,062,637</u>

Note: The City implemented GASB Statement No. 54 in 2011.

(1) Amounts have been restated to reflect a restatement related to a change in fund classification.

2010	2009	2008	2007	2006	2005
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
190,796	298,434	571,452	524,398	523,571	469,007
<u>1,573,664</u>	<u>2,044,712</u>	<u>3,019,128</u>	<u>3,871,519</u>	<u>3,315,057</u>	<u>2,355,690</u>
<u>1,764,460</u>	<u>2,343,146</u>	<u>3,590,580</u>	<u>4,395,917</u>	<u>3,838,628</u>	<u>2,824,697</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,959,329	5,866,656	3,707,457	3,003,392	2,533,157	2,076,762
1,917,162	2,133,103	2,012,299	2,174,078	2,437,600	1,793,615
<u>(3,128,520)</u>	<u>(3,148,530)</u>	<u>442,761</u>	<u>326,347</u>	<u>515,373</u>	<u>43,225</u>
<u>1,747,971</u>	<u>4,851,229</u>	<u>6,162,517</u>	<u>5,503,817</u>	<u>5,486,130</u>	<u>3,913,602</u>
<u>\$ 3,512,431</u>	<u>\$ 7,194,375</u>	<u>\$ 9,753,097</u>	<u>\$ 9,899,734</u>	<u>\$ 9,324,758</u>	<u>\$ 6,738,299</u>

CITY OF DEFIANCE, OHIO

SCHEDULE 4
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
 LAST TEN YEARS
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenues:				
Income taxes	\$ 9,059,983	\$ 6,859,653	\$ 6,934,078	\$ 6,645,815
Property and other local taxes	1,031,890	967,412	937,902	907,400
Payments in lieu of taxes	-	67,034	66,732	82,256
Charges for services	677,255	752,837	671,448	664,054
Licenses, permits and fees	303,813	369,843	259,187	280,571
Fines and forfeitures	741,019	790,492	796,536	795,442
Intergovernmental	2,346,937	2,846,068	2,943,779	3,932,905
Special assessments	34,246	36,196	40,992	41,695
Investment income	57,564	85,328	88,827	78,555
Donations	52,343	7,553	6,480	40,284
Other	429,910	245,989	198,445	99,346
Total revenues	<u>14,734,960</u>	<u>13,028,405</u>	<u>12,944,406</u>	<u>13,568,323</u>
Expenditures:				
Current:				
General government	2,845,060	2,740,480	2,624,218	2,729,651
Security of persons and property	5,505,787	5,179,234	5,223,915	5,162,340
Public health and welfare	252,955	224,443	207,560	215,876
Transportation	873,971	845,468	1,003,738	1,090,575
Community environment	407,403	426,724	506,585	527,416
Leisure time activity	557,923	552,903	595,366	543,357
Economic development	492,102	681,350	888,011	903,603
Other	-	-	-	-
Capital outlay	2,551,370	3,101,258	3,775,372	1,721,528
Debt service:				
Principal retirement	331,625	184,686	164,543	106,308
Interest and fiscal charges	120,850	124,250	147,398	52,821
Bond issuance costs	-	-	-	75,000
Total expenditures	<u>13,939,046</u>	<u>14,060,796</u>	<u>15,136,706</u>	<u>13,128,475</u>
Excess (deficiency) of revenues over (under) expenditures	<u>795,914</u>	<u>(1,032,391)</u>	<u>(2,192,300)</u>	<u>439,848</u>
Other Financing Sources (Uses):				
Issuance of notes	-	-	-	-
Premium on notes issued	-	-	-	-
Issuance of bonds	-	-	-	4,075,000
Premium on bonds issued	-	-	-	42,588
Capital lease transaction	196,890	-	-	-
Transfers in	4,200,300	380,000	410,000	1,459,967
Transfers (out)	(4,167,713)	(388,085)	(499,681)	(1,467,197)
Issuance of loans	110,722	1,108,126	1,112,332	-
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>340,199</u>	<u>1,100,041</u>	<u>1,022,651</u>	<u>4,110,358</u>
Net change in fund balances	<u>\$ 1,136,113</u>	<u>\$ 67,650</u>	<u>\$ (1,169,649)</u>	<u>\$ 4,550,206</u>
Capital expenditures	\$ 1,314,436	\$ 1,957,981	\$ 2,299,108	\$ 1,781,679
Debt service as a percentage of noncapital expenditures	3.58%	2.55%	2.43%	1.40%

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$	6,709,254	\$ 6,574,354	\$ 7,392,483	\$ 8,144,681	\$ 7,514,929	\$ 6,428,760
	882,023	833,037	941,651	990,413	973,459	826,498
	82,943	83,895	-	-	-	-
	695,129	571,591	583,007	610,410	814,599	839,657
	307,950	283,514	362,524	411,195	530,437	463,353
	838,380	857,055	957,625	906,316	846,396	757,197
	2,969,152	2,835,054	2,306,703	2,331,185	2,689,369	1,942,831
	88,403	111,684	128,763	128,306	128,820	146,712
	76,653	86,723	223,765	463,182	329,191	178,880
	31,167	12,050	22,504	92,831	-	-
	518,328	99,418	231,871	209,200	380,086	615,868
	<u>13,199,382</u>	<u>12,348,375</u>	<u>13,150,896</u>	<u>14,287,719</u>	<u>14,207,286</u>	<u>12,199,756</u>
	3,204,581	3,326,526	2,608,253	3,310,360	2,402,010	2,899,234
	5,633,172	5,494,652	5,565,046	5,168,495	4,796,241	4,192,094
	209,367	195,960	256,613	237,907	159,148	148,132
	1,286,092	944,909	924,908	925,825	742,619	766,292
	530,248	501,339	577,079	489,268	392,490	352,314
	542,834	565,067	744,411	783,809	647,025	556,414
	381,070	834,468	84,009	275,686	274,914	423,379
	-	15,700	4,913	4,908	4,732	6,460
	4,904,016	2,885,875	2,363,794	1,914,186	2,475,899	2,128,733
	104,703	107,723	132,368	551,951	836,795	862,967
	78,407	41,913	30,026	49,224	91,505	122,152
	-	-	-	-	-	-
	<u>16,874,490</u>	<u>14,914,132</u>	<u>13,291,420</u>	<u>13,711,619</u>	<u>12,823,378</u>	<u>12,458,171</u>
	<u>(3,675,108)</u>	<u>(2,565,757)</u>	<u>(140,524)</u>	<u>576,100</u>	<u>1,383,908</u>	<u>(258,415)</u>
	-	-	-	-	435,000	722,000
	-	-	-	186	122	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	4,471	17,429	-
	671,356	456,000	1,108,237	395,000	494,000	409,765
	(678,192)	(462,465)	(1,114,350)	(400,781)	(494,000)	(409,765)
	-	-	-	-	-	-
	-	13,500	-	-	750,000	750,000
	<u>(6,836)</u>	<u>7,035</u>	<u>(6,113)</u>	<u>(1,124)</u>	<u>1,202,551</u>	<u>1,472,000</u>
\$	<u>(3,681,944)</u>	<u>(2,558,722)</u>	<u>(146,637)</u>	<u>574,976</u>	<u>2,586,459</u>	<u>1,213,585</u>
\$	3,863,981	\$ 2,570,136	\$ 1,123,330	\$ 942,062	\$ 1,183,018	\$ 788,101
	1.41%	1.21%	1.33%	4.71%	7.97%	8.44%

CITY OF DEFIANCE, OHIO

SCHEDULE 5
 INCOME TAX REVENUES BY SOURCE
 LAST TEN YEARS
 (CASH-BASIS)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Income Tax Rate	1.80%	1.50%	1.50%	1.50%
Income Tax Receipts:				
Employee withholding	\$ 6,515,630	\$ 5,425,774	\$ 5,792,726	\$ 5,533,044
% of total	73.2%	79.8%	83.2%	82.6%
Corporate	1,417,159	706,863	744,150	701,004
% of total	15.9%	10.4%	10.7%	10.5%
Individuals	962,614	668,325	427,740	461,777
% of total	10.8%	9.8%	6.1%	6.9%
Total income tax receipts	<u>\$ 8,895,403</u>	<u>\$ 6,800,962</u>	<u>\$ 6,964,616</u>	<u>\$ 6,695,825</u>

Source: City of Defiance Income Tax Division.

	2010	2009	2008	2007	2006	2005
	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
\$	5,374,407	\$ 5,245,899	\$ 5,861,752	\$ 6,356,243	\$ 6,475,804	\$ 4,980,724
	80.8%	79.6%	78.1%	76.2%	80.3%	79.0%
	825,523	880,991	1,163,740	1,457,108	1,130,513	934,303
	12.4%	13.4%	15.5%	17.5%	14.0%	14.8%
	451,815	462,826	476,250	529,900	457,548	386,924
	6.8%	7.0%	6.3%	6.4%	5.7%	6.1%
\$	6,651,745	\$ 6,589,716	\$ 7,501,742	\$ 8,343,251	\$ 8,063,865	\$ 6,301,951

CITY OF DEFIANCE, OHIO

SCHEDULE 6
 INCOME TAX RATES AND ALLOCATION BY FUND
 LAST TEN YEARS
 (CASH-BASIS)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Tax Rate Components:				
General operations	1.195%	1.195%	1.195%	1.195%
Police and fire	0.3%	0.0%	0.0%	0.0%
Capital improvements	0.3%	0.3%	0.3%	0.3%
Street maintenance	0.005%	0.005%	0.005%	0.005%
Total income tax rate	<u>1.80%</u>	<u>1.50%</u>	<u>1.50%</u>	<u>1.50%</u>
Allocation of Receipts:				
General fund	\$ 6,110,345	\$ 5,417,017	\$ 5,548,478	\$ 5,334,329
% of total	68.7%	79.7%	79.7%	79.7%
Police and fire fund	1,225,003	-	-	-
% of total	13.8%	0.0%	0.0%	0.0%
Capital improvements fund	1,534,374	1,360,193	1,392,923	1,339,176
% of total	17.2%	20.0%	20.0%	20.0%
SCMR fund (street maintenance)	25,681	23,752	23,215	22,320
% of total	0.3%	0.3%	0.3%	0.3%
Total income tax allocated	<u>\$ 8,895,403</u>	<u>\$ 6,800,962</u>	<u>\$ 6,964,616</u>	<u>\$ 6,695,825</u>

Note: Section 181.01 of the Codified Ordinances of the City of Defiance sets the current income tax rate as follows:

One-half percent (0.5%) for the purposes of general municipal operation, replacement of equipment and the extension, and enlargement and improvement of municipal services and facilities for the City. This portion is allocated to the general fund.

One-half percent (0.5%) to provide funds for the purpose of making capital improvements, improving streets, storm sewers and present recreational facilities, and general improvement of municipal services and facilities for the City. Per Section 181.25, ninety-nine percent of this portion of the tax (0.495%) is allocated to general municipal operations, and one percent of this portion of the tax (0.005%) is allocated to the Street Construction, Maintenance and Repair Fund (SCMR).

Three-tenths percent (0.3%) to provide funds for the purpose of making capital improvements only. This portion is allocated to the capital fund.

Two-tenths percent (0.2%) to provide funds for the purpose of operation of all departments and divisions supported through the general fund. This portion of the tax became effective in June of 2005.

Three-tenths percent (0.3%) to provide funds for the purpose of operation of the police and fire divisions within the department of service and safety. This portion of the tax is allocated to the police and fire fund, and became effective in January of 2014.

Source: City of Defiance Income Tax Division.

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
1.195%	1.195%	1.195%	1.195%	1.195%	1.195%
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
0.005%	0.005%	0.005%	0.005%	0.005%	0.005%
<u>1.50%</u>	<u>1.50%</u>	<u>1.50%</u>	<u>1.50%</u>	<u>1.50%</u>	<u>1.50%</u>
\$ 5,298,498	\$ 5,249,652	\$ 5,976,388	\$ 6,646,790	\$ 6,424,212	\$ 5,020,554
79.7%	79.7%	79.7%	79.7%	79.7%	79.7%
-	-	-	-	-	-
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
1,331,064	1,318,096	1,500,348	1,668,650	1,612,773	1,260,390
20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
22,184	21,968	25,006	27,811	26,880	21,007
0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
<u>\$ 6,651,745</u>	<u>\$ 6,589,716</u>	<u>\$ 7,501,742</u>	<u>\$ 8,343,251</u>	<u>\$ 8,063,865</u>	<u>\$ 6,301,951</u>

CITY OF DEFIANCE, OHIO

SCHEDULE 7
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN YEARS

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Governmental Activities:				
General obligation bonds payable ⁴	\$ 3,620,685	\$ 3,792,809	\$ 3,964,933	\$ 4,117,057
Special assessment bonds payable	-	13,043	27,729	42,272
Bond anticipation notes	-	-	-	-
OWDA loans payable	2,214,437	2,220,458	1,112,332	-
Capital lease obligations	165,051	-	-	-
Business-type Activities:				
General obligation bonds payable ⁴	6,477,095	7,175,337	7,848,578	8,486,820
Special assessment bonds payable	62,672	71,222	79,307	86,952
Bond anticipation notes	4,349,000	4,849,000	4,336,000	4,918,000
OWDA loans payable	31,533,115	32,532,365	31,610,089	32,816,389
OPWC loans payable	217,232	289,420	371,573	451,992
Capital lease obligations	-	-	-	-
Total primary government	<u>\$ 48,639,287</u>	<u>\$ 50,943,654</u>	<u>\$ 49,350,541</u>	<u>\$ 50,919,482</u>
Debt per Capita:				
City population ¹	16,776	16,836	16,956	17,079
Outstanding debt per capita	\$ 2,899	\$ 3,026	\$ 2,911	\$ 2,981
Debt as Percentage of Personal Income:				
Personal income ²	\$ 607,828,032	\$ 610,001,952	\$ 600,055,884	\$ 569,123,517
Percentage of personal income	8.00%	8.35%	8.22%	8.95%
Business-type Debt per Customer:				
Number of customers ³	6,635	6,669	6,619	6,641
Outstanding debt per customer	\$ 6,426	\$ 6,735	\$ 6,685	\$ 7,041

Notes and Sources:

¹U.S. Census Bureau.

²U.S. Department of Commerce, Bureau of Economic Analysis (Defiance Micropolitan Statistical Area).

³Number of water customers per the City of Defiance Utility Billing Office.

⁴Includes unamortized bond premiums.

2010	2009	2008	2007	2006	2005
\$ 40,000	\$ 80,000	\$ 120,000	\$ 160,000	\$ 195,000	\$ 230,000
106,815	166,358	229,316	317,284	395,252	473,220
4,650,000	4,800,000	-	225,000	435,000	1,357,000
-	-	-	-	-	-
1,765	6,925	11,690	16,090	15,602	-
9,105,062	9,688,303	10,256,545	10,794,786	10,974,874	11,446,033
94,182	101,018	107,483	113,596	119,377	124,844
5,420,000	4,347,000	4,774,000	4,819,000	3,850,000	4,101,100
32,714,041	29,051,352	22,892,250	16,026,896	10,094,686	11,372,326
530,737	607,863	683,429	757,486	830,084	918,595
-	3,041	9,257	14,996	20,296	25,189
<u>\$ 52,662,602</u>	<u>\$ 48,851,860</u>	<u>\$ 39,083,970</u>	<u>\$ 33,245,134</u>	<u>\$ 26,930,171</u>	<u>\$ 30,048,307</u>
16,494	16,012	16,046	16,039	16,062	15,597
\$ 3,193	\$ 3,051	\$ 2,436	\$ 2,073	\$ 1,677	\$ 1,927
\$ 516,245,706	\$ 493,057,516	\$ 513,921,288	\$ 505,228,500	\$ 487,658,382	\$ 451,798,299
10.20%	9.91%	7.61%	6.58%	5.52%	6.65%
6,607	6,679	6,669	6,672	6,663	6,574
\$ 7,244	\$ 6,558	\$ 5,806	\$ 4,875	\$ 3,886	\$ 4,257

CITY OF DEFIANCE, OHIO

SCHEDULE 8
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN YEARS

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Population¹	16,776	16,836	16,956	17,079
Assessed Value²	\$ 319,027,680	\$ 299,057,480	\$ 300,457,400	\$ 276,385,000
General Bonded Debt:				
General obligation bonds payable ³	\$ 10,097,780	\$ 10,968,146	\$ 11,813,511	\$ 12,603,877
Ratio of Net Bonded Debt to Assessed Value	3.17%	3.67%	3.93%	4.56%
Net Bonded Debt per Capita	\$ 602	\$ 651	\$ 697	\$ 738

Sources:

¹U.S. Census Bureau.

²Defiance County Auditor.

³Includes unamortized bond premiums.

2010	2009	2008	2007	2006	2005
16,494	16,012	16,046	16,039	16,062	15,597
\$ 277,919,920	\$ 280,455,300	\$ 286,340,580	\$ 292,134,140	\$ 298,927,420	\$ 300,607,160
\$ 9,145,062	\$ 9,768,303	\$ 10,376,545	\$ 10,954,786	\$ 11,169,874	\$ 11,676,033
3.29%	3.48%	3.62%	3.75%	3.74%	3.88%
\$ 554	\$ 610	\$ 647	\$ 683	\$ 695	\$ 749

CITY OF DEFIANCE, OHIO

SCHEDULE 9
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 AS OF DECEMBER 31, 2014

<u>Jurisdiction</u>	<u>Governmental Activities Debt Outstanding</u>	<u>Percentage Applicable to City</u>	<u>Amount Applicable to City</u>
Direct - City of Defiance	\$ 6,000,173	100.00%	\$ 6,000,173
Overlapping Debt:			
Defiance County	3,745,415	39.11%	1,464,832
Defiance City School District	24,275,000	84.08%	20,410,420
Four County Career Center Joint Vocational School District	2,725,000	10.43%	284,218
Northeastern Local School District	4,211,984	32.37%	1,363,419
Total overlapping debt	<u>34,957,399</u>		<u>23,522,889</u>
Total direct and overlapping debt	<u>\$ 40,957,572</u>		<u>\$ 29,523,062</u>

Note: The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the City's taxable assessed property values that is within the subdivision's boundaries and dividing it by the City's total taxable assessed property values.

Source: Ohio Municipal Advisory Council.

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CITY OF DEFIANCE, OHIO

SCHEDULE 10
LEGAL DEBT MARGIN
LAST TEN YEARS

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Total Assessed Property Value	\$ 319,027,680	\$ 299,057,480	\$ 300,457,400	\$ 276,385,000
Overall Legal Debt Limit (10 1/2 % of assessed valuation)	<u>33,497,906</u>	<u>31,401,035</u>	<u>31,548,027</u>	<u>29,020,425</u>
Debt outstanding:				
General obligation bonds payable ³	9,725,000	10,550,000	11,350,000	12,095,000
Special assessment bonds payable	62,672	84,265	107,036	129,224
Bond anticipation notes	4,349,000	4,849,000	4,336,000	4,918,000
OWDA loans payable	33,747,552	34,752,823	31,610,089	32,816,389
OPWC loans payable	217,232	289,420	371,573	451,992
Total gross indebtedness	<u>48,101,456</u>	<u>50,525,508</u>	<u>47,774,698</u>	<u>50,410,605</u>
Less ¹ :				
General obligation bonds payable ³	6,140,000	6,795,000	7,425,000	8,020,000
Special assessment bonds payable	62,672	84,265	107,036	129,224
Bond anticipation notes	4,349,000	4,849,000	4,336,000	4,918,000
OWDA loans payable	33,747,552	34,752,823	31,610,089	32,816,389
OPWC loans payable	217,232	289,420	371,573	451,992
Total net debt applicable to debt limit	<u>3,585,000</u>	<u>3,755,000</u>	<u>3,925,000</u>	<u>4,075,000</u>
Add: debt service fund equity ²	<u>556,615</u>	<u>620,652</u>	<u>765,828</u>	<u>1,007,820</u>
Legal debt margin within 10 1/2 % limitation	<u>\$ 30,469,521</u>	<u>\$ 28,266,687</u>	<u>\$ 28,388,855</u>	<u>\$ 25,953,245</u>
Legal debt margin as a percentage of the debt limit	90.96%	90.02%	89.99%	89.43%
Unvoted Debt Limit	<u>17,546,522</u>	<u>16,448,161</u>	<u>16,525,157</u>	<u>15,201,175</u>
Unvoted legal debt margin within 5 1/2 % limitation	<u>\$ 17,546,522</u>	<u>\$ 16,448,161</u>	<u>\$ 16,525,157</u>	<u>\$ 15,201,175</u>
Unvoted legal debt margin as a percentage of the unvoted debt limit	100.00%	100.00%	100.00%	100.00%

Notes:

¹Self-supporting and enterprise fund debt are not considered in the calculation of legal debt margin.

²Debt service fund equity was unavailable prior to 2009.

³Excludes unamortized bond premiums.

2010	2009	2008	2007	2006	2005
<u>\$ 277,919,920</u>	<u>\$ 280,455,300</u>	<u>\$ 286,340,580</u>	<u>\$ 292,134,140</u>	<u>\$ 298,927,420</u>	<u>\$ 300,607,160</u>
<u>29,181,592</u>	<u>29,447,807</u>	<u>30,065,761</u>	<u>30,674,085</u>	<u>31,387,379</u>	<u>31,563,752</u>
8,635,000	9,215,000	9,780,000	10,315,000	10,945,000	11,435,000
200,997	267,376	336,799	430,880	514,629	598,064
10,070,000	9,147,000	4,774,000	5,044,000	4,285,000	5,458,100
32,714,041	29,051,352	22,892,250	16,026,896	10,094,686	11,372,326
530,737	607,863	683,429	757,486	830,084	918,595
<u>52,150,775</u>	<u>48,288,591</u>	<u>38,466,478</u>	<u>32,574,262</u>	<u>26,669,399</u>	<u>29,782,085</u>
8,595,000	9,135,000	9,660,000	10,155,000	10,750,000	11,205,000
200,997	267,376	336,799	430,880	514,629	598,064
10,070,000	9,147,000	4,774,000	5,044,000	4,285,000	5,458,100
32,714,041	29,051,352	22,892,250	16,026,896	10,094,686	11,372,326
530,737	607,863	683,429	757,486	830,084	918,595
<u>40,000</u>	<u>80,000</u>	<u>120,000</u>	<u>160,000</u>	<u>195,000</u>	<u>230,000</u>
<u>1,003,362</u>	<u>954,176</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 30,144,954</u>	<u>\$ 30,321,983</u>	<u>\$ 29,945,761</u>	<u>\$ 30,514,085</u>	<u>\$ 31,192,379</u>	<u>\$ 31,333,752</u>
103.30%	102.97%	99.60%	99.48%	99.38%	99.27%
<u>15,285,596</u>	<u>15,425,042</u>	<u>15,748,732</u>	<u>16,067,378</u>	<u>16,441,008</u>	<u>16,533,394</u>
<u>\$ 15,285,596</u>	<u>\$ 15,425,042</u>	<u>\$ 15,748,732</u>	<u>\$ 16,067,378</u>	<u>\$ 16,441,008</u>	<u>\$ 16,533,394</u>
100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

CITY OF DEFIANCE, OHIO

SCHEDULE 11
 PLEDGED REVENUE COVERAGE
 LAST TEN YEARS

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
OWDA Loans - Sewer System¹				
Gross Revenues ²	\$ 6,895,460	\$ 6,270,952	\$ 6,437,330	\$ 6,364,585
Direct Operating Expenses ³	<u>2,820,670</u>	<u>3,035,848</u>	<u>3,664,100</u>	<u>2,954,268</u>
Net Revenue Available for Debt Service	4,074,790	3,235,104	2,773,230	3,410,317
Annual Debt Service Requirement ⁴	2,321,512	2,087,309	2,905,438	3,061,015
Coverage	1.76	1.55	0.95	1.11
OWDA Loans - Water Reservoir				
Gross Revenues ²	\$ 5,843,398	\$ 6,030,551	\$ 6,045,464	\$ 5,442,437
Direct Operating Expenses ³	<u>3,061,255</u>	<u>3,712,770</u>	<u>3,328,556</u>	<u>2,885,831</u>
Net Revenue Available for Debt Service	2,782,143	2,317,781	2,716,908	2,556,606
Annual Debt Service Requirement ⁴	438,506	438,505	438,506	431,761
Coverage	6.34	5.29	6.20	5.92

Notes:

¹Includes multiple Ohio Water Development Authority loans used for an ongoing, multi-year combined sewer separation project.

²Gross revenues are derived from sewer and water customer user charges, and include interest revenue.

³Direct operating expenses do include depreciation expense.

⁴Includes only principal and interest payments associated with pledged revenues.

n/a - not applicable prior to 2008.

Source: City of Defiance Finance Department.

	2010	2009	2008	2007	2006	2005
\$	5,528,935	\$ 4,950,558	\$ 4,598,972	\$ 4,575,143	\$ 3,879,471	\$ 3,452,204
	4,941,769	2,884,596	2,908,124	2,903,426	1,888,438	2,049,144
	<u>587,166</u>	<u>2,065,962</u>	<u>1,690,848</u>	<u>1,671,717</u>	<u>1,991,033</u>	<u>1,403,060</u>
	2,035,828	1,407,607	817,363	813,857	810,601	807,576
	0.29	1.47	2.07	2.05	2.46	1.74
\$	4,863,131	\$ 4,196,841	\$ 4,110,023	n/a	n/a	n/a
	2,692,862	2,702,414	2,815,298	n/a	n/a	n/a
	<u>2,170,269</u>	<u>1,494,427</u>	<u>1,294,725</u>	n/a	n/a	n/a
	444,610	444,610	393,034	n/a	n/a	n/a
	4.88	3.36	3.29	n/a	n/a	n/a

CITY OF DEFIANCE, OHIO

SCHEDULE 12
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS

Year	Population ¹	Total Personal Income ²	Per Capita Personal Income ^{2,5}	Public School Enrollment ³	Unemployment Rates ⁴		
					Defiance County	State of Ohio	United States
2014	16,776	\$ 607,828,032	\$ 36,232	2,650	5.4%	5.7%	6.2%
2013	16,836	610,001,952	36,232	2,723	7.2%	7.4%	7.4%
2012	16,956	600,055,884	35,389	2,657	7.4%	7.4%	8.1%
2011	17,079	569,123,517	33,323	2,654	9.2%	8.7%	8.9%
2010	16,494	516,245,706	31,299	2,723	11.8%	10.0%	9.6%
2009	16,012	493,057,516	30,793	2,685	13.8%	10.2%	9.3%
2008	16,046	513,921,288	32,028	2,556	7.5%	6.6%	5.8%
2007	16,039	505,228,500	31,500	2,392	5.6%	5.6%	4.6%
2006	16,062	487,658,382	30,361	2,348	5.5%	5.4%	4.6%
2005	15,597	451,798,299	28,967	2,360	6.0%	5.9%	5.1%

Notes and Sources:

¹U.S. Census Bureau.

²U.S. Department of Commerce, Bureau of Economic Analysis (Defiance Micropolitan Statistical Area).

³Defiance City Schools.

⁴U.S. Department of Labor, Bureau of Labor Statistics (annual average).

⁵This information is unavailable for 2014 at December 31, 2014, so the 2013 amount is used as an estimate.

CITY OF DEFIANCE, OHIO

SCHEDULE 13
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

Employer	Tax Year 2013		
	Employees¹	Rank	Percentage of Total City Employment
Defiance College	752	1	4.09%
Johns Manville Corporation (MFG)	687	2	3.74%
Defiance City Schools	527	3	2.87%
Defiance County	417	4	2.27%
Wal Mart (RETAIL)	407	5	2.21%
Defiance Regional Medical Center	354	6	1.93%
Mercy Medical Partners	345	7	1.88%
Meijer (RETAIL)	341	8	1.85%
Defiance Metal Products (MFG)	318	9	1.73%
First Federal of Defiance (BNK)	228	10	1.24%
	4,376		23.81%
Total Employment Within the City	18,389		

Employer	Tax Year 2004		
	Employees¹	Rank	Percentage of Total City Employment
General Motors Company (MFG) ²	765	1	3.48%
Johns Manville Corporation (MFG)	752	2	3.42%
Defiance Metal Products (MFG)	626	3	2.85%
Defiance College	571	4	2.60%
Defiance City Schools	528	5	2.40%
Defiance County	513	6	2.33%
Meijer (RETAIL)	469	7	2.13%
Defiance Regional Medical Center	436	8	1.98%
Fauster-Cameron (HLTH)	377	9	1.72%
K-Mart (RETAIL)	294	10	1.34%
	5,331		24.25%
Total Employment Within the City	21,982		

Notes:

¹Employee figures are based on the number of W-2 forms filed with the City Income Tax Division and do not necessarily represent full-time equivalent positions. Furthermore, rank is based on this number, and does not necessarily correspond to a ranking by gross wages or amount of employee tax withheld.

²General Motors Company remains a major local employer located just outside the City corporation limit. As the company is not required to withhold City taxes for its employees, accurate W-2 records after tax year 2012 are no longer available or counted for the purposes of this report.

³The information for tax year 2013 and tax year 2004 is the most current information covering a ten-year period available as of December 31, 2014.

Source: City of Defiance Income Tax Division.

CITY OF DEFIANCE, OHIO

SCHEDULE 14
FULL-TIME EQUIVALENT POSITION BY FUNCTION/DIVISION
LAST TEN YEARS

Function/Division	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Government:										
Council*	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Municipal Court	13.0	12.5	13.5	13.8	13.3	13.2	12.6	12.3	12.0	12.0
Mayor	2.0	2.0	2.0	2.0	2.0	2.0	2.3	2.1	2.1	2.0
Administrator	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Finance	3.8	3.8	3.7	3.8	3.8	3.9	4.0	4.0	4.0	3.0
Law	3.4	3.0	3.3	3.8	3.8	3.8	3.5	3.3	3.0	3.1
Civil Service*	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Income Tax	1.0	1.0	1.0	1.7	2.0	2.0	2.0	1.1	2.0	2.0
Buildings and Land	1.6	1.6	1.6	1.6	1.6	1.6	2.1	2.1	2.0	1.8
Engineer	6.6	5.7	6.5	5.6	6.2	5.5	4.7	3.2	2.1	2.1
	<u>37.4</u>	<u>35.6</u>	<u>37.6</u>	<u>38.3</u>	<u>38.7</u>	<u>38.0</u>	<u>37.2</u>	<u>34.1</u>	<u>33.2</u>	<u>32.0</u>
Security of Persons and Property:										
Police	34.1	31.3	31.1	31.7	32.8	32.9	32.9	33.1	31.8	29.8
Fire	35.2	29.7	28.7	30.6	32.7	35.1	36.3	35.2	33.0	32.1
	<u>69.3</u>	<u>61.0</u>	<u>59.8</u>	<u>62.3</u>	<u>65.5</u>	<u>68.0</u>	<u>69.2</u>	<u>68.3</u>	<u>64.8</u>	<u>61.9</u>
Leisure Time Activities:										
Parks and Recreation	7.9	7.7	7.8	7.2	7.1	6.8	10.6	11.7	10.9	8.9
Cemetery	4.2	3.8	3.0	2.9	2.8	2.8	4.5	3.4	2.9	2.7
Cultural/Historian*	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
	<u>12.6</u>	<u>12.0</u>	<u>11.3</u>	<u>10.6</u>	<u>10.4</u>	<u>10.1</u>	<u>15.6</u>	<u>15.6</u>	<u>14.3</u>	<u>12.1</u>
Community Development:										
Building Inspections	1.9	2.5	2.1	1.6	1.4	1.3	1.4	2.0	1.9	1.7
Transportation:										
Streets	11.6	9.6	10.1	11.1	11.2	12.0	10.9	12.5	10.8	11.2
Utility Services:										
Utility Billing	6.4	6.8	6.1	6.1	6.1	6.1	5.7	7.0	6.9	6.0
Water Treatment/Distribution	21.5	19.7	20.1	19.9	22.4	22.6	26.3	22.7	20.9	19.7
Wastewater Treatment/Collection	20.3	18.0	18.3	18.9	18.2	18.4	15.4	14.9	16.7	15.4
	<u>48.2</u>	<u>44.5</u>	<u>44.5</u>	<u>44.9</u>	<u>46.7</u>	<u>47.1</u>	<u>47.4</u>	<u>44.6</u>	<u>44.5</u>	<u>41.1</u>
Total	<u>181.0</u>	<u>165.2</u>	<u>165.3</u>	<u>168.8</u>	<u>173.9</u>	<u>176.5</u>	<u>181.7</u>	<u>177.1</u>	<u>169.5</u>	<u>160.0</u>

* Part-time salaried positions count as 0.5 each.

Note: The numbers shown reflect total annual labor hours divided by annual hours in a full-time schedule--typically 2,080 hours--and include all full-time, part-time, seasonal, and overtime hours worked.

Source: City of Defiance Finance Department.

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CITY OF DEFIANCE, OHIO

SCHEDULE 15
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN YEARS

<u>Function/Program</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
General Government:				
General fund beginning balance (cash)	\$1,159,602	\$1,239,095	\$1,376,242	\$1,511,693
General fund revenues (cash)	9,491,539	8,709,434	8,831,048	8,901,881
General fund expenditures (cash)	8,721,292	8,788,927	8,968,195	9,037,332
General fund ending balance (cash)	<u>\$1,929,849</u>	<u>\$1,159,602</u>	<u>\$1,239,095</u>	<u>\$1,376,242</u>
Municipal Court:				
Cases heard and closed	9,761	9,832	9,688	9,572
Police:				
Total calls for services	18,203	18,353	21,030	23,194
Traffic violations	1,571	1,983	1,485	1,590
Motor vehicle accidents	909	805	846	826
Criminal arrests	1,596	2,045	2,031	2,164
Fire/Emergency Medical Services:				
Fire calls	415	603	629	474
EMS calls	1,841	1,439	1,477	1,609
Fire safety inspections	1,019	1,142	1,296	848
Building Inspections:				
Construction permits issued	897	925	1,007	937
Estimated value of construction	\$5,649,615	\$5,902,162	\$6,253,697	\$4,913,011
Recreation:				
Swimming pool memberships	51	50	55	40
Shelter house rentals	61	45	57	54
Streets:				
Salt usage (tons)	570	600	570	275
Cost of salt purchased	\$30,876	\$27,702	\$38,741	\$18,755
Water:				
Monthly avg. water treated (mil. Gal.)	90.7	98.4	106.8	97.9
Water customers	6,635	6,669	6,619	6,641
Water main breaks repaired	32	50	0	49
Water Pollution Control:				
Sewer lines cleaned/repaired (ft.)	84,500	76,000	86,440	32,304
Sewer customers	6,495	6,523	6,422	6,438

Sources: Various City of Defiance Divisions.

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$1,970,107	\$2,840,494	\$3,866,343	\$3,184,285	\$1,670,830	\$879,949
8,358,947	8,546,209	9,377,084	10,217,683	10,745,595	9,573,150
8,817,361	9,416,596	10,402,933	9,535,625	9,232,140	8,782,269
<u>\$1,511,693</u>	<u>\$1,970,107</u>	<u>\$2,840,494</u>	<u>\$3,866,343</u>	<u>\$3,184,285</u>	<u>\$1,670,830</u>
9,998	9,651	11,593	11,134	10,399	10,243
25,834	28,655	26,285	26,657	22,042	20,843
1,710	2,003	2,195	2,349	1,921	1,614
821	900	1,116	956	809	935
2,185	2,669	2,266	2,509	2,045	1,586
574	579	617	581	363	421
1,475	1,348	1,478	1,425	1,582	1,641
35	12	2	158	76	40
1,161	1,208	929	1,032	1,252	1,355
\$7,161,765	\$6,800,582	\$17,494,447	\$28,849,492	\$34,485,181	\$43,958,755
41	31	57	57	50	21
64	66	105	103	78	87
1,051	1,016	1,113	1,628	306	1,787
\$71,442	\$77,887	\$66,354	\$68,897	\$38,964	\$40,267
112.2	108.4	118.7	126.6	123.4	119.3
6,607	6,679	6,669	6,672	6,663	6,574
74	36	61	50	64	72
17,640	19,480	20,350	24,600	19,000	23,750
6,426	6,480	6,466	6,478	6,465	6,372

CITY OF DEFIANCE, OHIO

SCHEDULE 16
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN YEARS

Function/Program	2014	2013	2012	2011
Police:				
Stations	1	1	1	1
Vehicles	13	13	12	12
Fire/EMS:				
Stations	1	1	1	1
Vehicles - Fire	9	10	9	9
Vehicles - EMS	3	3	3	3
Parks and Recreation:				
Parks	8	1	8	8
Pools	1	1	1	1
Tennis courts	8	8	8	8
Sand volleyball courts	2	2	2	2
Basketball courts	4	4	4	4
Ball fields	14	14	14	14
Park shelter houses	13	13	13	13
Streets:				
Streets (miles)	122.80	142.00	142.00	110.12
Vehicles	17	18	18	17
Water:				
Water lines (miles)	151.80	151.80	126.37	125.62
Towers	3	3	3	3
Tower capacity	1.6 mg	1.6 mg	1.6 mg	1.6 mg
Reservoir capacity	350 mg	350 mg	350 mg	350 mg

Sources: Various City of Defiance Divisions.

2010	2009	2008	2007	2006	2005
1	1	1	1	1	1
12	12	11	11	12	12
1	1	1	1	1	1
9	9	9	9	9	9
3	3	3	3	3	3
8	8	8	8	8	8
1	1	2	2	2	2
8	8	7	9	9	9
2	2	2	0	0	0
4	4	4	4	4	4
14	13	12	12	12	12
13	13	13	13	14	14
103.66	99.78	99.22	98.97	98.85	97.89
18	17	17	17	17	18
123.54	123.54	121.06	116.50	118.39	113.84
3	3	3	3	3	3
1.6 mg	1.6 mg	1.6 mg	1.6 mg	1.6 mg	1.6 mg
350 mg	350 mg	350 mg	n/a	n/a	n/a

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**CITY OF DEFIANCE
DEFIANCE COUNTY, OHIO**

SUPPLEMENTAL REPORTS

FOR THE YEAR ENDED
DECEMBER 31, 2014

JOHN LEHNER, FINANCE DIRECTOR

**CITY OF DEFIANCE
DEFIANCE COUNTY, OHIO**

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**CITY OF DEFIANCE
DEFIANCE COUNTY, OHIO**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Grant Number	Federal CFDA Number	(A) Disbursements
U.S. DEPARTMENT OF JUSTICE			
Bulletproof Vest Partnership Program	N/A	16.607	\$ 2,521
Total U. S. Department of Justice			<u>2,521</u>
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed Through Ohio Department of Transportation</i>			
Highway Planning and Construction	92338	20.205	49,144
Total U. S. Department of Transportation			<u>49,144</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>Passed Through Ohio Emergency Management Agency</i>			
Hazard Mitigation Grant	FEMA-DR-4002-OH	97.039	355,654
(D) Assistance to Firefighters Grant	N/A	97.044	9,440
Total U. S. Department of Homeland Security			<u>365,094</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through Ohio Department of Development</i>			
Home Investment Partnerships Program (CHIP)	A-C-13-2BD-2	14.239	119,865
Community Development Block Grants (CHIP)	A-C-13-2BD-1	14.228	68,809
Community Development Block Grants (Formula)	A-F-12-2BD-1	14.228	103,596
Community Development Block Grants (Economic Development)	A-F-13-2BD-1	14.228	131,809
(B) Community Development Block Grants (Revolving Loans)	N/A	14.228	8,000
Total Community Development Block Grants			<u>312,214</u>
Total U. S. Department of Housing and Urban Development			<u>432,079</u>
TOTAL			<u>\$ 848,838</u>

The accompanying notes are an integral part of this schedule.

**CITY OF DEFIANCE
DEFIANCE COUNTY, OHIO**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Note A - Significant Accounting Policies

The Schedule of Expenditures of Federal Awards reports the City of Defiance's federal award programs' disbursements. The Schedule has been prepared on the cash basis of accounting.

Note B - Community Development Block Grant (CDBG) Revolving Loan Programs

The City has a revolving loan fund (RLF) program to provide low-interest loans to businesses to create jobs for low to moderate income persons and also to lend money to eligible persons to rehabilitate homes. The federal Department of Housing and Urban Development (HUD) grants money for these loans to the City, passed through the Ohio Department of Development. The Schedule reports loans made and administrative costs as disbursements on the Schedule. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans.

These loans are collateralized by mortgages on the property or Uniform Commercial Filings (UCC) that collateralize machinery and equipment

Activity in the CDBG revolving loan fund during 2014 is as follows:

Beginning loans receivable balance as of January 1, 2014	\$ 1,357,672
Loan principal repaid	(187,088)
Ending loans receivable balance as of December 31, 2014	<u>\$ 1,170,584</u>

Cash balance on hand in the revolving loan fund as of December 31, 2014	\$ 692,983
---	------------

Administrative costs expended during 2014	\$ 8,000
---	----------

The above reports gross loans receivable. Of the loans receivable as of December 31, 2014, the City estimates \$0 to be uncollectible.

Note C - Matching Requirements

Certain Federal programs require the City of Defiance to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

Note D

This was a direct award from the U.S. Department of Homeland Security.



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Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

City of Defiance
Defiance County
631 Perry Street
Defiance, Ohio 43512

To the Members of Council and Mayor:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Defiance, Defiance County, Ohio, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City of Defiance's basic financial statements and have issued our report thereon dated June 25, 2015, wherein we noted as discussed in Note 3.A., the City of Defiance reclassified the Police and Fire fund from inclusion within the general fund to be reported as a separate special revenue fund.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City of Defiance's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of City of Defiance's internal control. Accordingly, we have not opined on it.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City of Defiance's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Members of Council and Mayor
City of Defiance

Compliance and Other Matters

As part of reasonably assuring whether the City of Defiance's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City of Defiance's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City of Defiance's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
June 25, 2015



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report on Compliance With Requirements Applicable
to The Major Federal Program and on Internal Control Over Compliance
Required by OMB Circular A-133 and the Schedule of
Expenditures of Federal Awards**

City of Defiance
Defiance County
631 Perry Street
Defiance, Ohio 43512

To the Members of Council and Mayor:

Report on Compliance for the Major Federal Program

We have audited the City of Defiance's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the City of Defiance's major federal program for the year ended December 31, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the City of Defiance's major federal program.

Management's Responsibility

The City of Defiance's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the City of Defiance's compliance for the City of Defiance's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Defiance's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the City of Defiance's major program. However, our audit does not provide a legal determination of the City of Defiance's compliance.

Members of Council and Mayor
City of Defiance

Opinion on the Major Federal Program

In our opinion, the City of Defiance complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2014.

Report on Internal Control over Compliance

The City of Defiance's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the City of Defiance's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City of Defiance'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, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *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 federal program's compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement 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 would not necessarily 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.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Members of Council and Mayor
City of Defiance

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

We have also audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Defiance as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City of Defiance's basic financial statements. We issued our unmodified report thereon dated June 25, 2015, wherein we noted as discussed in Note 3.A., the City of Defiance reclassified the Police and Fire fund from inclusion within the general fund to be reported as a separate special revenue fund. We conducted our audit to opine on the City of Defiance's basic financial statements. The accompanying schedule of expenditures of federal awards presents additional analysis required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. The schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records management used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Julian & Grube, Inc.
June 25, 2015

**CITY OF DEFIANCE
DEFIANCE COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2014**

1. SUMMARY OF AUDITORS' RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program:</i>	Community Development Block Grants, CFDA #14.228
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

None

3. FINDINGS FOR FEDERAL AWARDS AND QUESTIONED COSTS
--

None



Dave Yost • Auditor of State

CITY OF DEFIANCE

DEFIANCE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 13, 2015**