

**CITY OF DEFIANCE
DEFIANCE COUNTY, OHIO**

SUPPLEMENTAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2015

JOHN LEHNER, FINANCE DIRECTOR



Dave Yost • Auditor of State

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

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

August 16, 2016

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**CITY OF DEFIANCE
DEFIANCE COUNTY, OHIO**

TABLE OF CONTENTS

	<u>PAGES</u>
Schedule of Expenditures of Federal Awards	1
Notes to the Schedule of Expenditures of Federal Awards	2
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	3 - 4
Independent Auditor’s Report on Compliance With Requirements Applicable to The Major Federal Program and on Internal Control Over Compliance Required by the <i>Uniform Guidance</i> and the Schedule of Expenditures of Federal Awards	5 - 7
Schedule of Findings 2 <i>CFR</i> § 200.515.....	8

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CITY OF DEFIANCE
DEFIANCE COUNTY, OHIO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Grant Number	Federal CFDA Number	(A)(C) Disbursements
U.S. DEPARTMENT OF JUSTICE			
Bulletproof Vest Partnership Program	N/A	16.607	\$ 2,611
Total U. S. Department of Justice			<u>2,611</u>
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed Through Ohio Department of Transportation</i>			
Highway Planning and Construction	92338	20.205	246,229
Total U. S. Department of Transportation			<u>246,229</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>Passed Through Ohio Emergency Management Agency</i>			
Hazard Mitigation Grant	FEMA-DR-4002-OH	97.039	5,685
(D) Assistance to Firefighters Grant	N/A	97.044	66,468
Total U. S. Department of Homeland Security			<u>72,153</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	136,135
Community Development Block Grants (CHIP)	A-C-13-2BD-1	14.228	75,191
Community Development Block Grants (Formula)	A-F-14-2BD-1	14.228	312,600
Community Development Block Grants (Economic Development)	A-F-13-2BD-1	14.228	211,880
(B) Community Development Block Grants (Revolving Loans)	N/A	14.228	8,000
Total Community Development Block Grants			<u>607,671</u>
Total U. S. Department of Housing and Urban Development			<u>743,806</u>
TOTAL			<u>\$ 1,064,799</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, 2015**

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 2015 is as follows:

Beginning loans receivable balance as of January 1, 2015	\$ 1,170,584
Loan principal repaid	(184,912)
Ending loans receivable balance as of December 31, 2015:	<u>\$ 985,672</u>
Cash balance on hand in the revolving loan fund as of December 31, 2015	\$ 894,362
Administrative costs expended during 2015	\$ 8,000

The above reports gross loans receivable. Of the loans receivable as of December 31, 2015, 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 - Direct Award

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

Note E - Indirect Cost Rate

CFR Section 200.414 of the Uniform Guidance allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimus rate of 10% of modified total direct costs to indirect costs. The City has not elected to use the 10% de minimus indirect cost rate.



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 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, 2015, 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 20, 2016, wherein we noted as discussed in Note 3, the City of Defiance adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and *No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*.

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 the 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.



Julian & Grube, Inc.
June 20, 2016



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 in Compliance With Requirements Applicable
to The Major Federal Program and on Internal Control Over Compliance
Required by the *Uniform Guidance* 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) *Compliance Supplement* that could directly and materially affect the City of Defiance's major federal program for the year ended December 31, 2015. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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, 2015.

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 the Uniform Guidance, 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 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 over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

Members of Council and Mayor
City of Defiance

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

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, 2015, 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 20, 2016, wherein we noted as discussed in Note 3, the City of Defiance adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68* during the year. We conducted our audit to opine on the City of Defiance's basic financial statements as a whole. The accompanying schedule of expenditures of federal awards presents additional analysis required by the Uniform Guidance 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, and other additional procedures 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 20, 2016

**CITY OF DEFIANCE
DEFIANCE COUNTY, OHIO**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2015**

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 2 CFR § 200.516(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: >\$750,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee under 2 CFR § 200.520?</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
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None



Comprehensive Annual Financial Report

for the year ended December 31, 2015

CITY OF DEFIANCE, OHIO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2015

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, 2015

TABLE OF CONTENTS

I. INTRODUCTORY SECTION

Title Page	
Table of Contents	i-iv
Letter of Transmittal.....	v-viii
Organizational Chart	ix
List of Elected and Appointed Officials	x
Certificate of Achievement for Excellence in Financial Reporting.....	xi

II. FINANCIAL SECTION

Independent Auditor’s Report	1-3
Management’s Discussion and Analysis	5-22
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	23
Statement of Activities	24-25
Fund Financial Statements:	
Balance Sheet - Governmental Funds	26
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	27
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	28
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	29
Statements of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis):	
General Fund.....	30
Police and Fire Fund	31
Statement of Net Position - Proprietary Funds.....	32-33
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	34
Statement of Cash Flows - Proprietary Funds.....	36-37
Statement of Fiduciary Assets and Liabilities - Fiduciary Fund	38
Notes to the Basic Financial Statements.....	39-87

II. FINANCIAL SECTION - (CONTINUED)

REQUIRED SUPPLEMENTARY INFORMATION:

Schedule of the City's Proportionate Share of the Net Pension Liability/Net Pension Asset:

Ohio Public Employees Retirement System (OPERS).....	88
Ohio Police and Fire (OP&F) Pension Fund.....	89

Schedule of City Contributions:

Ohio Public Employees Retirement System (OPERS).....	90-91
Ohio Police and Fire (OP&F) Pension Fund.....	92-93

Notes to Required Supplementary Information.....	94
--	----

Combining Statements and Individual Fund Schedules:

Fund Descriptions - Governmental Funds.....	97-99
---	-------

Major Governmental Funds:

Individual Fund Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - Major Governmental Funds:

General Fund.....	100-102
Police and Fire Fund.....	103
Capital Improvements Fund.....	104

Combining Statements - Nonmajor Governmental Funds:

Combining Balance Sheet - Nonmajor Governmental Funds.....	105
--	-----

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds.....	106
---	-----

Special Revenue Funds:

Combining Balance Sheet - Nonmajor Special Revenue Funds.....	108-113
---	---------

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds.....	114-119
--	---------

Individual Fund Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - Nonmajor Special Revenue Funds:

State Highway Improvements Fund.....	120
Permissive Tax Fund.....	121
Street Construction, Maintenance and Repair Fund.....	122
Indigent Drivers Fund.....	123
Municipal Probation Services Fund.....	124
Probation Grant Fund.....	125
Court Computerization Fund.....	126
Tree of Life Fund.....	127
Special Project Fund.....	128
OVI Special Project Fund.....	129
Cable TV - Franchise Fund.....	130
Housing Rehabilitation Grant Fund.....	131
Revolving Loan - Industrial Fund.....	132
Downtown Revitalization Grant Fund.....	133
Peace Officer Training Fund.....	134
Reservoir Enhancement Fund.....	135
Riverside Cemetery Enhancement Fund.....	136
Hotel/Motel Tax Fund.....	137

II. FINANCIAL SECTION - (CONTINUED)

Museum Trust Fund	138
Cemetery Trust Fund	139
Police Pension Fund.....	140
Fire Pension Fund	141
Tax Redirection Fund.....	142
Law Enforcement Trust Fund	143
East Side Firehouse Fund.....	144
Fire and Rescue Trust Fund	145
Fire Damage Repair Fund	146
Park and Recreation Trust Fund.....	147
Individual Fund Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - GAAP Basis General Fund: Unclaimed Monies Fund.....	148
Debt Service Fund:	
Individual Fund Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - Nonmajor Debt Service Fund:	
Bond Retirement Fund	149
Proprietary Funds:	
Fund Descriptions - Proprietary Funds	150
Major Enterprise Funds:	
Individual Fund Schedules of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Non-GAAP Budgetary Basis) - Major Enterprise Funds:	
Sewer Fund	151
Water Fund.....	152
Combining Statements - Nonmajor Enterprise Funds:	
Combining Statement of Net Position - Nonmajor Enterprise Funds	153
Combining Statement of Revenues, Expenses and Changes in Net Position - Nonmajor Enterprise Funds	154
Combining Statement of Cash Flows - Nonmajor Enterprise Funds	155
Individual Fund Schedules of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Non-GAAP Budgetary Basis) - Nonmajor Enterprise Funds:	
Refuse Fund	156
Utility Deposit Fund.....	157
Internal Service Fund:	
Individual Fund Schedule of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Non-GAAP Budgetary Basis) - Health Care Trust Fund	
	158
Agency Fund:	
Fund Descriptions - Fiduciary Funds	159
Statement of Changes in Assets and Liabilities - Agency Fund.....	160

III. STATISTICAL SECTION

Table of Contents	161
Net Position by Component - Last Ten Years	162-163
Changes in Net Position - Last Ten Years.....	164-167
Fund Balances, Governmental Funds - Last Ten Years	168-169
Changes in Fund Balances, Governmental Funds - Last Ten Years.....	170-171
Income Tax Revenues by Source - Last Ten Years	172-173
Income Tax Rates and Allocation by Fund - Last Ten Years	174-175
Ratios of Outstanding Debt by Type - Last Ten Years.....	176-177
Ratios of General Bonded Debt Outstanding - Last Ten Years.....	178-179
Direct and Overlapping Governmental Activities Debt - as of December 31, 2015	180
Legal Debt Margin - Last Ten Years.....	182-183
Pledged Revenue Coverage - Last Ten Years	184-185
Demographic and Economic Statistics - Last Ten Years.....	186
Principal Employers - Current Year and Nine Years Ago.....	187
Full-Time Equivalent Position by Function/Division - Last Ten Years	188
Operating Indicators by Function/Program - Last Ten Years.....	190-191
Capital Asset Statistics by Function/Program - Last Ten Years.....	192-193



Mike McCann, Mayor | **Jeffery S. Leonard**, City Administrator
John W. Lehner, Finance Director | **David H. Williams**, Law Director

June 20, 2016

Honorable Mayor Mike McCann
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, 2015. 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, 2015, 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, 2015 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.

2015 saw a continuation of the relative prosperity in the local economy that was experienced in 2014. It was the second consecutive year with better than expected growth (7.9 percent) in income tax revenues, the City's largest single source of revenue. Of note, much of that growth came in the form of employee withholding tax which speaks to the growing strength of the local economy. Unemployment rates in Defiance County continued to improve from a peak of 14.1 percent in 2009 to 4.3 percent in 2015. That rate was lower than both the State of Ohio and national unemployment figures.

The City maintains an AA- bond rating from Standard & Poor's Ratings Services. 2015 was the second year of collecting a new 0.3 percent income tax increase that, again, is proving to be a source of projected long-term stability in the City's General Fund.

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 10 years. Receipts in 2014 and 2015 have been much better than originally projected, and the year-end General Fund balance is ahead of early projections, as well. The City Administration and Council remain cautious in near-term budgeting and long-term capital planning, but there is a growing comfort in moving forward on some long-delayed projects. Since the deep recession of 2007 – 2009, maintenance of city streets and other infrastructure assets has been sorely neglected and has now become a priority.

The City's water and sewer utility rates were left unchanged in 2016, but a rate study is currently underway that will help establish new rates for 2017 and beyond. Both the Water and Sewer Funds currently maintain healthy reserve balances.

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 complete, and the City is entering the negotiation phase with the Ohio EPA to establish a final modified plan of action. Results of the study are promising, offering projected costs over 40 percent less than the initial plan costs of \$118 million.

The City has no plans to issue new debt in 2016, except for the refunding bonds issued in February 2016, however as noted above, borrowing may be considered in the 2017 budget process for numerous overdue street projects. Outstanding general obligation debt totals \$8.86 million, representing approximately \$530 per capita. Nearly two-thirds of the balance, however, is being funded from revenues of the water treatment utility, not general tax dollars.

Awards and Acknowledgments

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, 2014. 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.

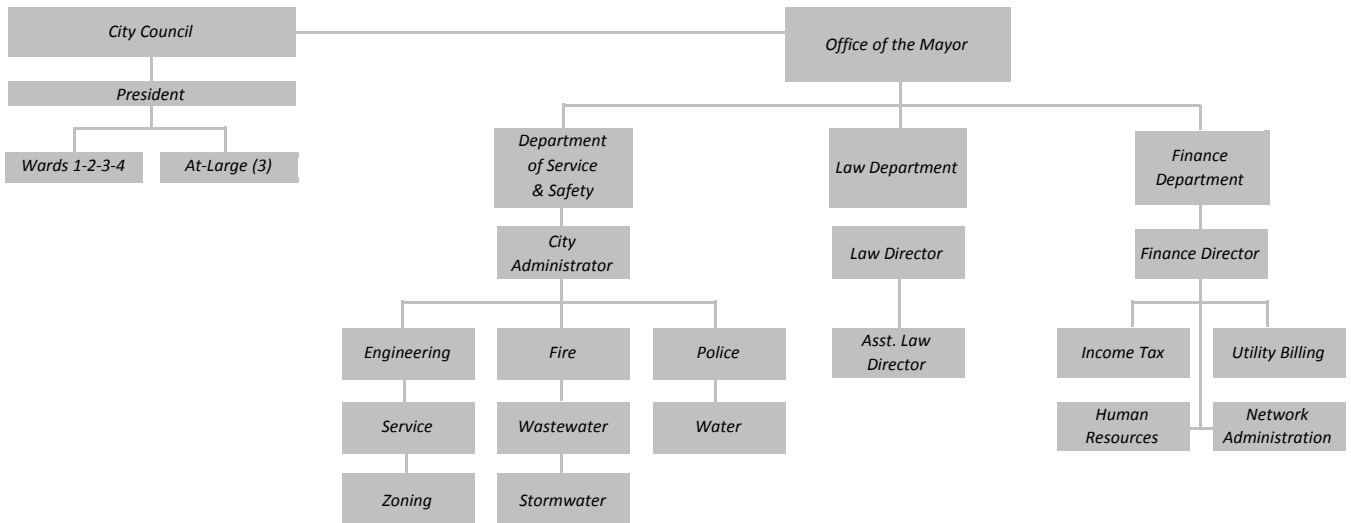
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate. 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, 2015

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, 2014

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, 2015, 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and Police and Fire Fund, thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended December 31, 2015, the City of Defiance adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. We did not modify our opinion regarding 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*, and schedules of net pension liabilities/net pension assets and pension contributions 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 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 20, 2016, 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.

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

Julian & Grube, Inc.
June 20, 2016

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CITY OF DEFIANCE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015 (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, 2015. 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 2015 are as follows:

- The total net position of the City increased \$4,772,881. Net position of governmental activities increased \$1,863,415 from 2014 restated net position, and net position of business-type activities increased \$2,909,466 from 2014 restated net position.
- General revenues accounted for \$11,362,293 or 71.23% of total governmental activities revenue. Program specific revenues accounted for \$4,589,257 or 28.77% of total governmental activities revenue.
- The City had \$14,094,399 in expenses related to governmental activities; \$4,589,257 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 \$11,362,293.
- 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 and other financing sources of \$9,056,456 in 2015, while the expenditures and other financing uses totaled \$8,436,547. The net increase in fund balance for the general fund was \$619,909.
- The police and fire fund had revenues and other financing sources in the amount of \$5,345,161 in 2015, and expenditures totaling \$5,094,099. The net increase in fund balance for the police and fire fund was \$251,062.
- The capital improvements fund had revenues of \$2,301,401 and expenditures of \$1,969,214 in 2015. The net increase in fund balance for the capital improvements fund was \$332,187.
- Net position for the business-type activities, which is made up of the sewer, water, refuse, and utility deposit enterprise funds, increased in 2015 by \$2,909,466. 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 \$353,592 greater than the amounts reported in the final budget, and actual expenditures and other financing uses were \$244,908 less than the amounts reported in the final budget as a result of closely monitored spending practices. Budgeted revenues and other financing sources increased \$15,343 from the original to the final budget. Budgeted expenditures and other financing uses increased \$585,744 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.

CITY OF DEFIANCE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015 (UNAUDITED)

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.

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 2015?" 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 23-25 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 15.

CITY OF DEFIANCE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015 (UNAUDITED)

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.

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 26-31 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 32-37 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 38 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 39-87 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's net pension liability. The required supplementary information can be found on pages 88-94 of this report.

CITY OF DEFIANCE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)

Government-wide Financial Analysis

The table below provides a summary of the City's assets, deferred inflows of resources, liabilities, deferred outflows of resources and net position at December 31, 2015 and 2014. The net position at December 31, 2014 has been restated as described in Note 3.

	Governmental Activities		Business-type Activities		Total	
	2015	Restated 2014	2015	Restated 2014	2015	Restated 2014
<u>Assets</u>						
Current and other assets	\$ 12,327,266	\$ 11,387,108	\$ 9,726,361	\$ 9,060,001	\$ 22,053,627	\$ 20,447,109
Capital assets, net	20,695,197	20,471,136	68,595,114	69,031,486	89,290,311	89,502,622
Total assets	33,022,463	31,858,244	78,321,475	78,091,487	111,343,938	109,949,731
<u>Deferred outflows of resources</u>						
Unamortized deferred charges	-	-	207,302	237,006	207,302	237,006
Pension	1,401,131	875,416	311,777	211,149	1,712,908	1,086,565
Total deferred outflows of resources	1,401,131	875,416	519,079	448,155	1,920,210	1,323,571
<u>Liabilities</u>						
Current liabilities	565,342	975,395	1,851,828	1,969,355	2,417,170	2,944,750
Long-term liabilities:						
Due within one year	594,350	472,222	2,660,756	5,603,119	3,255,106	6,075,341
Net pension liability	9,873,352	9,365,755	1,703,081	1,664,613	11,576,433	11,030,368
Other amounts	5,687,195	6,143,843	36,352,833	35,977,473	42,040,028	42,121,316
Total liabilities	16,720,239	16,957,215	42,568,498	45,214,560	59,288,737	62,171,775
<u>Deferred inflows of resources</u>						
Property taxes	747,900	748,800	-	-	747,900	748,800
Pension	64,395	-	37,508	-	101,903	-
Total deferred inflows of resources	812,295	748,800	37,508	-	849,803	748,800
<u>Net position</u>						
Net investment in capital assets	14,972,611	14,422,564	28,739,028	26,579,042	43,711,639	41,001,606
Restricted	4,820,421	4,970,039	-	-	4,820,421	4,970,039
Unrestricted (deficit)	(2,901,972)	(4,364,958)	7,495,520	6,746,040	4,593,548	2,381,082
Total net position	\$ 16,891,060	\$ 15,027,645	\$ 36,234,548	\$ 33,325,082	\$ 53,125,608	\$ 48,352,727

During 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68" which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

CITY OF DEFIANCE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015 (UNAUDITED)

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the City's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the City's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the City is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, for governmental activities from \$23,514,709 to \$15,027,645 and business-type activities from \$34,776,054 to \$33,325,082.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2015, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$53,125,608. At December 31, 2015, net position was \$16,891,060 and \$36,234,548 for the governmental activities and the business-type activities, respectively.

CITY OF DEFIANCE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

Capital assets reported on the government-wide statements represent the largest portion of the City's net position. At December 31, 2015, capital assets represented 80.19% 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 62.67% of total assets, while capital assets of the business-type activities represented 87.59% of total assets. The net investment in capital assets at December 31, 2015 was \$14,972,611 and \$28,739,028 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.

A portion of the City's net position, \$4,820,821, represents resources that are subject to external restriction on how they may be used.

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CITY OF DEFIANCE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

The table below shows the changes in net position for 2015 and 2014.

	Governmental		Business-type		2015		2014	
	Activities	Activities	Activities	Activities	Total	Total	Total	Total
	2015	2015	2014	2014				
Revenues:								
Program revenues:								
Charges for services and sales	\$ 2,048,246	\$ 13,913,617	\$ 1,850,650	\$ 13,550,513	\$ 15,961,863	\$ 15,401,163		
Operating grants and contributions	1,863,760	-	1,613,806	-	1,863,760	1,613,806		
Capital grants and contributions	<u>677,251</u>	<u>239,844</u>	<u>475,707</u>	<u>414,190</u>	<u>917,095</u>	<u>889,897</u>		
Total program revenues	<u>4,589,257</u>	<u>14,153,461</u>	<u>3,940,163</u>	<u>13,964,703</u>	<u>18,742,718</u>	<u>17,904,866</u>		
General revenues:								
Property taxes	1,080,448	-	1,059,711	-	1,080,448	1,059,711		
Income taxes	9,752,757	-	9,032,625	-	9,752,757	9,032,625		
Unrestricted grants and entitlements	249,294	-	387,599	-	249,294	387,599		
Investment earnings	38,491	43,082	5,153	37,063	81,573	42,216		
Decrease in FMV of investments	(17,150)	-	-	-	(17,150)	-		
Miscellaneous	<u>258,453</u>	<u>37,237</u>	<u>431,790</u>	<u>63,592</u>	<u>295,690</u>	<u>495,382</u>		
Total general revenues	<u>11,362,293</u>	<u>80,319</u>	<u>10,916,878</u>	<u>100,655</u>	<u>11,442,612</u>	<u>11,017,533</u>		
Total revenues	<u>15,951,550</u>	<u>14,233,780</u>	<u>14,857,041</u>	<u>14,065,358</u>	<u>30,185,330</u>	<u>28,922,399</u>		
Expenses:								
General government	3,641,100	-	2,943,207	-	3,641,100	2,943,207		
Security of persons and property	6,405,325	-	5,490,081	-	6,405,325	5,490,081		
Public health and welfare	333,559	-	283,541	-	333,559	283,541		
Transportation	1,785,648	-	1,726,774	-	1,785,648	1,726,774		
Community environment	424,611	-	422,575	-	424,611	422,575		
Leisure time activity	722,802	-	647,226	-	722,802	647,226		
Economic development	662,026	-	458,031	-	662,026	458,031		
Interest and fiscal charges	119,328	-	118,383	-	119,328	118,383		
Water	-	4,920,630	-	4,448,309	4,920,630	4,448,309		
Sewer	-	5,386,271	-	4,955,025	5,386,271	4,955,025		
Other business-type activities	-	<u>1,011,149</u>	-	<u>973,524</u>	<u>1,011,149</u>	<u>973,524</u>		
Total expenses	<u>14,094,399</u>	<u>11,318,050</u>	<u>12,089,818</u>	<u>10,376,858</u>	<u>25,412,449</u>	<u>22,466,676</u>		
Change in net position before transfers	<u>1,857,151</u>	<u>2,915,730</u>	<u>2,767,223</u>	<u>3,688,500</u>	<u>4,772,881</u>	<u>6,455,723</u>		
Transfers	<u>6,264</u>	<u>(6,264)</u>	<u>(1,737,268)</u>	<u>1,737,268</u>	<u>-</u>	<u>-</u>		
Change in net position	1,863,415	2,909,466	1,029,955	5,425,768	4,772,881	6,455,723		
Net position, beginning of year (restated)	<u>15,027,645</u>	<u>33,325,082</u>	<u>N/A</u>	<u>N/A</u>	<u>48,352,727</u>	<u>N/A</u>		
Net position, end of year	<u>\$ 16,891,060</u>	<u>\$ 36,234,548</u>	<u>\$ 15,027,645</u>	<u>\$ 33,325,082</u>	<u>\$ 53,125,608</u>	<u>\$ 48,352,727</u>		

CITY OF DEFIANCE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)

Governmental Activities

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,086,565 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$1,178,483. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	Governmental Activities	Business-Type Activities
Total 2015 program expenses under GASB 68	\$ 14,094,399	\$ 11,318,050
Pension expense under GASB 68	(989,440)	(189,043)
2015 contractually required contributions	951,905	220,347
Adjusted 2015 program expenses	14,056,864	11,349,354
Total 2014 program expenses under GASB 27	12,089,618	10,376,858
Increase in program expenses not related to pension	\$ 1,967,246	\$ 972,496

Governmental activities net position increased \$1,863,415 in 2015.

During 2015, the City's income tax revenue increase approximately \$720,000 over 2014. The income tax revenues were the result of decreasing unemployment during 2015.

Security of persons and property, which primarily supports the operations of the police and fire departments, accounted for \$6,405,325 of the total expenses of the City. These expenses were partially funded by \$1,171,564 in direct charges to users of the services and \$190,486 in operating grants and contributions. Transportation expenses totaled \$1,785,648 in 2015. Transportation expenses were partially funded by \$1,080,053 in operating grants and contributions and \$425,519 in capital grants and contributions.

The State and federal government contributed to the City a total of \$1,863,760 in operating grants and contributions and \$677,251 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$119,446 subsidized general government operations and \$472,879 subsidized economic development programs. Of the total capital grants and contributions, \$5,503 subsidized public health and welfare activities and \$246,229 subsidized leisure time activities.

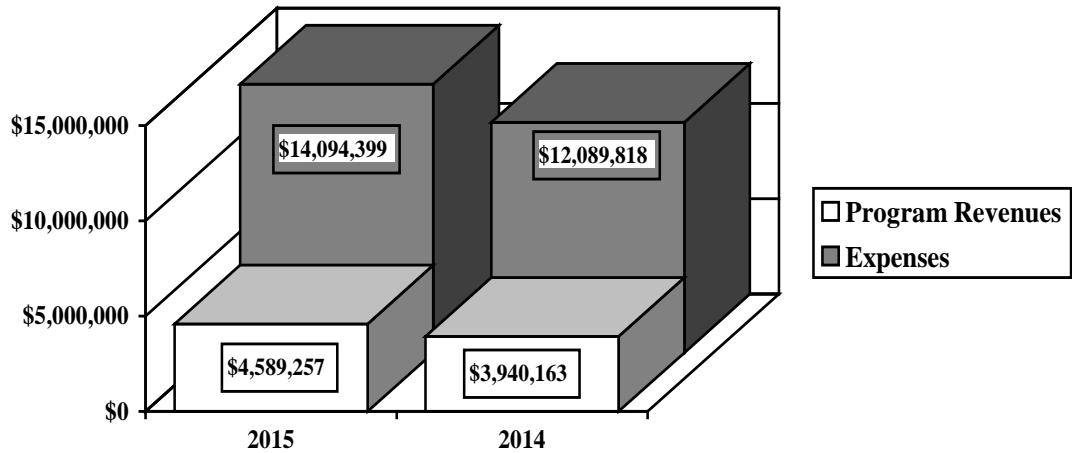
General revenues totaled \$11,362,293 and amounted to 71.23% of total governmental activities revenue. These revenues primarily consist of property and income tax revenue totaling \$10,833,205. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government revenue and personal property tax reimbursements, making up \$249,294.

CITY OF DEFIANCE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)

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 2015 and 2014. 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



Governmental Activities

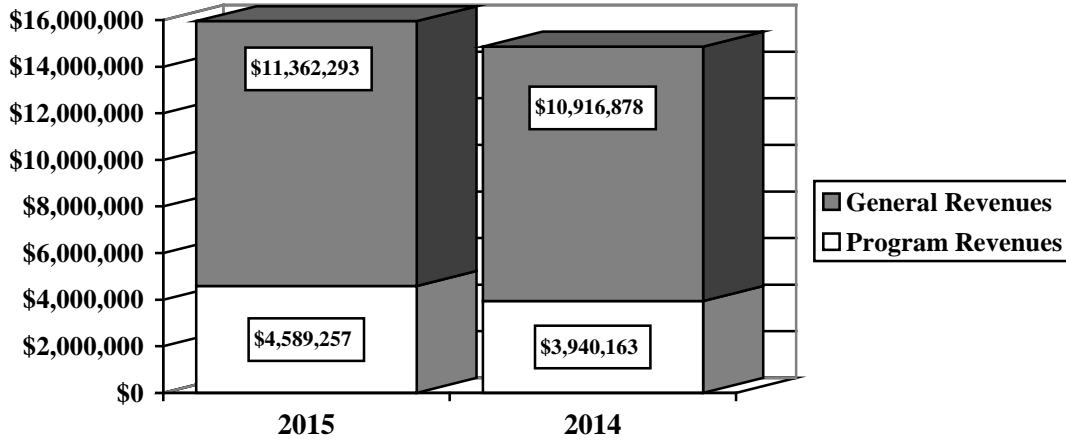
	Total Cost of Services 2015	Net Cost of Services 2015	Total Cost of Services 2014	Net Cost of Services 2014
Program Expenses:				
General government	\$ 3,641,100	\$ 2,935,538	\$ 2,943,207	\$ 2,450,903
Security of persons and property	6,405,325	5,043,275	5,490,081	4,249,945
Public health and welfare	333,559	260,486	283,541	(232,337)
Transportation	1,785,648	280,076	1,726,774	637,542
Community environment	424,611	333,623	422,575	324,054
Leisure time activity	722,802	454,123	647,226	632,161
Economic development	662,026	78,693	458,031	(30,996)
Interest and fiscal charges	119,328	119,328	118,383	118,383
Total	<u>\$ 14,094,399</u>	<u>\$ 9,505,142</u>	<u>\$ 12,089,818</u>	<u>\$ 8,149,655</u>

The dependence upon general revenues for governmental activities is apparent, with 67.44% of expenses supported through taxes and other general revenues.

CITY OF DEFIANCE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)

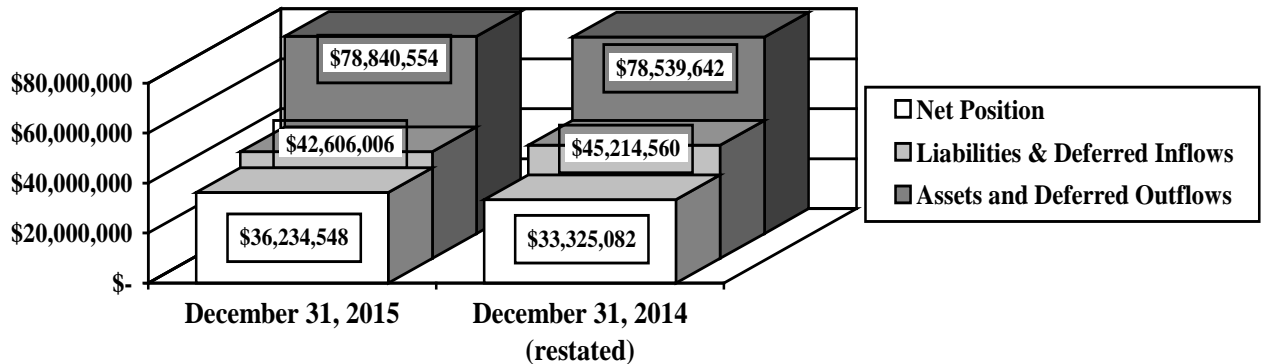
Governmental Activities - General and Program Revenues



Business-type Activities

Business-type activities include the sewer, water, refuse, and utility deposit enterprise funds. These programs had program revenues of \$14,153,461, general revenues of \$80,319, expenses of \$11,318,050, and \$6,264 in transfers out in 2015. The graph below shows the business-type activities assets and deferred outflows of resources, liabilities, and net position at December 31, 2015 and December 31, 2014.

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.

CITY OF DEFIANCE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)

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 City's governmental funds reported a combined fund balance of \$9,583,832, which is a \$1,487,081 increase from last year's total balance of \$8,096,751. The table below indicates the fund balances and the total change in fund balances as of December 31, 2015 and December 31, 2014 for all major and nonmajor governmental funds.

	<u>Fund Balances</u> <u>December 31, 2015</u>	<u>Fund Balances</u> <u>December 31, 2014</u>	<u>Increase</u>
Major funds:			
General	\$ 3,241,066	\$ 2,621,157	\$ 619,909
Police and fire	383,768	132,706	251,062
Capital improvements	1,139,541	807,354	332,187
Nonmajor governmental funds	<u>4,819,457</u>	<u>4,535,534</u>	<u>283,923</u>
 Total	 <u>\$ 9,583,832</u>	 <u>\$ 8,096,751</u>	 <u>\$ 1,487,081</u>

General Fund

The City's general fund balance increased \$619,909. The table that follows assists in illustrating the revenues of the general fund for 2015 and 2014.

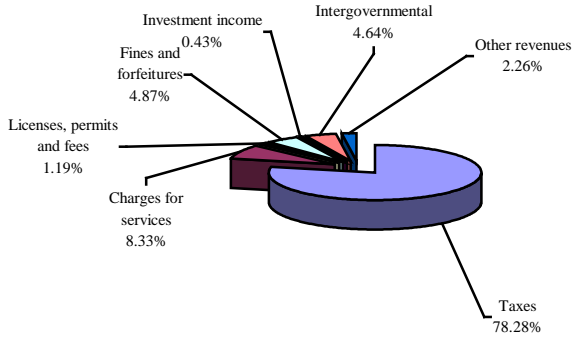
	<u>2015</u> <u>Amount</u>	<u>2014</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 7,075,951	\$ 6,711,985	\$ 363,966	5.42 %
Charges for services	752,932	677,255	75,677	11.17 %
Licenses, permits and fees	107,303	121,994	(14,691)	(12.04) %
Fines and forfeitures	440,079	452,665	(12,586)	(2.78) %
Investment income	39,185	5,497	33,688	612.84 %
Intergovernmental	419,120	377,082	42,038	11.15 %
Other	<u>203,865</u>	<u>272,322</u>	<u>(68,457)</u>	(25.14) %
 Total	 <u>\$ 9,038,435</u>	 <u>\$ 8,618,800</u>	 <u>\$ 419,635</u>	 4.87 %

Overall revenues of the general fund increased \$419,635 or 4.87%. Taxes increased \$363,966 or 5.42% mainly due to an increase in income tax collections attributable to additional wages earned by the City's residents during 2015. Investment income increased \$33,688 or 612.84% primarily due to slightly higher interest rates on City investments during 2015. Charges for services increase \$75,677 or 11.17% due to increased revenue from EMS runs. All other revenue classifications remained comparable to the prior year.

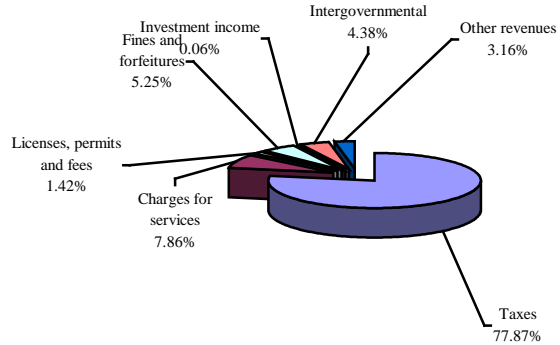
CITY OF DEFIANCE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

Revenues - 2015



Revenues - 2014



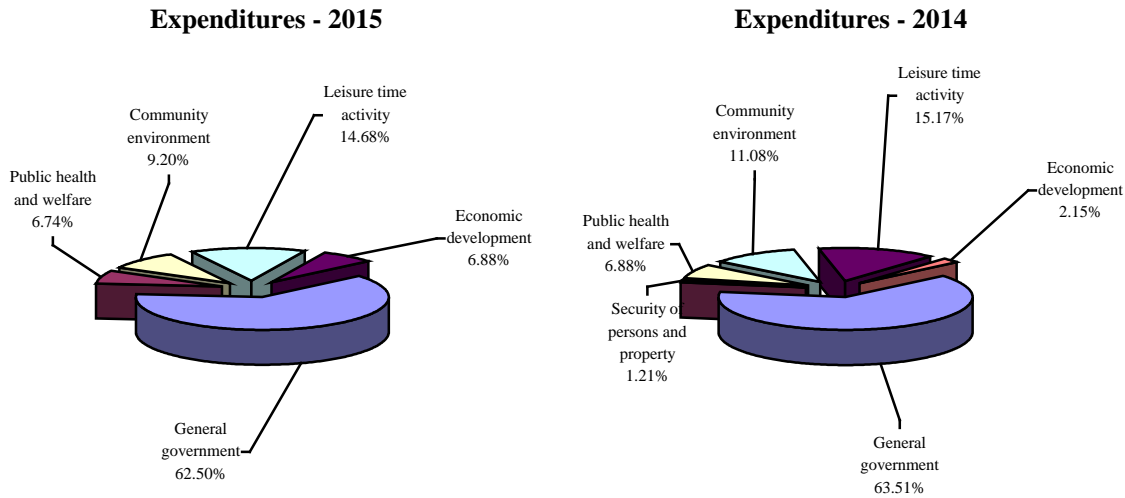
The table that follows assists in illustrating the expenditures of the general fund for 2015 and 2014.

	<u>2015</u> <u>Amount</u>	<u>2014</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>				
General government	\$ 2,619,893	\$ 2,336,326	\$ 283,567	12.14 %
Security of persons and property	-	44,437	(44,437)	(100.00) %
Public health and welfare	282,332	252,955	29,377	11.61 %
Community environment	385,516	407,403	(21,887)	(5.37) %
Leisure time activity	615,464	557,923	57,541	10.31 %
Economic development	288,342	79,136	209,206	264.36 %
Total	<u>\$ 4,191,547</u>	<u>\$ 3,678,180</u>	<u>\$ 513,367</u>	13.96 %

Overall expenditures of the general fund increased \$513,367 or 13.96%. Security of persons and property expenditures of the police and fire departments are not being reported within the new police and fire special revenue fund, as opposed to the general fund. General government expenditures increased due to an increase in expenditures related to the municipal court and economic development expenditures increased due to contributions by the City to the Defiance County Community Improvement Corporation.

CITY OF DEFIANCE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015 (UNAUDITED)



Police and Fire Fund

The police and fire fund had revenues and other financing sources in the amount of \$5,345,161 in 2015, and expenditures totaling \$5,094,099. The net increase in fund balance for the police and fire fund was \$251,062. The expenditures of the police and fire fund were subsidized by income tax revenues of \$1,610,161, and transfers of \$3,735,000 from the general fund.

Capital Improvements Fund

The capital improvements fund had revenues of \$2,301,401 and expenditures of \$1,969,214 in 2015. The net increase in fund balance for the capital improvements fund was \$332,187. This increase in fund balance is mainly attributable to increased income tax and grant revenue exceeding capital expenditures during 2015.

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 \$8,880,275, which was \$353,592 greater than the final budgeted revenues and other financing sources of \$8,526,683. Original budgeted revenues and other financing sources were \$8,511,340, which is \$15,343 less than the final budgeted amounts. Actual expenditures and other financing uses were \$8,617,817, which was \$244,908 less than the final budgeted expenditures and other financing uses of \$8,862,725 due to the City's conservative budgeting practices. Original budgeted expenditures and other financing uses were \$8,276,981, which is \$585,744 less than the final budgeted amounts.

CITY OF DEFIANCE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)

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, 2015, the City had \$89,290,311 (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, \$20,695,197 was reported in governmental activities and \$68,595,114 was reported in business-type activities. The following table shows December 31, 2015 balances compared to December 31, 2014.

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

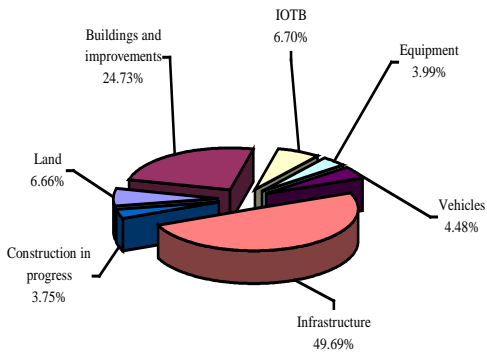
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 1,378,358	\$ 1,378,358	\$ 359,741	\$ 359,741	\$ 1,738,099	\$ 1,738,099
Construction in progress	775,714	483,990	5,212,281	4,283,672	5,987,995	4,767,662
Land improvements	-	-	286,635	317,630	286,635	317,630
Buildings and improvements	5,117,672	5,330,903	16,280,016	17,114,999	21,397,688	22,445,902
IOTB	1,386,482	1,377,783	-	-	1,386,482	1,377,783
Equipment	826,181	871,509	1,744,409	1,530,709	2,570,590	2,402,218
Vehicles	927,754	1,101,459	399,255	448,747	1,327,009	1,550,206
Infrastructure	<u>10,283,036</u>	<u>9,927,134</u>	<u>44,312,777</u>	<u>44,975,988</u>	<u>54,595,813</u>	<u>54,903,122</u>
Totals	<u>\$ 20,695,197</u>	<u>\$ 20,471,136</u>	<u>\$ 68,595,114</u>	<u>\$ 69,031,486</u>	<u>\$ 89,290,311</u>	<u>\$ 89,502,622</u>

The following graphs show the breakdown of governmental activities capital assets by category at December 31, 2015 and December 31, 2014.

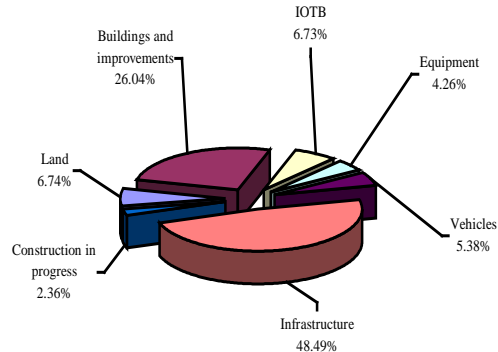
CITY OF DEFIANCE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

**Capital Assets - Governmental Activities
2015**



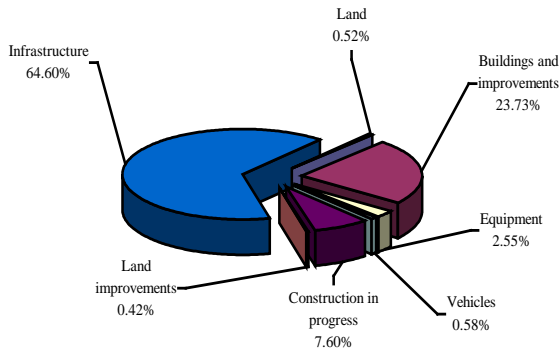
**Capital Assets - Governmental Activities
2014**



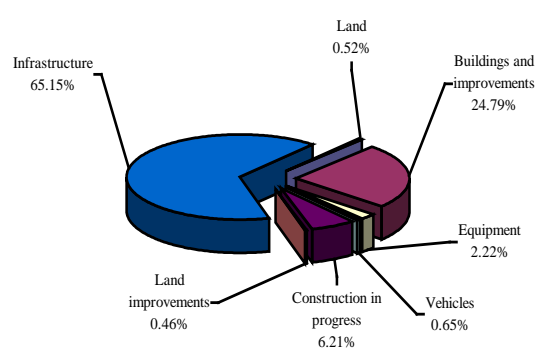
The infrastructure capital asset category includes roads, bridges, culverts, sidewalks, and curbs. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 49.69% of the City's total governmental activities capital assets at December 31, 2015.

The following graphs show the breakdown of business-type activities capital assets by category at December 31, 2015 and December 31, 2014.

**Capital Assets - Business-type Activities
2015**



**Capital Assets - Business-type Activities
2014**



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 64.60% of the City's total business-type activities capital assets at December 31, 2015.

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, 2015
(UNAUDITED)

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2015 and December 31, 2014.

	<u>Governmental Activities</u>	
	<u>2015</u>	Restated <u>2014</u>
General obligation bonds	\$ 3,410,000	\$ 3,585,000
OWDA loans	2,098,062	2,214,437
Capital lease obligations	137,503	165,051
Net pension liability	9,873,352	9,365,755
Compensated absences	<u>602,419</u>	<u>615,892</u>
Total long-term obligations	<u>\$ 16,121,336</u>	<u>\$ 15,946,135</u>
	<u>Business-type Activities</u>	
	<u>2015</u>	Restated <u>2014</u>
General obligation bonds	\$ 5,450,000	\$ 6,140,000
Special assessment bonds	53,631	62,672
OWDA loans	30,198,958	31,533,115
OPWC loans	155,661	217,232
Bond anticipation notes	2,704,000	3,139,000
Net pension liability	1,703,081	1,664,613
Compensated absences	<u>157,485</u>	<u>151,478</u>
Total long-term obligations	<u>\$ 40,422,816</u>	<u>\$ 42,908,110</u>

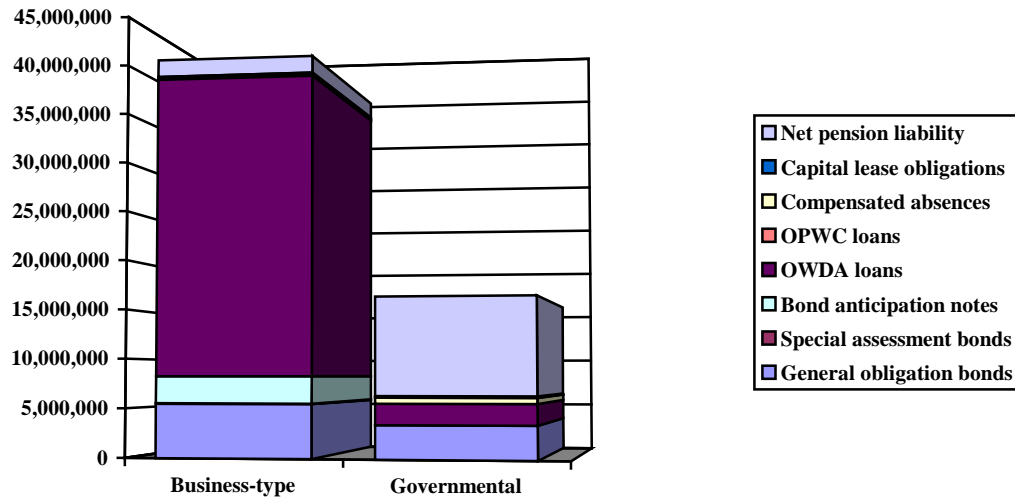
See Note 12 for additional detail on the City's debt administration.

CITY OF DEFIANCE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)

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

Long-term Obligations at December 31, 2015



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 2016 budget:

- The City continued to see growth in income tax revenues in 2015, increasing \$705,000 (on a cash basis) over 2014 collections, or 7.9 percent. Significant growth was realized from corporate profits and individual filers, as well as from employer withholding.
- The local unemployment rate in 2015 averaged 4.3%, slightly improved from the previous year, and still below both state and national averages.
- Water and sewer rates were unchanged in the 2016 budget, partially because of a temporary slowdown in U.S. EPA-mandated capital project expenses. A new rate study begun in 2015 will continue into 2016 and provide guidance for years 2017 through 2021.
- After two years of double-digit increases, City health insurance premiums remained unchanged for 2016. The lack of an increase was attributable to prior year plan changes and improved overall performance of the self-insurance pool the City participates in.
- Wage increases for all union and non-bargaining unit employees were budgeted at 2.75% for 2016.
- Interest rates on investments improved in 2015 (weighted average yield of 1.22% at year-end versus 0.69% in 2014), but largely due to an increase in length to maturity rather than an underlying increase in rates. Weighted average maturity went from 492 days to 792 days at year end).

In 2015, the local economy continued to mirror the slow and steady growth evident in the broader state and national economies. Income tax revenue increases were sustained for a second full year, and low unemployment numbers continued to support that growth. Evidence of a thriving retail sector was again 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. 2016 promises to bear fruit for those efforts.

CITY OF DEFIANCE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

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, 2015

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 7,356,286	\$ 8,451,048	\$ 15,807,334
Cash in segregated accounts	119,008	-	119,008
Investments	53,631	-	53,631
Receivables (net of allowance for uncollectibles)			
Income taxes	1,627,874	-	1,627,874
Property and other local taxes	889,492	-	889,492
Accounts	398,544	663,809	1,062,353
Loans receivable	985,672	-	985,672
Special assessments	155,145	28,258	183,403
Accrued interest	6,188	11,266	17,454
Due from other governments	634,680	398	635,078
Materials and supplies inventory	62,290	88,016	150,306
Net pension asset	12,017	9,143	21,160
Internal balance	26,439	(26,439)	-
Restricted assets:			
Equity in pooled cash and cash equivalents	-	425,967	425,967
Cash in segregated accounts	-	74,895	74,895
Capital assets:			
Land and construction in progress	2,154,072	5,572,022	7,726,094
Depreciable capital assets, net	18,541,125	63,023,092	81,564,217
Total capital assets, net	<u>20,695,197</u>	<u>68,595,114</u>	<u>89,290,311</u>
Total assets	<u>33,022,463</u>	<u>78,321,475</u>	<u>111,343,938</u>
Deferred outflows of resources:			
Unamortized deferred charges on debt refunding	-	207,302	207,302
Pension - OPERS	409,749	311,777	721,526
Pension - OP&F	991,382	-	991,382
Total deferred outflows of resources	<u>1,401,131</u>	<u>519,079</u>	<u>1,920,210</u>
Liabilities:			
Accounts payable	215,435	86,948	302,383
Contracts payable	43,460	62,284	105,744
Accrued wages and benefits payable	81,985	31,848	113,833
Due to other governments	215,071	49,954	265,025
Accrued interest payable	9,391	49,827	59,218
Payable from restricted assets - refundable deposits	-	425,967	425,967
Bond anticipation notes payable	-	1,145,000	1,145,000
Long-term liabilities:			
Due within one year	594,350	2,660,756	3,255,106
Due in more than one year - net pension liability	9,873,352	1,703,081	11,576,433
Other amounts due in more than one year	5,687,195	36,352,833	42,040,028
Total liabilities	<u>16,720,239</u>	<u>42,568,498</u>	<u>59,288,737</u>
Deferred inflows of resources:			
Property taxes levied for the next year	747,900	-	747,900
Pension - OPERS	49,294	37,508	86,802
Pension - OP&F	15,101	-	15,101
Total deferred inflows of resources	<u>812,295</u>	<u>37,508</u>	<u>849,803</u>
Net position:			
Net investment in capital assets	14,972,611	28,739,028	43,711,639
Restricted for:			
Debt service	720,585	-	720,585
Transportation projects	804,151	-	804,151
Safety projects	527,162	-	527,162
Special projects	344,976	-	344,976
Community environment projects	54,699	-	54,699
Economic development projects	1,943,972	-	1,943,972
Health projects	1,422	-	1,422
Other purposes	423,454	-	423,454
Unrestricted (deficit)	(2,901,972)	7,495,520	4,593,548
Total net position	<u>\$ 16,891,060</u>	<u>\$ 36,234,548</u>	<u>\$ 53,125,608</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF DEFIANCE, OHIO

STATEMENT OF ACTIVITIES
DECEMBER 31, 2015

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 3,641,100	\$ 586,116	\$ 119,446	\$ -
Security of persons and property.	6,405,325	1,171,564	190,486	-
Public health and welfare.	333,559	66,674	896	5,503
Transportation	1,785,648	-	1,080,053	425,519
Community environment	424,611	90,988	-	-
Leisure time activity	722,802	22,450	-	246,229
Economic development.	662,026	110,454	472,879	-
Interest and fiscal charges	119,328	-	-	-
Total governmental activities.	<u>14,094,399</u>	<u>2,048,246</u>	<u>1,863,760</u>	<u>677,251</u>
Business-type activities:				
Sewer	5,386,271	7,036,691	-	-
Water	4,920,630	5,931,419	-	239,844
Other business-type activities:				
Refuse	1,011,149	945,507	-	-
Total business-type activities	<u>11,318,050</u>	<u>13,913,617</u>	<u>-</u>	<u>239,844</u>
Total primary government	<u>\$ 25,412,449</u>	<u>\$ 15,961,863</u>	<u>\$ 1,863,760</u>	<u>\$ 917,095</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
Decrease in fair value of investments.
Miscellaneous
Total general revenues.
Transfers
Total general revenues and transfers
Change in net position
Net position at beginning of year (restated). .
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
\$ (2,935,538)	\$ -	\$ (2,935,538)
(5,043,275)	-	(5,043,275)
(260,486)	-	(260,486)
(280,076)	-	(280,076)
(333,623)	-	(333,623)
(454,123)	-	(454,123)
(78,693)	-	(78,693)
(119,328)	-	(119,328)
<u>(9,505,142)</u>	<u>-</u>	<u>(9,505,142)</u>
-	1,650,420	1,650,420
-	1,250,633	1,250,633
-	(65,642)	(65,642)
<u>-</u>	<u>2,835,411</u>	<u>2,835,411</u>
<u>(9,505,142)</u>	<u>2,835,411</u>	<u>(6,669,731)</u>
6,481,829	-	6,481,829
1,642,395	-	1,642,395
1,628,533	-	1,628,533
593,210	-	593,210
487,238	-	487,238
249,294	-	249,294
38,491	43,082	81,573
(17,150)	-	(17,150)
258,453	37,237	295,690
<u>11,362,293</u>	<u>80,319</u>	<u>11,442,612</u>
6,264	(6,264)	-
<u>11,368,557</u>	<u>74,055</u>	<u>11,442,612</u>
1,863,415	2,909,466	4,772,881
<u>15,027,645</u>	<u>33,325,082</u>	<u>48,352,727</u>
<u>\$ 16,891,060</u>	<u>\$ 36,234,548</u>	<u>\$ 53,125,608</u>

CITY OF DEFIANCE, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	<u>General</u>	<u>Police and Fire</u>	<u>Capital Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents.	\$ 2,274,969	\$ 374,569	\$ 945,514	\$ 3,496,435	\$ 7,091,487
Cash in segregated accounts.	-	-	-	119,008	119,008
Investments	53,631	-	-	-	53,631
Receivables (net of allowance for uncollectibles):					
Income taxes	1,080,582	271,367	271,367	4,558	1,627,874
Property and other local taxes	636,600	-	-	252,892	889,492
Accounts	329,530	-	-	69,014	398,544
Loans receivable	-	-	-	985,672	985,672
Special assessments	-	-	-	155,145	155,145
Accrued interest	3,399	-	-	2,399	5,798
Due from other governments.	163,232	-	27,900	443,548	634,680
Materials and supplies inventory.	-	-	-	62,290	62,290
Total assets.	<u>\$ 4,541,943</u>	<u>\$ 645,936</u>	<u>\$ 1,244,781</u>	<u>\$ 5,590,961</u>	<u>\$ 12,023,621</u>
Liabilities:					
Accounts payable	\$ 154,063	\$ 8,044	\$ 1,447	\$ 51,766	\$ 215,320
Contracts payable	-	-	200	43,260	43,460
Accrued wages and benefits payable.	30,037	44,759	-	7,189	81,985
Due to other governments	55,298	105,772	-	54,001	215,071
Total liabilities.	<u>239,398</u>	<u>158,575</u>	<u>1,647</u>	<u>156,216</u>	<u>555,836</u>
Deferred inflows of resources:					
Property taxes levied for the next year.	576,900	-	-	171,000	747,900
Delinquent property tax revenue not available.	50,775	-	-	-	50,775
Accrued interest not available	1,119	-	-	789	1,908
Special assessments revenue not available.	-	-	-	155,145	155,145
Income tax revenue not available	334,695	103,593	103,593	1,740	543,621
Intergovernmental revenue not available	97,990	-	-	286,614	384,604
Total deferred inflows of resources	<u>1,061,479</u>	<u>103,593</u>	<u>103,593</u>	<u>615,288</u>	<u>1,883,953</u>
Fund balances:					
Nonspendable	3,488	-	-	62,290	65,778
Restricted	-	383,768	-	4,696,450	5,080,218
Committed.	-	-	1,139,541	60,717	1,200,258
Assigned.	61,305	-	-	-	61,305
Unassigned.	3,176,273	-	-	-	3,176,273
Total fund balances.	<u>3,241,066</u>	<u>383,768</u>	<u>1,139,541</u>	<u>4,819,457</u>	<u>9,583,832</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,541,943</u>	<u>\$ 645,936</u>	<u>\$ 1,244,781</u>	<u>\$ 5,590,961</u>	<u>\$ 12,023,621</u>

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, 2015

Total governmental fund balances	\$	9,583,832
<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.		20,695,197
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	\$ 543,621	
Property and other local taxes receivable	50,775	
Special assessments receivable	155,145	
Intergovernmental receivable	384,604	
Accrued interest receivable	1,908	
Total		1,136,053
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 \$(26,439), is:		291,513
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(9,391)
Unamortized premiums on bond issuances are not recognized in the funds.		(33,561)
The net pension asset and net pension liability are not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds		
Net pension asset	12,017	
Deferred outflows of resources	1,401,131	
Deferred inflows of resources	(64,395)	
Net pension liability	(9,873,352)	
Total		(8,524,599)
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	(3,410,000)	
OWDA loans payable	(2,098,062)	
Capital lease obligations payable	(137,503)	
Compensated absences payable	(602,419)	
Total		(6,247,984)
Net position of governmental activities	\$	<u>16,891,060</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, 2015

	<u>General</u>	<u>Police and Fire</u>	<u>Capital Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Income taxes.	\$ 6,470,146	\$ 1,610,161	\$ 1,623,649	\$ 27,268	\$ 9,731,224
Property and other local taxes.	605,805	-	-	487,238	1,093,043
Charges for services.	752,932	-	-	-	752,932
Licenses, permits and fees.	107,303	-	-	181,129	288,432
Fines and forfeitures.	440,079	-	-	296,467	736,546
Intergovernmental.	419,120	-	677,251	1,685,985	2,782,356
Special assessments.	-	-	-	122,734	122,734
Investment income.	39,185	-	-	47,899	87,084
Donations.	1,525	-	-	121,541	123,066
Decrease in fair value of investments.	(11,687)	-	-	(5,463)	(17,150)
Other.	214,027	-	501	71,164	285,692
Total revenues.	<u>9,038,435</u>	<u>1,610,161</u>	<u>2,301,401</u>	<u>3,035,962</u>	<u>15,985,959</u>
Expenditures:					
Current:					
General government.	2,619,893	-	-	780,366	3,400,259
Security of persons and property.	-	5,094,099	-	913,808	6,007,907
Public health and welfare.	282,332	-	-	-	282,332
Transportation.	-	-	-	933,455	933,455
Community environment.	385,516	-	-	-	385,516
Leisure time activity.	615,464	-	-	100	615,564
Economic development.	288,342	-	-	373,684	662,026
Capital outlay.	-	-	1,794,925	515	1,795,440
Debt service:					
Principal retirement.	-	-	52,548	266,375	318,923
Interest and fiscal charges.	-	-	121,741	-	121,741
Total expenditures.	<u>4,191,547</u>	<u>5,094,099</u>	<u>1,969,214</u>	<u>3,268,303</u>	<u>14,523,163</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>4,846,888</u>	<u>(3,483,938)</u>	<u>332,187</u>	<u>(232,341)</u>	<u>1,462,796</u>
Other financing sources (uses):					
Sale of capital assets.	18,021	-	-	-	18,021
Transfers in.	-	3,735,000	-	525,305	4,260,305
Transfers (out).	(4,245,000)	-	-	(9,041)	(4,254,041)
Total other financing sources (uses).	<u>(4,226,979)</u>	<u>3,735,000</u>	<u>-</u>	<u>516,264</u>	<u>24,285</u>
Net change in fund balances.	619,909	251,062	332,187	283,923	1,487,081
Fund balances at beginning of year.	<u>2,621,157</u>	<u>132,706</u>	<u>807,354</u>	<u>4,535,534</u>	<u>8,096,751</u>
Fund balances at end of year.	<u>\$ 3,241,066</u>	<u>\$ 383,768</u>	<u>\$ 1,139,541</u>	<u>\$ 4,819,457</u>	<u>\$ 9,583,832</u>

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, 2015

Net change in fund balances - total governmental funds	\$	1,487,081
<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	\$ 1,705,584	
Current year depreciation	(1,432,642)	
Total		272,942
The net effect of various transactions involving capital assets is to decrease net position.		(48,881)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income tax revenue	21,533	
Property and other local tax revenue	(12,595)	
Special assessments revenue	(12,280)	
Intergovernmental revenue	(29,555)	
Investment income	(1,210)	
Other revenue	(380)	
Total		(34,487)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		318,923
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	289	
Amortization of bond premium	2,124	
Total		2,413
Contractually required pension contributions are reported as an expenditure in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		951,905
Except for amounts reported as deferred inflows/outflows, changes in the net pension asset/liability are reported as pension expense in the statement of activities.		(989,440)
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.		13,473
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 (\$17,680), is allocated among the governmental activities.		(110,514)
Change in net position of governmental activities	\$	<u>1,863,415</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, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Income taxes	\$ 6,097,065	\$ 6,151,860	\$ 6,381,313	\$ 229,453
Property and other local taxes	647,333	592,000	603,257	11,257
Charges for services	676,351	682,430	719,475	37,045
Licenses, permits and fees	124,204	125,320	107,303	(18,017)
Fines and forfeitures	464,426	468,600	441,665	(26,935)
Intergovernmental	394,306	397,850	418,306	20,456
Investment income	24,777	25,000	9,998	(15,002)
Donations	-	-	1,525	1,525
Other	72,967	73,623	179,135	105,512
Total revenues	<u>8,501,429</u>	<u>8,516,683</u>	<u>8,861,977</u>	<u>345,294</u>
Expenditures:				
Current:				
General government	2,732,582	2,851,395	2,742,224	109,171
Public health and welfare	273,292	297,978	290,624	7,354
Community environment	488,156	503,144	404,185	98,959
Leisure time activity	639,709	658,539	647,211	11,328
Economic development	63,242	306,669	288,573	18,096
Total expenditures	<u>4,196,981</u>	<u>4,617,725</u>	<u>4,372,817</u>	<u>244,908</u>
Excess of revenues over expenditures	<u>4,304,448</u>	<u>3,898,958</u>	<u>4,489,160</u>	<u>590,202</u>
Other financing sources (uses):				
Sale of capital assets	9,911	10,000	18,298	8,298
Transfers (out)	<u>(4,080,000)</u>	<u>(4,245,000)</u>	<u>(4,245,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(4,070,089)</u>	<u>(4,235,000)</u>	<u>(4,226,702)</u>	<u>8,298</u>
Net change in fund balances	234,359	(336,042)	262,458	598,500
Fund balances at beginning of year.	1,808,959	1,808,959	1,808,959	-
Prior year encumbrances appropriated.	120,890	120,890	120,890	-
Fund balance at end of year.	<u>\$ 2,164,208</u>	<u>\$ 1,593,807</u>	<u>\$ 2,192,307</u>	<u>\$ 598,500</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, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Income taxes	\$ 1,554,820	\$ 1,604,400	\$ 1,589,045	\$ (15,355)
Total revenues	<u>1,554,820</u>	<u>1,604,400</u>	<u>1,589,045</u>	<u>(15,355)</u>
Expenditures:				
Current:				
Security of persons and property	5,485,692	5,604,805	5,312,841	291,964
Total expenditures	<u>5,485,692</u>	<u>5,604,805</u>	<u>5,312,841</u>	<u>291,964</u>
Excess of expenditures over revenues	<u>(3,930,872)</u>	<u>(4,000,405)</u>	<u>(3,723,796)</u>	<u>276,609</u>
Other financing sources:				
Transfers in	3,619,580	3,735,000	3,735,000	-
Total other financing sources	<u>3,619,580</u>	<u>3,735,000</u>	<u>3,735,000</u>	<u>-</u>
Net change in fund balances	(311,292)	(265,405)	11,204	276,609
Fund balances at beginning of year.	291,878	291,878	291,878	-
Prior year encumbrances appropriated.	20,666	20,666	20,666	-
Fund balance at end of year	<u>\$ 1,252</u>	<u>\$ 47,139</u>	<u>\$ 323,748</u>	<u>\$ 276,609</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF DEFIANCE, OHIO

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds				Governmental
	Sewer	Water	Nonmajor	Total	Activities - Internal Service Fund
Assets:					
Current assets:					
Equity in pooled cash and cash equivalents . . .	\$ 4,618,334	\$ 3,369,579	\$ 463,135	\$ 8,451,048	\$ 264,799
Receivables (net of allowance for uncollectibles):					
Accounts	343,174	248,550	72,085	663,809	-
Accrued interest	6,546	4,720	-	11,266	390
Due from other governments.	-	398	-	398	-
Special assessments	-	28,258	-	28,258	-
Materials and supplies inventory.	17,461	70,555	-	88,016	-
Total current assets.	<u>4,985,515</u>	<u>3,722,060</u>	<u>535,220</u>	<u>9,242,795</u>	<u>265,189</u>
Noncurrent assets:					
Restricted equity in pooled cash and cash equivalents	-	-	425,967	425,967	-
Restricted cash in segregated accounts	-	-	74,895	74,895	-
Net pension asset	4,375	4,768	-	9,143	-
Capital assets:					
Land and construction in progress.	3,826,354	1,745,668	-	5,572,022	-
Depreciable capital assets, net.	<u>41,016,422</u>	<u>22,006,670</u>	<u>-</u>	<u>63,023,092</u>	<u>-</u>
Total capital assets, net	<u>44,842,776</u>	<u>23,752,338</u>	<u>-</u>	<u>68,595,114</u>	<u>-</u>
Total noncurrent assets	<u>44,847,151</u>	<u>23,757,106</u>	<u>500,862</u>	<u>69,105,119</u>	<u>-</u>
Total assets	<u>49,832,666</u>	<u>27,479,166</u>	<u>1,036,082</u>	<u>78,347,914</u>	<u>265,189</u>
Deferred outflows of resources:					
Unamortized deferred charges on refunding. . . .	-	207,302	-	207,302	-
Pension - OPERS.	149,178	162,599	-	311,777	-
Total deferred outflows of resources	<u>\$ 149,178</u>	<u>\$ 369,901</u>	<u>\$ -</u>	<u>\$ 519,079</u>	<u>\$ -</u>

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CITY OF DEFIANCE, OHIO

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS (CONTINUED)
 DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Sewer	Water	Nonmajor	Total	
Liabilities:					
Current liabilities:					
Accounts payable	\$ 38,709	\$ 48,239	\$ -	\$ 86,948	\$ 115
Contracts payable	54,062	8,222	-	62,284	-
Accrued wages and benefits payable	15,471	16,377	-	31,848	-
Due to other governments	24,230	25,724	-	49,954	-
Accrued interest payable.	26,751	23,076	-	49,827	-
Payable from restricted assets:					
Refundable deposits	-	-	425,967	425,967	-
Bond anticipation notes payable	1,229,000	-	-	1,229,000	-
Compensated absences payable - current	41,694	61,499	-	103,193	-
General obligation bonds payable - current.	-	715,000	-	715,000	-
Special assessment bonds payable - current	9,561	-	-	9,561	-
OWDA loans payable - current	1,500,986	185,502	-	1,686,488	-
OPWC loans payable - current.	10,709	51,805	-	62,514	-
Total current liabilities.	<u>2,951,173</u>	<u>1,135,444</u>	<u>425,967</u>	<u>4,512,584</u>	<u>115</u>
Long-term liabilities:					
Compensated absences payable	6,899	47,393	-	54,292	-
General obligation bonds payable	-	5,028,854	-	5,028,854	-
Special assessment bonds payable	44,070	-	-	44,070	-
OWDA loans payable	22,466,157	6,046,313	-	28,512,470	-
OPWC loans payable.	37,484	55,663	-	93,147	-
Bond anticipation notes payable.	2,620,000	-	-	2,620,000	-
Net pension liability	814,884	888,197	-	1,703,081	-
Total noncurrent liabilities.	<u>25,989,494</u>	<u>12,066,420</u>	<u>-</u>	<u>38,055,914</u>	<u>-</u>
Total liabilities	<u>28,940,667</u>	<u>13,201,864</u>	<u>425,967</u>	<u>42,568,498</u>	<u>115</u>
Deferred inflows of resources:					
Pension - OPERS.	<u>17,947</u>	<u>19,561</u>	<u>-</u>	<u>37,508</u>	<u>-</u>
Net position:					
Net investment in capital assets	16,870,747	11,868,281	-	28,739,028	-
Unrestricted	<u>4,152,483</u>	<u>2,759,361</u>	<u>610,115</u>	<u>7,521,959</u>	<u>265,074</u>
Total net position	<u>\$ 21,023,230</u>	<u>\$ 14,627,642</u>	<u>\$ 610,115</u>	<u>36,260,987</u>	<u>\$ 265,074</u>
Adjustment to reflect the consolidation of the internal service fund activities related to enterprise funds.				<u>(26,439)</u>	
Net position of business-type activities				<u>\$ 36,234,548</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, 2015

	Business-type Activities - Enterprise Funds				Governmental
	Sewer	Water	Nonmajor	Total	Activities - Internal Service Fund
Operating revenues:					
Charges for services	\$ 7,036,691	\$ 5,907,838	\$ 945,507	\$ 13,890,036	\$ 2,733,213
Tap-in fees	-	23,581	-	23,581	-
Other	28,004	9,233	-	37,237	-
Total operating revenues	<u>7,064,695</u>	<u>5,940,652</u>	<u>945,507</u>	<u>13,950,854</u>	<u>2,733,213</u>
Operating expenses:					
Personal services	1,946,123	1,998,701	-	3,944,824	-
Contract services	558,251	351,664	-	909,915	-
Materials and supplies	360,754	910,227	-	1,270,981	-
Administrative costs	40,506	33,221	-	73,727	-
Utilities	222,698	184,898	1,011,122	1,418,718	-
Claims.	-	-	-	-	2,826,125
Depreciation.	1,254,644	798,399	-	2,053,043	-
Other.	63	5,542	27	5,632	-
Total operating expenses	<u>4,383,039</u>	<u>4,282,652</u>	<u>1,011,149</u>	<u>9,676,840</u>	<u>2,826,125</u>
Operating income (loss).	<u>2,681,656</u>	<u>1,658,000</u>	<u>(65,642)</u>	<u>4,274,014</u>	<u>(92,912)</u>
Nonoperating revenues (expenses):					
Interest revenue	26,671	16,411	-	43,082	78
Loss on sale of capital assets	(162,480)	(101,042)	-	(263,522)	-
Interest and fiscal charges	(850,034)	(545,334)	-	(1,395,368)	-
Total nonoperating revenues (expenses)	<u>(985,843)</u>	<u>(629,965)</u>	<u>-</u>	<u>(1,615,808)</u>	<u>78</u>
Income (loss) before transfers and capital contributions	1,695,813	1,028,035	(65,642)	2,658,206	(92,834)
Transfers in.	9,041	-	-	9,041	-
Transfers (out).	(15,305)	-	-	(15,305)	-
Capital contributions	-	239,844	-	239,844	-
Change in net position.	1,689,549	1,267,879	(65,642)	2,891,786	(92,834)
Net position at beginning of year (restated).	<u>19,333,681</u>	<u>13,359,763</u>	<u>675,757</u>		<u>357,908</u>
Net position at end of year.	<u>\$ 21,023,230</u>	<u>\$ 14,627,642</u>	<u>\$ 610,115</u>		<u>\$ 265,074</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				<u>17,680</u>	
Change in net position of business-type activities				<u>\$ 2,909,466</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF DEFIANCE, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds				Governmental
	Sewer	Water	Nonmajor	Total	Activities - Internal Service Fund
Cash flows from operating activities:					
Cash received from charges for services	\$ 6,969,513	\$ 5,874,834	\$ 1,025,608	\$ 13,869,955	\$ 2,837,633
Cash received from tap-in fees	-	23,581	-	23,581	-
Cash received from other operations	28,004	7,226	-	35,230	-
Cash payments for personal services	(2,013,865)	(2,055,966)	-	(4,069,831)	-
Cash payments for contractual services	(576,158)	(352,501)	-	(928,659)	-
Cash payments for administrative costs	(36,085)	(19,958)	-	(56,043)	-
Cash payments for materials and supplies	(399,690)	(938,227)	-	(1,337,917)	-
Cash payments for claims	-	-	-	-	(2,829,885)
Cash payments for utilities	(224,702)	(184,897)	(1,011,122)	(1,420,721)	-
Cash payments for other operations	(63)	(5,542)	(12,277)	(17,882)	-
Net cash provided by operating activities	<u>3,746,954</u>	<u>2,348,550</u>	<u>2,209</u>	<u>6,097,713</u>	<u>7,748</u>
Cash flows from noncapital financing activities:					
Cash received from transfers in	9,041	-	-	9,041	-
Cash payments for transfers out	(15,305)	-	-	(15,305)	-
Net cash used in noncapital financing activities	<u>(6,264)</u>	<u>-</u>	<u>-</u>	<u>(6,264)</u>	<u>-</u>
Cash flows from capital and related financing activities:					
Cash received from sale of capital assets	2,149	2,058	-	4,207	-
Cash payments for the acquisition of capital assets	(927,587)	(944,865)	-	(1,872,452)	-
Cash received from issuance of loans	397,906	-	-	397,906	-
Cash received from issuance of notes	3,849,000	-	-	3,849,000	-
Cash received from premium on issuance of notes	19,128	-	-	19,128	-
Cash payments for principal retirement	(5,922,672)	(919,003)	-	(6,841,675)	-
Cash payments for interest and fiscal charges	(853,597)	(561,285)	-	(1,414,882)	-
Cash received from capital contributions	-	239,844	-	239,844	-
Net cash used in capital and related financing activities	<u>(3,435,673)</u>	<u>(2,183,251)</u>	<u>-</u>	<u>(5,618,924)</u>	<u>-</u>
Cash flows from investing activities:					
Cash received from interest earned	24,149	14,640	-	38,789	(61)
Net cash provided by investing activities	<u>24,149</u>	<u>14,640</u>	<u>-</u>	<u>38,789</u>	<u>(61)</u>
Net increase in cash and cash equivalents	329,166	179,939	2,209	511,314	7,687
Cash and cash equivalents at beginning 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>
Cash and cash equivalents at end of year	<u>\$ 4,618,334</u>	<u>\$ 3,369,579</u>	<u>\$ 963,997</u>	<u>\$ 8,951,910</u>	<u>\$ 264,799</u>

- - Continued

CITY OF DEFIANCE, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 DECEMBER 31, 2015

	<u>Business-type Activities - Enterprise Funds</u>				<u>Governmental</u>
	<u>Sewer</u>	<u>Water</u>	<u>Nonmajor</u>	<u>Total</u>	<u>Activities - Internal Service Fund</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ 2,681,656	\$ 1,658,000	\$ (65,642)	\$ 4,274,014	\$ (92,912)
Adjustments:					
Depreciation.	1,254,644	798,399	-	2,053,043	-
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable.	(67,178)	(38,145)	(15,124)	(120,447)	104,420
Decrease in special assessments receivable.	-	3,532	-	3,532	-
Increase in materials and supplies inventory	(4,546)	(4,563)	-	(9,109)	-
Increase in due from other governments.	-	(398)	-	(398)	-
Increase in net pension asset.	(3,183)	(3,468)	-	(6,651)	-
Increase in deferred outflows - pension - OPERS.	(48,148)	(52,480)	-	(100,628)	-
Decrease in accounts payable	(49,642)	(11,059)	-	(60,701)	(3,735)
Decrease in accrued wages and benefits	(31,631)	(37,889)	-	(69,520)	-
Increase (decrease) in compensated absences payable.	(7,254)	13,261	-	6,007	-
Decrease in due to other governments	(14,117)	(16,263)	-	(30,380)	(25)
Increase in utility deposits payable.	-	-	82,975	82,975	-
Increase in net pension liability.	18,406	20,062	-	38,468	-
Increase in deferred inflows - pension - OPERS.	17,947	19,561	-	37,508	-
Net cash provided by operating activities	<u>\$ 3,746,954</u>	<u>\$ 2,348,550</u>	<u>\$ 2,209</u>	<u>\$ 6,097,713</u>	<u>\$ 7,748</u>

Non-cash transactions:

At December 31, 2015 and December 31, 2014, the sewer fund purchased \$54,062 and \$24,005 in capital assets on account, respectively. At December 31, 2015 and December 31, 2014, the water fund purchased \$8,222 and \$26,331 in capital assets on account, respectively. During 2015, governmental activities transferred fully depreciated capital assets to the water fund in the amount of \$2,815.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF DEFIANCE, OHIO

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
DECEMBER 31, 2015

	<u>Agency</u>
Assets:	
Cash in segregated accounts	\$ 10,168
Total assets.	<u>\$ 10,168</u>
Liabilities:	
Due to other governments	\$ 10,168
Total liabilities.	<u>\$ 10,168</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, 2015**

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, 2015

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 2015, the City contributed \$92,250 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 2015, the City contributed \$25,000 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 \$480,036 in payments to the Corporation in 2015. 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, 2015

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, 2015

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, 2015

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, 2015

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 Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources have been reported for the following items related to the City's net pension liability: (1) the net difference between projected and actual investment earnings on pension plan assets, (2) the City's contributions to the pension systems subsequent to the measurement date and (3) differences between employer's contributions and the employer's proportional share of contributions.

In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2015, but which were levied to finance 2016 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City unavailable revenue includes, but is not limited to, delinquent property taxes, income taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

The City also reports deferred inflow of resources for the following items related to the City's net pension liability: (1) differences between expected and actual experience and (2) differences between employer's contributions and the employer's proportional share of contributions. These deferred inflows of resources are only reported on the government-wide statement of net position.

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.

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.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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 2015, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), the City's own bonds, negotiable and nonnegotiable certificates of deposit, a U.S. Government money market mutual fund, and federal agency securities. 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 2015. 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, 2015.

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 2015 amounted to \$39,185, which included \$26,727 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.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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.

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

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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.

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.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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, net pension liability, and claims and judgements 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.

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.

CITY OF DEFIANCE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

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.

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 2015, the water fund received \$239,844 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.

CITY OF DEFIANCE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

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, peace officer training, 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 2015.

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.

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.

CITY OF DEFIANCE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

U. Pensions

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles/Restatement of Net Position

For 2015, the City implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the City's pension plan disclosures and added required supplementary information which is presented after the notes to the basic financial statements.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

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CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

A net position restatement is required in order to implement GASB Statement No 68 and 71. The governmental activities and business-type activities at January 1, 2015 have been restated as follows:

	<u>Governmental Activities</u>		
Net position as previously reported	\$ 23,514,709		
Net pension asset	3,275		
Deferred outflows - payments subsequent to measurement date	875,416		
Net pension liability	<u>(9,365,755)</u>		
Restated net position at January 1, 2015	<u>\$ 15,027,645</u>		
	<u>Business-Type Activities</u>	<u>Sewer Fund</u>	<u>Water Fund</u>
Net position as previously reported	\$ 34,776,054	\$ 20,027,937	\$ 14,116,479
Net pension asset	2,492	1,192	1,300
Deferred outflows - payments subsequent to measurement date	211,149	101,030	110,119
Net pension liability	<u>(1,664,613)</u>	<u>(796,478)</u>	<u>(868,135)</u>
Restated net position at January 1, 2015	<u>\$ 33,325,082</u>	<u>\$ 19,333,681</u>	<u>\$ 13,359,763</u>

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

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.

CITY OF DEFIANCE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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;
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.

CITY OF DEFIANCE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2015, the City had \$2,250 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, 2015, the City had \$204,071 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.

C. Deposits with Financial Institutions

At December 31, 2015, the carrying amount of all City deposits was \$11,402,025. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2015, \$3,175,282 of the City’s bank balance of \$11,747,689 was exposed to custodial credit risk as discussed below, while \$8,572,407 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.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Investments

At December 31, 2015, 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	\$ 64,016	\$ 64,016	\$ -	\$ -	\$ -	\$ -
FHLMC	1,798,158	-	-	-	-	1,798,158
Negotiable CDs	2,962,179	-	-	-	495,815	2,466,364
U.S. Government money market mutual fund	4,673	4,673	-	-	-	-
City owned bonds	53,631	-	9,561	-	10,111	33,959
Total	\$ 4,882,657	\$ 68,689	\$ 9,561	\$ -	\$ 505,926	\$ 4,298,481

The weighted average maturity of investments is 3.47 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 U.S. Government money market mutual fund carries a rating of AAAM by Standard & Poor's. The City's investments in federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The City's investments in negotiable certificates of deposit are fully insured by the FDIC. 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, 2015

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, 2015 follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 64,016	1.31
FHLMC	1,798,158	36.83
Negotiable CDs	2,962,179	60.67
U.S. Government money market mutual fund	4,673	0.09
City owned bonds	<u>53,631</u>	<u>1.10</u>
Total	<u>\$ 4,882,657</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, 2015:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 11,402,025
Investments	4,882,657
Cash in segregated accounts	204,071
Cash on hand	<u>2,250</u>
Total	<u>\$ 16,491,003</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 7,528,925
Business-type activities	8,951,910
Agency fund	<u>10,168</u>
Total	<u>\$ 16,491,003</u>

NOTE 5 - INTERFUND TRANSACTIONS

During 2015, interfund transfers consisted of the following, as reported in the fund financial statements:

<u>Transfers from the general fund to:</u>	
Police and fire fund	\$ 3,735,000
Nonmajor governmental funds	510,000
<u>Transfer from the sewer fund to:</u>	
Nonmajor governmental fund	15,305
<u>Transfer from nonmajor governmental fund to:</u>	
Sewer fund	<u>9,041</u>
Total transfers	<u>\$ 4,269,346</u>

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

In 2015, the sewer fund transferred \$15,305 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 \$9,041 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. 2015 public utility property taxes became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 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, 2015 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 2015 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, 2015**

NOTE 6 - PROPERTY TAXES - (Continued)

The full tax rate for all City operations for the year ended December 31, 2015 was \$3.00 per \$1,000 of assessed value. The assessed values of real property and public utility personal property upon which 2015 property tax receipts were based are as follows:

Real property

Residential/agricultural	\$	188,803,120
Commercial/industrial/mineral		84,172,170

Public utility

Real		48,760
Personal		<u>47,253,470</u>
Total assessed value	\$	<u><u>320,277,520</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, 2015. Income tax revenue for 2015 was \$9,731,224 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, 2015**

NOTE 8 - RECEIVABLES

Receivables at December 31, 2015 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, 2015.

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

Governmental activities:

Income taxes	\$1,627,874
Property and other local taxes	889,492
Accounts	398,544
Loans receivable	985,672
Special assessments	155,145
Accrued interest	6,188
Due from other governments	634,680

Business-type activities:

Accounts	663,809
Special assessments	28,258
Accrued interest	11,266
Due from other governments	398

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, 2015

NOTE 9 - CAPITAL ASSETS

The following activity occurred in the City's governmental activities capital assets during 2015:

	Balance			Balance
<u>Governmental activities:</u>	<u>January 1, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>December 31, 2015</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,378,358	\$ -	\$ -	\$ 1,378,358
Construction in progress	<u>483,990</u>	<u>1,400,275</u>	<u>(1,108,551)</u>	<u>775,714</u>
<i>Total capital assets, not being depreciated</i>	<u>1,862,348</u>	<u>1,400,275</u>	<u>(1,108,551)</u>	<u>2,154,072</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	9,545,816	35,952	-	9,581,768
Improvements other than buildings	2,259,201	99,981	-	2,359,182
Equipment	2,524,724	169,549	(104,897)	2,589,376
Vehicles	3,078,040	117,636	(117,382)	3,078,294
Infrastructure	<u>20,091,294</u>	<u>1,008,570</u>	<u>-</u>	<u>21,099,864</u>
<i>Total capital assets, being depreciated</i>	<u>37,499,075</u>	<u>1,431,688</u>	<u>(222,279)</u>	<u>38,708,484</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(4,214,913)	(249,183)	-	(4,464,096)
Improvements other than buildings	(881,418)	(91,282)	-	(972,700)
Equipment	(1,653,215)	(203,132)	93,152	(1,763,195)
Vehicles	(1,976,581)	(254,205)	80,246	(2,150,540)
Infrastructure	<u>(10,164,160)</u>	<u>(652,668)</u>	<u>-</u>	<u>(10,816,828)</u>
<i>Total accumulated depreciation</i>	<u>(18,890,287)</u>	<u>(1,450,470)</u>	<u>173,398</u>	<u>(20,167,359)</u>
Total capital assets, net	<u>\$ 20,471,136</u>	<u>\$ 1,381,493</u>	<u>\$ (1,157,432)</u>	<u>\$ 20,695,197</u>

Depreciation expense was charged to governmental activities as follows:

<u>Governmental activities:</u>	
General government	\$ 218,772
Security of persons and property	260,953
Public health and welfare	48,899
Transportation	772,459
Community environment	32,181
Leisure time activity	<u>99,378</u>
Total depreciation expense - governmental activities	<u>\$ 1,432,642</u> *

* During 2015, the water fund transferred capital assets with accumulated depreciation of \$17,828 to the governmental activities. Also, the governmental activities transferred capital assets with accumulated depreciation of \$2,815 to the water fund

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 9 - CAPITAL ASSETS - (Continued)

The following activity occurred in the City's business-type activities capital assets during 2015:

<u>Business-type activities:</u>	<u>Balance</u> <u>January 1, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>December 31, 2015</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 359,741	\$ -	\$ -	\$ 359,741
Construction in progress	<u>4,283,672</u>	<u>1,385,276</u>	<u>(456,667)</u>	<u>5,212,281</u>
<i>Total capital assets, not being depreciated</i>	<u>4,643,413</u>	<u>1,385,276</u>	<u>(456,667)</u>	<u>5,572,022</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,003,504	-	-	1,003,504
Buildings and improvements	30,595,757	76,079	(350,268)	30,321,568
Equipment	3,735,451	388,364	(205,717)	3,918,098
Vehicles	1,142,116	50,051	(37,036)	1,155,131
Infrastructure	<u>59,055,101</u>	<u>444,112</u>	<u>-</u>	<u>59,499,213</u>
<i>Total capital assets, being depreciated</i>	<u>95,531,929</u>	<u>958,606</u>	<u>(593,021)</u>	<u>95,897,514</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(685,874)	(30,995)	-	(716,869)
Buildings and improvements	(13,480,758)	(665,002)	104,208	(14,041,552)
Equipment	(2,204,742)	(152,995)	184,048	(2,173,689)
Vehicles	(693,369)	(99,543)	37,036	(755,876)
Infrastructure	<u>(14,079,113)</u>	<u>(1,107,323)</u>	<u>-</u>	<u>(15,186,436)</u>
<i>Total accumulated depreciation</i>	<u>(31,143,856)</u>	<u>(2,055,858)</u>	<u>325,292</u>	<u>(32,874,422)</u>
Total capital assets, net	<u>\$ 69,031,486</u>	<u>\$ 288,024</u>	<u>\$ (724,396)</u>	<u>\$ 68,595,114</u>

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

<u>Business-type activities:</u>	
Sewer	\$ 1,254,644
Water	<u>798,399</u>
Total depreciation expense - business-type activities	<u>\$ 2,053,043</u> *

* During 2015, the water fund transferred capital assets with accumulated depreciation of \$17,828 to the governmental activities. Also, the governmental activities transferred capital assets with accumulated depreciation of \$2,815 to the water fund

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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 \$377,720 at December 31, 2015. 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 \$382,184 at December 31, 2015. Amounts are recorded as a fund liability and/or on the government-wide financial statements, as applicable.

NOTE 11 - CAPITAL LEASES

In 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, 2015, accumulated depreciation was \$49,223, resulting in a net book value of \$147,667. A corresponding liability has been recorded in the governmental activities long-term obligations. Principal payments in 2015 totaled \$27,548. 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, 2015:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2016	\$ 31,839
2017	31,839
2018	31,840
2019	<u>51,800</u>
Total	147,318
Less: amount representing interest	<u>(9,815)</u>
Present value of net minimum lease payments	<u><u>\$ 137,503</u></u>

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 12 - LONG-TERM OBLIGATIONS

A. Governmental Activities Long-Term Obligations

During 2015, the following changes occurred in governmental activities long-term obligations. The governmental long-term obligations have been restated as described in Note 3.

<u>Governmental activities:</u>	Original Amount	Restated Balance 1/1/15	Additions	Reductions	Balance 12/31/15	Amount Due in One Year
General obligation bonds:						
Series 2011 Bonds - 2.00-4.00%	\$4,075,000	\$ 3,585,000	\$ -	\$ (175,000)	\$ 3,410,000	\$ 175,000
OWDA loan - 0%	2,331,180	2,214,437	-	(116,375)	2,098,062	116,559
Capital lease obligation	196,890	165,051	-	(27,548)	137,503	28,264
Net pension liability		9,365,755	507,597	-	9,873,352	-
Compensated absences		615,892	309,499	(322,972)	602,419	274,527
Total		<u>\$ 15,946,135</u>	<u>\$ 817,096</u>	<u>\$ (641,895)</u>	16,121,336	<u>\$ 594,350</u>
Add: unamortized bond premium					<u>33,561</u>	
Total on statement of net position					<u>\$ 16,154,897</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).

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's total borrowing on this loan was \$2,331,180. Loan repayments began in 2014 and are scheduled to continue through 2033. 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.

Net Pension Liability

The net pension liability is described in Note 15.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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 governmental activities long-term obligations:

<u>Year Ending</u>	<u>General Obligation Bonds</u>			<u>OWDA Loan</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>
2016	\$ 175,000	\$ 113,950	\$ 288,950	\$ 116,559
2017	175,000	110,450	285,450	116,559
2018	180,000	106,075	286,075	116,559
2019	185,000	98,875	283,875	116,559
2020	190,000	93,325	283,325	116,559
2021 - 2025	1,030,000	376,575	1,406,575	582,795
2026 - 2030	1,205,000	192,040	1,397,040	582,795
2031 - 2033	270,000	10,530	280,530	349,677
Total	<u>\$ 3,410,000</u>	<u>\$ 1,101,820</u>	<u>\$ 4,511,820</u>	<u>\$ 2,098,062</u>

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, 2015, the City's voted debt margin was \$30,784,580 and the unvoted debt margin was \$17,615,264.

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CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

B. Business-type Activities Long-Term Obligations

During 2015, the following changes occurred in business-type activities long-term obligations. The business-type long-term obligations have been restated as described in Note 3.

<u>Business-type activities:</u>	Interest Rate	Restated Balance 1/1/15	Additions	Reductions	Balance 12/31/15	Amount Due in One Year
<u>General obligation bonds:</u>						
Waterworks - Series 2005 Refunding	4.00-5.00%	\$ 2,230,000	\$ -	\$ (330,000)	\$ 1,900,000	\$ 345,000
Waterworks - Series 2007 Refunding	4.50-5.25%	3,910,000	-	(360,000)	3,550,000	370,000
Total general obligation bonds		6,140,000	-	(690,000)	5,450,000	715,000
<u>Special assessment bonds:</u>						
Sewer Street Improvements - Series 2000	5.75%	62,672	-	(9,041)	53,631	9,561
<u>Bond anticipation notes:</u>						
Sewer - 2014 Bond Anticipation Notes	0.409%	3,139,000	-	(3,139,000)	-	-
Sewer - 2015 Bond Anticipation Notes	1.000%	-	2,704,000	-	2,704,000	84,000
Total bond anticipation notes		3,139,000	2,704,000	(3,139,000)	2,704,000	84,000
<u>Other long-term obligations:</u>						
OWDA loans	2.38-4.14%	31,533,115	397,906	(1,732,063)	30,198,958	1,686,488
OPWC loans	0.00-4.00%	217,232	-	(61,571)	155,661	62,514
Net pension liability		1,664,613	38,468	-	1,703,081	-
Compensated absences		151,478	102,543	(96,536)	157,485	103,193
Total other long-term obligations		33,566,438	538,917	(1,890,170)	32,215,185	1,852,195
Total		<u>\$ 42,908,110</u>	<u>\$ 3,242,917</u>	<u>\$ (5,728,211)</u>	40,422,816	<u>\$ 2,660,756</u>
Add: unamortized bond premium					293,854	
Total on statement of net position					<u>\$ 40,716,670</u>	

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, 2015

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 2015, the City retired \$9,041 of these bonds, leaving an outstanding balance of \$53,631 at December 31, 2015.

Compensated Absences

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

Net Pension Liability

The net pension liability is described in Note 15.

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
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	865,000	120,018	985,018	11,960	686	12,646
2021 - 2023	<u>1,510,000</u>	<u>161,438</u>	<u>1,671,438</u>	-	-	-
Total	<u>\$ 5,450,000</u>	<u>\$ 1,127,471</u>	<u>\$ 6,577,471</u>	<u>\$ 53,631</u>	<u>\$ 9,594</u>	<u>\$ 63,225</u>

Bond Anticipation Notes

On April 2, 2015, the City issued a sewer improvement bond anticipation note payable in the amount of \$2,704,000. This note bears interest at a rate of 1.00% and matures on April 1, 2016. This note is a liability of the sewer fund. On February 8, 2016, the City refinanced the note through the issuance of \$2,620,000 in general obligation bonds as described in Note 22.

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, 2015

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

At December 31, 2015, the City had the following OWDA loans outstanding:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Outstanding 12/31/2015</u>
<u>Sewer Fund:</u>			
Wastewater treatment plant improvements	3.91%	7/1/2020	\$ 2,398,602
Group 6 sewer planning	3.25%	7/1/2029	372,531
Group 4 sewer design	3.25%	1/1/2029	612,780
Group 1/3 combined sewer separation	3.36%	1/1/2030	3,292,487
Group 2 express sewer	3.36%	1/1/2030	1,870,961
Group 5 sewer planning/SSES	3.25%	1/1/2031	369,291
Group 6 sewer design	3.25%	1/1/2030	316,130
Group 4 sewer separation	3.53%	1/1/2031	5,259,948
Group 5 design	4.14%	1/1/2031	151,959
Group 31A river intrusion elimination project	4.14%	1/1/2031	409,522
Group 6 sewer separation	3.70%	1/1/2031	1,716,044
Group 5 sewer separation	3.25%	1/1/2031	2,741,799
Group 12/14 sewer planning	2.62%	7/1/2031	446,783
LTCP planning	3.28%	1/1/2034	443,682
2012 CSO long-term control planning	2.69%	1/1/2034	392,722
CSO LTCP planning pace - year 2013	2.38%	7/1/2035	498,031
<u>"Open" OWDA Loans</u>			
Group 14/15 sewer separation	2.45%	1/1/2034	2,059,492
Group 13 inflow reduction	3.40%	7/1/2034	238,628
CSO LTCP planning - year 2015	2.03%	1/1/2036	375,751
			<u>23,967,143</u>
<u>Water Fund:</u>			
Reservoir construction	4.09%	7/1/2037	<u>6,231,815</u>
Total OWDA loans			<u>\$ 30,198,958</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 43.93 percent of net revenues and 21.74 percent of total revenues. The total principal and interest remaining to be paid on the loans is \$38,254,941. Principal and interest paid for the current year was \$2,827,374, total net revenues were \$6,435,781, and total revenues were \$13,005,347.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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, 2015):

Year Ending	OWDA Loans Payable		
	Principal	Interest	Total
2016	\$ 1,686,488	\$ 880,808	\$ 2,567,296
2017	1,748,003	827,535	2,575,538
2018	1,811,784	772,305	2,584,089
2019	1,877,916	715,047	2,592,963
2020	1,653,251	655,685	2,308,936
2021 - 2025	7,585,961	2,565,411	10,151,372
2026 - 2030	8,355,065	1,260,193	9,615,258
2031 - 2035	2,174,873	353,558	2,528,431
2036 - 2037	631,746	25,441	657,187
Total	<u>\$27,525,087</u>	<u>\$ 8,055,983</u>	<u>\$ 35,581,070</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, 2015, the City has the following loans outstanding with OPWC:

	Interest <u>Rate</u>	Maturity <u>Date</u>	Balance Outstanding <u>12/31/2015</u>
<u>Water Fund:</u>			
OPWC loan	3.00%	7/1/2017	\$ 48,673
OPWC loan	0.00%	1/1/2019	58,795
			<u>107,468</u>
<u>Sewer Fund:</u>			
OPWC loan	0.00%	7/1/2020	48,193
Total OPWC loans			<u>\$ 155,661</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, 2015

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
2016	\$ 62,514	\$ 1,220	\$ 63,734
2017	46,775	247	47,022
2018	30,307	-	30,307
2019	10,710	-	10,710
2020	<u>5,355</u>	<u>-</u>	<u>5,355</u>
Total	<u>\$ 155,661</u>	<u>\$ 1,467</u>	<u>\$ 157,128</u>

NOTE 13 - NOTES PAYABLE

On September 24, 2014, the City issued \$1,210,000 in bond anticipation notes to refinance \$1,275,000 of bond anticipation notes that were previously issued on September 26, 2013. The \$1,210,000 bond anticipation notes outstanding at December 31, 2014 had an interest rate of 0.482% and matured on September 23, 2015. On September 22, 2015, the City issued \$1,145,000 in bond anticipation notes to refinance the September 24, 2014 bond anticipation notes. The bond anticipation notes outstanding at December 31, 2015 bear interest at a rate of 2.00% and mature on September 22, 2016. 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, 2015 follows:

	Maturity Date	Outstanding 1/1/2015	Issued	Retired	Outstanding 12/31/2015
<u>Business-type activities:</u>					
Sewer bond anticipation notes:					
Series 2014 BAN - 0.482%	9/23/2015	\$ 1,210,000	\$ -	\$(1,210,000)	\$ -
Series 2015 BAN - 2.000%		<u>-</u>	<u>1,145,000</u>	<u>-</u>	<u>1,145,000</u>
Total bond anticipation notes		<u>\$ 1,210,000</u>	<u>\$ 1,145,000</u>	<u>\$(1,210,000)</u>	<u>\$ 1,145,000</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, 2015

NOTE 14 - RISK MANAGEMENT - (Continued)

A. BORMA Property and Casualty Pool

During 2015, 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 2015 totaled \$301,275.

For the plan year, which includes December 31, 2015, 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, 2015, the Pool had total reported assets of \$5,467,865. The 2015 monthly premiums paid by the City per covered employee were \$1,887 for family coverage, \$1,463 for two-party coverage, and \$696 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 2015, the City paid \$2,811,307 into the Pool for all covered benefits. The amount of risk retained by the Pool in 2015 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, 2015**

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 2015, the City paid \$158,723 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 2015, the City paid \$6,992 to the Ohio Department of Job and Family Services for unemployment benefits claims.

NOTE 15 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability/Asset

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

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

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

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

GASB 68 assumes any net pension liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.0% to the member's FAS for the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 3% COLA adjustment on the defined benefit portion of their benefit.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS’s Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member’s contributions plus or minus the investment gains or losses resulting from the member’s investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members’ contributions, vested employer contributions and investment gains or losses resulting from the members’ investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS CAFR.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
2015 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
 2015 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0 %
Total Employer	14.0 %
 Employee	 10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The City’s contractually required contribution for both the Traditional Pension Plan and the Combined Plan was \$509,936 for 2015. Of this amount, \$65,363 is reported as an intergovernmental payable.

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

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

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

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

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

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

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$662,316 for 2015. Of this amount \$71,496 is reported as an intergovernmental payable.

Pension Liabilities/Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

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

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 3,941,332	\$ 7,635,101	\$ 11,576,433
Proportionate share of the net pension asset	21,160	-	21,160
Proportion of the net pension liability	0.03267800%	0.14738390%	
Proportion of the net pension asset	0.05495700%	0.00000000%	
Pension expense	\$ 437,490	\$ 740,993	\$ 1,178,483

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

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred outflows of resources			
Net difference between projected and actual earnings on pension plan investments	\$ 211,590	\$ 329,066	\$ 540,656
City contributions subsequent to the measurement date	509,936	662,316	1,172,252
Total deferred outflows of resources	<u>\$ 721,526</u>	<u>\$ 991,382</u>	<u>\$ 1,712,908</u>
Deferred inflows of resources			
Differences between expected and actual experience	75,698	-	75,698
Difference between employer contributions and proportionate share of contributions	11,104	15,101	26,205
Total deferred inflows of resources	<u>\$ 86,802</u>	<u>\$ 15,101</u>	<u>\$ 101,903</u>

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

\$1,172,252 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/asset in the year ending December 31, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
2016	\$ 15,058	\$ 78,492	\$ 93,550
2017	15,058	78,492	93,550
2018	45,930	78,492	124,422
2019	52,130	78,489	130,619
2020	(769)	-	(769)
Thereafter	(2,619)	-	(2,619)
Total	<u><u>\$ 124,788</u></u>	<u><u>\$ 313,965</u></u>	<u><u>\$ 438,753</u></u>

Actuarial Assumptions - OPERS

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

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

Wage inflation	3.75 percent
Future salary increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or ad hoc COLA	3 percent, simple
Investment rate of return	8 percent
Actuarial cost method	Individual entry age

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

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

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed income	23.00 %	2.31 %
Domestic equities	19.90	5.84
Real estate	10.00	4.25
Private equity	10.00	9.25
International equities	19.10	7.40
Other investments	18.00	4.59
Total	<u>100.00 %</u>	<u>5.28 %</u>

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

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 7,250,921	\$ 3,941,332	\$ 1,153,860
Combined Plan	2,748	(21,160)	(40,119)

Actuarial Assumptions - OP&F

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

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

Valuation date	January 1, 2014
Actuarial cost method	Entry age normal
Investment rate of return	8.25 percent
Projected salary increases	4.25 percent to 11 percent
Payroll increases	3.75 percent
Inflation assumptions	3.25 percent
Cost of living adjustments	2.60 percent and 3.00 percent

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

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

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2014 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	- %	(0.25) %
Domestic Equity	16.00	4.47
Non-US Equity	16.00	4.47
Core Fixed Income *	20.00	1.62
Global Inflation Protected *	20.00	1.33
High Yield	15.00	3.39
Real Estate	12.00	3.93
Private Markets	8.00	6.98
Timber	5.00	4.92
Master Limited Partnerships	8.00	7.03
Total	<u>120.00 %</u>	

* levered 2x

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

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

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$ 10,560,499	\$ 7,635,101	\$ 5,158,177

NOTE 16 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension Plan and the Combined Plan. 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.

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

Funding Policy - The post-employment healthcare 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 healthcare 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 2015, 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 postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan and Combined Plan for 2015 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 healthcare plan.

CITY OF DEFIANCE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2015, 2014, and 2013 were \$84,989, \$84,007, and \$39,823, respectively; 89.01% has been contributed for 2015 and 100% has been contributed for 2014 and 2013. The remaining 2015 post-employment health care benefits liability has been reported as an intergovernmental payable 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 postemployment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-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.

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.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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 2015, 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 healthcare benefits for police officers and firefighters were \$8,825 and \$7,145 for the year ended December 31, 2015, \$8,427 and \$6,432 for the year ended December 31, 2014, and \$52,900 and \$37,212, for the year ended December 31, 2013. 100% has been contributed for 2014 and 2013. 89.08% has been contributed for police and 89.83% has been contributed for firefighters for 2015. The remaining 2015 post-employment health care benefits liability has been reported as an intergovernmental payable on the basic financial statements.

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).

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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	\$ 262,458	\$ 11,204
Net adjustment for revenue accruals	161,149	21,116
Net adjustment for expenditure accruals	81,777	167,921
Net adjustment for other sources/uses	(277)	-
Funds budgeted elsewhere	2,074	-
Adjustment for encumbrances	<u>112,728</u>	<u>50,821</u>
GAAP basis	<u>\$ 619,909</u>	<u>\$ 251,062</u>

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

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</u> <u>1/1/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2015</u>
CDBG loans	<u>\$ 1,170,584</u>	<u>\$ -</u>	<u>\$ (184,912)</u>	<u>\$ 985,672</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, 2015.

B. Litigation

At December 31, 2015, the City was not involved in any pending litigation that would potentially have a material adverse effect on the City's financial position.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 20 - CONTRACTUAL COMMITMENTS

At December 31, 2015, the City had the following outstanding contractual commitments:

Vendor	Contract Amount	Amount Paid	Amount Outstanding
Advanced Rehabilitation Technology	\$ 126,830	\$ -	\$ 126,830
Burgess & Niple, Inc.	231,650	29,487	202,163
Mannik & Smith Group	184,525	97,464	87,061
Miller Contracting Group, Inc.	1,145,434	714,911	430,523
URS Corp - Ohio	142,822	13,572	129,250
Vernon Nagel, Inc.	600,000	31,464	568,536
Ward Construction	<u>327,265</u>	<u>307,786</u>	<u>19,479</u>
Total contractual commitments	<u>\$ 2,758,526</u>	<u>\$ 1,194,684</u>	<u>\$ 1,563,842</u>

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	\$ 60,381
Police and fire	42,777
Capital improvements	146,043
Nonmajor governmental funds	<u>66,809</u>
Total	<u>\$ 316,010</u>

NOTE 22 - SUBSEQUENT EVENT

On February 8, 2016, the City issued \$1,875,000 in water system improvement refunding bonds and \$2,620,000 in sanitary sewerage system improvement bonds. The proceeds of the water system improvement refunding bonds were used to refund the series 2005 waterworks refunding bonds. The proceeds of the sanitary sewerage system improvement bonds were used to retire the outstanding bond anticipation note described in Note 12. The bonds bear an interest rate of 3%. The water system improvement refunding bonds mature on December 1, 2020 and the sanitary sewerage system improvements bonds mature on December 1, 2023.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 23 - 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	\$ -	\$ -	\$ -	\$ 62,290	\$ 62,290
Unclaimed monies	<u>3,488</u>	-	-	-	<u>3,488</u>
Total nonspendable	<u>3,488</u>	-	-	<u>62,290</u>	<u>65,778</u>
Restricted:					
Debt service	-	-	-	565,440	565,440
Street construction, maintenance & repair	-	-	-	829,436	829,436
Police and fire pension	-	-	-	94,533	94,533
Court programs	-	-	-	588,742	588,742
Community development programs	-	-	-	54,699	54,699
Probation programs	-	-	-	270,270	270,270
Police and fire programs	-	383,768	-	133,673	517,441
Revolving loan program	-	-	-	1,834,585	1,834,585
Other purposes	<u>-</u>	<u>-</u>	<u>-</u>	<u>325,072</u>	<u>325,072</u>
Total restricted	<u>-</u>	<u>383,768</u>	<u>-</u>	<u>4,696,450</u>	<u>5,080,218</u>
Committed:					
Capital projects	-	-	1,139,541	-	1,139,541
Other purposes	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,717</u>	<u>60,717</u>
Total committed	<u>-</u>	<u>-</u>	<u>1,139,541</u>	<u>60,717</u>	<u>1,200,258</u>
Assigned:					
Subsequent year appropriations	924	-	-	-	924
Other purposes	<u>60,381</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,381</u>
Total assigned	<u>61,305</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,305</u>
Unassigned	<u>3,176,273</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,176,273</u>
Total fund balances	<u>\$ 3,241,066</u>	<u>\$ 383,768</u>	<u>\$ 1,139,541</u>	<u>\$ 4,819,457</u>	<u>\$ 9,583,832</u>

CITY OF DEFIANCE, OHIO

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY/NET PENSION ASSET
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TWO YEARS

	<u>2014</u>	<u>2013</u>
<i>Traditional Plan:</i>		
City's proportion of the net pension liability	0.032678%	0.032678%
City's proportionate share of the net pension liability	\$ 3,941,332	\$ 3,852,309
City's covered-employee payroll	\$ 3,871,183	\$ 3,809,092
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	101.81%	101.13%
Plan fiduciary net position as a percentage of the total pension liability	86.45%	86.36%
 <i>Combined Plan:</i>		
City's proportion of the net pension asset	0.054957%	0.054957%
City's proportionate share of the net pension asset	\$ 21,160	\$ 5,767
City's covered-employee payroll	\$ 200,892	\$ 173,162
City's proportionate share of the net pension asset as a percentage of its covered-employee payroll	10.53%	3.33%
Plan fiduciary net position as a percentage of the total pension asset	114.83%	104.56%

Note: Information prior to 2013 was unavailable.

Amounts presented as of the City's measurement date which is the prior year.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DEFIANCE, OHIO

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
OHIO POLICE AND FIRE (OP&F) PENSION FUND**

LAST TWO YEARS

	<u>2014</u>	<u>2013</u>
City's proportion of the net pension liability	0.14738390%	0.14738390%
City's proportionate share of the net pension liability	\$ 7,635,101	\$ 7,178,059
City's covered-employee payroll	\$ 2,851,291	\$ 2,710,020
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	267.78%	264.87%
Plan fiduciary net position as a percentage of the total pension liability	72.20%	73.00%

Note: Information prior to 2013 was unavailable.

Amounts presented as of the City's measurement date which is the prior year.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DEFIANCE, OHIO

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TEN YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 486,721	\$ 464,542	\$ 495,182	\$ 379,087
Contributions in relation to the contractually required contribution	<u>(486,721)</u>	<u>(464,542)</u>	<u>(495,182)</u>	<u>(379,087)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 4,056,008	\$ 3,871,183	\$ 3,809,092	\$ 3,790,870
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%	10.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ 23,215	\$ 24,107	\$ 22,511	\$ 13,518
Contributions in relation to the contractually required contribution	<u>(23,215)</u>	<u>(24,107)</u>	<u>(22,511)</u>	<u>(13,518)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 193,458	\$ 200,892	\$ 173,162	\$ 170,038
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%	7.95%

Note: Information prior to 2010 for the Combined Plan was unavailable.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 405,857	\$ 360,086	\$ 355,140	\$ 310,697	\$ 343,477	\$ 351,701
<u>(405,857)</u>	<u>(360,086)</u>	<u>(355,140)</u>	<u>(310,697)</u>	<u>(343,477)</u>	<u>(351,701)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,058,570	\$ 4,036,839	\$ 4,368,266	\$ 4,438,529	\$ 4,113,497	\$ 3,822,837
10.00%	8.92%	8.13%	7.00%	8.35%	9.20%
\$ 13,546	\$ 15,599	\$ -	\$ -	\$ -	\$ -
<u>(13,546)</u>	<u>(15,599)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 170,390	\$ 160,980	\$ -	\$ -	\$ -	\$ -
7.95%	9.69%	8.13%	7.00%	8.35%	9.20%

CITY OF DEFIANCE, OHIO

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY CONTRIBUTIONS
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST TEN YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<i>Police:</i>				
Contractually required contribution	\$ 326,523	\$ 304,580	\$ 253,276	\$ 200,811
Contributions in relation to the contractually required contribution	<u>(326,523)</u>	<u>(304,580)</u>	<u>(253,276)</u>	<u>(200,811)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,718,542	\$ 1,603,053	\$ 1,594,937	\$ 1,574,988
Contributions as a percentage of covered-employee payroll	19.00%	19.00%	15.88%	12.75%
<i>Fire:</i>				
Contractually required contribution	\$ 335,793	\$ 293,336	\$ 227,254	\$ 200,587
Contributions in relation to the contractually required contribution	<u>(335,793)</u>	<u>(293,336)</u>	<u>(227,254)</u>	<u>(200,587)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,428,906	\$ 1,248,238	\$ 1,115,083	\$ 1,162,823
Contributions as a percentage of covered-employee payroll	23.50%	23.50%	20.38%	17.25%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 210,059	\$ 212,356	\$ 194,179	\$ 210,943	\$ 192,789	\$ 167,258
<u>(210,059)</u>	<u>(212,356)</u>	<u>(194,179)</u>	<u>(210,943)</u>	<u>(192,789)</u>	<u>(167,258)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,647,522	\$ 1,665,537	\$ 1,522,973	\$ 1,654,455	\$ 1,512,071	\$ 1,423,472
12.75%	12.75%	12.75%	12.75%	12.75%	11.75%
\$ 215,516	\$ 221,543	\$ 224,642	\$ 236,046	\$ 199,535	\$ 168,157
<u>(215,516)</u>	<u>(221,543)</u>	<u>(224,642)</u>	<u>(236,046)</u>	<u>(199,535)</u>	<u>(168,157)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,249,368	\$ 1,284,307	\$ 1,302,272	\$ 1,368,383	\$ 1,156,725	\$ 1,003,922
17.25%	17.25%	17.25%	17.25%	17.25%	16.75%

CITY OF DEFIANCE, OHIO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

**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.

Peace Officer Training Fund

To account for monies received from the State as reimbursement to the police department for qualified training expenses.

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.

CITY OF DEFIANCE, OHIO

FUND DESCRIPTIONS - GOVERNMENTAL FUNDS

Nonmajor Special Revenue Funds (Continued)

Park and Recreation Trust Fund

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

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, 2015

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Income taxes	\$ 6,097,065	\$ 6,151,860	\$ 6,381,313	\$ 229,453
Property and other local taxes	647,333	592,000	603,257	11,257
Charges for services	676,351	682,430	719,475	37,045
Licenses, permits and fees	124,204	125,320	107,303	(18,017)
Fines and forfeitures	464,426	468,600	441,665	(26,935)
Intergovernmental	394,306	397,850	418,306	20,456
Investment income	24,777	25,000	9,998	(15,002)
Donations	-	-	1,525	1,525
Other	72,967	73,623	179,135	105,512
Total revenues	<u>8,501,429</u>	<u>8,516,683</u>	<u>8,861,977</u>	<u>345,294</u>
Expenditures:				
Current:				
General Government:				
City Council:				
Salaries and wages	35,242	35,788	35,786	2
Operating	35,287	46,859	43,842	3,017
Total city council	<u>70,529</u>	<u>82,647</u>	<u>79,628</u>	<u>3,019</u>
Municipal Court:				
Salaries and wages	728,900	737,040	734,376	2,664
Operating	96,545	86,317	81,417	4,900
Total municipal court	<u>825,445</u>	<u>823,357</u>	<u>815,793</u>	<u>7,564</u>
County Law Library:				
Operating	33,863	33,863	31,801	2,062
Total county law library	<u>33,863</u>	<u>33,863</u>	<u>31,801</u>	<u>2,062</u>
Mayor:				
Salaries and wages	94,097	100,597	100,590	7
Operating	12,772	12,318	9,234	3,084
Total mayor	<u>106,869</u>	<u>112,915</u>	<u>109,824</u>	<u>3,091</u>
City Administrator:				
Salaries and wages	55,938	63,602	63,596	6
Operating	49,547	47,135	44,913	2,222
Total city administrator	<u>105,485</u>	<u>110,737</u>	<u>108,509</u>	<u>2,228</u>
Finance Department:				
Salaries and wages	198,697	176,130	175,178	952
Operating	66,850	70,641	64,313	6,328
Total finance department	<u>265,547</u>	<u>246,771</u>	<u>239,491</u>	<u>7,280</u>
County and State Charges:				
Operating	90,750	90,000	81,690	8,310
Total county and state charges	<u>90,750</u>	<u>90,000</u>	<u>81,690</u>	<u>8,310</u>
Law Department:				
Salaries and wages	186,625	213,652	212,766	886
Operating	25,475	25,453	11,845	13,608
Total law department	<u>212,100</u>	<u>239,105</u>	<u>224,611</u>	<u>14,494</u>

- - Continued

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, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Civil Service:				
Salaries and wages	\$ 7,055	\$ 7,055	\$ 6,982	\$ 73
Operating	50,980	48,280	22,154	26,126
Total civil service	<u>58,035</u>	<u>55,335</u>	<u>29,136</u>	<u>26,199</u>
Land and Buildings:				
Salaries and wages	82,280	96,108	92,810	3,298
Operating	471,172	497,877	473,321	24,556
Total land and buildings	<u>553,452</u>	<u>593,985</u>	<u>566,131</u>	<u>27,854</u>
Insurance Pool:				
Operating	138,291	144,417	144,417	-
Total insurance pool	<u>138,291</u>	<u>144,417</u>	<u>144,417</u>	<u>-</u>
Income Tax Collection and Distribution:				
Salaries and wages	68,115	68,115	68,096	19
Operating	204,101	250,148	243,097	7,051
Total income tax collection and distribution	<u>272,216</u>	<u>318,263</u>	<u>311,193</u>	<u>7,070</u>
Total General Government	<u>2,732,582</u>	<u>2,851,395</u>	<u>2,742,224</u>	<u>109,171</u>
Public Health and Welfare:				
Cemetery:				
Salaries and wages	217,255	237,665	232,837	4,828
Operating	56,037	60,313	57,787	2,526
Total cemetery	<u>273,292</u>	<u>297,978</u>	<u>290,624</u>	<u>7,354</u>
Total Public Health and Welfare	<u>273,292</u>	<u>297,978</u>	<u>290,624</u>	<u>7,354</u>
Community Environment:				
Building Inspection:				
Salaries and wages	122,560	122,560	113,477	9,083
Operating	19,181	18,883	15,593	3,290
Total building inspection	<u>141,741</u>	<u>141,443</u>	<u>129,070</u>	<u>12,373</u>
Engineering:				
Salaries and wages	300,240	300,240	217,211	83,029
Operating	46,175	61,461	57,904	3,557
Total engineering.	<u>346,415</u>	<u>361,701</u>	<u>275,115</u>	<u>86,586</u>
Total Community Environment.	<u>488,156</u>	<u>503,144</u>	<u>404,185</u>	<u>98,959</u>
Leisure Time Activity:				
Parks and Recreation:				
Salaries and wages	373,715	377,715	372,056	5,659
Operating	265,994	280,824	275,155	5,669
Total parks and recreation	<u>639,709</u>	<u>658,539</u>	<u>647,211</u>	<u>11,328</u>
Total Leisure Time Activity	<u>639,709</u>	<u>658,539</u>	<u>647,211</u>	<u>11,328</u>

- - Continued

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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Economic Development:				
Development Department:				
Operating	\$ 63,242	\$ 306,669	\$ 288,573	\$ 18,096
Total development department	<u>63,242</u>	<u>306,669</u>	<u>288,573</u>	<u>18,096</u>
Total Economic Development	<u>63,242</u>	<u>306,669</u>	<u>288,573</u>	<u>18,096</u>
Total expenditures	<u>4,196,981</u>	<u>4,617,725</u>	<u>4,372,817</u>	<u>244,908</u>
Excess of revenues over expenditures . .	<u>4,304,448</u>	<u>3,898,958</u>	<u>4,489,160</u>	<u>590,202</u>
Other financing sources (uses):				
Sale of capital assets.	9,911	10,000	18,298	8,298
Transfers (out).	<u>(4,080,000)</u>	<u>(4,245,000)</u>	<u>(4,245,000)</u>	<u>-</u>
Total other financing sources (uses). . .	<u>(4,070,089)</u>	<u>(4,235,000)</u>	<u>(4,226,702)</u>	<u>8,298</u>
Net change in fund balances.	234,359	(336,042)	262,458	598,500
Fund balances at beginning of year. . . .	1,808,959	1,808,959	1,808,959	-
Prior year encumbrances appropriated .	120,890	120,890	120,890	-
Fund balance at end of year	<u>\$ 2,164,208</u>	<u>\$ 1,593,807</u>	<u>\$ 2,192,307</u>	<u>\$ 598,500</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, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Income taxes	\$ 1,554,820	\$ 1,604,400	\$ 1,589,045	\$ (15,355)
Total revenues	<u>1,554,820</u>	<u>1,604,400</u>	<u>1,589,045</u>	<u>(15,355)</u>
Expenditures:				
Current:				
Security of Persons and Property:				
Police:				
Salaries and wages	2,762,866	2,760,170	2,637,161	123,009
Operating	<u>517,525</u>	<u>513,747</u>	<u>429,253</u>	<u>84,494</u>
Total police	<u>3,280,391</u>	<u>3,273,917</u>	<u>3,066,414</u>	<u>207,503</u>
Fire:				
Salaries and wages	1,903,745	2,025,245	1,963,770	61,475
Operating	<u>301,556</u>	<u>305,643</u>	<u>282,657</u>	<u>22,986</u>
Total fire	<u>2,205,301</u>	<u>2,330,888</u>	<u>2,246,427</u>	<u>84,461</u>
Total expenditures	<u>5,485,692</u>	<u>5,604,805</u>	<u>5,312,841</u>	<u>291,964</u>
Excess of expenditures over revenues	<u>(3,930,872)</u>	<u>(4,000,405)</u>	<u>(3,723,796)</u>	<u>276,609</u>
Other financing sources:				
Transfers in	<u>3,619,580</u>	<u>3,735,000</u>	<u>3,735,000</u>	<u>-</u>
Total other financing sources	<u>3,619,580</u>	<u>3,735,000</u>	<u>3,735,000</u>	<u>-</u>
Net change in fund balances	(311,292)	(265,405)	11,204	276,609
Fund balances at beginning of year.	291,878	291,878	291,878	-
Prior year encumbrances appropriated.	<u>20,666</u>	<u>20,666</u>	<u>20,666</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,252</u>	<u>\$ 47,139</u>	<u>\$ 323,748</u>	<u>\$ 276,609</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, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Income taxes	\$ 3,205,424	\$ 1,544,400	\$ 1,602,533	\$ 58,133
Intergovernmental	1,343,472	647,296	652,854	5,558
Other	-	-	20,592	20,592
Total revenues	<u>4,548,896</u>	<u>2,191,696</u>	<u>2,275,979</u>	<u>84,283</u>
Expenditures:				
Current:				
Capital Outlay:				
Operating	<u>4,676,667</u>	<u>2,612,261</u>	<u>2,055,863</u>	<u>556,398</u>
Total capital outlay	<u>4,676,667</u>	<u>2,612,261</u>	<u>2,055,863</u>	<u>556,398</u>
Debt Service:				
Principal retirement	25,000	25,000	25,000	-
Interest and fiscal charges	<u>117,450</u>	<u>117,450</u>	<u>117,450</u>	<u>-</u>
Total debt service	<u>142,450</u>	<u>142,450</u>	<u>142,450</u>	<u>-</u>
Total expenditures.	<u>4,819,117</u>	<u>2,754,711</u>	<u>2,198,313</u>	<u>556,398</u>
Excess of expenditures over revenues	<u>(270,221)</u>	<u>(563,015)</u>	<u>77,666</u>	<u>640,681</u>
Net change in fund balances.	(270,221)	(563,015)	77,666	640,681
Fund balances at beginning of year.	517,488	517,488	517,488	-
Prior year encumbrances appropriated	202,670	202,670	202,670	-
Fund balance at end of year	<u>\$ 449,937</u>	<u>\$ 157,143</u>	<u>\$ 797,824</u>	<u>\$ 640,681</u>

CITY OF DEFIANCE, OHIO

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Total Nonmajor Governmental Funds
Assets:			
Equity in pooled cash and cash equivalents . . .	\$ 2,930,995	\$ 565,440	\$ 3,496,435
Cash in segregated accounts	119,008	-	119,008
Receivables (net of allowance for uncollectibles):			
Income taxes	4,558	-	4,558
Property and other local taxes.	252,892	-	252,892
Accounts	69,014	-	69,014
Loans receivable.	985,672	-	985,672
Special assessments.	-	155,145	155,145
Accrued interest.	2,399	-	2,399
Due from other governments	443,548	-	443,548
Materials and supplies inventory	62,290	-	62,290
Total assets	<u>\$ 4,870,376</u>	<u>\$ 720,585</u>	<u>\$ 5,590,961</u>
Liabilities:			
Accounts payable.	\$ 51,766	\$ -	\$ 51,766
Contracts payable.	43,260	-	43,260
Accrued wages and benefits payable.	7,189	-	7,189
Due to other governments	54,001	-	54,001
Total liabilities	<u>156,216</u>	<u>-</u>	<u>156,216</u>
Deferred inflows of resources:			
Property taxes levied for the next year.	171,000	-	171,000
Accrued interest not available.	789	-	789
Special assessments revenue not available.	-	155,145	155,145
Income tax revenue not available	1,740	-	1,740
Intergovernmental revenue not available	286,614	-	286,614
Total deferred inflows of resources.	<u>460,143</u>	<u>155,145</u>	<u>615,288</u>
Fund balances:			
Nonspendable	62,290	-	62,290
Restricted	4,131,010	565,440	4,696,450
Committed.	60,717	-	60,717
Total fund balances.	<u>4,254,017</u>	<u>565,440</u>	<u>4,819,457</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,870,376</u>	<u>\$ 720,585</u>	<u>\$ 5,590,961</u>

CITY OF DEFIANCE, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Total Nonmajor Governmental Funds
Revenues:			
Income taxes	\$ 27,268	\$ -	\$ 27,268
Property and other local taxes	487,238	-	487,238
Licenses, permits and fees	181,129	-	181,129
Fines and forfeitures	296,467	-	296,467
Intergovernmental	1,685,985	-	1,685,985
Special assessments	-	122,734	122,734
Investment income	47,899	-	47,899
Donations.	121,541	-	121,541
Decrease in fair market value of investments.	(5,463)	-	(5,463)
Other	71,164	-	71,164
Total revenues.	<u>2,913,228</u>	<u>122,734</u>	<u>3,035,962</u>
Expenditures:			
Current:			
General government	776,568	3,798	780,366
Security of persons and property.	913,808	-	913,808
Transportation	933,455	-	933,455
Leisure time activity	100	-	100
Economic development	373,684	-	373,684
Capital outlay.	515	-	515
Debt service:			
Principal retirement.	150,000	116,375	266,375
Total expenditures	<u>3,148,130</u>	<u>120,173</u>	<u>3,268,303</u>
Excess of expenditures over revenues.	<u>(234,902)</u>	<u>2,561</u>	<u>(232,341)</u>
Other financing sources (uses):			
Transfers in	510,000	15,305	525,305
Transfers (out).	-	(9,041)	(9,041)
Total other financing sources (uses).	<u>510,000</u>	<u>6,264</u>	<u>516,264</u>
Net change in fund balances	275,098	8,825	283,923
Fund balances at beginning of year	<u>3,978,919</u>	<u>556,615</u>	<u>4,535,534</u>
Fund balances at end of year	<u>\$ 4,254,017</u>	<u>\$ 565,440</u>	<u>\$ 4,819,457</u>

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CITY OF DEFIANCE, OHIO

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2015

	State Highway Improvements	Permissive Tax	Street Construction, Maintenance and Repair	Indigent Drivers
Assets:				
Equity in pooled cash and cash equivalents . . .	\$ 205,195	\$ 23,432	\$ 534,759	\$ 28,596
Cash in segregated accounts	-	-	-	-
Receivables (net of allowance for uncollectibles):				
Income taxes	-	-	4,558	-
Property and other local taxes.	-	-	-	-
Accounts	-	-	-	899
Loans receivable.	-	-	-	-
Accrued interest.	301	-	785	-
Due from other governments	29,469	-	374,747	-
Materials and supplies inventory	-	-	62,290	-
Total assets.	<u>\$ 234,965</u>	<u>\$ 23,432</u>	<u>\$ 977,139</u>	<u>\$ 29,495</u>
Liabilities:				
Accounts payable	\$ 52	\$ -	\$ 2,845	\$ 2,449
Contracts payable	43,260	-	-	-
Accrued wages and benefits payable.	-	-	7,189	-
Due to other governments	-	-	12,253	-
Total liabilities	<u>43,312</u>	<u>-</u>	<u>22,287</u>	<u>2,449</u>
Deferred inflows of resources:				
Property taxes levied for the next year.	-	-	-	-
Accrued interest not available	99	-	258	-
Income tax revenue not available	-	-	1,740	-
Intergovernmental revenue not available	20,709	-	255,405	-
Total deferred inflows of resources.	<u>20,808</u>	<u>-</u>	<u>257,403</u>	<u>-</u>
Fund balances:				
Nonspendable	-	-	62,290	-
Restricted	170,845	23,432	635,159	27,046
Committed.	-	-	-	-
Total fund balances	<u>170,845</u>	<u>23,432</u>	<u>697,449</u>	<u>27,046</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 234,965</u>	<u>\$ 23,432</u>	<u>\$ 977,139</u>	<u>\$ 29,495</u>

Municipal Probation Services	Probation Grant	Court Computerization	Tree of Life	Special Project	OVI Special Project
\$ 238,859	\$ 4,414	\$ 237,146	\$ 1,214	\$ 193,907	\$ 136,695
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,332	-	6,620	-	12,986	1,388
-	-	-	-	-	-
-	26,112	-	-	-	-
-	-	-	-	-	-
<u>\$ 240,191</u>	<u>\$ 30,526</u>	<u>\$ 243,766</u>	<u>\$ 1,214</u>	<u>\$ 206,893</u>	<u>\$ 138,083</u>
\$ 79	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	368	-	-	-	-
<u>79</u>	<u>368</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
240,112	30,158	243,766	-	206,893	138,083
-	-	-	1,214	-	-
<u>240,112</u>	<u>30,158</u>	<u>243,766</u>	<u>1,214</u>	<u>206,893</u>	<u>138,083</u>
<u>\$ 240,191</u>	<u>\$ 30,526</u>	<u>\$ 243,766</u>	<u>\$ 1,214</u>	<u>\$ 206,893</u>	<u>\$ 138,083</u>

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CITY OF DEFIANCE, OHIO

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
DECEMBER 31, 2015

	<u>Cable TV - Franchise</u>	<u>Housing Rehabilitation Grant</u>	<u>Revolving Loan - Industrial</u>	<u>Peace Officer Training</u>
Assets:				
Equity in pooled cash and cash equivalents . . .	\$ -	\$ 54,699	\$ 894,362	\$ 2,800
Cash in segregated accounts	-	-	-	-
Receivables (net of allowance for uncollectibles):				
Income taxes	-	-	-	-
Property and other local taxes.	-	-	-	-
Accounts	45,789	-	-	-
Loans receivable.	-	-	985,672	-
Accrued interest.	-	-	1,313	-
Due from other governments	-	-	-	2,720
Materials and supplies inventory	-	-	-	-
Total assets.	<u>\$ 45,789</u>	<u>\$ 54,699</u>	<u>\$ 1,881,347</u>	<u>\$ 5,520</u>
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 46,330	\$ -
Contracts payable	-	-	-	-
Accrued wages and benefits payable.	-	-	-	-
Due to other governments	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>46,330</u>	<u>-</u>
Deferred inflows of resources:				
Property taxes levied for the next year.	-	-	-	-
Accrued interest not available	-	-	432	-
Income tax revenue not available	-	-	-	-
Intergovernmental revenue not available	-	-	-	-
Total deferred inflows of resources.	<u>-</u>	<u>-</u>	<u>432</u>	<u>-</u>
Fund balances:				
Nonspendable	-	-	-	-
Restricted	45,789	54,699	1,834,585	5,520
Committed.	-	-	-	-
Total fund balances	<u>45,789</u>	<u>54,699</u>	<u>1,834,585</u>	<u>5,520</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 45,789</u>	<u>\$ 54,699</u>	<u>\$ 1,881,347</u>	<u>\$ 5,520</u>

Reservoir Enhancement	Riverside Cemetery Enhancement	Hotel/Motel Tax	Museum Trust	Cemetery Trust	Police Pension
\$ 21,165	\$ 1,361	\$ 79,323	\$ 11,983	\$ 61	\$ 60,161
-	-	-	119,008	-	-
-	-	-	-	-	-
-	-	81,892	-	-	85,500
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	5,250
-	-	-	-	-	-
<u>\$ 21,165</u>	<u>\$ 1,361</u>	<u>\$ 161,215</u>	<u>\$ 130,991</u>	<u>\$ 61</u>	<u>\$ 150,911</u>
\$ -	\$ -	\$ 11	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	41,380	-	-	-
-	-	<u>41,391</u>	-	-	-
-	-	-	-	-	85,500
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	5,250
-	-	-	-	-	<u>90,750</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	1,361	119,824	130,991	61	60,161
<u>21,165</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>21,165</u>	<u>1,361</u>	<u>119,824</u>	<u>130,991</u>	<u>61</u>	<u>60,161</u>
<u>\$ 21,165</u>	<u>\$ 1,361</u>	<u>\$ 161,215</u>	<u>\$ 130,991</u>	<u>\$ 61</u>	<u>\$ 150,911</u>

- - Continued

CITY OF DEFIANCE, OHIO

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
DECEMBER 31, 2015

	<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 . . .	\$ 34,372	\$ 32,373	\$ 59,445	\$ 2,110
Cash in segregated accounts	-	-	-	-
Receivables (net of allowance for uncollectibles):				
Income taxes	-	-	-	-
Property and other local taxes.	85,500	-	-	-
Accounts	-	-	-	-
Loans receivable.	-	-	-	-
Accrued interest.	-	-	-	-
Due from other governments	5,250	-	-	-
Materials and supplies inventory	-	-	-	-
Total assets.	<u>\$ 125,122</u>	<u>\$ 32,373</u>	<u>\$ 59,445</u>	<u>\$ 2,110</u>
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Contracts payable	-	-	-	-
Accrued wages and benefits payable.	-	-	-	-
Due to other governments	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources:				
Property taxes levied for the next year.	85,500	-	-	-
Accrued interest not available	-	-	-	-
Income tax revenue not available	-	-	-	-
Intergovernmental revenue not available	5,250	-	-	-
Total deferred inflows of resources.	<u>90,750</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Nonspendable	-	-	-	-
Restricted	34,372	-	59,445	-
Committed.	-	32,373	-	2,110
Total fund balances	<u>34,372</u>	<u>32,373</u>	<u>59,445</u>	<u>2,110</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 125,122</u>	<u>\$ 32,373</u>	<u>\$ 59,445</u>	<u>\$ 2,110</u>

Fire and Rescue Trust	Fire Damage Repair	Park and Recreation Trust	Total Nonmajor Special Revenue Funds
\$ 46,608	\$ 22,100	\$ 3,855	\$ 2,930,995
-	-	-	119,008
-	-	-	4,558
-	-	-	252,892
-	-	-	69,014
-	-	-	985,672
-	-	-	2,399
-	-	-	443,548
-	-	-	62,290
<u>\$ 46,608</u>	<u>\$ 22,100</u>	<u>\$ 3,855</u>	<u>\$ 4,870,376</u>
\$ -	\$ -	\$ -	\$ 51,766
-	-	-	43,260
-	-	-	7,189
-	-	-	54,001
<u>-</u>	<u>-</u>	<u>-</u>	<u>156,216</u>
-	-	-	171,000
-	-	-	789
-	-	-	1,740
-	-	-	286,614
<u>-</u>	<u>-</u>	<u>-</u>	<u>460,143</u>
-	-	-	62,290
46,608	22,100	-	4,131,010
-	-	3,855	60,717
<u>46,608</u>	<u>22,100</u>	<u>3,855</u>	<u>4,254,017</u>
<u>\$ 46,608</u>	<u>\$ 22,100</u>	<u>\$ 3,855</u>	<u>\$ 4,870,376</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, 2015

	State Highway Improvements	Permissive Tax	Street Construction, Maintenance and Repair	Indigent Drivers
Revenues:				
Income taxes	\$ -	\$ -	\$ 27,268	\$ -
Property and other local taxes	-	-	-	-
Licenses, permits and fees	-	-	-	-
Fines and forfeitures	-	-	-	19,029
Intergovernmental	70,005	-	987,830	-
Investment income	1,000	-	2,558	-
Donations	-	-	-	-
Decrease in fair market value of investments	-	-	-	-
Other	7,235	8,730	5,147	-
Total revenues	78,240	8,730	1,022,803	19,029
Expenditures:				
Current:				
General government	-	-	-	-
Security of persons and property	-	-	-	7,254
Transportation	81,537	-	851,918	-
Leisure time activity	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Total expenditures	81,537	-	851,918	7,254
Excess (deficiency) of revenues over (under) expenditures	(3,297)	8,730	170,885	11,775
Other financing sources:				
Transfers in	-	-	-	-
Total other financing sources	-	-	-	-
Net change in fund balances	(3,297)	8,730	170,885	11,775
Fund balances (deficit) at beginning of year	174,142	14,702	526,564	15,271
Fund balances at end of year	\$ 170,845	\$ 23,432	\$ 697,449	\$ 27,046

Municipal Probation Services	Probation Grant	Court Computerization	Tree of Life	Special Project	OVI Special Project
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
18,320	-	80,012	-	159,872	10,445
-	67,121	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
38	-	-	100	-	9,188
<u>18,358</u>	<u>67,121</u>	<u>80,012</u>	<u>100</u>	<u>159,872</u>	<u>19,633</u>
-	-	26,493	-	-	-
37,726	51,446	-	-	-	-
-	-	-	-	-	-
-	-	-	100	-	-
-	-	-	-	-	-
-	-	-	-	150,000	-
<u>37,726</u>	<u>51,446</u>	<u>26,493</u>	<u>100</u>	<u>150,000</u>	<u>-</u>
(19,368)	15,675	53,519	-	9,872	19,633
-	-	-	-	-	-
-	-	-	-	-	-
(19,368)	15,675	53,519	-	9,872	19,633
259,480	14,483	190,247	1,214	197,021	118,450
<u>\$ 240,112</u>	<u>\$ 30,158</u>	<u>\$ 243,766</u>	<u>\$ 1,214</u>	<u>\$ 206,893</u>	<u>\$ 138,083</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, 2015

	Cable TV - Franchise	Housing Rehabilitation Grant	Revolving Loan - Industrial	Downtown Revitalization Grant
Revenues:				
Income taxes	\$ -	\$ -	\$ -	\$ -
Property and other local taxes	-	-	-	-
Licenses, permits and fees	181,129	-	-	-
Fines and forfeitures	-	-	-	-
Intergovernmental	-	252,105	-	176,712
Investment income	-	-	44,307	-
Donations	-	-	-	-
Decrease in fair market value of investments	-	-	-	-
Other	-	-	111	-
Total revenues	181,129	252,105	44,418	176,712
Expenditures:				
Current:				
General government	181,080	-	-	-
Security of persons and property	-	-	-	-
Transportation	-	-	-	-
Leisure time activity	-	-	-	-
Economic development	-	214,238	73,400	86,046
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Total expenditures	181,080	214,238	73,400	86,046
Excess (deficiency) of revenues over (under) expenditures	49	37,867	(28,982)	90,666
Other financing sources:				
Transfers in	-	-	-	-
Total other financing sources	-	-	-	-
Net change in fund balances	49	37,867	(28,982)	90,666
Fund balances (deficit) at beginning of year	45,740	16,832	1,863,567	(90,666)
Fund balances at end of year	\$ 45,789	\$ 54,699	\$ 1,834,585	\$ -

Peace Officer Training	Reservoir Enhancement	Riverside Cemetery Enhancement	Hotel/Motel Tax	Museum Trust	Cemetery Trust
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	314,570	-	-
-	-	-	-	-	-
-	-	-	-	-	-
5,520	-	-	-	-	-
-	33	1	-	-	-
-	2,000	895	-	117,413	-
-	-	-	-	(5,463)	-
-	-	-	15,475	-	-
<u>5,520</u>	<u>2,033</u>	<u>896</u>	<u>330,045</u>	<u>111,950</u>	<u>-</u>
-	1,991	-	560,499	6,505	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>1,991</u>	<u>-</u>	<u>560,499</u>	<u>6,505</u>	<u>-</u>
<u>5,520</u>	<u>42</u>	<u>896</u>	<u>(230,454)</u>	<u>105,445</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>5,520</u>	<u>42</u>	<u>896</u>	<u>(230,454)</u>	<u>105,445</u>	<u>-</u>
<u>-</u>	<u>21,123</u>	<u>465</u>	<u>350,278</u>	<u>25,546</u>	<u>61</u>
<u>\$ 5,520</u>	<u>\$ 21,165</u>	<u>\$ 1,361</u>	<u>\$ 119,824</u>	<u>\$ 130,991</u>	<u>\$ 61</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, 2015

	Police Pension	Fire Pension	Tax Redirection	Law Enforcement Trust
Revenues:				
Income taxes	\$ -	\$ -	\$ -	\$ -
Property and other local taxes	86,334	86,334	-	-
Licenses, permits and fees	-	-	-	-
Fines and forfeitures	-	-	-	8,789
Intergovernmental	10,658	10,658	-	-
Investment income	-	-	-	-
Donations	-	-	-	1,233
Decrease in fair market value of investments	-	-	-	-
Other	-	-	-	-
Total revenues	96,992	96,992	-	10,022
Expenditures:				
Current:				
General government	-	-	-	-
Security of persons and property	347,036	353,182	-	308
Transportation	-	-	-	-
Leisure time activity	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Total expenditures	347,036	353,182	-	308
Excess (deficiency) of revenues over (under) expenditures	(250,044)	(256,190)	-	9,714
Other financing sources:				
Transfers in	270,000	240,000	-	-
Total other financing sources	270,000	240,000	-	-
Net change in fund balances	19,956	(16,190)	-	9,714
Fund balances (deficit) at beginning of year	40,205	50,562	32,373	49,731
Fund balances at end of year	\$ 60,161	\$ 34,372	\$ 32,373	\$ 59,445

East Side Firehouse	Fire and Rescue Trust	Fire Damage Repair	Park and Recreation Trust	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ 27,268
-	-	-	-	487,238
-	-	-	-	181,129
-	-	-	-	296,467
-	105,376	-	-	1,685,985
-	-	-	-	47,899
-	-	-	-	121,541
-	-	-	-	(5,463)
-	-	24,000	1,140	71,164
-	105,376	24,000	1,140	2,913,228
-	-	-	-	776,568
-	82,856	34,000	-	913,808
-	-	-	-	933,455
-	-	-	-	100
-	-	-	-	373,684
-	-	-	515	515
-	-	-	-	150,000
-	82,856	34,000	515	3,148,130
-	22,520	(10,000)	625	(234,902)
-	-	-	-	510,000
-	-	-	-	510,000
-	22,520	(10,000)	625	275,098
2,110	24,088	32,100	3,230	3,978,919
\$ 2,110	\$ 46,608	\$ 22,100	\$ 3,855	\$ 4,254,017

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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 60,000	\$ 60,000	\$ 70,824	\$ 10,824
Investment income	500	500	259	(241)
Other	-	-	7,235	7,235
Total revenues	<u>60,500</u>	<u>60,500</u>	<u>78,318</u>	<u>17,818</u>
Expenditures:				
Current:				
Transportation:				
Capital Improvements:				
Operating	82,060	97,000	94,301	2,699
Total expenditures	<u>82,060</u>	<u>97,000</u>	<u>94,301</u>	<u>2,699</u>
Net change in fund balances.	(21,560)	(36,500)	(15,983)	20,517
Fund balances at beginning of year. . . .	164,090	164,090	164,090	-
Prior year encumbrances appropriated .	60	60	60	-
Fund balance at end of year	<u>\$ 142,590</u>	<u>\$ 127,650</u>	<u>\$ 148,167</u>	<u>\$ 20,517</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other	\$ -	\$ -	\$ 2,691	\$ 2,691
Total revenues.	<u>-</u>	<u>-</u>	<u>2,691</u>	<u>2,691</u>
Expenditures:				
Current:				
Transportation:				
Capital Improvements:				
Operating	7,962	7,962	7,962	-
Total expenditures	<u>7,962</u>	<u>7,962</u>	<u>7,962</u>	<u>-</u>
Net change in fund balances.	(7,962)	(7,962)	(5,271)	2,691
Fund balances at beginning of year. . . .	20,741	20,741	20,741	-
Prior year encumbrances appropriated .	7,962	7,962	7,962	-
Fund balance at end of year	<u>\$ 20,741</u>	<u>\$ 20,741</u>	<u>\$ 23,432</u>	<u>\$ 2,691</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Income taxes	\$ 25,740	\$ 25,740	\$ 26,913	\$ 1,173
Intergovernmental	860,000	860,000	997,722	137,722
Investment income	800	800	583	(217)
Other	1,000	1,000	4,831	3,831
Total revenues.	<u>887,540</u>	<u>887,540</u>	<u>1,030,049</u>	<u>142,509</u>
Expenditures:				
Current:				
Transportation:				
Highway and Streets:				
Salaries and wages	671,855	703,765	696,673	7,092
Operating	<u>275,332</u>	<u>268,513</u>	<u>234,021</u>	<u>34,492</u>
Total expenditures.	<u>947,187</u>	<u>972,278</u>	<u>930,694</u>	<u>41,584</u>
Net change in fund balances.	(59,647)	(84,738)	99,355	184,093
Fund balances at beginning of year. . . .	388,232	388,232	388,232	-
Prior year encumbrances appropriated .	8,717	8,717	8,717	-
Fund balance at end of year	<u>\$ 337,302</u>	<u>\$ 312,211</u>	<u>\$ 496,304</u>	<u>\$ 184,093</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, 2015

	<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	\$ 19,265	\$ (5,735)
Total revenues	<u>25,000</u>	<u>25,000</u>	<u>19,265</u>	<u>(5,735)</u>
Expenditures:				
Current:				
Security of Persons and Property:				
Municipal Court:				
Operating	29,064	22,072	10,580	11,492
Total expenditures	<u>29,064</u>	<u>22,072</u>	<u>10,580</u>	<u>11,492</u>
Net change in fund balances.	(4,064)	2,928	8,685	5,757
Fund balances at beginning of year. . . .	7,712	7,712	7,712	-
Prior year encumbrances appropriated . .	9,064	9,064	9,064	-
Fund balance at end of year	<u>\$ 12,712</u>	<u>\$ 19,704</u>	<u>\$ 25,461</u>	<u>\$ 5,757</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and forfeitures	\$ 20,000	\$ 20,000	\$ 19,262	\$ (738)
Other	-	-	38	38
Total revenues.	<u>20,000</u>	<u>20,000</u>	<u>19,300</u>	<u>(700)</u>
Expenditures:				
Current:				
Security of Persons and Property:				
Municipal Probation Service:				
Salaries and wages	-	29,005	26,431	2,574
Operating	55,005	26,000	11,610	14,390
Total expenditures	<u>55,005</u>	<u>55,005</u>	<u>38,041</u>	<u>16,964</u>
Net change in fund balances.	(35,005)	(35,005)	(18,741)	16,264
Fund balances at beginning of year. . . .	257,206	257,206	257,206	-
Fund balance at end of year	<u>\$ 222,201</u>	<u>\$ 222,201</u>	<u>\$ 238,465</u>	<u>\$ 16,264</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 27,340	\$ 54,679	\$ 54,679	\$ -
Total revenues	<u>27,340</u>	<u>54,679</u>	<u>54,679</u>	<u>-</u>
Expenditures:				
Current:				
Security of Persons and Property:				
Municipal Probation Service:				
Salaries and wages	27,340	54,679	51,868	2,811
Total expenditures	<u>27,340</u>	<u>54,679</u>	<u>51,868</u>	<u>2,811</u>
Net change in fund balances.	-	-	2,811	2,811
Fund balances at beginning of year. . . .	1,603	1,603	1,603	-
Fund balance at end of year	<u>\$ 1,603</u>	<u>\$ 1,603</u>	<u>\$ 4,414</u>	<u>\$ 2,811</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, 2015

	<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	\$ 80,012	\$ 12
Total revenues	<u>80,000</u>	<u>80,000</u>	<u>80,012</u>	<u>12</u>
Expenditures:				
Current:				
General Government:				
Municipal Court:				
Operating	20,465	90,000	26,743	63,257
Total expenditures	<u>20,465</u>	<u>90,000</u>	<u>26,743</u>	<u>63,257</u>
Net change in fund balances.	59,535	(10,000)	53,269	63,269
Fund balances at beginning of year. . . .	183,162	183,162	183,162	-
Prior year encumbrances appropriated .	465	465	465	-
Fund balance at end of year	<u>\$ 243,162</u>	<u>\$ 173,627</u>	<u>\$ 236,896</u>	<u>\$ 63,269</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other	\$ -	\$ -	\$ 100	\$ 100
Total revenues.	<u>-</u>	<u>-</u>	<u>100</u>	<u>100</u>
Expenditures:				
Current:				
Leisure time activity:				
Parks and Recreation:				
Operating	-	100	100	-
Total expenditures	<u>-</u>	<u>100</u>	<u>100</u>	<u>-</u>
Net change in fund balance.	-	(100)	-	100
Fund balances at beginning of year. . . .	<u>\$ 1,214</u>	<u>\$ 1,214</u>	<u>\$ 1,214</u>	<u>\$ -</u>
Fund balance at end of year	<u><u>\$ 1,214</u></u>	<u><u>\$ 1,114</u></u>	<u><u>\$ 1,214</u></u>	<u><u>\$ 100</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and forfeitures	\$ 160,000	\$ 160,000	\$ 160,059	\$ 59
Total revenues	<u>160,000</u>	<u>160,000</u>	<u>160,059</u>	<u>59</u>
Expenditures:				
Current:				
General Government:				
Municipal Court:				
Operating	10,000	10,000	-	10,000
Total municipal court	<u>10,000</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>160,000</u>	<u>160,000</u>	<u>150,000</u>	<u>10,000</u>
Net change in fund balances.	-	-	10,059	10,059
Fund balances at beginning of year. . . .	<u>183,848</u>	<u>183,848</u>	<u>183,848</u>	<u>-</u>
Fund balance at end of year	<u>\$ 183,848</u>	<u>\$ 183,848</u>	<u>\$ 193,907</u>	<u>\$ 10,059</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, 2015

	<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	\$ 10,663	\$ (1,337)
Other	12,000	12,000	9,075	(2,925)
Total revenues	<u>24,000</u>	<u>24,000</u>	<u>19,738</u>	<u>(4,262)</u>
Expenditures:				
Current:				
Security of Persons and Property:				
Municipal Court:				
Operating	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total expenditures	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Net change in fund balances.	19,000	19,000	19,738	738
Fund balances at beginning of year. . . .	<u>116,957</u>	<u>116,957</u>	<u>116,957</u>	<u>-</u>
Fund balance at end of year	<u>\$ 135,957</u>	<u>\$ 135,957</u>	<u>\$ 136,695</u>	<u>\$ 738</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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Licenses, permits and fees	\$ 180,000	\$ 181,100	\$ 181,080	\$ (20)
Total revenues	<u>180,000</u>	<u>181,100</u>	<u>181,080</u>	<u>(20)</u>
Expenditures:				
Current:				
General Government:				
Cable TV:				
Operating	180,000	181,100	181,080	20
Total expenditures	<u>180,000</u>	<u>181,100</u>	<u>181,080</u>	<u>20</u>
Net change in fund balances.	-	-	-	-
Fund balances at beginning of year. . . .	-	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 238,562	\$ 238,562	\$ 252,105	\$ 13,543
Total revenues	<u>238,562</u>	<u>238,562</u>	<u>252,105</u>	<u>13,543</u>
Expenditures:				
Current:				
Economic Development:				
Housing Rehabilitation:				
Operating	238,828	238,828	217,293	21,535
Total expenditures	<u>238,828</u>	<u>238,828</u>	<u>217,293</u>	<u>21,535</u>
Net change in fund balances.	(266)	(266)	34,812	35,078
Fund balances at beginning of year. . . .	19,355	19,355	19,355	-
Prior year encumbrances appropriated .	266	266	266	-
Fund balance at end of year	<u>\$ 19,355</u>	<u>\$ 19,355</u>	<u>\$ 54,433</u>	<u>\$ 35,078</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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Investment income	\$ 1,370	\$ 1,370	\$ 1,130	\$ (240)
Total revenues	<u>1,370</u>	<u>1,370</u>	<u>1,130</u>	<u>(240)</u>
Expenditures:				
Current:				
Economic Development:				
Capital Improvement:				
Operating	654,000	654,556	63,811	590,745
Total expenditures	<u>654,000</u>	<u>654,556</u>	<u>63,811</u>	<u>590,745</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(652,630)</u>	<u>(653,186)</u>	<u>(62,681)</u>	<u>590,505</u>
Other financing sources:				
Other financing sources	219,387	219,387	224,767	5,380
Transfers in	-	-	24,556	24,556
Total other financing sources	<u>219,387</u>	<u>219,387</u>	<u>249,323</u>	<u>29,936</u>
Net change in fund balances	(433,243)	(433,799)	186,642	620,441
Fund balances at beginning of year	<u>691,243</u>	<u>691,243</u>	<u>691,243</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 258,000</u></u>	<u><u>\$ 257,444</u></u>	<u><u>\$ 877,885</u></u>	<u><u>\$ 620,441</u></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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 228,509	\$ 178,509	\$ 176,712	\$ (1,797)
Total revenues	<u>228,509</u>	<u>178,509</u>	<u>176,712</u>	<u>(1,797)</u>
Expenditures:				
Current:				
Economic Development:				
Downtown Revitalization:				
Operating	228,509	183,687	176,714	6,973
Total expenditures	<u>228,509</u>	<u>183,687</u>	<u>176,714</u>	<u>6,973</u>
Net change in fund balances.	-	(5,178)	(2)	5,176
Fund balances at beginning of year. . . .	<u>2</u>	<u>2</u>	<u>2</u>	<u>-</u>
Fund balance (deficit) at end of year . . .	<u>\$ 2</u>	<u>\$ (5,176)</u>	<u>\$ -</u>	<u>\$ 5,176</u>

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
PEACE OFFICER TRAINING FUND
 FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 2,800	\$ 2,800
Total revenues	<u>-</u>	<u>-</u>	<u>2,800</u>	<u>2,800</u>
Net change in fund balances.	-	-	2,800	2,800
Fund balances at beginning of year. . . .	-	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,800</u>	<u>\$ 2,800</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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Investment income	\$ 5	\$ 5	\$ 33	\$ 28
Donations.	-	-	2,000	2,000
Total revenues	<u>5</u>	<u>5</u>	<u>2,033</u>	<u>2,028</u>
Expenditures:				
Current:				
General Government:				
Reservoir Enhancement:				
Operating	-	2,000	1,991	9
Total expenditures	<u>-</u>	<u>2,000</u>	<u>1,991</u>	<u>9</u>
Net change in fund balances.	5	(1,995)	42	2,037
Fund balances at beginning of year. . . .	21,123	21,123	21,123	-
Fund balance at end of year	<u>\$ 21,128</u>	<u>\$ 19,128</u>	<u>\$ 21,165</u>	<u>\$ 2,037</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Investment income	\$ 8	\$ 8	\$ 1	\$ (7)
Donations.	-	-	895	895
Total revenues	<u>8</u>	<u>8</u>	<u>896</u>	<u>888</u>
Net change in fund balances.	8	8	896	888
Fund balances at beginning of year. . . .	465	465	465	-
Fund balance at end of year	<u>\$ 473</u>	<u>\$ 473</u>	<u>\$ 1,361</u>	<u>\$ 888</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property and other local taxes	\$ 240,000	\$ 289,800	\$ 308,860	\$ 19,060
Other	-	-	15,475	15,475
Total revenues	<u>240,000</u>	<u>289,800</u>	<u>324,335</u>	<u>34,535</u>
Expenditures:				
Current:				
General Government:				
General Operating:				
Salaries and wages	18,610	18,610	18,610	-
Operating.	<u>82,841</u>	<u>379,651</u>	<u>375,830</u>	<u>3,821</u>
Total general operating	<u>101,451</u>	<u>398,261</u>	<u>394,440</u>	<u>3,821</u>
Capital Improvements:				
Operating	-	169,800	169,752	48
Total capital improvements	<u>-</u>	<u>169,800</u>	<u>169,752</u>	<u>48</u>
Total expenditures	<u>101,451</u>	<u>568,061</u>	<u>564,192</u>	<u>3,869</u>
Net change in fund balances.	138,549	(278,261)	(239,857)	38,404
Fund balances at beginning of year. . . .	309,167	309,167	309,167	-
Prior year encumbrances appropriated .	6,491	6,491	6,491	-
Fund balance at end of year	<u>\$ 454,207</u>	<u>\$ 37,397</u>	<u>\$ 75,801</u>	<u>\$ 38,404</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Donations	\$ 20,000	\$ 20,000	\$ 5,791	\$ (14,209)
Total revenues	<u>20,000</u>	<u>20,000</u>	<u>5,791</u>	<u>(14,209)</u>
Expenditures:				
Current:				
General Government:				
Trust Fund:				
Salaries and wages	-	4,660	4,557	103
Operating	6,610	1,950	1,948	2
Total expenditures	<u>6,610</u>	<u>6,610</u>	<u>6,505</u>	<u>105</u>
Net change in fund balances.	13,390	13,390	(714)	(14,104)
Fund balances at beginning of year. . . .	12,697	12,697	12,697	-
Fund balance at end of year	<u>\$ 26,087</u>	<u>\$ 26,087</u>	<u>\$ 11,983</u>	<u>\$ (14,104)</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Fund balances at beginning of year. . . .	\$ 61	\$ 61	\$ 61	\$ -
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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and other local taxes	\$ 95,000	\$ 95,450	\$ 86,334	\$ (9,116)
Intergovernmental	10,550	10,100	10,658	558
Total revenues	<u>105,550</u>	<u>105,550</u>	<u>96,992</u>	<u>(8,558)</u>
Expenditures:				
Current:				
Security of Persons and Property:				
Police Pension:				
Salaries and wages	-	370,000	345,344	24,656
Operating	372,500	2,500	1,692	808
Total expenditures	<u>372,500</u>	<u>372,500</u>	<u>347,036</u>	<u>25,464</u>
Excess of expenditures over revenues . . .	<u>(266,950)</u>	<u>(266,950)</u>	<u>(250,044)</u>	<u>16,906</u>
Other financing sources:				
Transfers in	270,000	270,000	270,000	-
Total other financing sources	<u>270,000</u>	<u>270,000</u>	<u>270,000</u>	<u>-</u>
Net change in fund balances.	3,050	3,050	19,956	16,906
Fund balances at beginning of year. . . .	40,205	40,205	40,205	-
Fund balance at end of year	<u>\$ 43,255</u>	<u>\$ 43,255</u>	<u>\$ 60,161</u>	<u>\$ 16,906</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property and other local taxes	\$ 95,000	\$ 95,450	\$ 86,334	\$ (9,116)
Intergovernmental	10,550	10,100	10,658	558
Total revenues	<u>105,550</u>	<u>105,550</u>	<u>96,992</u>	<u>(8,558)</u>
Expenditures:				
Current:				
Security of Persons and Property:				
Fire Pension:				
Salaries and wages	-	356,500	351,490	5,010
Operating	342,500	2,500	1,692	808
Total expenditures	<u>342,500</u>	<u>359,000</u>	<u>353,182</u>	<u>5,818</u>
Excess of expenditures over revenues . . .	<u>(236,950)</u>	<u>(253,450)</u>	<u>(256,190)</u>	<u>(2,740)</u>
Other financing sources:				
Transfers in	240,000	240,000	240,000	-
Total other financing sources	<u>240,000</u>	<u>240,000</u>	<u>240,000</u>	<u>-</u>
Net change in fund balances.	3,050	(13,450)	(16,190)	(2,740)
Fund balances at beginning of year. . . .	<u>50,562</u>	<u>50,562</u>	<u>50,562</u>	<u>-</u>
Fund balance at end of year	<u>\$ 53,612</u>	<u>\$ 37,112</u>	<u>\$ 34,372</u>	<u>\$ (2,740)</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, 2015

	<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, 2015

	<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	\$ 8,789	\$ 6,589
Donations.	500	500	1,233	733
Total revenues	<u>2,700</u>	<u>2,700</u>	<u>10,022</u>	<u>7,322</u>
Expenditures:				
Current:				
Security of Persons and Property:				
Police:				
Operating	<u>12,000</u>	<u>12,000</u>	<u>376</u>	<u>11,624</u>
Total expenditures	<u>12,000</u>	<u>12,000</u>	<u>376</u>	<u>11,624</u>
Net change in fund balances.	(9,300)	(9,300)	9,646	18,946
Fund balances at beginning of year. . . .	49,799	49,799	49,799	-
Fund balance at end of year	<u>\$ 40,499</u>	<u>\$ 40,499</u>	<u>\$ 59,445</u>	<u>\$ 18,946</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<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, 2015

	<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	\$ 112,293	\$ 105,376	\$ (6,917)
Total revenues	<u>40,000</u>	<u>112,293</u>	<u>105,376</u>	<u>(6,917)</u>
Expenditures:				
Current:				
Security of Persons and Property:				
Fire:				
Operating	37,635	94,201	82,856	11,345
Total expenditures	<u>37,635</u>	<u>94,201</u>	<u>82,856</u>	<u>11,345</u>
Net change in fund balances.	2,365	18,092	22,520	4,428
Fund balances at beginning of year. . . .	<u>24,088</u>	<u>24,088</u>	<u>24,088</u>	<u>-</u>
Fund balance at end of year	<u>\$ 26,453</u>	<u>\$ 42,180</u>	<u>\$ 46,608</u>	<u>\$ 4,428</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other	\$ -	\$ 24,000	\$ 24,000	\$ -
Total revenues	<u>-</u>	<u>24,000</u>	<u>24,000</u>	<u>-</u>
Expenditures:				
Current:				
Security of Persons and Property:				
Fire:				
Operating	44,000	68,000	56,000	12,000
Total expenditures	<u>44,000</u>	<u>68,000</u>	<u>56,000</u>	<u>12,000</u>
Net change in fund balances.	(44,000)	(44,000)	(32,000)	12,000
Fund balances at beginning of year. . . .	100	100	100	-
Prior year encumbrances appropriated .	44,000	44,000	44,000	-
Fund balance at end of year	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 12,100</u>	<u>\$ 12,000</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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other	\$ -	\$ 516	\$ 1,140	\$ 624
Total revenues	<u>-</u>	<u>516</u>	<u>1,140</u>	<u>624</u>
Expenditures:				
Current:				
Capital Outlay:				
Parks and Recreation:				
Operating	-	516	515	1
Total expenditures	<u>-</u>	<u>516</u>	<u>515</u>	<u>1</u>
Net change in fund balances.	-	-	625	625
Fund balances at beginning of year. . . .	3,230	3,230	3,230	-
Fund balance at end of year	<u>\$ 3,230</u>	<u>\$ 3,230</u>	<u>\$ 3,855</u>	<u>\$ 625</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other	\$ -	\$ 15,308	\$ 15,309	\$ 1
Total revenues	<u>-</u>	<u>15,308</u>	<u>15,309</u>	<u>1</u>
Expenditures:				
Current:				
Finance Department:				
Operating	-	42,000	41,925	75
Total expenditures	<u>-</u>	<u>42,000</u>	<u>41,925</u>	<u>75</u>
Net change in fund balances.	-	(26,692)	(26,616)	76
Fund balances at beginning of year. . . .	30,104	30,104	30,104	-
Fund balance at end of year	<u>\$ 30,104</u>	<u>\$ 3,412</u>	<u>\$ 3,488</u>	<u>\$ 76</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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Special assessments	\$ -	\$ 139,104	\$ 122,734	\$ (16,370)
Total revenues.	-	139,104	122,734	(16,370)
Expenditures:				
Current:				
General Government:				
County and State Charges:				
Operating	5,550	5,550	3,798	1,752
Total county and state charges.	5,550	5,550	3,798	1,752
Debt Service:				
Principal retirement	113,716	113,716	110,111	3,605
Total debt service	113,716	113,716	110,111	3,605
Total expenditures	119,266	119,266	113,909	5,357
Net change in fund balances.	(119,266)	19,838	8,825	(11,013)
Fund balances at beginning of year.	556,615	556,615	556,615	-
Fund balance at end of year	\$ 437,349	\$ 576,453	\$ 565,440	\$ (11,013)

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

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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Operating revenues:				
Charges for services	\$ 8,468,432	\$ 7,549,000	\$ 6,969,513	\$ (579,487)
Other	33,375	3,000	28,004	25,004
Total operating revenues	<u>8,501,807</u>	<u>7,552,000</u>	<u>6,997,517</u>	<u>(554,483)</u>
Operating expenses:				
Personal services	2,215,673	2,127,165	2,013,865	113,300
Contract services	622,004	543,955	506,924	37,031
Materials and supplies	492,380	388,385	300,593	87,792
Administrative costs	52,145	49,224	42,740	6,484
Utilities	362,219	288,177	256,781	31,396
Capital outlay	3,839,531	3,210,522	2,517,816	692,706
Other	66	63	63	-
Total operating expenses	<u>7,584,018</u>	<u>6,607,491</u>	<u>5,638,782</u>	<u>968,709</u>
Operating income (loss)	<u>917,789</u>	<u>944,509</u>	<u>1,358,735</u>	<u>414,226</u>
Nonoperating revenues (expenses):				
Interest revenue	11,218	10,000	7,201	(2,799)
Sale of capital assets	-	-	2,149	2,149
Issuance of loans	437,500	390,000	391,383	1,383
Issuance of notes	4,558,975	4,064,000	3,868,128	(195,872)
Debt service:				
Principal retirement	(6,244,745)	(5,929,307)	(5,928,934)	373
Interest and fiscal charges	(899,035)	(853,622)	(853,599)	23
Total nonoperating revenues (expenses)	<u>(2,136,087)</u>	<u>(2,318,929)</u>	<u>(2,513,672)</u>	<u>(194,743)</u>
Loss before capital contributions	(1,218,298)	(1,374,420)	(1,154,937)	219,483
Capital contributions	<u>175,000</u>	<u>156,000</u>	<u>-</u>	<u>(156,000)</u>
Net change in fund equity	(1,043,298)	(1,218,420)	(1,154,937)	63,483
Fund equity at beginning of year	3,666,934	3,666,934	3,666,934	-
Prior year encumbrances appropriated	611,901	611,901	611,901	-
Fund equity at end of year	<u>\$ 3,235,537</u>	<u>\$ 3,060,415</u>	<u>\$ 3,123,898</u>	<u>\$ 63,483</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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for services	\$ 8,558,075	\$ 6,016,700	\$ 5,874,834	\$ (141,866)
Tap-in fees	14,058	10,000	23,581	13,581
Other.	5,904	4,200	7,226	3,026
Total operating revenues.	8,578,037	6,030,900	5,905,641	(125,259)
Operating expenses:				
Personal services.	2,498,854	2,106,642	2,055,966	50,676
Contract services.	532,488	425,686	395,510	30,176
Materials and supplies	1,414,373	1,039,959	928,651	111,308
Administrative costs	41,594	32,858	19,995	12,863
Utilities	454,551	310,396	230,166	80,230
Capital outlay	3,754,598	2,571,885	1,850,095	721,790
Other.	11,102	9,000	5,542	3,458
Total operating expenses.	8,707,560	6,496,426	5,485,925	1,010,501
Operating income (loss)	(129,523)	(465,526)	419,716	885,242
Nonoperating revenues (expenses):				
Interest revenue	14,058	10,000	5,295	(4,705)
Sale of capital assets.	-	-	2,058	2,058
Debt service:				
Principal retirement.	(1,133,623)	(919,002)	(919,002)	-
Interest and fiscal charges.	(692,367)	(561,286)	(561,286)	-
Total nonoperating revenues (expenses)	(1,811,932)	(1,470,288)	(1,472,935)	(2,647)
Loss before capital contributions.	(1,941,455)	(1,935,814)	(1,053,219)	882,595
Capital contributions	456,875	325,000	239,844	(85,156)
Net change in fund equity	(1,484,580)	(1,610,814)	(813,375)	797,439
Fund equity at beginning of year.	2,545,633	2,545,633	2,545,633	-
Prior year encumbrances appropriated	636,434	636,434	636,434	-
Fund equity at end of year	\$ 1,697,487	\$ 1,571,253	\$ 2,368,692	\$ 797,439

CITY OF DEFIANCE, OHIO

COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
DECEMBER 31, 2015

	<u>Refuse</u>	<u>Utility Deposit</u>	<u>Total Nonmajor Enterprise Funds</u>
Assets:			
Current assets:			
Equity in pooled cash and cash equivalents . . .	\$ 463,135	\$ -	\$ 463,135
Receivables (net of allowance for uncollectibles):			
Accounts	72,085	-	72,085
Total current assets.	<u>535,220</u>	<u>-</u>	<u>535,220</u>
Noncurrent assets:			
Restricted assets:			
Equity in pooled cash and cash equivalents. . .	-	425,967	425,967
Cash in segregated accounts	74,895	-	74,895
Total noncurrent assets	<u>74,895</u>	<u>425,967</u>	<u>500,862</u>
Total assets	<u>610,115</u>	<u>425,967</u>	<u>1,036,082</u>
Liabilities:			
Current liabilities:			
Payable from restricted assets:			
Refundable deposits	-	425,967	425,967
Total liabilities	<u>-</u>	<u>425,967</u>	<u>425,967</u>
Net position:			
Unrestricted	610,115	-	610,115
Total net position	<u>\$ 610,115</u>	<u>\$ -</u>	<u>\$ 610,115</u>

CITY OF DEFIANCE, OHIO

COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Refuse</u>	<u>Utility Deposit</u>	<u>Total Nonmajor Enterprise Funds</u>
Operating revenues:			
Charges for services	\$ 945,507	\$ -	\$ 945,507
Total operating revenues	<u>945,507</u>	<u>-</u>	<u>945,507</u>
Operating expenses:			
Utilities	1,011,122	-	1,011,122
Other operating expenses	27	-	27
Total operating expenses	<u>1,011,149</u>	<u>-</u>	<u>1,011,149</u>
Change in net position.	(65,642)	-	(65,642)
Net position at beginning of year.	<u>675,757</u>	<u>-</u>	<u>675,757</u>
Net position at end of year	<u>\$ 610,115</u>	<u>\$ -</u>	<u>\$ 610,115</u>

CITY OF DEFIANCE, OHIO

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Refuse	Utility Deposit	Total Nonmajor Enterprise Funds
Cash flows from operating activities:			
Cash received from charges for services.	\$ 930,383	\$ 95,225	\$ 1,025,608
Cash payments for utilities.	(1,011,122)	-	(1,011,122)
Cash payments for other operations	(27)	(12,250)	(12,277)
Net cash provided by (used in) operating activities	(80,766)	82,975	2,209
Net increase (decrease) in cash and cash equivalents	(80,766)	82,975	2,209
Cash and cash equivalents at beginning of year . . .	618,796	342,992	961,788
Cash and cash equivalents at end of year	\$ 538,030	\$ 425,967	\$ 963,997
Reconciliation of operating loss to net cash provided by (used in) operating activities:			
Operating loss.	\$ (65,642)	\$ -	\$ (65,642)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Changes in assets and liabilities:			
Increase in accounts receivable.	(15,124)	-	(15,124)
Increase in utility deposits payable.	-	82,975	82,975
Net cash provided by (used in) operating activities	\$ (80,766)	\$ 82,975	\$ 2,209

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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for services	\$ 880,000	\$ 888,000	\$ 930,383	\$ 42,383
Total operating revenues	880,000	888,000	930,383	42,383
Operating expenses:				
Utilities	1,004,773	1,012,773	1,011,293	1,480
Other.	27	27	27	-
Total operating expenses.	1,004,800	1,012,800	1,011,320	1,480
Net change in fund equity	(124,800)	(124,800)	(80,937)	43,863
Fund equity at beginning of year.	544,072	544,072	544,072	-
Fund equity at end of year	\$ 419,272	\$ 419,272	\$ 463,135	\$ 43,863

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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for services	\$ 50,000	\$ 50,000	\$ 95,225	\$ 45,225
Total operating revenues	50,000	50,000	95,225	45,225
Operating expenses:				
Utilities	50,000	50,000	12,250	37,750
Total operating expenses	50,000	50,000	12,250	37,750
Net change in fund equity	-	-	82,975	82,975
Fund equity at beginning of year.	342,992	342,992	342,992	-
Fund equity at end of year	\$ 342,992	\$ 342,992	\$ 425,967	\$ 82,975

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, 2015

	<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	\$ 3,136,164	\$ 3,008,200	\$ 2,837,633	\$ (170,567)
Total operating revenues.	<u>3,136,164</u>	<u>3,008,200</u>	<u>2,837,633</u>	<u>(170,567)</u>
Operating expenses:				
Claims	<u>2,797,700</u>	<u>3,009,700</u>	<u>2,920,274</u>	<u>89,426</u>
Total operating expenses.	<u>2,797,700</u>	<u>3,009,700</u>	<u>2,920,274</u>	<u>89,426</u>
Operating loss	<u>338,464</u>	<u>(1,500)</u>	<u>(82,641)</u>	<u>(81,141)</u>
Nonoperating revenues:				
Interest revenue	<u>886</u>	<u>850</u>	<u>291</u>	<u>(559)</u>
Total nonoperating revenues	<u>886</u>	<u>850</u>	<u>291</u>	<u>(559)</u>
Net change in fund equity	339,350	(650)	(82,350)	(81,700)
Fund equity at beginning of year.	254,967	254,967	254,967	-
Prior year encumbrances appropriated . . .	1,500	1,500	1,500	-
Fund equity at end of year	<u>\$ 595,817</u>	<u>\$ 255,817</u>	<u>\$ 174,117</u>	<u>\$ (81,700)</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, 2015

Municipal Court Fund	Beginning Balance	Additions	Reductions	Ending Balance
Assets:				
Cash in segregated accounts	\$ 15,977	\$ 10,168	\$ 15,977	\$ 10,168
Total assets	<u>\$ 15,977</u>	<u>\$ 10,168</u>	<u>\$ 15,977</u>	<u>\$ 10,168</u>
Liabilities:				
Due to other governments.	\$ 15,977	\$ 10,168	\$ 15,977	\$ 10,168
Total liabilities	<u>\$ 15,977</u>	<u>\$ 10,168</u>	<u>\$ 15,977</u>	<u>\$ 10,168</u>

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.

Table of Contents

Page

Schedules 1-4 reflect financial trends data to help the reader understand how the City's financial performance and well-being have changed over time.	162-171
Schedules 5-6 reflect revenue capacity and help the reader assess the City's most significant local revenue source, the income tax.	172-175
Schedules 7-11 reflect debt capacity and help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	176-185
Schedules 12-13 offer demographic and economic information to help the reader understand the environment within which the City's financial activities take place, and to provide information that facilitates comparisons of financial information over time and among governments.	186-187
Schedules 14-16 contain operating information to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	188-193

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>2015</u>	<u>2014 (1)</u>	<u>2013</u>	<u>2012</u>
Governmental activities:				
Net investment in capital assets	\$ 14,972,611	\$ 14,422,564	\$ 14,481,473	\$ 14,851,497
Restricted for:				
Capital projects	-	48,399	-	7,844
Debt service	720,585	714,360	683,737	844,314
Transportation projects	804,151	892,276	712,739	581,289
Safety projects	527,162	506,120	553,081	498,201
Special projects	344,976	315,471	292,143	263,351
Community environment projects	54,699	16,832	19,132	47,820
Economic development projects	1,943,972	2,214,522	2,134,556	2,114,679
Health projects	1,422	526	3,094	6,684
Parks and recreation projects	-	-	-	-
Other purposes	423,454	261,533	250,264	156,255
Unrestricted (deficit)	<u>(2,901,972)</u>	<u>(4,364,958)</u>	<u>3,354,535</u>	<u>2,850,904</u>
Total governmental activities	<u>16,891,060</u>	<u>15,027,645</u>	<u>22,484,754</u>	<u>22,222,838</u>
Business-type activities:				
Net investment in capital assets	28,739,028	26,579,042	21,292,299	21,768,542
Unrestricted	<u>7,495,520</u>	<u>6,746,040</u>	<u>8,057,987</u>	<u>4,474,787</u>
Total business-type activities	<u>36,234,548</u>	<u>33,325,082</u>	<u>29,350,286</u>	<u>26,243,329</u>
Total primary government:				
Net investment in capital assets	43,711,639	41,001,606	35,773,772	36,620,039
Restricted	4,820,421	4,970,039	4,648,746	4,520,437
Unrestricted	<u>4,593,548</u>	<u>2,381,082</u>	<u>11,412,522</u>	<u>7,325,691</u>
Total primary government	<u>\$ 53,125,608</u>	<u>\$ 48,352,727</u>	<u>\$ 51,835,040</u>	<u>\$ 48,466,167</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 Statements Nos. 68 & 71.

	2011	2010	2009	2008	2007	2006
\$	14,739,970	\$ 13,848,663	\$ 14,665,319	\$ 14,021,819	\$ 13,799,408	\$ 13,549,449
	7,820	-	1,180,352	1,392,724	967,504	836,427
	1,085,623	1,237,297	1,188,099	1,212,716	1,194,515	1,210,403
	497,741	541,136	632,776	745,459	706,547	601,417
	618,436	625,783	583,247	492,417	400,250	-
	234,068	333,266	498,582	621,966	551,384	-
	4,804	23,804	27,686	125,358	130,221	-
	1,909,300	2,031,638	1,950,777	1,921,779	1,826,439	1,575,853
	5,861	5,367	6,169	7,718	19,564	-
	-	-	34,995	34,995	34,995	-
	247,085	154,865	245,406	195,598	166,967	1,885,332
	4,013,245	3,667,142	2,597,515	3,940,429	4,826,514	3,938,352
	<u>23,363,953</u>	<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>
	18,422,430	15,279,312	15,197,096	12,651,704	11,696,962	9,780,309
	5,003,212	5,493,597	2,742,655	3,787,353	3,571,350	4,651,099
	<u>23,425,642</u>	<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>
	33,162,400	29,127,975	29,862,415	26,673,523	25,496,370	23,329,758
	4,610,738	4,953,156	6,348,089	6,750,730	5,998,386	6,109,432
	9,016,457	9,160,739	5,340,170	7,727,782	8,397,864	8,589,451
\$	<u>46,789,595</u>	<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>

CITY OF DEFIANCE, OHIO

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Program revenues:				
Governmental activities:				
Charges for services and sales:				
General government	\$ 586,116	\$ 442,820	\$ 552,784	\$ 391,824
Security of persons and property	1,171,564	1,060,229	1,198,534	1,130,824
Public health and welfare	66,674	105,452	69,403	68,467
Community environment	90,988	98,521	75,598	109,874
Leisure time activity	22,450	15,065	16,729	25,780
Economic development	110,454	128,563	20,567	21,715
Operating grants and contributions	1,863,760	1,613,806	1,420,889	1,752,458
Capital grants and contributions	677,251	475,707	982,639	489,168
Total governmental activities	<u>4,589,257</u>	<u>3,940,163</u>	<u>4,337,143</u>	<u>3,990,110</u>
Business-type activities:				
Charges for services and sales:				
Sewer	7,036,691	6,842,532	6,252,710	6,388,276
Water	5,931,419	5,800,439	5,900,065	6,031,392
Refuse	945,507	907,542	885,936	876,007
Operating grants and contributions	-	-	-	-
Capital grants and contributions	239,844	414,190	158,860	-
Total business-type activities	<u>14,153,461</u>	<u>13,964,703</u>	<u>13,197,571</u>	<u>13,295,675</u>
Total primary government	<u><u>18,742,718</u></u>	<u><u>17,904,866</u></u>	<u><u>17,534,714</u></u>	<u><u>17,285,785</u></u>
Expenses:				
Governmental activities:				
General government	3,641,100	2,943,207	3,154,896	3,065,260
Security of persons and property	6,405,325	5,490,081	5,516,843	5,725,571
Public health and welfare	333,559	283,541	259,593	237,991
Transportation	1,785,648	1,726,774	2,070,218	2,257,425
Community environment	424,611	422,575	464,158	600,805
Leisure time activity	722,802	647,226	777,604	820,217
Economic development	662,026	458,031	681,350	888,011
Utility services	-	-	-	-
Other	-	-	-	-
Interest and fiscal charges	119,328	118,383	121,774	124,912
Total governmental activities	<u>14,094,399</u>	<u>12,089,818</u>	<u>13,046,436</u>	<u>13,720,192</u>
Business-type activities:				
Sewer	5,386,271	4,955,025	4,769,476	5,313,868
Water	4,920,630	4,448,309	5,068,496	4,746,280
Refuse	1,011,149	973,524	787,148	828,551
Total business-type activities	<u>11,318,050</u>	<u>10,376,858</u>	<u>10,625,120</u>	<u>10,888,699</u>
Total primary government	<u><u>\$ 25,412,449</u></u>	<u><u>\$ 22,466,676</u></u>	<u><u>\$ 23,671,556</u></u>	<u><u>\$ 24,608,891</u></u>
Net (expense) revenue:				
Governmental activities	\$ (9,505,142)	\$ (8,149,655)	\$ (8,709,293)	\$ (9,730,082)
Business-type activities	2,835,411	3,587,845	2,572,451	2,406,976
Total primary government	<u><u>(6,669,731)</u></u>	<u><u>(4,561,810)</u></u>	<u><u>(6,136,842)</u></u>	<u><u>(7,323,106)</u></u>

	2011	2010	2009	2008	2007	2006
\$	367,422	\$ 289,696	\$ 378,315	\$ 395,715	\$ 464,448	\$ 619,931
	1,191,219	1,343,214	1,171,103	1,247,379	1,180,003	1,186,602
	68,689	72,449	41,521	58,774	66,705	53,899
	73,168	103,689	95,422	175,633	179,334	233,028
	23,133	25,835	21,246	25,162	37,141	32,086
	573	290	253	493	290	65,886
	1,863,347	1,685,214	1,644,771	1,331,141	1,409,456	1,697,228
	1,056,917	497,525	322,650	171,030	201,996	-
	4,644,468	4,017,912	3,675,281	3,405,327	3,539,373	3,888,660
	6,113,369	5,279,085	4,690,081	4,301,484	4,158,792	3,731,030
	5,415,327	4,842,869	4,194,197	4,090,704	4,020,403	3,600,821
	819,619	766,697	726,603	764,881	671,841	661,607
	-	-	-	-	23,077	326,154
	-	2,228,539	14,354	313,087	-	-
	12,348,315	13,117,190	9,625,235	9,470,156	8,874,113	8,319,612
	16,992,783	17,135,102	13,300,516	12,875,483	12,413,486	12,208,272
	2,817,789	3,429,558	3,405,877	2,700,947	3,438,927	2,493,160
	5,429,001	6,043,793	5,727,001	5,718,266	5,559,839	5,118,991
	244,943	224,256	207,391	288,007	253,008	213,337
	1,746,391	2,533,251	1,798,226	2,463,188	2,149,203	1,556,748
	475,458	556,280	522,191	586,847	523,893	424,583
	650,516	740,699	697,284	995,983	961,329	897,522
	903,603	381,070	834,468	84,009	275,686	274,914
	5,335	-	-	-	-	-
	-	-	15,700	4,913	4,908	4,732
	83,200	77,825	41,344	29,296	48,348	79,072
	12,356,236	13,986,732	13,249,482	12,871,456	13,215,141	11,063,059
	4,691,866	6,192,897	3,971,144	3,993,639	4,193,689	3,178,453
	4,406,534	4,224,602	4,196,427	4,282,755	3,827,063	3,830,920
	785,210	725,206	680,242	726,933	630,422	608,056
	9,883,610	11,142,705	8,847,813	9,003,327	8,651,174	7,617,429
\$	22,239,846	\$ 25,129,437	\$ 22,097,295	\$ 21,874,783	\$ 21,866,315	\$ 18,680,488
\$	(7,711,768)	\$ (9,968,820)	\$ (9,574,201)	\$ (9,466,129)	\$ (9,675,768)	\$ (7,174,399)
	2,464,705	1,974,485	777,422	466,829	222,939	702,183
	(5,247,063)	(7,994,335)	(8,796,779)	(8,999,300)	(9,452,829)	(6,472,216)

- Continued

CITY OF DEFIANCE, OHIO

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
General revenues and other changes in net position:				
Governmental activities:				
Income taxes levied for:				
General purposes	6,481,829	6,015,181	5,760,134	5,540,859
Special purposes	1,642,395	1,495,912	24,562	23,028
Capital purposes	1,628,533	1,521,532	1,411,401	1,381,685
Property taxes levied for:				
General purposes	593,210	620,421	550,030	523,667
Special purposes	487,238	439,290	412,283	403,551
Grants and entitlements not restricted to specific programs	249,294	387,599	524,815	768,909
Investment earnings	38,491	5,153	32,216	25,118
Payments in lieu of taxes	-	-	67,034	66,732
Decrease in fair market value of investments	(17,150)	-	-	-
Miscellaneous	258,453	431,790	247,289	201,507
Transfers	6,264	(1,737,268)	(58,555)	(346,089)
Total governmental activities	<u>11,368,557</u>	<u>9,179,610</u>	<u>8,971,209</u>	<u>8,588,967</u>
Business-type activities:				
Investment earnings	43,082	37,063	30,295	19,942
Miscellaneous	37,237	63,592	107,946	44,680
Transfers	(6,264)	1,737,268	58,555	346,089
Special items	-	-	337,710	-
Total business-type activities	<u>74,055</u>	<u>1,837,923</u>	<u>534,506</u>	<u>410,711</u>
Total primary government	<u>11,442,612</u>	<u>11,017,533</u>	<u>9,505,715</u>	<u>8,999,678</u>
Change in net position:				
Governmental activities	1,863,415	1,029,955	261,916	(1,141,115)
Business-type activities	2,909,466	5,425,768	3,106,957	2,817,687
Total primary government	<u>\$ 4,772,881</u>	<u>\$ 6,455,723</u>	<u>\$ 3,368,873</u>	<u>\$ 1,676,572</u>

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
5,209,705	5,458,481	5,227,106	5,933,088	6,502,751	5,924,313
21,871	23,236	21,395	25,248	27,315	25,099
1,312,258	1,394,167	1,283,680	1,514,902	1,638,902	1,505,961
521,650	543,275	525,405	602,325	664,808	585,649
365,707	334,523	305,992	340,946	363,825	349,160
1,096,255	1,024,894	909,503	1,089,930	949,213	1,124,495
19,885	13,353	22,217	155,049	404,382	346,052
82,256	82,943	83,895	-	-	-
-	-	-	-	-	-
101,646	540,547	99,418	231,871	208,359	380,086
(50,409)	(588,561)	(6,465)	(338,560)	(56,712)	(605,176)
<u>8,680,824</u>	<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>
14,382	5,659	9,888	69,086	229,311	196,364
263,944	264,453	269,208	296,270	327,942	31,901
50,409	588,561	6,465	338,560	56,712	605,176
-	-	437,711	-	-	-
<u>328,735</u>	<u>858,673</u>	<u>723,272</u>	<u>703,916</u>	<u>613,965</u>	<u>833,441</u>
<u>9,009,559</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>
969,056	(1,141,962)	(1,102,055)	88,670	1,027,075	2,461,240
2,793,440	2,833,158	1,500,694	1,170,745	836,904	1,535,624
<u>\$ 3,762,496</u>	<u>\$ 1,691,196</u>	<u>\$ 398,639</u>	<u>\$ 1,259,415</u>	<u>\$ 1,863,979</u>	<u>\$ 3,996,864</u>

CITY OF DEFIANCE, OHIO

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
General fund:				
Nonspendable	\$ 3,488	\$ 1,414	\$ 93	\$ 93
Committed	-	-	-	8,165
Assigned	61,305	81,324	200,750	535,956
Unassigned	3,176,273	2,538,419	1,638,857	1,050,874
Reserved	-	-	-	-
Unreserved	-	-	-	-
Total general fund	<u>3,241,066</u>	<u>2,621,157</u>	<u>1,839,700</u>	<u>1,595,088</u>
All other governmental funds:				
Nonspendable	62,290	47,100	33,615	37,124
Restricted	5,080,218	4,651,756	4,372,647	4,223,607
Committed	1,200,258	867,404	1,212,727	1,037,169
Unassigned (deficit)	-	(90,666)	(498,051)	-
Reserved	-	-	-	-
Unreserved (deficit), reported in:				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Total all other governmental funds	<u>6,342,766</u>	<u>5,475,594</u>	<u>5,120,938</u>	<u>5,297,900</u>
Total governmental funds	<u>\$ 9,583,832</u>	<u>\$ 8,096,751</u>	<u>\$ 6,960,638</u>	<u>\$ 6,892,988</u>

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

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 87	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
364,029	-	-	-	-	-
1,255,774	-	-	-	-	-
-	190,796	298,434	571,452	524,398	523,571
-	1,573,664	2,044,712	3,019,128	3,871,519	3,315,057
<u>1,619,890</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>
23,882	-	-	-	-	-
4,345,580	-	-	-	-	-
2,073,285	-	-	-	-	-
-	-	-	-	-	-
-	2,959,329	5,866,656	3,707,457	3,003,392	2,533,157
-	1,917,162	2,133,103	2,012,299	2,174,078	2,437,600
-	(3,128,520)	(3,148,530)	442,761	326,347	515,373
<u>6,442,747</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>\$ 8,062,637</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>

CITY OF DEFIANCE, OHIO

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenues:				
Income taxes	\$ 9,731,224	\$ 9,059,983	\$ 6,859,653	\$ 6,934,078
Property and other local taxes	1,093,043	1,031,890	967,412	937,902
Payments in lieu of taxes	-	-	67,034	66,732
Charges for services	752,932	677,255	752,837	671,448
Licenses, permits and fees	288,432	303,813	369,843	259,187
Fines and forfeitures	736,546	741,019	790,492	796,536
Intergovernmental	2,782,356	2,346,937	2,846,068	2,943,779
Special assessments	122,734	34,246	36,196	40,992
Investment income	87,084	57,564	85,328	88,827
Donations	123,066	52,343	7,553	6,480
Decrease in fair market value of investments	(17,150)	-	-	-
Other	285,692	429,910	245,989	198,445
Total revenues	<u>15,985,959</u>	<u>14,734,960</u>	<u>13,028,405</u>	<u>12,944,406</u>
Expenditures:				
Current:				
General government	3,400,259	2,845,060	2,740,480	2,624,218
Security of persons and property	6,007,907	5,505,787	5,179,234	5,223,915
Public health and welfare	282,332	252,955	224,443	207,560
Transportation	933,455	873,971	845,468	1,003,738
Community environment	385,516	407,403	426,724	506,585
Leisure time activity	615,564	557,923	552,903	595,366
Economic development	662,026	492,102	681,350	888,011
Other	-	-	-	-
Capital outlay	1,795,440	2,551,370	3,101,258	3,775,372
Debt service:				
Principal retirement	318,923	331,625	184,686	164,543
Interest and fiscal charges	121,741	120,850	124,250	147,398
Bond issuance costs	-	-	-	-
Total expenditures	<u>14,523,163</u>	<u>13,939,046</u>	<u>14,060,796</u>	<u>15,136,706</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,462,796</u>	<u>795,914</u>	<u>(1,032,391)</u>	<u>(2,192,300)</u>
Other financing sources (uses):				
Issuance of notes	-	-	-	-
Premium on notes issued	-	-	-	-
Issuance of bonds	-	-	-	-
Premium on bonds issued	-	-	-	-
Capital lease transaction	-	196,890	-	-
Transfers in	4,260,305	4,200,300	380,000	410,000
Transfers (out)	(4,254,041)	(4,167,713)	(388,085)	(499,681)
Issuance of loans	-	110,722	1,108,126	1,112,332
Sale of capital assets	18,021	-	-	-
Total other financing sources (uses)	<u>24,285</u>	<u>340,199</u>	<u>1,100,041</u>	<u>1,022,651</u>
Net change in fund balances	<u>\$ 1,487,081</u>	<u>\$ 1,136,113</u>	<u>\$ 67,650</u>	<u>\$ (1,169,649)</u>
Capital expenditures	\$ 1,705,584	\$ 1,314,436	\$ 1,957,981	\$ 2,299,108
Debt service as a percentage of noncapital expenditures	3.44%	3.58%	2.55%	2.43%

	2011	2010	2009	2008	2007	2006
\$	6,645,815	\$ 6,709,254	\$ 6,574,354	\$ 7,392,483	\$ 8,144,681	\$ 7,514,929
	907,400	882,023	833,037	941,651	990,413	973,459
	82,256	82,943	83,895	-	-	-
	664,054	695,129	571,591	583,007	610,410	814,599
	280,571	307,950	283,514	362,524	411,195	530,437
	795,442	838,380	857,055	957,625	906,316	846,396
	3,932,905	2,969,152	2,835,054	2,306,703	2,331,185	2,689,369
	41,695	88,403	111,684	128,763	128,306	128,820
	78,555	76,653	86,723	223,765	463,182	329,191
	40,284	31,167	12,050	22,504	92,831	-
	-	-	-	-	-	-
	99,346	518,328	99,418	231,871	209,200	380,086
	<u>13,568,323</u>	<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>
	2,729,651	3,204,581	3,326,526	2,608,253	3,310,360	2,402,010
	5,162,340	5,633,172	5,494,652	5,565,046	5,168,495	4,796,241
	215,876	209,367	195,960	256,613	237,907	159,148
	1,090,575	1,286,092	944,909	924,908	925,825	742,619
	527,416	530,248	501,339	577,079	489,268	392,490
	543,357	542,834	565,067	744,411	783,809	647,025
	903,603	381,070	834,468	84,009	275,686	274,914
	-	-	15,700	4,913	4,908	4,732
	1,721,528	4,904,016	2,885,875	2,363,794	1,914,186	2,475,899
	106,308	104,703	107,723	132,368	551,951	836,795
	52,821	78,407	41,913	30,026	49,224	91,505
	75,000	-	-	-	-	-
	<u>13,128,475</u>	<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>
	439,848	(3,675,108)	(2,565,757)	(140,524)	576,100	1,383,908
	-	-	-	-	-	435,000
	-	-	-	-	186	122
	4,075,000	-	-	-	-	-
	42,588	-	-	-	-	-
	-	-	-	-	4,471	17,429
	1,459,967	671,356	456,000	1,108,237	395,000	494,000
	(1,467,197)	(678,192)	(462,465)	(1,114,350)	(400,781)	(494,000)
	-	-	-	-	-	-
	-	-	13,500	-	-	750,000
	<u>4,110,358</u>	<u>(6,836)</u>	<u>7,035</u>	<u>(6,113)</u>	<u>(1,124)</u>	<u>1,202,551</u>
\$	<u>4,550,206</u>	<u>(3,681,944)</u>	<u>(2,558,722)</u>	<u>(146,637)</u>	<u>574,976</u>	<u>2,586,459</u>
\$	1,781,679	\$ 3,863,981	\$ 2,570,136	\$ 1,123,330	\$ 942,062	\$ 1,183,018
	1.40%	1.41%	1.21%	1.33%	4.71%	7.97%

CITY OF DEFIANCE, OHIO
SCHEDULE 5
INCOME TAX REVENUES BY SOURCE
LAST TEN YEARS
(CASH-BASIS)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Income tax rate	1.80%	1.80%	1.50%	1.50%
Income tax receipts:				
Employee withholding	\$ 6,966,593	\$ 6,515,630	\$ 5,425,774	\$ 5,792,726
% of total	72.6%	73.2%	79.8%	83.2%
Corporate	1,561,195	1,417,159	706,863	744,150
% of total	16.3%	15.9%	10.4%	10.7%
Individuals	1,072,016	962,614	668,325	427,740
% of total	11.2%	10.8%	9.8%	6.1%
Total income tax receipts	<u>\$ 9,599,804</u>	<u>\$ 8,895,403</u>	<u>\$ 6,800,962</u>	<u>\$ 6,964,616</u>

Source: City of Defiance Income Tax

2011	2010	2009	2008	2007	2006
1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
\$ 5,533,044 82.6%	\$ 5,374,407 80.8%	\$ 5,245,899 79.6%	\$ 5,861,752 78.1%	\$ 6,356,243 76.2%	\$ 6,475,804 80.3%
701,004 10.5%	825,523 12.4%	880,991 13.4%	1,163,740 15.5%	1,457,108 17.5%	1,130,513 14.0%
461,777 6.9%	451,815 6.8%	462,826 7.0%	476,250 6.3%	529,900 6.4%	457,548 5.7%
<u>\$ 6,695,825</u>	<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>

CITY OF DEFIANCE, OHIO

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Tax Rate Components:				
General operations	1.195%	1.195%	1.195%	1.195%
Police and fire	0.3%	0.3%	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>1.80%</u>	<u>1.50%</u>	<u>1.50%</u>
Allocation of Receipts:				
General fund	\$ 6,381,313	\$ 6,110,345	\$ 5,417,017	\$ 5,548,478
% of total	66.5%	68.7%	79.7%	79.7%
Police and fire fund	1,589,045	1,225,003	-	-
% of total	16.6%	13.8%	0.0%	0.0%
Capital improvements fund	1,602,533	1,534,374	1,360,193	1,392,923
% of total	16.7%	17.2%	20.0%	20.0%
SCMR fund (street maintenance)	26,913	25,681	23,752	23,215
% of total	0.3%	0.3%	0.3%	0.3%
Total income tax allocated	<u>\$ 9,599,804</u>	<u>\$ 8,895,403</u>	<u>\$ 6,800,962</u>	<u>\$ 6,964,616</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>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</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>
\$ 5,334,329	\$ 5,298,498	\$ 5,249,652	\$ 5,976,388	\$ 6,646,790	\$ 6,424,212
79.7%	79.7%	79.7%	79.7%	79.7%	79.7%
-	-	-	-	-	-
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
1,339,176	1,331,064	1,318,096	1,500,348	1,668,650	1,612,773
20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
22,320	22,184	21,968	25,006	27,811	26,880
0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
<u>\$ 6,695,825</u>	<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>

CITY OF DEFIANCE, OHIO

SCHEDULE 7
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Governmental activities:				
General obligation bonds payable ⁴	\$ 3,443,561	\$ 3,620,685	\$ 3,792,809	\$ 3,964,933
Special assessment bonds payable	-	-	13,043	27,729
Bond anticipation notes	-	-	-	-
OWDA loans payable	2,098,062	2,214,437	2,220,458	1,112,332
Capital lease obligations	137,503	165,051	-	-
Business-type activities:				
General obligation bonds payable ⁴	5,743,854	6,477,095	7,175,337	7,848,578
Special assessment bonds payable	53,631	62,672	71,222	79,307
Bond anticipation notes	3,849,000	4,349,000	4,849,000	4,336,000
OWDA loans payable	30,198,958	31,533,115	32,532,365	31,610,089
OPWC loans payable	155,661	217,232	289,420	371,573
Capital lease obligations	-	-	-	-
Total primary government	<u>\$ 45,680,230</u>	<u>\$ 48,639,287</u>	<u>\$ 50,943,654</u>	<u>\$ 49,350,541</u>
Debt per capita:				
City population ¹	16,995	16,776	16,836	16,956
Outstanding debt per capita	\$ 2,688	\$ 2,899	\$ 3,026	\$ 2,911
Debt as percentage of personal income:				
Personal income ²	\$ 625,382,010	\$ 607,828,032	\$ 610,001,952	\$ 600,055,884
Percentage of personal income	7.30%	8.00%	8.35%	8.22%
Business-type debt per customer:				
Number of customers ³	6,649	6,635	6,669	6,619
Outstanding debt per customer	\$ 6,016	\$ 6,426	\$ 6,735	\$ 6,685

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.

	2011	2010	2009	2008	2007	2006
\$	4,117,057	\$ 40,000	\$ 80,000	\$ 120,000	\$ 160,000	\$ 195,000
	42,272	106,815	166,358	229,316	317,284	395,252
	-	4,650,000	4,800,000	-	225,000	435,000
	-	-	-	-	-	-
	-	1,765	6,925	11,690	16,090	15,602
	8,486,820	9,105,062	9,688,303	10,256,545	10,794,786	10,974,874
	86,952	94,182	101,018	107,483	113,596	119,377
	4,918,000	5,420,000	4,347,000	4,774,000	4,819,000	3,850,000
	32,816,389	32,714,041	29,051,352	22,892,250	16,026,896	10,094,686
	451,992	530,737	607,863	683,429	757,486	830,084
	-	-	3,041	9,257	14,996	20,296
\$	50,919,482	\$ 52,662,602	\$ 48,851,860	\$ 39,083,970	\$ 33,245,134	\$ 26,930,171
	17,079	16,494	16,012	16,046	16,039	16,062
\$	2,981	\$ 3,193	\$ 3,051	\$ 2,436	\$ 2,073	\$ 1,677
\$	569,123,517	\$ 516,245,706	\$ 493,057,516	\$ 513,921,288	\$ 505,228,500	\$ 487,658,382
	8.95%	10.20%	9.91%	7.61%	6.58%	5.52%
	6,641	6,607	6,679	6,669	6,672	6,663
\$	7,041	\$ 7,244	\$ 6,558	\$ 5,806	\$ 4,875	\$ 3,886

CITY OF DEFIANCE, OHIO

SCHEDULE 8
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Population¹	16,995	16,776	16,836	16,956
Assessed value²	\$ 320,277,520	\$ 319,027,680	\$ 299,057,480	\$ 300,457,400
General bonded debt:				
General obligation bonds payable ³	\$ 9,187,415	\$ 10,097,780	\$ 10,968,146	\$ 11,813,511
Ratio of net bonded debt to assessed value	2.87%	3.17%	3.67%	3.93%
Net bonded debt per capita	\$ 541	\$ 602	\$ 651	\$ 697

Sources:

¹U.S. Census Bureau.

²Defiance County Auditor.

³Includes unamortized bond premiums.

2011	2010	2009	2008	2007	2006
17,079	16,494	16,012	16,046	16,039	16,062
\$ 276,385,000	\$ 277,919,920	\$ 280,455,300	\$ 286,340,580	\$ 292,134,140	\$ 298,927,420
\$ 12,603,877	\$ 9,145,062	\$ 9,768,303	\$ 10,376,545	\$ 10,954,786	\$ 11,169,874
4.56%	3.29%	3.48%	3.62%	3.75%	3.74%
\$ 738	\$ 554	\$ 610	\$ 647	\$ 683	\$ 695

CITY OF DEFIANCE, OHIO

SCHEDULE 9
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2015

<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	\$ 5,679,126	100.00%	\$ 5,679,126
Overlapping Debt:			
Defiance County	3,550,415	35.23%	1,250,811
Defiance City School District	23,820,000	82.62%	19,680,084
Ayersville Local School District	13,661,198	25.40%	3,469,944
Four County Career Center Joint Vocational School District	2,640,000	9.46%	249,744
Northeastern Local School District	4,133,784	32.76%	1,354,228
Total overlapping debt	<u>47,805,397</u>		<u>26,004,811</u>
Total direct and overlapping debt	<u>\$ 53,484,523</u>		<u>\$ 31,683,937</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>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Total assessed property value	\$ 320,277,520	\$ 319,027,680	\$ 299,057,480	\$ 300,457,400
Overall legal debt limit (10 1/2 % of assessed valuation)	33,629,140	33,497,906	31,401,035	31,548,027
Debt outstanding:				
General obligation bonds payable ³	8,860,000	9,725,000	10,550,000	11,350,000
Special assessment bonds payable	53,631	62,672	84,265	107,036
Bond anticipation notes	3,849,000	4,349,000	4,849,000	4,336,000
OWDA loans payable	32,297,020	33,747,552	34,752,823	31,610,089
OPWC loans payable	155,661	217,232	289,420	371,573
Total gross indebtedness	<u>45,215,312</u>	<u>48,101,456</u>	<u>50,525,508</u>	<u>47,774,698</u>
Less ¹ :				
General obligation bonds payable ³	5,450,000	6,140,000	6,795,000	7,425,000
Special assessment bonds payable	53,631	62,672	84,265	107,036
Bond anticipation notes	3,849,000	4,349,000	4,849,000	4,336,000
OWDA loans payable	32,297,020	33,747,552	34,752,823	31,610,089
OPWC loans payable	155,661	217,232	289,420	371,573
Total net debt applicable to debt limit	<u>3,410,000</u>	<u>3,585,000</u>	<u>3,755,000</u>	<u>3,925,000</u>
Add: debt service fund equity ²	<u>565,440</u>	<u>556,615</u>	<u>620,652</u>	<u>765,828</u>
Legal debt margin within 10 1/2 % limitation	<u>\$ 30,784,580</u>	<u>\$ 30,469,521</u>	<u>\$ 28,266,687</u>	<u>\$ 28,388,855</u>
Legal debt margin as a percentage of the debt limit	91.54%	90.96%	90.02%	89.99%
Unvoted debt limit	<u>17,615,264</u>	<u>17,546,522</u>	<u>16,448,161</u>	<u>16,525,157</u>
Unvoted legal debt margin within 5 1/2 % limitation	<u>\$ 17,615,264</u>	<u>\$ 17,546,522</u>	<u>\$ 16,448,161</u>	<u>\$ 16,525,157</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.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 276,385,000	\$ 277,919,920	\$ 280,455,300	\$ 286,340,580	\$ 292,134,140	\$ 298,927,420
29,020,425	29,181,592	29,447,807	30,065,761	30,674,085	31,387,379
12,095,000	8,635,000	9,215,000	9,780,000	10,315,000	10,945,000
129,224	200,997	267,376	336,799	430,880	514,629
4,918,000	10,070,000	9,147,000	4,774,000	5,044,000	4,285,000
32,816,389	32,714,041	29,051,352	22,892,250	16,026,896	10,094,686
451,992	530,737	607,863	683,429	757,486	830,084
<u>50,410,605</u>	<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>
8,020,000	8,595,000	9,135,000	9,660,000	10,155,000	10,750,000
129,224	200,997	267,376	336,799	430,880	514,629
4,918,000	10,070,000	9,147,000	4,774,000	5,044,000	4,285,000
32,816,389	32,714,041	29,051,352	22,892,250	16,026,896	10,094,686
451,992	530,737	607,863	683,429	757,486	830,084
<u>4,075,000</u>	<u>40,000</u>	<u>80,000</u>	<u>120,000</u>	<u>160,000</u>	<u>195,000</u>
<u>1,007,820</u>	<u>1,003,362</u>	<u>954,176</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 25,953,245</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>
89.43%	103.30%	102.97%	99.60%	99.48%	99.38%
<u>15,201,175</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>\$ 15,201,175</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>
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>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
OWDA Loans - Sewer System¹				
Gross revenues ²	\$ 7,091,366	\$ 6,895,460	\$ 6,270,952	\$ 6,437,330
Direct operating expenses ³	3,128,395	2,820,670	3,035,848	3,664,100
Net revenue available for debt service	<u>3,962,971</u>	<u>4,074,790</u>	<u>3,235,104</u>	<u>2,773,230</u>
Annual debt service requirement ⁴	2,388,868	2,321,512	2,087,309	2,905,438
Coverage	1.66	1.76	1.55	0.95
OWDA Loans - Water Reservoir				
Gross revenues ²	\$ 5,957,063	\$ 5,843,398	\$ 6,030,551	\$ 6,045,464
Direct operating expenses ³	3,484,253	3,061,255	3,712,770	3,328,556
Net revenue available for debt service	<u>2,472,810</u>	<u>2,782,143</u>	<u>2,317,781</u>	<u>2,716,908</u>
Annual debt service requirement ⁴	438,506	438,506	438,505	438,506
Coverage	5.64	6.34	5.29	6.20

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.

	2011	2010	2009	2008	2007	2006
\$	6,364,585	\$ 5,528,935	\$ 4,950,558	\$ 4,598,972	\$ 4,575,143	\$ 3,879,471
	2,954,268	4,941,769	2,884,596	2,908,124	2,903,426	1,888,438
	<u>3,410,317</u>	<u>587,166</u>	<u>2,065,962</u>	<u>1,690,848</u>	<u>1,671,717</u>	<u>1,991,033</u>
	3,061,015	2,035,828	1,407,607	817,363	813,857	810,601
	1.11	0.29	1.47	2.07	2.05	2.46
\$	5,442,437	\$ 4,863,131	\$ 4,196,841	\$ 4,110,023	n/a	n/a
	2,885,831	2,692,862	2,702,414	2,815,298	n/a	n/a
	<u>2,556,606</u>	<u>2,170,269</u>	<u>1,494,427</u>	<u>1,294,725</u>	n/a	n/a
	431,761	444,610	444,610	393,034	n/a	n/a
	5.92	4.88	3.36	3.29	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	Public School Enrollment ³	Unemployment Rates ⁴		
					Defiance County	State of Ohio	United States
2015	16,995	\$ 625,382,010	\$ 36,798	2,607	4.3%	4.6%	5.6%
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%

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).

CITY OF DEFIANCE, OHIO

SCHEDULE 13
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

Tax Year 2014			
Employer	Employees¹	Rank	Percentage of Total City Employment
Defiance College	724	1	3.75%
Johns Manville Corporation (MFG)	715	2	3.71%
Defiance City Schools	509	3	2.64%
Defiance Metal Products (MFG)	506	4	2.62%
Defiance County	408	5	2.12%
Wal Mart (RETAIL)	404	6	2.10%
Meijer (RETAIL)	372	7	1.93%
Defiance Regional Medical Center	364	8	1.89%
Mercy Medical Partners	313	9	1.62%
City of Defiance	242	10	1.26%
	<u>4,557</u>		<u>23.64%</u>
Total Employment Within the City	19,282		

Tax Year 2005			
Employer	Employees¹	Rank	Percentage of Total City Employment
General Motors Company (MFG) ¹	773	1	3.58%
Defiance Metal Products (MFG)	692	2	3.20%
Johns Manville Corporation (MFG)	677	3	3.13%
Defiance College	577	4	2.67%
Meijer (RETAIL)	509	5	2.36%
Defiance City Schools	503	6	2.33%
Defiance County	488	7	2.26%
Defiance Regional Medical Center	414	8	1.92%
Fauster-Cameron (HLTH)	342	9	1.58%
Defiance Precision Products (MFG)	303	10	1.40%
	<u>5,278</u>		<u>24.43%</u>
Total Employment Within the City	21,612		

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 2014 and tax year 2005 is the most current information covering a ten-year period available as of December 31, 2015.

Source: City of Defiance Income Tax Division.

CITY OF DEFIANCE, OHIO

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

<u>Function/Division</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
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	12.9	13.0	12.5	13.5	13.8	13.3	13.2	12.6	12.3	12.0
Mayor	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.3	2.1	2.1
Administrator	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Finance	4.3	3.8	3.8	3.7	3.8	3.8	3.9	4.0	4.0	4.0
Law	3.5	3.4	3.0	3.3	3.8	3.8	3.8	3.5	3.3	3.0
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	1.0	1.7	2.0	2.0	2.0	1.1	2.0
Buildings and Land	1.9	1.6	1.6	1.6	1.6	1.6	1.6	2.1	2.1	2.0
Engineer	5.4	6.6	5.7	6.5	5.6	6.2	5.5	4.7	3.2	2.1
	<u>37.0</u>	<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>
Security of Persons and Property:										
Police	33.2	34.1	31.3	31.1	31.7	32.8	32.9	32.9	33.1	31.8
Fire	37.8	35.2	29.7	28.7	30.6	32.7	35.1	36.3	35.2	33.0
	<u>71.0</u>	<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>
Leisure Time Activities:										
Parks and Recreation	7.1	7.9	7.7	7.8	7.2	7.1	6.8	10.6	11.7	10.9
Cemetery	4.4	4.2	3.8	3.0	2.9	2.8	2.8	4.5	3.4	2.9
Cultural/Historian*	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
	<u>12.0</u>	<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>
Community Development:										
Building Inspections	1.8	1.9	2.5	2.1	1.6	1.4	1.3	1.4	2.0	1.9
Transportation:										
Streets	10.8	11.6	9.6	10.1	11.1	11.2	12.0	10.9	12.5	10.8
Utility Services:										
Utility Billing	6.1	6.4	6.8	6.1	6.1	6.1	6.1	5.7	7.0	6.9
Water Treatment/Distribution	19.9	21.5	19.7	20.1	19.9	22.4	22.6	26.3	22.7	20.9
Wastewater Treatment/Collection	18.5	20.3	18.0	18.3	18.9	18.2	18.4	15.4	14.9	16.7
	<u>44.5</u>	<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>
Total	<u>177.1</u>	<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>

* 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

Function/Program	2015	2014	2013	2012
General Government:				
General fund beginning balance (cash)	\$1,929,849	\$1,159,602	\$1,239,095	\$1,376,242
General fund revenues (cash)	9,740,976	9,491,539	8,709,434	8,831,048
General fund expenditures (cash)	9,365,790	8,721,292	8,788,927	8,968,195
General fund ending balance (cash)	<u>\$2,305,035</u>	<u>\$1,929,849</u>	<u>\$1,159,602</u>	<u>\$1,239,095</u>
Municipal Court:				
Cases heard and closed	9,163	9,761	9,832	9,688
Police:				
Total calls for services	16,964	18,203	18,353	21,030
Traffic violations	1,236	1,571	1,983	1,485
Motor vehicle accidents	896	909	805	846
Criminal arrests	1,322	1,596	2,045	2,031
Fire/Emergency Medical Services:				
Fire calls	437	415	603	629
EMS calls	2,189	1,841	1,439	1,477
Fire safety inspections	1,409	1,019	1,142	1,296
Building Inspections:				
Construction permits issued	998	897	925	1,007
Estimated value of construction	\$5,035,057	\$5,649,615	\$5,902,162	\$6,253,697
Recreation:				
Swimming pool memberships	38	51	50	55
Shelter house rentals	55	61	45	57
Streets:				
Salt usage (tons)	500	570	600	570
Cost of salt purchased	\$46,250	\$30,876	\$27,702	\$38,741
Water:				
Monthly avg. water treated (mil. Gal.)	84.7	90.7	98.4	106.8
Water customers	6,649	6,635	6,669	6,619
Water main breaks repaired	30	32	50	0
Water Pollution Control:				
Sewer lines cleaned/repaired (ft.)	70,100	84,500	76,000	86,440
Sewer customers	6,492	6,495	6,523	6,422

Sources: Various City of Defiance Divisions.

2011	2010	2009	2008	2007	2006
\$1,511,693	\$1,970,107	\$2,840,494	\$3,866,343	\$3,184,285	\$1,670,830
8,901,881	8,358,947	8,546,209	9,377,084	10,217,683	10,745,595
9,037,332	8,817,361	9,416,596	10,402,933	9,535,625	9,232,140
<u>\$1,376,242</u>	<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>
9,572	9,998	9,651	11,593	11,134	10,399
23,194	25,834	28,655	26,285	26,657	22,042
1,590	1,710	2,003	2,195	2,349	1,921
826	821	900	1,116	956	809
2,164	2,185	2,669	2,266	2,509	2,045
474	574	579	617	581	363
1,609	1,475	1,348	1,478	1,425	1,582
848	35	12	2	158	76
937	1,161	1,208	929	1,032	1,252
\$4,913,011	\$7,161,765	\$6,800,582	\$17,494,447	\$28,849,492	\$34,485,181
40	41	31	57	57	50
54	64	66	105	103	78
275	1,051	1,016	1,113	1,628	306
\$18,755	\$71,442	\$77,887	\$66,354	\$68,897	\$38,964
97.9	112.2	108.4	118.7	126.6	123.4
6,641	6,607	6,679	6,669	6,672	6,663
49	74	36	61	50	64
32,304	17,640	19,480	20,350	24,600	19,000
6,438	6,426	6,480	6,466	6,478	6,465

CITY OF DEFIANCE, OHIO

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

Function/Program	2015	2014	2013	2012
Police:				
Stations	1	1	1	1
Vehicles	13	13	13	12
Fire/EMS:				
Stations	1	1	1	1
Vehicles - Fire	9	9	10	9
Vehicles - EMS	3	3	3	3
Parks and Recreation:				
Parks	8	8	1	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	13	14	14	14
Park shelter houses	13	13	13	13
Streets:				
Streets (miles)	127.80	122.80	142.00	142.00
Vehicles	18	17	18	18
Water:				
Water lines (miles)	151.80	151.80	151.80	126.37
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.

2011	2010	2009	2008	2007	2006
1	1	1	1	1	1
12	12	12	11	11	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	1	2	2	2
8	8	8	7	9	9
2	2	2	2	0	0
4	4	4	4	4	4
14	14	13	12	12	12
13	13	13	13	13	14
110.12	103.66	99.78	99.22	98.97	98.85
17	18	17	17	17	17
125.62	123.54	123.54	121.06	116.50	118.39
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	350 mg	n/a	n/a

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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
AUGUST 30, 2016**