



# Comprehensive Annual Financial Report

for the year ended December 31, 2011





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the City of Defiance, Defiance County, prepared by Julian & Grube, Inc., for the audit period January 1, 2011 through December 31, 2011. 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 29, 2012



**CITY OF DEFLANCE, OHIO**  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2011

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, 2011**

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Bob Armstrong  
Mayor

Jeffery S. Leonard  
City Administrator

John W. Lehner  
Finance Director

David H. Williams  
Law Director

June 22, 2012

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

Transmittal Letter

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) for the City of Defiance, Ohio for the year ended December 31, 2011. 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, 2011. The City continues to receive an unqualified opinion. The Independent Accountant'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, 2011 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 Accountant'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 1822.

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 Council. The Administrator serves as the principal managerial aide to the Mayor.

Legislative authority is vested in a seven-member Council, three of whom are elected at-large and four from existing wards. 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 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 Council is elected at-large to a four year term. The President presides over all 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 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 resolution of 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.

## **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

**Local Economy** – Defiance has experienced slow to moderate growth since the national economy bottomed out in 2008 and 2009. Local unemployment rates have improved significantly, from 16.7 percent in June, 2009 to 7.8 percent in December, 2011. However, revenue growth from the City's income tax has not improved at a commensurate pace. After double-digit declines in 2008 and 2009, the recovery has yielded tax revenue increases of only 0.9 and 0.7 percent in 2010 and 2011, respectively. Fortunately, the City's two largest employers, General Motors and Johns Manville, have invested hundreds of millions of dollars into their Defiance facilities and have maintained stable workforces over the same period.

The City's capacity for future growth and development remains promising. Since the recession, Defiance has been able to take advantage of generous funding opportunities from both state and federal grant sources to make significant infrastructure and aesthetic improvements throughout its downtown and major commercial districts. These improvements, coupled with the soon-to-be-completed "Fort-to-Port" project, position the City to capitalize on future growth opportunities. The "Fort-to-Port" project widens US Route 24 to four lanes between Toledo, Ohio and Fort Wayne, Indiana. Defiance is centrally located on the route, within one hour of each city. The upgraded highway enhances Defiance's standing as a hub in the middle of the midwest, improving its strategic access to markets in Cleveland, Cincinnati, Detroit, Indianapolis and Chicago.

**"Fort to Port" – US Route 24 Expansion (RED) – Complete in Fall, 2012**



**Long Term Financial Planning** - Like many cities in the Great Lakes region, Defiance has been financially burdened by U.S. Environmental Protection Agency mandates to reduce its number of combined sewer overflows into local waterways. Overflows typically occur during significant rainfall events that overwhelm the capacity of the sewer system. The twenty-year cost of separating the storm and sanitary sewers throughout the City is currently estimated at \$118 million. The City is into its seventh year of the project and has borrowed nearly \$30 million through a combination of short term note issues and low interest loans through the Ohio Water Development Authority. Current and future debt service payments are funded through user rates charged to the system's 6,500 customers, and have caused the need for significant and unpopular multi-year increases to the utility rate schedule. Continued rate increases could have long-term negative effects on the City's ability to retain and attract employers and are already adding to the current economic difficulties residents face. Defiance has recently received a temporary reprieve from its aggressive project schedule in order to provide time to study and develop a modified project strategy that could result in significant long-term savings. The study period is underway and is expected to take up to three years to complete.

Outstanding general obligation debt totals \$12.1 million, representing \$733 per capita. Approximately two-thirds of the balance, however, is being funded from revenues of the water treatment utility, not general tax dollars. The remaining \$4,075,000 was issued in 2011 to complete the financing of the recently completed municipal courthouse. A significant portion of the debt service on this facility will be paid from court revenues.

**Relevant Financial Policies** - The City completed a formal policy related to borrowing and debt in 2011, and intends to finalize a reserve fund balances policy in 2012.

## **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Defiance, Ohio for its comprehensive annual financial report for the year ended December 31, 2010. 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 maintaining the accounting records of the City on an accurate and timely basis and for their professionalism throughout the year.

I would also like to thank the Mayor and Members of 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.

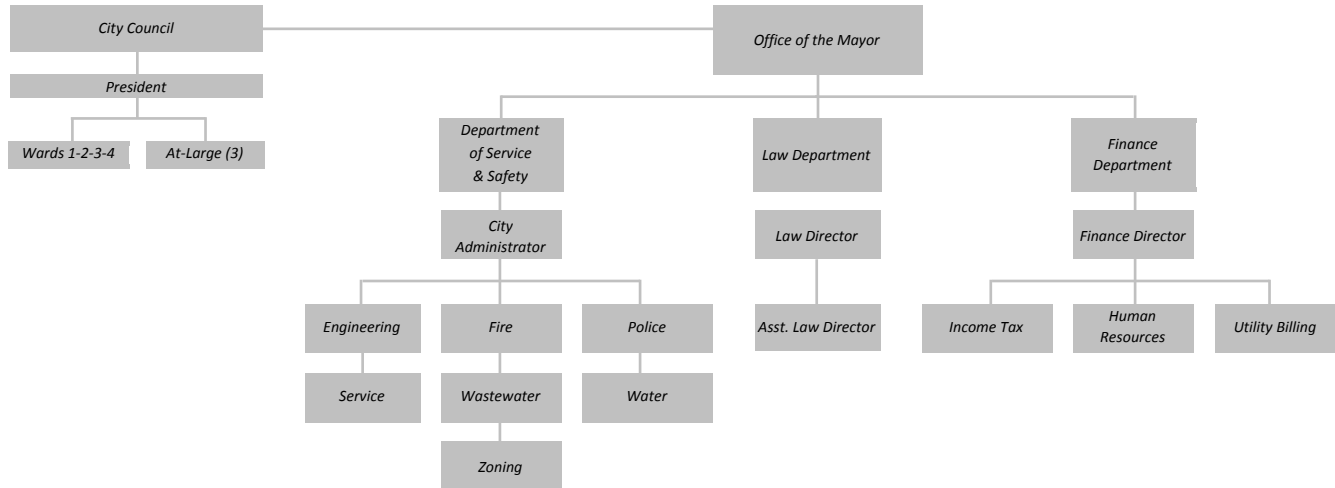
Respectfully submitted,

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, 2011**

Elected Officials

Mayor	Bob Armstrong
City Council:	
President	Tim Holtsberry
At-Large	Joe Eureste
At-Large	Mike Ketcham
At-Large	David Plant
1 <sup>st</sup> Ward	Gary Butler
2 <sup>nd</sup> Ward	Larry Bryant
3 <sup>rd</sup> Ward	Darrell Handy
4 <sup>th</sup> 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

# 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, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Davidson*

President

*Jeffrey R. Emer*

Executive Director

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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 Accountants' Report

City of Defiance  
631 Perry Street  
Defiance, Ohio 43512

To the Members of Council and Mayor:

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, 2011, which collectively comprise the City of Defiance's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Defiance's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 3, for the year ended December 31, 2011, the City of Defiance adopted the provisions of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

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, 2011 and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Members of Council and Mayor  
City of Defiance  
Page Two

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, as 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise 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 provide additional analysis and are not a required part of the basic financial statements. The financial section's combining statements, individual fund statements and schedules are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These statements and schedules were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is 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 assurances on them.



Julian & Grube, Inc.  
June 22, 2012



## CITY OF DEFIANCE, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011 (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, 2011. 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 2011 are as follows:

- The total net assets of the City increased \$3,762,496. Net assets of governmental activities increased \$969,056 or 4.31% over 2010 and net assets of business-type activities increased \$2,793,440 or 13.45% over 2011.
- General revenues accounted for \$8,731,233, or 65.28%, of total governmental activities revenue. Program specific revenues accounted for \$4,644,468, or 34.72%, of total governmental activities revenue.
- The City had \$12,356,236 in expenses related to governmental activities; \$4,644,468 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$7,711,768 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$8,731,233.
- The City has two major governmental funds, the general fund and the capital improvements fund. The general fund had revenues of \$8,226,605 in 2011 while the expenditures and other financing uses totaled \$8,371,175. While the City made useful efforts to reduce costs, reserves from prior years were needed to cover 2011 expenditures and other financing uses in the general fund. The net decrease in fund balance for the general fund was \$144,570 or 8.19%.
- The capital improvements fund had revenues of \$2,386,485 in 2011. The capital improvements fund made expenditures totaling \$1,692,623 during 2011 for street and other capital improvements resulting in a net increase in fund balance of \$693,862 or 54.00%. This increase is due to an increase in intergovernmental revenue of \$686,891 from the prior year.
- Net assets for the business-type activities, which are made up of the water, sewer, refuse and utility deposit enterprise funds, increased in 2011 by \$2,793,440. The increase in business-type activities net assets is a result of an increase in charges for services revenues of \$1,455,711 the City received in 2011.
- In the general fund, the actual revenues came in \$56,867 higher than they were in the final budget and actual expenditures and other financing uses were \$880,240 lower than the amount in the final budget as a result of tight spending restraints. Budgeted revenues increased \$52,534 from the original to the final budget. Budgeted expenditures and other financing uses increased \$144,159 from the original to the final budget.

#### **Using this Comprehensive Annual Financial Report (CAFR)**

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

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

## CITY OF DEFIANCE, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011 (UNAUDITED)

#### **Reporting the City as a Whole**

##### *Statement of Net Assets and the 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 we do financially during 2011?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, 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 *assets* and changes in those assets. This change in net assets 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 assets 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 water, sewer, refuse and utility deposits operations are reported here.

#### **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 focuses on the City's most significant funds. The analysis of the City's major governmental and proprietary funds begins on page 10.

##### *Governmental Funds*

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

**CITY OF DEFIANCE, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(UNAUDITED)**

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

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund and capital improvements fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 20-24 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 water, sewer, refuse and utility deposits management functions. The City's major enterprise funds are the water and sewer funds. 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 25-28 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 statement 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 29 of this report.

***Notes to the Basic Financial Statements***

The notes 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 30-66 of this report.

**CITY OF DEFIANCE, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(UNAUDITED)

**Government-Wide Financial Analysis**

The statement of net assets serves as a useful indicator of a government's financial position. Certain net asset classifications have been restated in the governmental activities for 2010 to conform to 2011 presentation in accordance with GASB Statement No. 54. The table below provides a summary of the City's net assets at December 31, 2011 and 2010:

	Net Assets					
	Governmental	Business-type	Restated	Business-type		
	Activities	Activities	Governmental	Activities	2011	2010
	2011	2011	2010	2010	Total	Total
<u>Assets</u>						
Current and other assets	\$ 10,968,832	\$ 7,100,852	\$ 11,476,978	\$ 6,466,929	\$ 18,069,684	\$ 17,943,907
Capital assets, net	<u>18,899,299</u>	<u>63,680,703</u>	<u>18,360,366</u>	<u>62,787,516</u>	<u>82,580,002</u>	<u>81,147,882</u>
Total assets	<u>29,868,131</u>	<u>70,781,555</u>	<u>29,837,344</u>	<u>69,254,445</u>	<u>100,649,686</u>	<u>99,091,789</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	4,767,717	45,130,759	789,577	46,165,325	49,898,476	46,954,902
Other liabilities	<u>1,662,397</u>	<u>2,084,447</u>	<u>6,578,806</u>	<u>2,316,211</u>	<u>3,746,844</u>	<u>8,895,017</u>
Total liabilities	<u>6,430,114</u>	<u>47,215,206</u>	<u>7,368,383</u>	<u>48,481,536</u>	<u>53,645,320</u>	<u>55,849,919</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	14,814,034	18,563,137	13,848,663	15,279,312	33,377,171	29,127,975
Restricted	4,610,738	-	4,953,156	-	4,610,738	4,953,156
Unrestricted	<u>4,013,245</u>	<u>5,003,212</u>	<u>3,667,142</u>	<u>5,493,597</u>	<u>9,016,457</u>	<u>9,160,739</u>
Total net assets	<u>\$ 23,438,017</u>	<u>\$ 23,566,349</u>	<u>\$ 22,468,961</u>	<u>\$ 20,772,909</u>	<u>\$ 47,004,366</u>	<u>\$ 43,241,870</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2011, the City's assets exceeded liabilities by \$47,004,366. At year-end, net assets were \$23,438,017 and \$23,566,349 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's net assets. At December 31, 2011, capital assets represented 82.05% of total assets, as compared to 81.89% at December 31, 2010. Capital assets include land, construction in progress buildings and improvements, improvements other than buildings, equipment, vehicles and infrastructure. Capital assets of the governmental activities equaled 63.28% of total assets while the business-type activities represented 89.97% of total assets. Capital assets, net of related debt to acquire the assets at December 31, 2011, were \$14,814,034 and \$18,563,137 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of December 31, 2011, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the City's net assets, \$4,610,738, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets of \$4,013,245 may be used to meet the government's ongoing obligations to citizens and creditors.

**CITY OF DEFIANCE, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(UNAUDITED)**

The table below shows the changes in net assets for 2011 and 2010.

	<b>Change in Net Assets</b>					
	Governmental	Business-type	Governmental	Business-type	2011	2010
	Activities	Activities	Activities	Activities	Total	Total
	<u>2011</u>	<u>2011</u>	<u>2010</u>	<u>2010</u>		
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 1,724,204	\$ 12,348,315	\$ 1,835,173	\$ 10,888,651	\$ 14,072,519	\$ 12,723,824
Operating grants and contributions	1,863,347	-	1,685,214	-	1,863,347	1,685,214
Capital grants and contributions	<u>1,056,917</u>	<u>-</u>	<u>497,525</u>	<u>2,228,539</u>	<u>1,056,917</u>	<u>2,726,064</u>
Total program revenues	<u>4,644,468</u>	<u>12,348,315</u>	<u>4,017,912</u>	<u>13,117,190</u>	<u>16,992,783</u>	<u>17,135,102</u>
General revenues:						
Property taxes	887,357	-	877,798	-	887,357	877,798
Income taxes	6,543,834	-	6,875,884	-	6,543,834	6,875,884
Unrestricted grants and entitlements	1,096,255	-	1,024,894	-	1,096,255	1,024,894
Investment earnings	19,885	14,382	13,353	5,659	34,267	19,012
Payment in lieu of taxes	82,256	-	82,943	-	82,256	82,943
Miscellaneous	<u>101,646</u>	<u>263,944</u>	<u>540,547</u>	<u>264,453</u>	<u>365,590</u>	<u>805,000</u>
Total general revenues	<u>8,731,233</u>	<u>278,326</u>	<u>9,415,419</u>	<u>270,112</u>	<u>9,009,559</u>	<u>9,685,531</u>
Total revenues	<u>13,375,701</u>	<u>12,626,641</u>	<u>13,433,331</u>	<u>13,387,302</u>	<u>26,002,342</u>	<u>26,820,633</u>
Expenses:						
General government	2,817,789	-	3,429,558	-	2,817,789	3,429,558
Security of persons and property	5,429,001	-	6,043,793	-	5,429,001	6,043,793
Public health and welfare	244,943	-	224,256	-	244,943	224,256
Transportation	1,746,391	-	2,533,251	-	1,746,391	2,533,251
Community environment	475,458	-	556,280	-	475,458	556,280
Leisure time activity	650,516	-	740,699	-	650,516	740,699
Economic development	903,603	-	381,070	-	903,603	381,070
Other	5,335	-	-	-	5,335	-
Interest and fiscal charges	83,200	-	77,825	-	83,200	77,825
Water	-	4,406,534	-	4,224,602	4,406,534	4,224,602
Sewer	-	4,691,866	-	6,192,897	4,691,866	6,192,897
Other enterprise fund	<u>-</u>	<u>785,210</u>	<u>-</u>	<u>725,206</u>	<u>785,210</u>	<u>725,206</u>
Total expenses	<u>12,356,236</u>	<u>9,883,610</u>	<u>13,986,732</u>	<u>11,142,705</u>	<u>22,239,846</u>	<u>25,129,437</u>
Excess (deficiency) before transfers and special item	<u>1,019,465</u>	<u>2,743,031</u>	<u>(553,401)</u>	<u>2,244,597</u>	<u>3,762,496</u>	<u>1,691,196</u>
Transfers	<u>(50,409)</u>	<u>50,409</u>	<u>(588,561)</u>	<u>588,561</u>	<u>-</u>	<u>-</u>
Change in net assets	969,056	2,793,440	(1,141,962)	2,833,158	3,762,496	1,691,196
Net assets, beginning of year	<u>22,468,961</u>	<u>20,772,909</u>	<u>23,610,923</u>	<u>17,939,751</u>	<u>43,241,870</u>	<u>41,550,674</u>
Net assets, end of year	<u>\$ 23,438,017</u>	<u>\$ 23,566,349</u>	<u>\$ 22,468,961</u>	<u>\$ 20,772,909</u>	<u>\$ 47,004,366</u>	<u>\$ 43,241,870</u>

**CITY OF DEFIANCE, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(UNAUDITED)**

**Governmental Activities**

Governmental activities net assets increased \$969,056 in 2011.

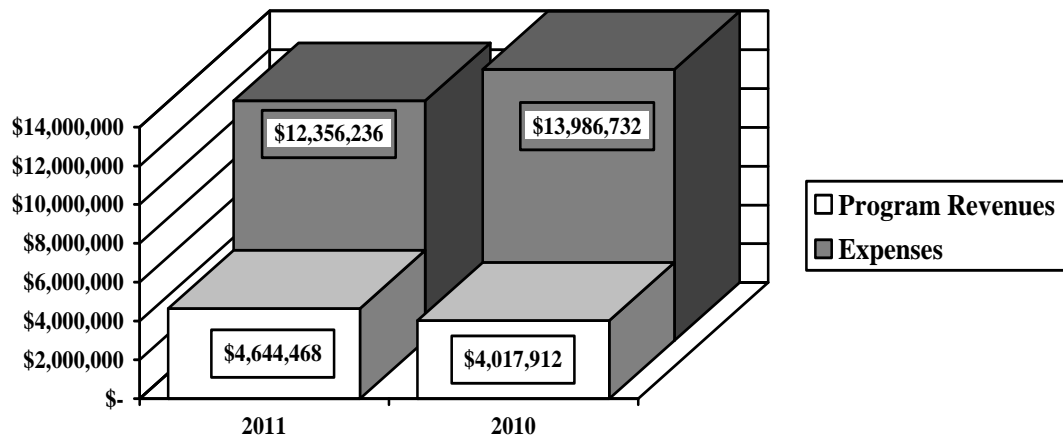
Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$5,429,001 of the total expenses of the City. These expenses were partially funded by \$1,191,219 in direct charges to users of the services and \$101,252 in operating grants and contributions. Transportation expenses totaled \$1,746,391. Transportation expenses were partially funded by \$995,754 in operating grants and contributions and \$1,056,917 in capital grants and contributions.

The state and federal government contributed to the City a total of \$1,863,347 in operating grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$744,504 subsidized economic development programs. The City received \$882,534 as a result of a Safe Routes to School grant and American Recovery and Reinvestment Act (ARRA) grant from the Ohio Department of Transportation during 2011. This resulted in an increase of \$559,392 in capital grants and contributions from 2010.

General revenues totaled \$8,731,233, and amounted to 65.28% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$7,431,191. 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 \$1,096,255.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. As can be seen in the graph below, the City is highly dependent upon property and income taxes as well as unrestricted grants and entitlements to support its governmental activities.

**Governmental Activities - Program Revenues vs. Total Expenses**



The increase in program revenues from the prior year can be attributed to the increased intergovernmental grant revenues the City received from the Ohio Department of Transportation (ODOT) due to the downtown streetscape project. The decrease in expenses from the prior year is due to the municipal court construction project which was completed in 2011. The completion of this project resulted in a decrease in the amount of capital outlay expenses compared to the prior year.

**CITY OF DEFIANCE, OHIO**

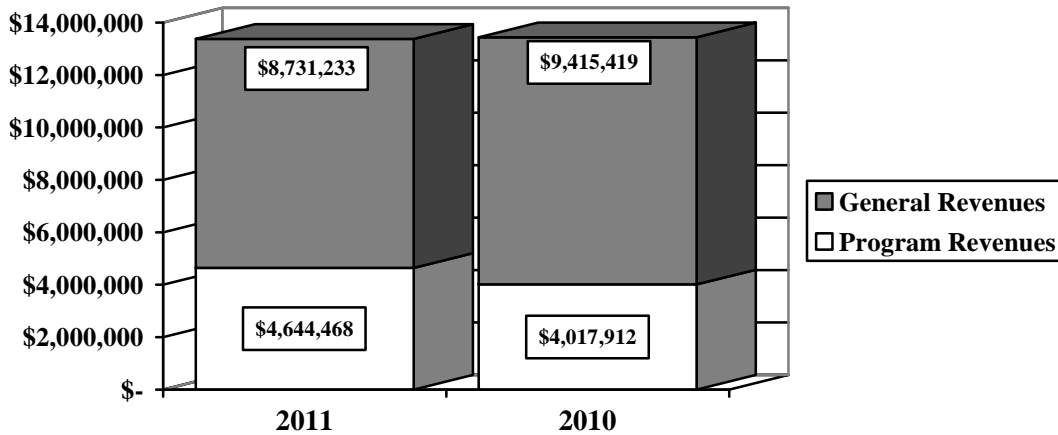
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(UNAUDITED)

**Governmental Activities**

	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>
<b>Program Expenses:</b>				
General government	\$ 2,817,789	\$ 2,450,275	\$ 3,429,558	\$ 3,129,621
Security of persons and property	5,429,001	4,136,530	6,043,793	4,594,318
Public health and welfare	244,943	176,254	224,256	151,807
Transportation	1,746,391	(306,280)	2,533,251	994,530
Community environment	475,458	380,545	556,280	429,746
Leisure time activity	650,516	627,383	740,699	572,354
Economic development	903,603	158,526	381,070	18,619
Other	5,335	5,335	-	-
Interest and fiscal charges	<u>83,200</u>	<u>83,200</u>	<u>77,825</u>	<u>77,825</u>
<b>Total</b>	<u>\$ 12,356,236</u>	<u>\$ 7,711,768</u>	<u>\$13,986,732</u>	<u>\$ 9,968,820</u>

The dependence upon general revenues for governmental activities is apparent, with 62.41% of expenses supported through taxes and other general revenues for 2011.

**Governmental Activities - General and Program Revenues**



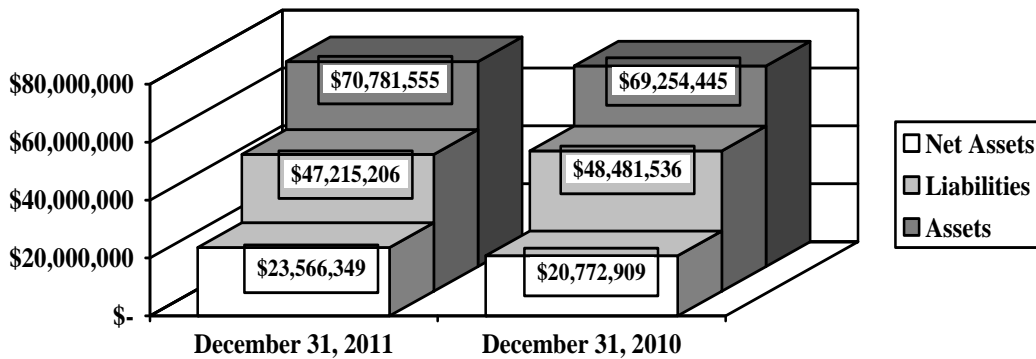
**CITY OF DEFIANCE, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(UNAUDITED)

**Business-type Activities**

Business-type activities include the water, sewer, refuse and utility deposit enterprise funds. These programs had program revenues of \$12,348,315, general revenues of \$278,326, transfers in of \$50,409 and expenses of \$9,883,610 for 2011. The graph below shows the business-type activities assets, liabilities and net assets at year-end. The decrease in expenditures in the sewer fund are primarily due to the decrease in contract services expenses related to construction projects from the prior year.

**Net Assets in Business - Type Activities**



**Financial Analysis of the Government's Funds**

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

**Governmental Funds**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at year-end.

The City's governmental funds reported a combined fund balance of \$8,062,637 which is \$4,550,206 greater than last year's total of \$3,512,431. The significant increase is due to the issuance of bonds in the amount of \$4,075,000. See Note 12 for more details. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2011 for all major and nonmajor governmental funds.

	Fund Balances <u>12/31/11</u>	Fund Balances <u>12/31/10</u>	Increase <u>(Decrease)</u>
<b>Major funds:</b>			
General	\$ 1,619,890	\$ 1,764,460	\$ (144,570)
Capital improvements	1,978,687	1,284,825	693,862
Other nonmajor governmental funds	<u>4,464,060</u>	<u>463,146</u>	<u>4,000,914</u>
Total	<u>\$ 8,062,637</u>	<u>\$ 3,512,431</u>	<u>\$ 4,550,206</u>



**CITY OF DEFIANCE, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(UNAUDITED)**

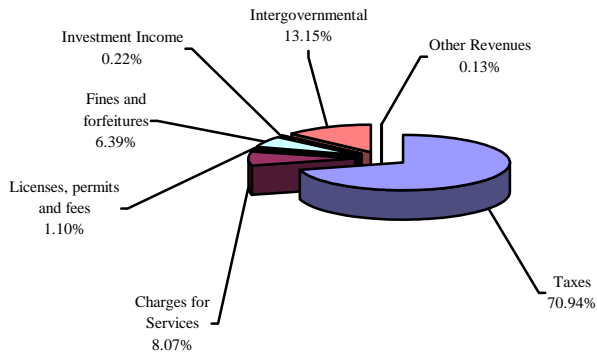
**General Fund**

While the City made efforts to reduce costs, a decision was made to utilize a portion of general fund reserves to cover 2011 expenditures in the general fund. The City's general fund balance decreased \$144,570. The table that follows assists in illustrating the revenues of the general fund.

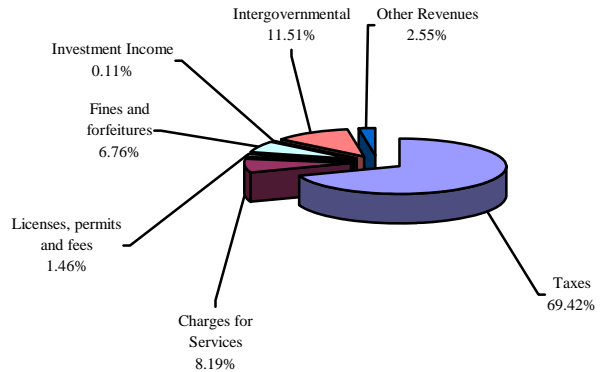
	<u>2011</u> <u>Amount</u>	<u>2010</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b>Revenues</b>				
Taxes	\$ 5,835,780	\$ 5,886,537	\$ (50,757)	(0.86) %
Charges for services	663,481	694,839	(31,358)	(4.51) %
Licenses, permits and fees	90,540	124,110	(33,570)	(27.05) %
Fines and forfeitures	526,072	573,556	(47,484)	(8.28) %
Investment income	18,067	9,611	8,456	87.98 %
Intergovernmental	1,081,648	975,877	105,771	10.84 %
Other	11,017	216,405	(205,388)	(94.91) %
<b>Total</b>	<b><u>\$ 8,226,605</u></b>	<b><u>\$ 8,480,935</u></b>	<b><u>\$ (254,330)</u></b>	<b>(3.00) %</b>

Tax revenue represents 70.94% of all general fund revenue. Tax revenue decreased by \$50,757 or 0.86% from the prior year. This decrease is due mainly to a decreased of income and real estate tax revenue from the prior year. The increase of \$105,771 or 10.84% in the area of intergovernmental revenues can be attributed to an increase in the amount of estate tax revenue compared to the prior year. The decrease in other revenue is due to a decrease in the amount of cash receipts of other miscellaneous revenue of \$183,458 from 2010. The increase in investment income is due to an increase in the depository accounts held by the City during the year resulting in earning more interest.

**Revenues - 2011**



**Revenues - 2010**



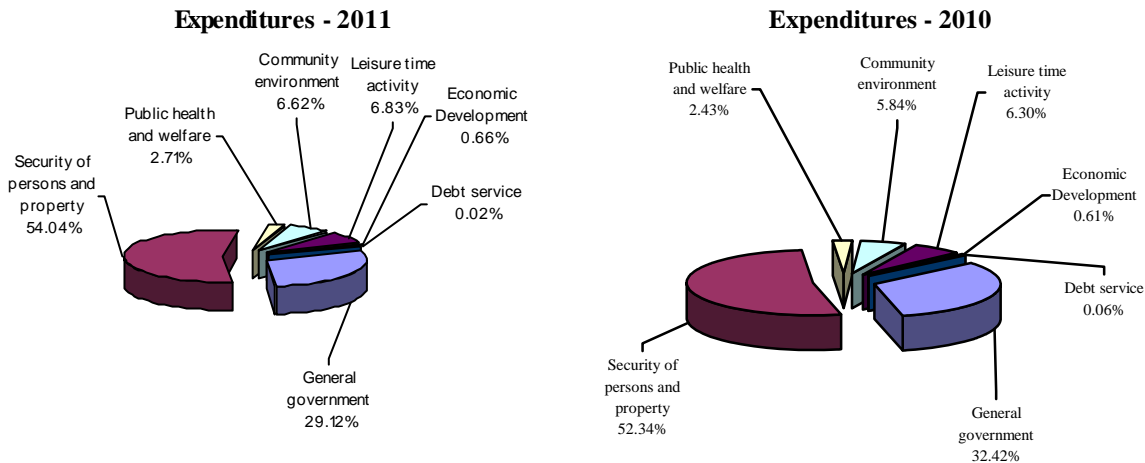
**CITY OF DEFIANCE, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(UNAUDITED)**

The table that follows assists in illustrating the expenditures of the general fund.

	<u>2011 Amount</u>	<u>2010 Amount</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
<b><u>Expenditures</u></b>				
General government	\$ 2,315,100	\$ 2,792,555	\$ (477,455)	(17.10) %
Security of persons and property	4,298,756	4,509,749	(210,993)	(4.68) %
Public health and welfare	215,876	209,367	6,509	3.11 %
Community environment	526,416	502,949	23,467	4.67 %
Leisure time activity	543,357	542,834	523	0.10 %
Economic development	52,864	52,629	235	0.45 %
Debt service	<u>1,806</u>	<u>5,538</u>	<u>(3,732)</u>	(67.39) %
<b>Total</b>	<b><u>\$ 7,954,175</u></b>	<b><u>\$ 8,615,621</u></b>	<b><u>\$ (661,446)</u></b>	<b>(7.68) %</b>

Expenditures of the general fund decreased \$661,446 or 7.68%. The largest expenditure of the City, security of persons and property, decreased \$210,993 which is only 4.68% lower than 2010. Debt service expenditures decreased \$3,732 or 67.39% due to the final payment being made on a capital lease during the year. General government expenditures decreased \$477,455 or 17.10% and can be attributed to the City's ability to control and cut costs from the prior year. All other expenditures remained comparable to 2010.



***Capital Improvements Fund***

The capital improvements fund had revenues of \$2,386,485 in 2011. The capital improvements fund made expenditures totaling \$1,692,623 during 2011 for street and other capital improvements resulting in a net increase in fund balance of \$693,862 or 54.00%. This increase is due to an increase in intergovernmental revenue of \$686,891 from the prior year.

**CITY OF DEFIANCE, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(UNAUDITED)

***Budgeting Highlights***

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

Budgetary information is presented for the general fund. In the general fund, the actual revenues and other financing sources were \$8,373,677 which was \$56,867 more than the final budgeted revenues of \$8,316,810. Original budgeted revenues were \$8,264,276 which is \$52,534 lower than the actual revenues. Actual expenditures and other financing uses were \$8,665,615, which was \$880,240 lower than the final budgeted expenditures and other financing uses of \$9,545,855 due to conservative spending by the City. Original budgeted expenditures and other financing uses were \$9,401,696 which is \$144,159 lower than the final budgeted expenditures. Based on the rising costs of the economy conservative estimates were used in the 2011 budget.

***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 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, 2011, the City had \$82,580,002 (net of accumulated depreciation) invested in land, buildings and improvements, improvements other than buildings (IOTB), equipment, vehicles, infrastructure and construction in progress. Of this total, \$18,899,299 was reported in governmental activities and \$63,680,703 was reported in business-type activities. The following table shows December 31, 2011 capital assets compared to December 31, 2010:

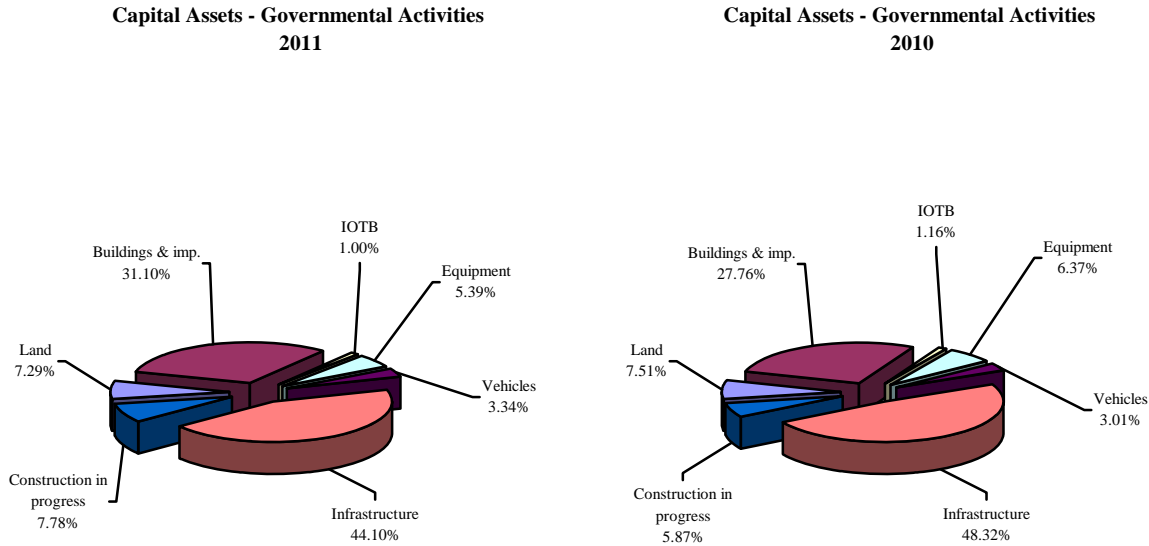
**Capital Assets at December 31  
(Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 1,378,358	\$ 1,378,358	\$ 280,171	\$ 280,171	\$ 1,658,529	\$ 1,658,529
IOTB	188,729	212,236	367,503	396,610	556,232	608,846
Buildings and improvements	5,878,425	5,097,629	17,978,302	18,614,460	23,856,727	23,712,089
Equipment	1,018,700	1,168,639	1,128,782	1,053,830	2,147,482	2,222,469
Vehicles	630,417	553,443	293,615	285,440	924,032	838,883
Infrastructure	8,334,024	8,873,036	18,489,598	17,307,546	26,823,622	26,180,582
Construction in progress	<u>1,470,646</u>	<u>1,077,025</u>	<u>25,142,732</u>	<u>24,849,459</u>	<u>26,613,378</u>	<u>25,926,484</u>
Totals	<u>\$ 18,899,299</u>	<u>\$ 18,360,366</u>	<u>\$ 63,680,703</u>	<u>\$ 62,787,516</u>	<u>\$ 82,580,002</u>	<u>\$ 81,147,882</u>

**CITY OF DEFIANCE, OHIO**

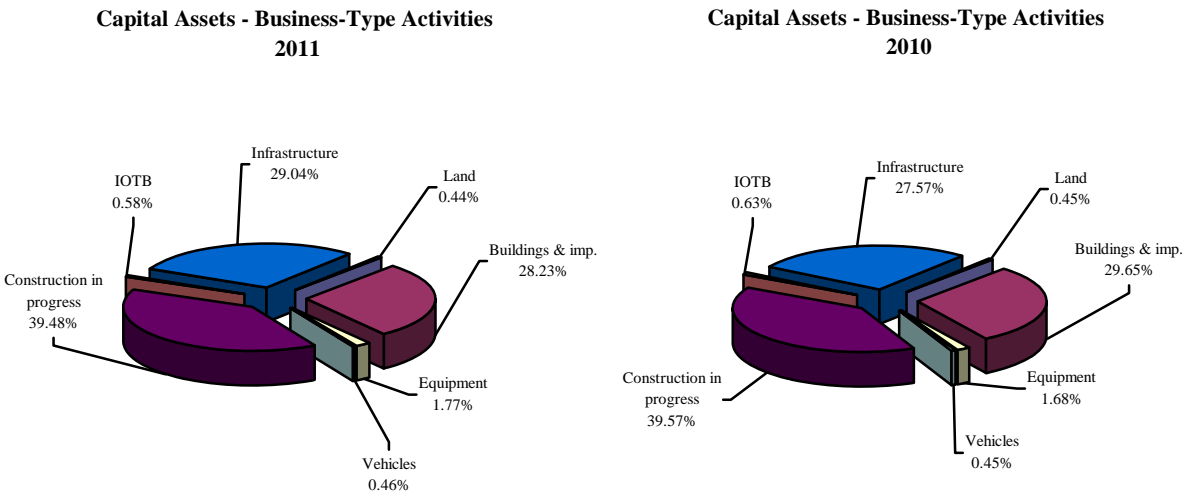
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(UNAUDITED)**

The following graphs show the breakdown of governmental capital assets by category for 2011 and 2010.



The capital asset category infrastructure 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 44.10% of the City's total governmental capital assets at December 31, 2011.

The following graphs show the breakdown of business-type capital assets by category for 2011 and 2010.



The City's second largest business-type capital asset category is infrastructure that primarily includes water and sewer 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 29.04% of the City's total business-type capital assets at December 31, 2011.

See Note 9 for detail on capital assets.

**CITY OF DEFIANCE, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(UNAUDITED)**

***Debt Administration***

The City had the following long-term obligations outstanding at December 31, 2011 and 2010:

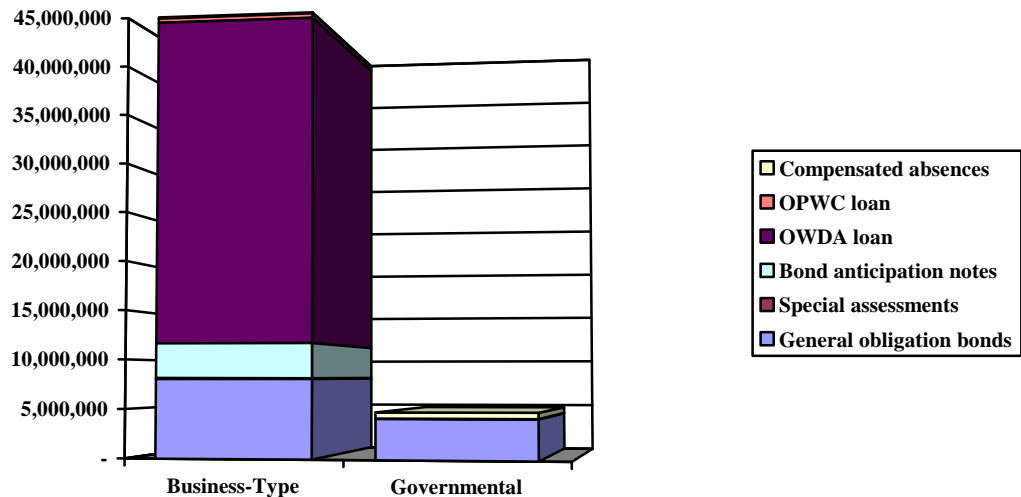
	Governmental Activities	
	<u>2011</u>	<u>2010</u>
Compensated absences	\$ 608,388	\$ 640,997
General obligation bonds	4,075,000	40,000
Special assessment bonds	42,272	106,815
Capital lease obligation	<u>-</u>	<u>1,765</u>
Total long-term obligations	<u>\$ 4,725,660</u>	<u>\$ 789,577</u>

	Business-type Activities	
	<u>2011</u>	<u>2010</u>
General obligation bonds	\$ 8,020,000	\$ 8,595,000
Special assessment bonds	86,952	94,182
OWDA loan	32,816,389	32,714,041
OPWC loan	451,992	530,737
Bond anticipation notes	3,493,000	3,920,000
Compensated absences	<u>121,720</u>	<u>157,121</u>
Total long-term obligations	<u>\$ 44,990,053</u>	<u>\$ 46,011,081</u>

See Note 12 for detail on long-term debt obligations. A comparison of the long-term obligations by category is depicted in the chart below.

**Long-term obligations**



## **CITY OF DEFIANCE, OHIO**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011 (UNAUDITED)**

#### **Economic Outlook and Next Year's Budget**

On the heels of a deep recession, the City continued to experience modest economic growth during 2011. County unemployment rates dropped steadily throughout the year, falling to 7.8 percent by December, which was somewhat lower than the national rate of 8.5 percent the same month. Total employment within the City, based on the number of W-2 forms filed with the City Income Tax Division, increased by 365 from 17,994 in 2010 to 18,359 in 2011 (Tax Years 2009 and 2010). It was the first net increase in number of jobs since prior to the recession that began in 2008. Income tax revenues from employee withholding also reflected the improving employment conditions, increasing nearly 3.0 percent. Overall income cash tax receipts did not fare as well, however, but still increased nearly 1.0 percent for the year.

Revenue projections for the 2012 budget were based somewhat on the optimism generated by the 2011 employment numbers. Initial income tax revenue estimates for 2012 include an increase of 4.4 percent. In contrast, however, the City anticipates that several other funding sources are likely to decrease, including property tax revenues (slight, due to reduced assessed values), and State supported revenue sharing (known reductions in the amount of Local Government Funds provided by the State). Additional and significant revenue reductions are scheduled to take effect in 2013 with the repeal of Ohio's estate tax, of which, local governments currently receive 80 percent of revenues collected.

In consideration of the tenuous revenue situation, the 2012 General Fund expense budget was reduced by 4.6 percent from the 2011 appropriation. Significant savings were realized in the areas of Property & Casualty Insurance rates, reduced prisoner housing costs, and personnel savings. Wages were frozen at the previous year's levels, and numerous positions vacated by employee retirements were left unfilled. Where feasible, work forces have been cross-trained and consolidated to maintain service levels in those areas with vacancies.

#### **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.

**BASIC  
FINANCIAL STATEMENTS**

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**CITY OF DEFIANCE, OHIO**

STATEMENT OF NET ASSETS  
DECEMBER 31, 2011

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . .	\$ 6,502,739	\$ 5,924,157	\$ 12,426,896
Investments. . . . .	129,076	-	129,076
Receivables:			
Income taxes. . . . .	945,703	-	945,703
Property and other local taxes . . . . .	764,065	-	764,065
Payment in lieu of taxes . . . . .	66,732	-	66,732
Accounts. . . . .	287,140	564,604	851,744
Loans receivable. . . . .	1,315,788	-	1,315,788
Special assessments . . . . .	108,540	59,258	167,798
Accrued interest . . . . .	4,972	3,203	8,175
Due from other governments. . . . .	748,665	-	748,665
Materials and supplies inventory. . . . .	23,882	71,019	94,901
Internal balance . . . . .	(2,534)	2,534	-
Unamortized bond issue costs . . . . .	74,064	140,707	214,771
Restricted assets:			
Equity in pooled cash and cash equivalents . . .	-	335,370	335,370
Capital assets:			
Land and construction in progress. . . . .	2,849,004	25,422,903	28,271,907
Depreciable capital assets, net. . . . .	16,050,295	38,257,800	54,308,095
Total capital assets, net. . . . .	18,899,299	63,680,703	82,580,002
Total assets . . . . .	29,868,131	70,781,555	100,649,686
<b>Liabilities:</b>			
Accounts payable. . . . .	359,365	91,165	450,530
Contracts payable. . . . .	5,951	25,160	31,111
Accrued wages and benefits payable . . . . .	196,693	72,719	269,412
Due to other governments . . . . .	316,792	85,589	402,381
Due to claimants . . . . .	28,690	-	28,690
Accrued interest payable . . . . .	30,737	49,444	80,181
Payable from restricted assets:			
Refunded deposits . . . . .	-	335,370	335,370
Unearned revenue . . . . .	724,169	-	724,169
Notes payable. . . . .	-	1,425,000	1,425,000
Long-term liabilities:			
Due within one year . . . . .	426,140	5,620,078	6,046,218
Due in more than one year. . . . .	4,341,577	39,510,681	43,852,258
Total liabilities . . . . .	6,430,114	47,215,206	53,645,320
<b>Net assets:</b>			
Invested in capital assets, net of related debt . . .	14,814,034	18,563,137	33,377,171
Restricted for:			
Capital projects . . . . .	7,820	-	7,820
Debt service . . . . .	1,085,623	-	1,085,623
Transportation projects . . . . .	497,741	-	497,741
Safety projects. . . . .	618,436	-	618,436
Special projects. . . . .	234,068	-	234,068
Community environment projects. . . . .	4,804	-	4,804
Economic development projects . . . . .	1,909,300	-	1,909,300
Health projects . . . . .	5,861	-	5,861
Other purposes. . . . .	247,085	-	247,085
Unrestricted . . . . .	4,013,245	5,003,212	9,016,457
Total net assets . . . . .	\$ 23,438,017	\$ 23,566,349	\$ 47,004,366

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF DEFIANCE, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Program Revenues</u>	
			<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Governmental activities:</b>				
General government . . . . .	\$ 2,817,789	\$ 367,422	\$ 92	\$ -
Security of persons and property . . . . .	5,429,001	1,191,219	101,252	-
Public health and welfare . . . . .	244,943	68,689	-	-
Transportation . . . . .	1,746,391	-	995,754	1,056,917
Community environment . . . . .	475,458	73,168	21,745	-
Leisure time activity . . . . .	650,516	23,133	-	-
Economic development . . . . .	903,603	573	744,504	-
Utility services . . . . .	5,335	-	-	-
Interest and fiscal charges . . . . .	83,200	-	-	-
Total governmental activities . . . . .	<u>12,356,236</u>	<u>1,724,204</u>	<u>1,863,347</u>	<u>1,056,917</u>
<b>Business-type activities:</b>				
Water . . . . .	4,406,534	5,415,327	-	-
Sewer . . . . .	4,691,866	6,113,369	-	-
Other business-type activities:				
Refuse . . . . .	785,210	819,619	-	-
Total business-type activities . . . . .	<u>9,883,610</u>	<u>12,348,315</u>	<u>-</u>	<u>-</u>
Total primary government . . . . .	<u>\$ 22,239,846</u>	<u>\$ 14,072,519</u>	<u>\$ 1,863,347</u>	<u>\$ 1,056,917</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 . . . . .
- Payments in lieu of taxes . . . . .
- Miscellaneous . . . . .

Total general revenues . . . . .

Transfers . . . . .

Total general revenues and transfers . . . . .

Change in net assets . . . . .

**Net assets at beginning of year . . . . .**

**Net assets at end of year . . . . .**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net Revenue (Expense) and Changes in Net Assets**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (2,450,275)	\$ -	\$ (2,450,275)
(4,136,530)	-	(4,136,530)
(176,254)	-	(176,254)
306,280	-	306,280
(380,545)	-	(380,545)
(627,383)	-	(627,383)
(158,526)	-	(158,526)
(5,335)	-	(5,335)
(83,200)	-	(83,200)
<u>(7,711,768)</u>	<u>-</u>	<u>(7,711,768)</u>
-	1,008,793	1,008,793
-	1,421,503	1,421,503
-	34,409	34,409
<u>-</u>	<u>2,464,705</u>	<u>2,464,705</u>
(7,711,768)	2,464,705	(5,247,063)
5,209,705	-	5,209,705
21,871	-	21,871
1,312,258	-	1,312,258
521,650	-	521,650
365,707	-	365,707
1,096,255	-	1,096,255
19,885	14,382	34,267
82,256	-	82,256
101,646	263,944	365,590
<u>8,731,233</u>	<u>278,326</u>	<u>9,009,559</u>
<u>(50,409)</u>	<u>50,409</u>	<u>-</u>
<u>8,680,824</u>	<u>328,735</u>	<u>9,009,559</u>
969,056	2,793,440	3,762,496
22,468,961	20,772,909	43,241,870
<u>\$ 23,438,017</u>	<u>\$ 23,566,349</u>	<u>\$ 47,004,366</u>

**CITY OF DEFIANCE, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2011

	<b>General</b>	<b>Capital Improvements</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . .	\$ 1,275,943	\$ 1,864,894	\$ 2,923,629	\$ 6,064,466
Investments. . . . .	129,076	-	-	129,076
Receivables (net of allowance for uncollectibles):				
Income taxes. . . . .	723,827	218,239	3,637	945,703
Property and other local taxes. . . . .	563,479	-	200,586	764,065
Payment in lieu of taxes. . . . .	-	-	66,732	66,732
Accounts. . . . .	199,140	-	88,000	287,140
Loans . . . . .	-	-	1,315,788	1,315,788
Special assessments . . . . .	-	-	108,540	108,540
Accrued interest . . . . .	4,351	-	343	4,694
Due from other governments. . . . .	355,489	-	393,176	748,665
Materials and supplies inventory. . . . .	-	-	23,882	23,882
Total assets . . . . .	<u>\$ 3,251,305</u>	<u>\$ 2,083,133</u>	<u>\$ 5,124,313</u>	<u>\$ 10,458,751</u>
<b>Liabilities:</b>				
Accounts payable. . . . .	\$ 291,807	\$ 37,773	\$ 28,956	\$ 358,536
Contracts payable. . . . .	-	5,951	-	5,951
Accrued wages and benefits . . . . .	180,602	-	16,091	196,693
Due to other governments . . . . .	266,111	37	50,644	316,792
Due to claimants . . . . .	28,690	-	-	28,690
Deferred revenue . . . . .	352,058	60,685	352,540	765,283
Unearned revenue . . . . .	512,147	-	212,022	724,169
Total liabilities . . . . .	<u>1,631,415</u>	<u>104,446</u>	<u>660,253</u>	<u>2,396,114</u>
<b>Fund balances:</b>				
Nonspendable . . . . .	87	-	23,882	23,969
Restricted. . . . .	-	-	4,345,580	4,345,580
Committed . . . . .	-	1,978,687	94,598	2,073,285
Assigned . . . . .	364,029	-	-	364,029
Unassigned . . . . .	<u>1,255,774</u>	<u>-</u>	<u>-</u>	<u>1,255,774</u>
Total fund balances. . . . .	<u>1,619,890</u>	<u>1,978,687</u>	<u>4,464,060</u>	<u>8,062,637</u>
Total liabilities and fund balances . . . . .	<u>\$ 3,251,305</u>	<u>\$ 2,083,133</u>	<u>\$ 5,124,313</u>	<u>\$ 10,458,751</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF DEFIANCE, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2011

<b>Total governmental fund balances</b>		\$	8,062,637
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			18,899,299
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.			
Income taxes receivable	\$	201,508	
Property and other local taxes receivable		63,275	
Special assessments receivable		108,540	
Intergovernmental revenue receivable		391,960	
Total		765,283	765,283
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 assets. The net assets of the internal service fund, including an internal balance (deficit) of \$2,534 are:			435,188
Accrued interest payable on long-term bonds is not due and payable in the current period and therefore is not reported in the funds.			(30,737)
Unamortized bond issuance costs are not recognized in the governmental funds.			74,064
Unamortized premiums on bond issuances are not recognized in the governmental funds.			(42,057)
Long-term liabilities, including bonds payable, compensated absences, and capital lease obligations, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds payable		(4,075,000)	
Special assessment bonds payable		(42,272)	
Compensated absences payable		(608,388)	
Total		(4,725,660)	(4,725,660)
<b>Net assets of governmental activities</b>		\$	23,438,017

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF DEFIANCE, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>General</u>	<u>Capital Improvements</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Income taxes . . . . .	\$ 5,294,087	\$ 1,329,568	\$ 22,160	\$ 6,645,815
Property and other local taxes. . . . .	541,693	-	365,707	907,400
Charges for services. . . . .	663,481	-	573	664,054
Licenses, permits and fees . . . . .	90,540	-	190,031	280,571
Fines and forfeitures . . . . .	526,072	-	269,370	795,442
Intergovernmental. . . . .	1,081,648	1,041,906	1,809,351	3,932,905
Special assessments . . . . .	-	-	41,695	41,695
Investment income. . . . .	18,067	-	60,488	78,555
Donations . . . . .	2,300	15,011	22,973	40,284
Payment in lieu of taxes . . . . .	-	-	82,256	82,256
Other . . . . .	8,717	-	90,629	99,346
<b>Total revenues . . . . .</b>	<u>8,226,605</u>	<u>2,386,485</u>	<u>2,955,233</u>	<u>13,568,323</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	2,315,100	-	414,551	2,729,651
Security of persons and property . . . . .	4,298,756	-	863,584	5,162,340
Public health and welfare. . . . .	215,876	-	-	215,876
Transportation . . . . .	-	-	1,090,575	1,090,575
Community environment . . . . .	526,416	-	1,000	527,416
Leisure time activity . . . . .	543,357	-	-	543,357
Economic development. . . . .	52,864	-	850,739	903,603
Capital outlay . . . . .	-	1,692,623	28,905	1,721,528
Debt service:				
Principal retirement. . . . .	1,765	-	104,543	106,308
Interest and fiscal charges . . . . .	41	-	52,780	52,821
Bond issuance costs . . . . .	-	-	75,000	75,000
<b>Total expenditures . . . . .</b>	<u>7,954,175</u>	<u>1,692,623</u>	<u>3,481,677</u>	<u>13,128,475</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>272,430</u>	<u>693,862</u>	<u>(526,444)</u>	<u>439,848</u>
<b>Other financing sources (uses):</b>				
Bond issuance. . . . .	-	-	4,075,000	4,075,000
Premium on bond issuance . . . . .	-	-	42,588	42,588
Transfers in . . . . .	-	-	1,459,967	1,459,967
Transfers (out). . . . .	(417,000)	-	(1,050,197)	(1,467,197)
<b>Total other financing sources (uses) . . . . .</b>	<u>(417,000)</u>	<u>-</u>	<u>4,527,358</u>	<u>4,110,358</u>
Net change in fund balances . . . . .	(144,570)	693,862	4,000,914	4,550,206
<b>Fund balances at beginning of year . . . . .</b>	<u>1,764,460</u>	<u>1,284,825</u>	<u>463,146</u>	<u>3,512,431</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 1,619,890</u>	<u>\$ 1,978,687</u>	<u>\$ 4,464,060</u>	<u>\$ 8,062,637</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  
FOR THE YEAR ENDED DECEMBER 31, 2011

<b>Net change in fund balances - total governmental funds</b>		\$ 4,550,206
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Government funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period.		
Capital asset additions	\$ 1,781,679	
Current year depreciation	(1,140,915)	
Total	640,764	640,764
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(58,652)
Transfers of capital assets to business-type activities are reported in the statement of activities.		
		(43,179)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income taxes receivable	(101,981)	
Property and other local taxes receivable	(8,100)	
Special assessments receivable	(57,558)	
Intergovernmental revenue receivable	(25,911)	
Total	(193,550)	(193,550)
Repayments of bonds, notes, and capital lease obligations are expenditures in the governmental funds, but the repayments reduce long-term liabilities on the statement of net assets. Principal payments during the year were:		
General obligation bonds	40,000	
Special assessment bonds	64,543	
Capital lease obligations	1,765	
Total	106,308	106,308
Proceeds of bonds are reported as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.		
		(4,075,000)
Issuance costs on general obligation bonds are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		
		75,000
Premiums on general obligation bonds are recognized as other financing sources in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		
		(42,588)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due:		
Increase in accrued interest payable	(29,974)	
Amortization of bond issuance costs	(936)	
Amortization of bond premiums	531	
Total	(30,379)	(30,379)
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.		
		32,609
The internal service fund used by management to charge the costs of health care to individual funds is not reported in the 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 the consolidation of internal service fund activity related to enterprise funds of (\$2,115), is allocated among the governmental activities.		
		7,517
<b>Change in net assets of governmental activities</b>		<b>\$ 969,056</b>

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  
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Income taxes . . . . .	\$ 5,350,984	\$ 5,385,000	\$ 5,334,329	\$ (50,671)
Property and other local taxes . . . . .	531,621	535,000	541,618	6,618
Charges for services . . . . .	704,074	708,550	695,197	(13,353)
Licenses, permits and fees . . . . .	108,311	109,000	90,540	(18,460)
Fines and forfeitures . . . . .	574,985	578,640	532,997	(45,643)
Intergovernmental . . . . .	933,218	939,150	1,018,012	78,862
Investment income . . . . .	29,811	30,000	14,515	(15,485)
Donations. . . . .	-	-	2,300	2,300
Other . . . . .	9,937	10,000	8,827	(1,173)
<b>Total revenues . . . . .</b>	<b>8,242,941</b>	<b>8,295,340</b>	<b>8,238,335</b>	<b>(57,005)</b>
<b>Expenditures:</b>				
Current:				
General government . . . . .	2,802,447	2,848,550	2,553,497	295,053
Security of persons and property. . . . .	4,651,825	4,720,943	4,308,444	412,499
Public health and welfare . . . . .	242,202	245,802	224,324	21,478
Community environment. . . . .	572,490	580,998	530,232	50,766
Leisure time activity . . . . .	625,420	634,713	579,254	55,459
Economic development and assistance. . . . .	57,077	57,925	52,864	5,061
<b>Total expenditures . . . . .</b>	<b>8,951,461</b>	<b>9,088,931</b>	<b>8,248,615</b>	<b>840,316</b>
Excess of expenditures over revenues . . . . .	(708,520)	(793,591)	(10,280)	783,311
<b>Other financing uses:</b>				
Other financing sources. . . . .	11,398	11,470	134,926	123,456
Sale of capital assets . . . . .	9,937	10,000	416	(9,584)
Transfers out . . . . .	(450,235)	(456,924)	(417,000)	39,924
<b>Total other financing uses . . . . .</b>	<b>(428,900)</b>	<b>(435,454)</b>	<b>(281,658)</b>	<b>153,796</b>
Net change in fund balance. . . . .	(1,137,420)	(1,229,045)	(291,938)	937,107
<b>Fund balance at beginning of year (restated) . . . . .</b>	<b>1,246,532</b>	<b>1,246,532</b>	<b>1,246,532</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>265,161</b>	<b>265,161</b>	<b>265,161</b>	<b>-</b>
<b>Fund balance at end of year. . . . .</b>	<b>\$ 374,273</b>	<b>\$ 282,648</b>	<b>\$ 1,219,755</b>	<b>\$ 937,107</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**CITY OF DEFIANCE, OHIO**

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2011

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental Activities - Internal Fund</b>
	<b>Sewer</b>	<b>Water</b>	<b>Nonmajor</b>	<b>Total</b>	
<b>Assets:</b>					
Current assets:					
Equity in pooled cash and cash equivalents . . .	\$ 3,578,511	\$ 1,808,518	\$ 537,128	\$ 5,924,157	\$ 438,273
Receivables (net allowance for uncollectibles):					
Accounts . . . . .	285,652	220,585	58,367	564,604	-
Accrued interest . . . . .	2,162	1,041	-	3,203	278
Special assessments . . . . .	2,996	56,262	-	59,258	-
Materials and supplies inventory . . . . .	17,811	53,208	-	71,019	-
Total current assets . . . . .	<u>3,887,132</u>	<u>2,139,614</u>	<u>595,495</u>	<u>6,622,241</u>	<u>438,551</u>
Noncurrent assets:					
Restricted equity in pooled cash and cash and cash equivalents . . . . .	-	-	335,370	335,370	-
Unamortized bond issuance costs . . . . .	-	140,707	-	140,707	-
Capital assets:					
Land and construction-in-progress . . . . .	25,303,403	119,500	-	25,422,903	-
Depreciable capital assets, net . . . . .	15,293,534	22,964,266	-	38,257,800	-
Total capital assets, net . . . . .	<u>40,596,937</u>	<u>23,083,766</u>	<u>-</u>	<u>63,680,703</u>	<u>-</u>
Total noncurrent assets . . . . .	<u>40,596,937</u>	<u>23,224,473</u>	<u>335,370</u>	<u>64,156,780</u>	<u>-</u>
Total assets . . . . .	<u>44,484,069</u>	<u>25,364,087</u>	<u>930,865</u>	<u>70,779,021</u>	<u>438,551</u>
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable . . . . .	31,054	60,111	-	91,165	829
Contracts payable . . . . .	25,029	131	-	25,160	-
Accrued wages and benefits payable . . . . .	33,174	39,545	-	72,719	-
Due to other governments . . . . .	39,703	45,886	-	85,589	-
Bond anticipation notes payable . . . . .	4,870,500	47,500	-	4,918,000	-
Accrued interest payable . . . . .	20,827	28,617	-	49,444	-
Compensated absences - current . . . . .	33,594	46,769	-	80,363	-
General obligation bonds payable - current . . .	-	595,000	-	595,000	-
Special assessment bonds payable - current . . .	7,645	-	-	7,645	-
OPWC loans payable - current . . . . .	10,710	69,709	-	80,419	-
OWDA loans payable - current . . . . .	1,205,884	157,767	-	1,363,651	-
Total current liabilities . . . . .	<u>6,278,120</u>	<u>1,091,035</u>	<u>-</u>	<u>7,369,155</u>	<u>829</u>
Current liabilities payable from restricted assets:					
Refundable deposit . . . . .	-	-	335,370	335,370	-
Noncurrent liabilities:					
Compensated absences . . . . .	9,336	32,021	-	41,357	-
General obligation bonds payable (net of unamortized premium and deferred amount on refunding) . . . . .	-	7,565,706	-	7,565,706	-
Special assessment bonds payable . . . . .	79,307	-	-	79,307	-
OPWC loans payable . . . . .	80,322	291,251	-	371,573	-
OWDA loans payable . . . . .	24,707,423	6,745,315	-	31,452,738	-
Total noncurrent liabilities . . . . .	<u>24,876,388</u>	<u>14,634,293</u>	<u>-</u>	<u>39,510,681</u>	<u>-</u>
Total liabilities . . . . .	<u>31,154,508</u>	<u>15,725,328</u>	<u>335,370</u>	<u>47,215,206</u>	<u>829</u>
<b>Net assets:</b>					
Invested in capital assets, net of related debt . . .	10,810,912	7,752,225	-	18,563,137	-
Unrestricted . . . . .	2,518,649	1,886,534	595,495	5,000,678	437,722
Total net assets . . . . .	<u>\$ 13,329,561</u>	<u>\$ 9,638,759</u>	<u>\$ 595,495</u>	<u>23,563,815</u>	<u>\$ 437,722</u>
Adjustment to reflect the consolidation of the internal service fund activities related to enterprise funds				2,534	
Net assets of business-type activities				<u>\$ 23,566,349</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF DEFIANCE, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<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 Fund</u>
<b>Operating revenues:</b>					
Charges for services . . . . .	\$ 6,113,369	\$ 5,387,158	\$ 819,619	\$ 12,320,146	\$ 1,918,206
Tap-in fees. . . . .	-	28,169	-	28,169	-
Other. . . . .	241,416	22,528	-	263,944	-
Total operating revenues . . . . .	<u>6,354,785</u>	<u>5,437,855</u>	<u>819,619</u>	<u>12,612,259</u>	<u>1,918,206</u>
<b>Operating expenses:</b>					
Personal services . . . . .	1,549,905	1,755,687	-	3,305,592	-
Contractual services . . . . .	710,222	221,542	-	931,764	-
Materials and supplies. . . . .	311,269	612,736	-	924,005	-
Administrative costs. . . . .	19,065	22,282	-	41,347	-
Utilities . . . . .	363,807	273,151	785,210	1,422,168	-
Claims. . . . .	-	-	-	-	1,909,502
Depreciation. . . . .	605,556	729,372	-	1,334,928	-
Other . . . . .	-	433	-	433	-
Total operating expenses. . . . .	<u>3,559,824</u>	<u>3,615,203</u>	<u>785,210</u>	<u>7,960,237</u>	<u>1,909,502</u>
Operating income . . . . .	<u>2,794,961</u>	<u>1,822,652</u>	<u>34,409</u>	<u>4,652,022</u>	<u>8,704</u>
<b>Nonoperating revenues (expenses):</b>					
Interest revenue . . . . .	9,800	4,582	-	14,382	928
Loss on sale of capital assets . . . . .	(15,143)	(22,833)	-	(37,976)	-
Interest and fiscal charges . . . . .	(1,111,127)	(709,345)	-	(1,820,472)	-
Other nonoperating expenses . . . . .	(6,755)	(60,285)	-	(67,040)	-
Total nonoperating revenues (expenses). . . . .	<u>(1,123,225)</u>	<u>(787,881)</u>	<u>-</u>	<u>(1,911,106)</u>	<u>928</u>
Income before contributions and transfers . . . . .	1,671,736	1,034,771	34,409	2,740,916	9,632
Transfer in . . . . .	7,230	-	-	7,230	-
Capital contributions. . . . .	43,179	-	-	43,179	-
Change in net assets . . . . .	1,722,145	1,034,771	34,409	2,791,325	9,632
<b>Net assets at beginning of year. . . . .</b>	<u>11,607,416</u>	<u>8,603,988</u>	<u>561,086</u>		<u>428,090</u>
<b>Net assets at end of year . . . . .</b>	<u>\$ 13,329,561</u>	<u>\$ 9,638,759</u>	<u>\$ 595,495</u>		<u>\$ 437,722</u>
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds.				<u>2,115</u>	
Change in net assets of business-type activities.				<u>\$ 2,793,440</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF DEFIANCE, OHIO

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Business-type Activities - Enterprise Funds				Governmental
	Sewer	Water	Nonmajor	Total	Activities - Internal Fund
<b>Cash flows from operating activities:</b>					
Cash received from charges for services . . . . .	\$ 6,103,572	\$ 5,402,502	\$ 848,111	\$ 12,354,185	\$ 1,918,206
Cash received from tap-in fees . . . . .	-	28,169	-	28,169	-
Cash received from other operations . . . . .	241,416	21,948	-	263,364	-
Cash payments for personal services. . . . .	(1,582,555)	(1,767,222)	-	(3,349,777)	-
Cash payments for contractual services . . . . .	(704,902)	(257,812)	-	(962,714)	-
Cash payments for administrative costs. . . . .	(19,385)	(22,031)	-	(41,416)	-
Cash payments for materials and supplies . . . . .	(300,354)	(580,801)	-	(881,155)	-
Cash payments for claims . . . . .	-	-	-	-	(1,908,673)
Cash payments for utilities . . . . .	(364,517)	(277,670)	(785,210)	(1,427,397)	-
Cash payments for other operations . . . . .	-	(433)	(4,650)	(5,083)	-
Net cash provided by operating activities . . . . .	<u>3,373,275</u>	<u>2,546,650</u>	<u>58,251</u>	<u>5,978,176</u>	<u>9,533</u>
<b>Cash flows from noncapital financing activities:</b>					
Cash received from transfers in . . . . .	<u>7,230</u>	<u>-</u>	<u>-</u>	<u>7,230</u>	<u>-</u>
Net cash provided by noncapital financing activities . . . . .	<u>7,230</u>	<u>-</u>	<u>-</u>	<u>7,230</u>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>					
Cash payments for the acquisition of capital assets . . . . .	(2,326,773)	(102,098)	-	(2,428,871)	-
Cash received from issuance of loans . . . . .	2,233,536	-	-	2,233,536	-
Cash received from issuance of notes . . . . .	4,870,500	47,500	-	4,918,000	-
Cash payments for principal retirement. . . . .	(7,369,366)	(842,797)	-	(8,212,163)	-
Cash payments for interest and fiscal charges . . . . .	(1,137,907)	(711,610)	-	(1,849,517)	-
Net cash used in capital and related financing activities. . . . .	<u>(3,730,010)</u>	<u>(1,609,005)</u>	<u>-</u>	<u>(5,339,015)</u>	<u>-</u>
<b>Cash flows from investing activities:</b>					
Cash received from interest earned. . . . .	<u>8,206</u>	<u>3,640</u>	<u>-</u>	<u>11,846</u>	<u>684</u>
Net cash provided by investing activities . . . . .	<u>8,206</u>	<u>3,640</u>	<u>-</u>	<u>11,846</u>	<u>684</u>
Net increase (decrease) in cash and cash equivalents . . . . .	(341,299)	941,285	58,251	658,237	10,217
Cash and cash equivalents at beginning of year . . . . .	3,919,810	867,233	814,247	5,601,290	428,056
Cash and cash equivalents at end of year . . . . .	<u>\$ 3,578,511</u>	<u>\$ 1,808,518</u>	<u>\$ 872,498</u>	<u>\$ 6,259,527</u>	<u>\$ 438,273</u>

-- Continued

**CITY OF DEFIANCE, OHIO**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Business-type Activities - Enterprise Funds</u>				<u>Governmental Activities - Internal Funds</u>
	<u>Sewer</u>	<u>Water</u>	<u>Nonmajor</u>	<u>Total</u>	
<b>Reconciliation of operating income to net cash provided by operating activities:</b>					
Operating income . . . . .	\$ 2,794,961	\$ 1,822,652	\$ 34,409	\$ 4,652,022	\$ 8,704
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation. . . . .	605,556	729,372	-	1,334,928	-
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable. . . . .	(11,296)	2,026	(2,983)	(12,253)	-
Decrease in special assessments receivable . . . . .	1,499	12,738	-	14,237	-
Decrease in materials and supplies inventory . . . . .	9,064	4,379	-	13,443	-
Increase (decrease) in accounts payable. . . . .	143,783	(13,113)	-	130,670	829
Increase (decrease) in contracts payable. . . . .	(137,423)	131	-	(137,292)	-
(Decrease) in accrued wages and benefits . . . . .	(1,533)	(6,959)	-	(8,492)	-
(Decrease) in compensated absences payable . . . . .	(33,893)	(1,508)	-	(35,401)	-
Increase (decrease) in due to other governments . . . . .	2,776	(3,068)	-	(292)	-
Decrease in retainage payable . . . . .	(219)	-	-	(219)	-
Increase in utility deposits payable . . . . .	-	-	26,825	26,825	-
Net cash provided by operating activities. . . . .	<u>\$ 3,373,275</u>	<u>\$ 2,546,650</u>	<u>\$ 58,251</u>	<u>\$ 5,978,176</u>	<u>\$ 9,533</u>

**Non-cash capital transactions:**

At December 31, 2011 and December 31, 2010, the water fund purchased \$156 and \$4 in capital assets on account, respectively.  
 At December 31, 2011 and December 31, 2010, the sewer fund purchased \$33,175 and \$172,246 in capital assets on account, respectively.  
 During 2011, the sewer fund received \$43,179 in capital contributions from governmental activities.  
 During 2011, the water fund removed of \$60,285 in construction in progress.  
 During 2011, the sewer fund removed of \$6,755 in construction in progress.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF DEFIANCE, OHIO**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUND  
DECEMBER 31, 2011**

	<u>Agency</u>
<b>Assets:</b>	
Cash in segregated accounts. . . . .	\$ 13,417
Total assets . . . . .	<u>\$ 13,417</u>
<b>Liabilities:</b>	
Due to other governments . . . . .	\$ 13,417
Total liabilities. . . . .	<u>\$ 13,417</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, 2011

#### 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 also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided it does not conflict with or contradict GASB pronouncements. The City has the option to also apply FASB guidance issued after November 30, 1989 to its business-type activities and enterprise funds, subject to this same limitation. The City has elected not to apply this FASB guidance. The most significant of the City's accounting policies are described below.

##### A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". 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 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 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 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.

**CITY OF DEFIANCE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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

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 sources of revenue are fees charged by MVPO to administer CDBG grants and a per capita amount from each City.

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 MVPO including budgeting, contracting and designating management. The City has no ongoing financial interest or responsibility for the MVPO. In 2011, the City contributed \$126,034 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 (District). The District is wholly situated within Noble Township, Defiance County. The purpose of the District is to facilitate economic development to create and preserve employment opportunities within the District.

The District is governed by a Board of Directors consisting of five members. The Board is made up of one representative appointed by the City, Noble Township, the District business owners' association, the District employee's association and one "at-large member". The main source of revenue is a tax levied upon the income earned by persons working in the District and the net profits of businesses located in the District. 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 by 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 Board has not been explicitly defined, nor is it currently measurable. In 2011, the City did not make any contributions to the MANTF. Complete 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 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, 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.



**CITY OF DEFIANCE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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

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 the 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 is limited to its representation on the Board. The City made \$50,800 in payments to the Corporation in 2011. Information can be obtained from Jerry Hayes, Executive Director, 1300 East Second Street, Suite 201, Defiance, Ohio 43512.

*RELATED ORGANIZATION*

*Defiance Public Library (Library)* - The Defiance Public 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, Michele Zeedyk, Chief Fiscal Officer, at 320 Fort Street, Defiance, Ohio 43512.

**B. Basis of Presentation - Fund Accounting**

The City's basic financial statements (BFS) consist of government-wide statements, including a statement of net assets 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 assets 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 assets 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.

**CITY OF DEFIANCE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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

**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.

**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 and liabilities 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.

Capital improvements fund - The capital improvements fund accounts for resources used to purchase equipment and construct capital assets.

Other governmental funds of the City are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (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 assets, 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:

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

Sewer fund - This fund accounts for the provision of sanitary sewer service to the residents 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 BFS.

## CITY OF DEFIANCE, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

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

*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.

*Fiduciary Funds* - Fiduciary fund reporting focuses on net assets and changes in net assets. 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 which 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 and all liabilities associated with the operation of the City are included on the statement of net assets.

*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 and current liabilities 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 and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. 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 and administrative 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.

**CITY OF DEFIANCE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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

**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 revenue and in the presentation of expenses versus expenditures.

**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 a 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, payments in lieu of taxes, grants, entitlements and donations. On an 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, 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 a 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 tax, State-levied locally shared taxes (including gasoline tax, local government funds and permissive tax), fines and forfeitures, fees and special assessments.

**Unearned Revenue and Deferred Revenue** - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes and payments in lieu of taxes for which there is an enforceable legal claim as of December 31, 2011, but which were levied to finance year 2012 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as unearned revenue. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2011, are recorded as deferred revenue on the governmental fund financial statements.

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

**CITY OF DEFIANCE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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

*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 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 resolution of 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 appropriation 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 appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by City Council during the year.

**G. Health Care**

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

**CITY OF DEFIANCE, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

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

During 2011, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and the City's own bonds. These investments are reported at fair value which is based on quoted market prices.

The City has invested funds in STAR Ohio during 2011. 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, 2011.

Following Ohio Statutes, the Council has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue earned and credited to the general fund during 2011 amounted to \$18,067, which included \$15,729 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 the municipal court operations. These interest bearing depository accounts for the municipal court operations presented on the 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 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 are classified as restricted assets because these funds are being held for specified purposes.

**J. Inventories of Materials and Supplies**

On government-wide financial statements, purchased inventories are presented at the lower of cost or market. Inventories are recorded on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental funds when consumed. Inventories of the proprietary funds are expensed when used. Inventory consists of expendable supplies held for consumption.

**CITY OF DEFIANCE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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

**K. Capital Assets**

Governmental capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the 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 assets 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 at \$2,500. The City's infrastructure consists 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

**L. Compensated Absences**

Compensated absences of the City consist of vacation leave and sick leave to the extent that payment 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 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 December 31 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.

**CITY OF DEFIANCE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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

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 time and one day for every seven days for accumulated sick time in excess of 120 days upon retirement. 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 twenty-two 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 twenty-four hour days. An IAFF bargaining unit individual with twenty-two or more years of service, who retires or resigned from the City shall be eligible for payment for one-half of accrued, but unused sick leave up to a maximum payment for 50 twenty-four hour days.

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

The entire compensated absence liability is reported on the government-wide financial statements.

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

**M. Accrued Liabilities and Long-Term Obligations**

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

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

**N. Interfund Activity**

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.



**CITY OF DEFIANCE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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

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

**O. Fund Balance**

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

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

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

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

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of City Council, which includes giving the Finance Director the authority to constrain monies for intended purposes.

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

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

**CITY OF DEFIANCE, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

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

**P. Contributions of Capital**

Contributions of capital in governmental activities and proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, from grants or outside contributions of resources restricted to capital acquisition and construction, or from other funds within the City. The City's sewer fund received \$43,179 in capital contributions from governmental activities.

**Q. Estimates**

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

**R. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes primarily consist of the court computerization fund, cable TV - franchise fund, downtown grant fund and peace officer training fund (nonmajor governmental funds).

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are 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 event that are within the control of the City and that are either unusual in nature or infrequent in occurrence. The City had no extraordinary or special items during the fiscal year.

**T. Unamortized Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss**

On government-wide financial statements and in the enterprise funds, issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Issuance costs are recorded as deferred charges on the statement of net assets.

Bond premiums and discounts are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds and bond discounts are presented as a reduction to the face amount of the bonds.

For 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 deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction from the face amount of the new debt.

**CITY OF DEFIANCE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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

On the governmental fund financial statements, issuance costs and bond premiums and discounts are recognized in the current period. The reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 12.

**NOTE 3 - ACCOUNTABILITY**

**A. Change in Accounting Principles**

For fiscal year 2011, the City has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the City.

**B. Budgetary Prior Period Adjustment**

In prior years certain funds that are legally budgeted in separate special revenue funds were considered part of the general fund on a budgetary basis. The City has elected to report only the legally budgeted general fund in the budgetary statement; therefore, a restatement to the beginning budgetary balance is required. The restatement of the general fund's budgetary-basis fund balance at December 31, 2010 is as follows:

	<u>General Fund</u>
Balance at December 31, 2010	\$ 1,275,222
Funds budgeted elsewhere	<u>(28,690)</u>
Restated balance at January 1, 2011	<u>\$ 1,246,532</u>

**C. Compliance**

The City has appropriations in excess of actual resources in noncompliance with Ohio Revised Code Section 5705.36 (A) (4).

**CITY OF DEFIANCE, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section 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.

**CITY OF DEFIANCE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

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

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

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

**A. Cash on Hand**

At year end, the City had \$2,250 in undeposited cash on hand which is included on the financial statements of the City as part of "equity in pooled cash and cash equivalents".

**B. Cash in Segregated Accounts**

At year end, the City had \$13,417 in cash in segregated accounts held for the Municipal Court which is included on the financial statements of the City as an agency fund.

**C. Deposits with Financial Institutions**

At December 31, 2011, the carrying amount of all City deposits was \$12,709,580. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2011, \$6,477,954 of the City's bank balance of \$13,502,855 was exposed to custodial risk as discussed below, while \$7,024,901 was covered by the FDIC.

**CITY OF DEFIANCE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

**D. Investments**

As of December 31, 2011, the City had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
STAR Ohio	\$ 63,853	\$ 63,853	\$ -	\$ -	\$ -	\$ -
City owned bonds	129,076	-	22,186	-	22,627	84,263
Total	<u>\$ 192,929</u>	<u>\$ 63,853</u>	<u>\$ 22,186</u>	<u>\$ -</u>	<u>\$ 22,627</u>	<u>\$ 84,263</u>

The weighted average maturity of investments is 2.80 years.

*Interest Rate Risk:* 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. 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.

*Concentration of Credit Risk:* The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2011:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 63,853	33.10
City owned bonds	129,076	66.90
Total	<u>\$ 192,929</u>	<u>100.00</u>

**CITY OF DEFIANCE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**E. Reconciliation of Cash and Investments to the Statement of Net Assets**

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 assets as of December 31, 2011:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 12,709,580
Investments	192,929
Cash on hand	2,250
Total	\$ 12,904,759
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 6,631,815
Business-type activities	6,259,527
Agency fund	13,417
Total	\$ 12,904,759

**NOTE 5 - INTERFUND TRANSFERS**

For 2011, interfund transfers consisted of the following, as reported in the fund statements:

<u>Transfers from general fund to:</u>	
Nonmajor governmental funds	\$ 417,000
 <u>Transfers from nonmajor governmental fund to:</u>	
Municipal court construction fund	653,912
Special projects fund	389,055
Sewer	7,230
Total transfers	\$ 1,467,197

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. The transfer to the municipal court construction fund was to move the bond anticipation notes retirement money to the proper fund, the special projects fund was to help cover expenses, and the sewer fund was for the payment on the special assessment bonds.

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 on the statement of activities and include capital contribution activity between governmental funds and business-type activities as described in Note 2.P.

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

**CITY OF DEFIANCE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**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 revaluated 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. 2011 public utility property taxes became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 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, 2011 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2011 operations and the collection of delinquent taxes has been offset by deferred revenue 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 deferred.

The full tax rate for all City operations for the year ended December 31, 2011 was \$3.00 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2011 property tax receipts were based are as follows:

Real property

Residential/agricultural	\$ 182,460,920
Commercial/industrial/mineral	76,144,770

Public utility

Real	45,690
Personal	17,733,620

Total assessed value	<u><u>\$ 276,385,000</u></u>
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**CITY OF DEFIANCE, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**NOTE 7 - LOCAL INCOME TAX**

This locally levied tax of 1.5 percent is applied to gross salaries, wages and other personal service compensation earned by residents both in and out of the City, and to earnings of nonresidents (except certain transients) earned in 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 were measurable and available to finance current operations at December 31. Income tax revenue for 2011 was \$6,645,815 on the modified accrual basis of accounting.

**NOTE 8 - RECEIVABLES**

Receivables at December 31, 2011, consisted of income and property taxes, payment in lieu of taxes, accounts (billings for user charged services), accrued interest receivable, special assessments, loans and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as “due from other governments” on the financial statements. Receivables have been recorded to the extent that they are measurable at December 31, 2011.

A summary of the principal items of receivables reported on the statement of net assets follows:

**Governmental activities:**

Income taxes	\$ 945,703
Property and other local taxes	764,065
Payment in lieu of taxes	66,732
Accounts	287,140
Loans	1,315,788
Special assessments	108,540
Accrued interest	4,972
Due from other governments	748,665

**Business-type activities:**

Accounts	564,604
Special assessments	59,258
Accrued interest	3,203

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 assessment and loans which are collected over the term of the loan.

**CITY OF DEFIANCE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 9 - CAPITAL ASSETS**

The following activity occurred in the City's governmental activities and business-type activities capital assets during 2011:

<b><u>Governmental activities:</u></b>	<u>Balance</u> <u>12/31/10</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/11</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,378,358	\$ -	\$ -	\$ 1,378,358
Construction in progress	<u>1,077,025</u>	<u>1,240,700</u>	<u>(847,079)</u>	<u>1,470,646</u>
Total capital assets, not being depreciated	<u>2,455,383</u>	<u>1,240,700</u>	<u>(847,079)</u>	<u>2,849,004</u>
<i>Capital assets, being depreciated:</i>				
Buildings	8,543,646	1,014,122	-	9,557,768
Improvements other than buildings	990,149	-	-	990,149
Equipment	2,644,719	53,557	(140,378)	2,557,898
Vehicles	2,498,745	263,925	(302,623)	2,460,047
Infrastructure	<u>16,721,114</u>	<u>13,275</u>	<u>-</u>	<u>16,734,389</u>
Total capital assets, being depreciated	<u>31,398,373</u>	<u>1,344,879</u>	<u>(443,001)</u>	<u>32,300,251</u>
<i>Less: accumulated depreciation:</i>				
Buildings	(3,446,017)	(233,326)	-	(3,679,343)
Improvements other than buildings	(777,913)	(23,507)	-	(801,420)
Equipment	(1,476,080)	(178,817)	115,699	(1,539,198)
Vehicles	(1,945,302)	(152,978)	268,650	(1,829,630)
Infrastructure	<u>(7,848,078)</u>	<u>(552,287)</u>	<u>-</u>	<u>(8,400,365)</u>
Total accumulated depreciation	<u>(15,493,390)</u>	<u>(1,140,915)</u>	<u>384,349</u>	<u>(16,249,956)</u>
Total capital assets, being depreciated, net	<u>15,904,983</u>	<u>203,964</u>	<u>(58,652)</u>	<u>16,050,295</u>
Governmental activities capital assets, net	<u>\$ 18,360,366</u>	<u>\$ 1,444,664</u>	<u>\$ (905,731)</u>	<u>\$ 18,899,299</u>

**CITY OF DEFIANCE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 9 - CAPITAL ASSETS - (Continued)**

<b><u>Business-type activities:</u></b>	<u>Balance</u> <u>12/31/10</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/11</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 280,171	\$ -	\$ -	\$ 280,171
Construction in progress	<u>24,849,459</u>	<u>2,067,588</u>	<u>(1,774,315)</u>	<u>25,142,732</u>
Total capital assets, not being depreciated	<u>25,129,630</u>	<u>2,067,588</u>	<u>(1,774,315)</u>	<u>25,422,903</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	965,930	-	-	965,930
Buildings and improvements	29,390,539	-	(84,370)	29,306,169
Equipment	3,354,421	197,558	(107,763)	3,444,216
Vehicles	1,105,939	67,985	(72,086)	1,101,838
Infrastructure	<u>28,650,699</u>	<u>1,707,275</u>	<u>-</u>	<u>30,357,974</u>
Total capital assets, being depreciated	<u>63,467,528</u>	<u>1,972,818</u>	<u>(264,219)</u>	<u>65,176,127</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(569,320)	(29,107)	-	(598,427)
Buildings and improvements	(10,776,079)	(628,516)	76,728	(11,327,867)
Equipment	(2,300,591)	(92,272)	77,429	(2,315,434)
Vehicles	(820,499)	(59,810)	72,086	(808,223)
Infrastructure	<u>(11,343,153)</u>	<u>(525,223)</u>	<u>-</u>	<u>(11,868,376)</u>
Total accumulated depreciation	<u>(25,809,642)</u>	<u>(1,334,928)</u>	<u>226,243</u>	<u>(26,918,327)</u>
Total capital assets being depreciated, net	<u>37,657,886</u>	<u>637,890</u>	<u>(37,976)</u>	<u>38,257,800</u>
Business-type activities capital assets, net	<u>\$ 62,787,516</u>	<u>\$ 2,705,478</u>	<u>\$ (1,812,291)</u>	<u>\$ 63,680,703</u>

Depreciation expense was charged to functions/programs of the City as follows:

**Governmental activities:**

General government	\$ 185,160
Security of persons and property	202,098
Public health and welfare	26,773
Community environment	11,270
Leisure time activity	102,560
Transportation	<u>613,054</u>
Total depreciation expense - governmental activities	<u>\$ 1,140,915</u>

**CITY OF DEFIANCE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 9 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to the enterprise funds of the City as follows:

**Business-type activities:**

Water	\$ 729,372
Sewer	<u>605,556</u>
Total depreciation expense - business-type activities	<u>\$ 1,334,928</u>

**NOTE 10 - OTHER EMPLOYEE BENEFITS**

Compensated Absences

Accumulated Unpaid Vacation

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 \$341,960 at December 31, 2011. 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 accrual for the City as a whole amounted to \$388,148 at December 31, 2011. Amounts are recorded as a fund liability and/or on the government-wide financial statements, as applicable.

**NOTE 11 - CAPITAL LEASES**

In a prior year, the City entered into capital lease agreements for the acquisition of copier equipment. Capital assets consisting of copier equipment were capitalized in the general fund and the water and sewer enterprise funds. These lease agreements meet the criteria of a capital lease as defined by FASB Statement No. 13 "Accounting for Leases", which defines a capital lease as one which transfers benefits and risks of ownership to the lessee. The amount of the \$50,377 represents the present value of the minimum lease payments at the time of acquisition. As of December 31, 2011, accumulated depreciation was \$30,110, resulting in a net carrying value of \$20,267. The final payment in 2011 was \$1,765 in the general fund.

**CITY OF DEFIANCE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 12 - LONG-TERM OBLIGATIONS**

**A. Governmental Activities Long-Term Obligations**

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

<u><b>Governmental activities:</b></u>	<u>Original</u> <u>Amount</u>	<u>Balance</u> <u>12/31/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/11</u>	<u>Amount</u> <u>Due in</u> <u>One Year</u>
General obligation bonds payable:						
2011 Series Bonds - 2.00-4.00%	\$4,075,000	\$ -	\$4,075,000	\$ -	\$4,075,000	\$ 150,000
1991 Series Bonds - 6.75%	665,000	<u>40,000</u>	<u>-</u>	<u>(40,000)</u>	<u>-</u>	<u>-</u>
Total general obligation bonds		<u>40,000</u>	<u>4,075,000</u>	<u>(40,000)</u>	<u>4,075,000</u>	<u>150,000</u>
Special assessment bonds payable:						
1991 Ranchland Heights - 6.88%	545,000	50,000	-	(50,000)	-	-
1994 Ottawa Avenue - 5.10%	29,968	4,643	-	(1,500)	3,143	1,500
1995 Stadium Drive - 5.90%	260,849	<u>52,172</u>	<u>-</u>	<u>(13,043)</u>	<u>39,129</u>	<u>13,043</u>
Total special assessment bonds		<u>106,815</u>	<u>-</u>	<u>(64,543)</u>	<u>42,272</u>	<u>14,543</u>
Compensated absences payable		640,997	347,719	(380,328)	608,388	261,597
Capital lease obligation		<u>1,765</u>	<u>-</u>	<u>(1,765)</u>	<u>-</u>	<u>-</u>
<b>Total</b>		<u>\$ 789,577</u>	<u>\$4,422,719</u>	<u>\$ (486,636)</u>	4,725,660	<u>\$ 426,140</u>
Add: Unamortized bond premium					<u>42,057</u>	
Total on statement of net assets					<u>\$4,767,717</u>	

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.

On March 1, 1991, the City issued general obligation bonds (Street Improvement Bonds, Series 1991). 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 improving and extending its highway system. The bonds had an interest rate of 6.75% and matured on December 1, 2011.

Special assessment debt with governmental commitment and debt issued for governmental purposes of the City is retired from the debt service fund (a nonmajor governmental fund). General obligation bonds are secured by the City's ability to levy a voted or unvoted property tax within limitations of Ohio law. Special assessment bonds are secured by an unvoted property tax levy (special assessment), however, the bond indentures provide for principal and interest to be paid from use charges.

The City's capital lease obligation is described in Note 11 to the financial statements. Compensated absences consisting of sick leave (severance) and vacation benefits will be paid from the fund from which the employee is paid which, for the City is the general fund and the street construction, maintenance and repair fund (a nonmajor governmental fund).

**CITY OF DEFIANCE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

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>Special Assessment Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 150,000	\$ 147,398	\$ 297,398	\$ 14,543	\$ 2,437	\$ 16,980
2013	170,000	124,250	294,250	14,686	1,640	16,326
2014	170,000	120,850	290,850	13,043	770	13,813
2015	175,000	117,450	292,450	-	-	-
2016	175,000	113,950	288,950	-	-	-
2017 - 2021	925,000	496,350	1,421,350	-	-	-
2022 - 2026	1,060,000	344,088	1,404,088	-	-	-
2027 - 2031	1,250,000	147,432	1,397,432	-	-	-
Total	<u>\$ 4,075,000</u>	<u>\$1,611,768</u>	<u>\$ 5,686,768</u>	<u>\$ 42,272</u>	<u>\$ 4,847</u>	<u>\$ 47,119</u>

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**CITY OF DEFIANCE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

**B. Business-Type Activities Long-Term Obligations**

The following activity occurred in the business type activities long-term obligations during 2011:

<u>Business-type activities:</u>	<u>Interest</u>	<u>Balance</u>			<u>Balance</u>	<u>Amount Due</u>
	<u>Rate</u>	<u>12/31/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/11</u>	<u>in One Year</u>
<u>General obligation bonds:</u>						
Waterworks - series 2005 refunding	4.00-5.00%	\$ 3,410,000	\$ -	\$ (275,000)	\$ 3,135,000	\$ 285,000
Waterworks - series 2007 refunding	4.50-5.25%	5,185,000	-	(300,000)	4,885,000	310,000
Total general obligation bonds		<u>8,595,000</u>	<u>-</u>	<u>(575,000)</u>	<u>8,020,000</u>	<u>595,000</u>
<u>Special assessment bonds</u>						
Sewer street improvements - Series 2000	5.75%	94,182	-	(7,230)	86,952	7,645
<u>Notes payable</u>						
Water - 2010 bond anticipation note	1.250%	55,000	-	(55,000)	-	-
Water - 2011 bond anticipation note	0.709%	-	47,500	-	47,500	47,500
Sewer - 2010 bond anticipation note	1.250%	3,865,000	-	(3,865,000)	-	-
Sewer - 2011 bond anticipation note	0.709%	-	3,445,500	-	3,445,500	3,445,500
Total bond anticipation notes		<u>3,920,000</u>	<u>3,493,000</u>	<u>(3,920,000)</u>	<u>3,493,000</u>	<u>3,493,000</u>
<u>Other long-term obligations</u>						
OWDA loans	2.62-7.65%	32,714,041	2,233,536	(2,131,188)	32,816,389	1,363,651
OPWC loans	0-4.00%	530,737	-	(78,745)	451,992	80,419
Compensated absences payable		157,121	86,848	(122,249)	121,720	80,363
Total other long-term obligations		<u>33,401,899</u>	<u>2,320,384</u>	<u>(2,332,182)</u>	<u>33,390,101</u>	<u>1,524,433</u>
Total business-type activities long-term liabilities		<u>\$ 46,011,081</u>	<u>\$ 5,813,384</u>	<u>\$ (6,834,412)</u>	44,990,053	<u>\$ 5,620,078</u>
Less: Unamortized deferred charge on refunding					(326,114)	
Add: Unamortized bond premium					<u>466,820</u>	
Total on statement of net assets					<u>\$ 45,130,759</u>	

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 assets.

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%-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, 2011**

**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%-5.25%. The re-acquisition 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.

On April 12, 2011, the City issued a water improvement note payable in the amount of \$47,500. This note bears an interest rate of 0.709% and matures on April 12, 2012.

On April 12, 2011, the City issued a sewer improvement note payable in the amount of \$3,445,500. This note bears an interest rate of 0.709% and matures on April 12, 2012.

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 an interest rate of 5.75% and mature December 1, 2020. During 2011, the City retired \$7,230 of these bonds, leaving an outstanding balance of \$86,952 at December 31, 2011.

The City constructed a wastewater treatment facility in 1990. The Project was financed through expenditure by the 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. All OWDA loans with the exception of the wastewater facility, wastewater facility improvement, and water reservoir construction loans are currently "open" meaning that final disbursements have not been made from the OWDA; therefore, future debt service requirements have not been finalized and are not presented in the schedule of future debt service requirements below.

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**CITY OF DEFIANCE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

At December 31, 2011, the City had the following OWDA loans outstanding:

Purpose	Interest Rate	Maturity Date	Balance Outstanding 12/31/11
Wastewater facility	7.65%	1/1/2013	\$ 779,770
Wastewater facility improvements	3.91%	7/1/2020	4,206,683
Group 4 sewer design	3.25%	1/29/2029	752,175
Group 2 express sewer	3.36%	1/1/2030	451,883
Group 6 sewer planning	3.25%	7/1/2029	3,964,039
Group 6 sewer design	3.25%	1/1/2030	2,248,157
Group 5 sewer planning/sses	3.25%	1/1/2031	433,881
Group 4 sewer separation	3.53%	1/1/2031	382,867
Sewer design groups 1 & 2	3.20%	7/1/2014	6,252,925
Group 5 design	4.14%	1/1/2031	173,997
Group 31A river intrusion elimination project	4.14%	1/1/2031	481,839
Group 6 sewer separation	3.70%	1/1/2031	1,913,728
Group 5 sewer separation	3.25%	1/1/2031	3,008,088
Group 12 and 14 sewer planning	2.62%	7/1/2031	413,994
LTCP planning	3.28%	7/1/2035	449,281
Water reservoir construction	4.09%	7/1/2037	<u>6,903,082</u>
Total			<u>\$ 32,816,389</u>

The City has pledged future water and sewer revenues to repay OWDA loans. The loans are payable solely from water and sewer fund revenues and are payable through 2037. Annual principal and interest payments on the loans are expected to require 58.54 percent of net revenues and 29.62 percent of total revenues. The total principal and interest remaining to be paid on the loans is \$37,933,103. Principal and interest paid for the current year were \$3,492,776, total net revenues were \$5,966,923 and total revenues were \$11,792,640.

Improvements to the City's water treatment facilities were financed through expenditures by the Ohio Public Works Commission (OPWC). At December 31, 2011, the City has the following four loans outstanding with OPWC:

	Interest Rate	Maturity Date	Balance Outstanding 12/31/11
OPWC loan	4.00%	1/1/2014	\$ 55,445
OPWC loan	3.00%	7/1/2017	168,325
OPWC loan	0.00%	7/1/2019	137,190
OPWC loan	0.00%	7/1/2020	<u>91,032</u>
Total			<u>\$ 451,992</u>

The 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, 2011

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

The following is a summary of the City's future annual debt service principal and interest requirements for the business-type activities. The OWDA loans do not tie due to many loans still being open. Once a loan is closed it will produce a final amortization schedule and be disclosed.

Year Ending December 31,	General Obligation Bonds			Sewer Special Assessment Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 595,000	\$ 401,038	\$ 996,038	\$ 7,645	\$ 5,000	\$ 12,645
2013	630,000	374,388	1,004,388	8,085	4,560	12,645
2014	655,000	342,888	997,888	8,550	4,095	12,645
2015	690,000	310,138	1,000,138	9,041	3,604	12,645
2016	715,000	275,638	990,638	9,561	3,084	12,645
2017 - 2021	3,700,000	791,395	4,491,395	44,070	6,510	50,580
2022 - 2023	<u>1,035,000</u>	<u>82,163</u>	<u>1,117,163</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 8,020,000</u>	<u>\$ 2,577,648</u>	<u>\$ 10,597,648</u>	<u>\$ 86,952</u>	<u>\$ 26,853</u>	<u>\$ 113,805</u>

Year Ending December 31,	OWDA Loans Payable			OPWC Loans Payable		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 1,363,651	\$ 500,676	\$ 1,864,327	\$ 80,419	\$ 6,842	\$ 87,261
2013	607,223	417,753	1,024,976	82,154	5,108	87,262
2014	631,499	393,477	1,024,976	72,186	3,313	75,499
2015	656,746	368,230	1,024,976	61,571	2,165	63,736
2016	683,003	341,973	1,024,976	62,516	1,220	63,736
2017 - 2021	2,950,115	1,295,060	4,245,175	93,146	247	93,393
2022 - 2026	1,284,396	908,136	2,192,532	-	-	-
2027 - 2031	1,572,590	619,939	2,192,529	-	-	-
2032 - 2036	1,925,453	267,076	2,192,529	-	-	-
2037	<u>214,859</u>	<u>4,394</u>	<u>219,253</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$11,889,535</u>	<u>\$ 5,116,714</u>	<u>\$ 17,006,249</u>	<u>\$ 451,992</u>	<u>\$ 18,895</u>	<u>\$ 470,887</u>

**CITY OF DEFIANCE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 13 - NOTES PAYABLE**

During 2010, the City issued \$4,650,000 in bond anticipation notes for the purpose of paying costs of construction on the municipal court facility. The notes were retired on October 5, 2011 using the proceeds of the bonds described in Note 12.A.

During 2010, the City issued \$1,500,000 in bond anticipation notes for the purpose of paying costs in relation to the municipal sanitary sewer system. The notes were retired on October 5, 2011. On October 4, 2011, the City issued \$1,425,000 in bond anticipation notes to retire the 2010 note. The note is due within one year. A summary of the note transactions for the year ended December 31, 2011 follows:

	<u>Maturity Date</u>	<u>Outstanding 12/31/2010</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding 12/31/2011</u>
<u>Governmental activities:</u>					
Bond anticipation notes - 1.00%	10/5/2011	\$ 4,650,000	\$ -	\$(4,650,000)	\$ -
Total		<u>\$ 4,650,000</u>	<u>\$ -</u>	<u>\$(4,650,000)</u>	<u>\$ -</u>
<u>Business-type activities:</u>					
Sewer bond anticipation notes:					
Series 2010 BAN - 1.000%	10/5/2011	\$ 1,500,000	\$ -	\$(1,500,000)	\$ -
Series 2011 BAN - 0.819%	10/4/2012	-	1,425,000	-	1,425,000
Total sewer bond anticipation notes		<u>\$ 1,500,000</u>	<u>\$ 1,425,000</u>	<u>\$(1,500,000)</u>	<u>\$ 1,425,000</u>

At December 31, 2011, the City had \$1,175,766 in unspent proceeds relating to the bond anticipation notes in the sewer fund.

**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 this risk 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. There have been no significant reductions in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

**A. BORMA Property and Casualty Pool**

The Buckeye Ohio Risk Management Association – Property and Casualty Pool (BORMA P&C) provides comprehensive and general liability for automobiles, automobile physical damage, general liability, crime and property, and public officials’ coverages up to specific limits. The pool includes the following Ohio cities as members: Bowling Green, Defiance, Huron, Napoleon, Sandusky and Willard. 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.

**CITY OF DEFIANCE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 14 - RISK MANAGEMENT - (Continued)**

As of December 31, 2011, the pool had cash reserves of \$723,834, which, in the opinion of management, is adequate for any claims currently pending against the pool. During 2011, the City paid \$255,037 into the pool for total premiums for the property and casualty coverage received. For the plan year that includes December 31, 2011, the amount of risk retained within the pool is \$50,000 per occurrence for Property, \$25,000 per occurrence for Crime, and \$50,000 per occurrence for General Liability and Automobile Liability. The City's individual liability is \$1,000 per occurrence for Property and Crime losses.

The BORMA P&C Pool previously joined with other public cost sharing pools to form a new pool called the Public Entity Risk Corporation (PERC). PERC provides self-insured retentions for each of the member pools as follows: Property up to \$250,000 per occurrence, Liability up to \$500,000 per occurrence, and Stop Loss up to \$1,700,000 maximum per year. Coverage is provided by various insurance carriers with total Property limits of up to \$56,909,870, primary General Liability limit of \$2,000,000 per occurrence, primary Automobile Liability limit of \$2,000,000 per occurrence and excess liability limits of \$8,000,000 per occurrence and aggregate. These limits are inclusive of the above noted retentions.

**B. BORMA Benefits Pool**

The BORMA Benefits 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 (21) 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, 2011, the pool had total reported assets of \$5,908,926. The 2011 monthly premiums paid by the City of Defiance per covered employee were \$1,268 for family coverage, \$985 for two-party coverage, and \$474 for single coverage. The monthly life insurance premium was \$2.55. The cost of coverage for premiums is paid out of each respective fund and department that pays the salary of the individuals covered under the plan. Employees contribute a portion of each monthly premium through payroll withholding. During 2011, the City paid \$1,907,613 into the pool for all covered benefits. The amount of risk retained by the pool in 2011 was \$150,000 per individual; coverage in excess of this amount was provided by Sun Life Financial.

Both the BORMA P&C and the BORMA Benefits Pools have the ability to require member Cities 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 pool reserves and premium levels; therefore, no additional amounts have been reserved in the 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 2011, the City paid \$215,283 in total Workers' Compensation premiums and administrative costs.

**CITY OF DEFIANCE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 14 - RISK MANAGEMENT - (Continued)**

**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 2011, the City paid \$233 to the Ohio Department of Job and Family Services for unemployment benefits claims.

**NOTE 15 - PENSION PLANS**

**A. Ohio Public Employees Retirement System**

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

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

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011, member and contribution rates were consistent across all three plans. The 2011 member contribution rates were 10.00% for members. The City's contribution rate for 2011 was 14.00% of covered payroll.

The City's contribution rate for pension benefits for members in the Traditional Plan for 2011 was 10.00%. The City's contribution rate for pension benefits for members in the Combined Plan for 2011 was 7.95%. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010, and 2009 were \$419,403, \$375,685, and \$355,140, respectively; 90.77% has been contributed for 2011 and 100% has been contributed for 2010 and 2009. Contributions to the member-directed plan for 2011 were \$49,432 made by the City and \$35,309 made by the plan members.

**CITY OF DEFIANCE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 15 - PENSION PLANS - (Continued)**

**B. Ohio Police and Fire Pension Fund**

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

Funding Policy - Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute. For 2011, the portion of the City's contributions to fund pension obligations was 12.75% for police officers and 17.25% for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$210,059 and \$215,516 for the year ended December 31, 2011, \$212,356 and \$221,543 for the year ended December 31, 2010, and \$194,179 and \$224,642, for the year ended December 31, 2009. The full amount has been contributed for 2010 and 2009. 91.30% has been contributed for police and firefighters for 2011.

**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 and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

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

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (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.

**CITY OF DEFIANCE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2011, 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 for 2011 was 4.00%. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2011 was 6.05%.

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.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010, and 2009 were \$172,651, \$212,229, and \$256,793, respectively; 90.77% has been contributed for 2011 and 100% has been contributed for 2010 and 2009.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

**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.

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.

**CITY OF DEFIANCE, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

OP&F maintains funds for health care in two separate accounts, one account is for health care benefits under an Internal Revenue Code Section 115 trust and the other account is for Medicare Part B reimbursements administered as an Internal Revenue Code Section 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2011, the employer contribution allocated to the health care plan was 6.75% 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 \$111,208 and \$84,333 for the year ended December 31, 2011, \$112,424 and \$86,691 for the year ended December 31, 2010, and \$102,801 and \$87,904, for the year ended December 31, 2009. The full amount has been contributed for 2010 and 2009. 91.30% has been contributed for police and firefighters for 2011.

**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 and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is 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); and,
- (d) 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, 2011

**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 fund</u>
Budget basis	\$ (291,938)
Net adjustment for revenue accruals	(11,817)
Net adjustment for expenditure accruals	137,953
Net adjustment for other sources/uses	(135,342)
Funds budgeted elsewhere	87
Adjustment for encumbrances	<u>156,487</u>
GAAP basis	<u>\$ (144,570)</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the unclaimed monies fund.

**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 loan activity is as follows:

	Balance Outstanding <u>12/31/10</u>	<u>Additions</u>	<u>Deletions</u>	Balance Outstanding <u>12/31/11</u>
CDBG loans	<u>\$ 1,437,825</u>	<u>\$ 50,000</u>	<u>\$ (172,037)</u>	<u>\$ 1,315,788</u>

The CDBG loans 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 receives significant financial assistance from numerous 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 effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2011.

**CITY OF DEFIANCE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 19 - CONTINGENCIES - (Continued)**

**B. Litigation**

Several claims and lawsuits are pending against the City. In the opinion of the City Law Director, any potential liability would not have a material effect on the basic financial statements.

**NOTE 20 - SIGNIFICANT SUBSEQUENT EVENT**

On April 10, 2012, the City retired \$3,493,000 in general obligation bond anticipation notes and issued \$2,986,000 in new notes with an interest rate of 0.699% and a maturity date of April 10, 2013. The following table summarizes the activity.

<u>Note Issuance</u>	<u>Original Issue Date</u>	<u>Retired</u>	<u>Issued</u>
Bond Anticipation Notes	04/12/11	\$ 3,493,000	
Bond Anticipation Notes	04/12/12		\$ 2,986,000

The difference between the amount of the new notes issued and the amount of the old notes retired represent resources of the City used to repay the notes or new money issued to finance various projects.

**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>
Capital improvements	\$ 129,039
Other governmental	<u>103,415</u>
 Total	 <u>\$ 232,454</u>

**NOTE 22 - CONTRACTUAL COMMITMENTS**

At December 31, 2011, the City had the following outstanding contractual commitments:

<u>Vendor</u>	<u>Contract Amount</u>	<u>Amount Paid at 12/31/11</u>	<u>Amount Outstanding</u>
Transtar Electric Inc.	\$ 1,110,380	\$ 993,941	\$ 116,439
Reynolds Inliner, LLC.	1,405,074	1,345,939	59,135
Miller Contracting Group Inc.	3,129,706	3,098,188	31,518
Helm & Sons Excavating	<u>3,396,490</u>	<u>3,081,936</u>	<u>314,554</u>
 Total Contractual Commitments	 <u>\$ 9,041,650</u>	 <u>\$ 8,520,004</u>	 <u>\$ 521,646</u>

**CITY OF DEFIANCE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**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 other governmental funds are presented below:

<u>Fund balance</u>	<u>General</u>	<u>Capital Improvements</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Materials and supplies inventory	\$ -	\$ -	\$ 23,882	\$ 23,882
Unclaimed monies	<u>87</u>	<u>-</u>	<u>-</u>	<u>87</u>
Total nonspendable	<u>87</u>	<u>-</u>	<u>23,882</u>	<u>23,969</u>
Restricted:				
General government	-	-	660,056	660,056
Security of persons and property	-	-	608,720	608,720
Transportation	-	-	320,640	320,640
Community environment	-	-	10,665	10,665
Economic development	-	-	1,729,859	1,729,859
Debt service	-	-	1,007,820	1,007,820
Capital projects	<u>-</u>	<u>-</u>	<u>7,820</u>	<u>7,820</u>
Total restricted	<u>-</u>	<u>-</u>	<u>4,345,580</u>	<u>4,345,580</u>
Committed:				
Security of persons and property	-	-	2,110	2,110
Community environment	-	-	60,115	60,115
Economic development	-	-	32,373	32,373
Capital projects	<u>-</u>	<u>1,978,687</u>	<u>-</u>	<u>1,978,687</u>
Total committed	<u>-</u>	<u>1,978,687</u>	<u>94,598</u>	<u>2,073,285</u>
Assigned:				
Subsequent year appropriations	<u>364,029</u>	<u>-</u>	<u>-</u>	<u>364,029</u>
Total assigned	<u>364,029</u>	<u>-</u>	<u>-</u>	<u>364,029</u>
Unassigned	<u>1,255,774</u>	<u>-</u>	<u>-</u>	<u>1,255,774</u>
Total fund balances	<u>\$ 1,619,890</u>	<u>\$ 1,978,687</u>	<u>\$ 4,464,060</u>	<u>\$ 8,062,637</u>

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**COMBINING STATEMENTS  
AND INDIVIDUAL FUND SCHEDULES**

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**CITY OF DEFIANCE, OHIO**  
INDIVIDUAL FUND SCHEDULES  
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**

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

**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 in 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***

To account 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***

To account for fees collected from convicted offenders placed on probation and used to support the operations of the probation department.

***Probation Grant Fund***

To account for State grant monies that support the operations of the probation department.

***Court Computerization Fund***

To account 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***

To account for monies donated to pay for the planting of trees, shrubs, flowers, etc. on public lands and rights-of-way within the City.

***Special Project Fund***

To account for monies received for specific court costs that are designated for various statutorily authorized purposes.

***OVI Special Project Fund***

To account 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***

To account 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**  
INDIVIDUAL FUND SCHEDULES  
FUND DESCRIPTIONS - GOVERNMENTAL FUNDS

**Nonmajor Special Revenue Funds (continued)**

***Housing Rehabilitation Grant Fund***

To account for monies received from the Community Development Housing Rehabilitation Grant.

***Revolving Loan - Industrial Fund***

To account 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***

To account 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***

To account for monies donated for the purpose of funding projects and enhancements for recreational purposes on the reservoir grounds.

***Riverside Cemetery Enhancement Fund***

To account for monies donated for the purpose of funding maintenance and enhancement projects at the municipal cemetery.

***Hotel/Motel Tax Fund***

To account 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.

***Cemetery Trust Fund***

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

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

***Law Enforcement Trust Fund***

To account for monies donated to the police department for discretionary equipment and training needs.

***East Side Firehouse Fund***

To account for monies donated to restore and maintain the historic East Side Firehouse.

***Fire and Rescue Trust Fund***

To account for monies donated to the fire department for the purpose of providing equipment and training related to the fire and rescue services.

***Fire Damage Repair Fund***

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

***Park and Recreation Trust Fund***

To account for monies donated for equipment and improvements to enhance the City's parks and recreation programs.



**CITY OF DEFIANCE, OHIO**

**INDIVIDUAL FUND SCHEDULES  
FUND DESCRIPTIONS - GOVERNMENTAL FUNDS**

The following funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis):

***Unclaimed Monies Fund***

This fund accounts for uncashed checks issued by the City.

**DEBT SERVICE FUNDS**

The 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 tax increment financing. Following is a description of the City's debt service funds:

**Nonmajor Debt Service Funds**

***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.

***Tax Increment Financing Fund***

To account for monies received in connection with tax increment financing agreements to pay for water and sewer improvements in the Enterprise Industrial Park.

**CAPITAL PROJECTS FUNDS**

The capital project 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 project funds:

**Major Capital Projects Fund**

***Capital Improvements Fund***

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

**Nonmajor Capital Projects Fund**

***Municipal Court Construction Fund***

The municipal court construction fund accounts for resources used for the construction of the municipal court facility.

**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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Income taxes . . . . .	\$ 5,350,984	\$ 5,385,000	\$ 5,334,329	\$ (50,671)
Property and other local taxes . . . . .	531,621	535,000	541,618	6,618
Charges for services . . . . .	704,074	708,550	695,197	(13,353)
Licenses, permits and fees . . . . .	108,311	109,000	90,540	(18,460)
Fines and forfeitures . . . . .	574,985	578,640	532,997	(45,643)
Intergovernmental . . . . .	933,218	939,150	1,018,012	78,862
Investment income . . . . .	29,811	30,000	14,515	(15,485)
Donations. . . . .	-	-	2,300	2,300
Other . . . . .	9,937	10,000	8,827	(1,173)
Total revenues . . . . .	<u>8,242,941</u>	<u>8,295,340</u>	<u>8,238,335</u>	<u>(57,005)</u>
<b>Expenditures:</b>				
Current:				
General Government:				
City Council:				
Salaries and wages . . . . .	70,707	71,758	65,488	6,270
Operating . . . . .	34,011	34,516	31,500	3,016
Total city council . . . . .	<u>104,718</u>	<u>106,274</u>	<u>96,988</u>	<u>9,286</u>
Municipal Court:				
Salaries and wages . . . . .	174,589	181,646	119,618	62,028
Operating . . . . .	105,668	107,238	97,868	9,370
Total municipal court . . . . .	<u>280,257</u>	<u>288,884</u>	<u>217,486</u>	<u>71,398</u>
County Law Library:				
Operating . . . . .	23,342	23,689	21,619	2,070
Total county law library . . . . .	<u>23,342</u>	<u>23,689</u>	<u>21,619</u>	<u>2,070</u>
Mayor:				
Salaries and wages . . . . .	156,461	158,786	144,912	13,874
Operating . . . . .	11,934	12,111	11,053	1,058
Total mayor. . . . .	<u>168,395</u>	<u>170,897</u>	<u>155,965</u>	<u>14,932</u>
City Administrator:				
Salaries and wages . . . . .	129,324	131,246	119,778	11,468
Operating . . . . .	71,957	73,026	66,645	6,381
Total city administrator . . . . .	<u>201,281</u>	<u>204,272</u>	<u>186,423</u>	<u>17,849</u>
Finance Department:				
Salaries and wages . . . . .	294,062	298,431	272,355	26,076
Operating . . . . .	61,823	62,741	57,259	5,482
Total finance department. . . . .	<u>355,885</u>	<u>361,172</u>	<u>329,614</u>	<u>31,558</u>
County and State Charges:				
Operating . . . . .	103,569	105,108	95,924	9,184
Total county and state charges. . . . .	<u>103,569</u>	<u>105,108</u>	<u>95,924</u>	<u>9,184</u>
Law Department:				
Salaries and wages . . . . .	316,709	321,415	293,331	28,084
Operating . . . . .	91,742	93,105	84,970	8,135
Total law department. . . . .	<u>408,451</u>	<u>414,520</u>	<u>378,301</u>	<u>36,219</u>

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**CITY OF DEFIANCE, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
**GENERAL FUND (CONTINUED)**  
 FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Civil Service:				
Salaries and wages . . . . .	\$ 7,612	\$ 7,725	\$ 7,050	\$ 675
Operating . . . . .	11,365	11,534	10,526	1,008
Total civil service . . . . .	<u>18,977</u>	<u>19,259</u>	<u>17,576</u>	<u>1,683</u>
Land and Buildings:				
Salaries and wages . . . . .	76,686	77,825	71,025	6,800
Operating . . . . .	456,760	463,547	423,044	40,503
Total land and buildings . . . . .	<u>533,446</u>	<u>541,372</u>	<u>494,069</u>	<u>47,303</u>
Insurance Pool:				
Operating . . . . .	275,363	279,455	255,037	24,418
Total insurance pool . . . . .	<u>275,363</u>	<u>279,455</u>	<u>255,037</u>	<u>24,418</u>
Income Tax Collection and Distribution:				
Salaries and wages . . . . .	125,935	127,806	116,639	11,167
Operating . . . . .	202,828	205,842	187,856	17,986
Total income tax collection and distribution . . . . .	<u>328,763</u>	<u>333,648</u>	<u>304,495</u>	<u>29,153</u>
Total General Government . . . . .	<u>2,802,447</u>	<u>2,848,550</u>	<u>2,553,497</u>	<u>295,053</u>
Security of Persons and Property:				
Police:				
Salaries and wages . . . . .	2,399,225	2,434,874	2,222,123	212,751
Operating . . . . .	379,899	385,543	351,856	33,687
Total police . . . . .	<u>2,779,124</u>	<u>2,820,417</u>	<u>2,573,979</u>	<u>246,438</u>
Fire:				
Salaries and wages . . . . .	1,710,814	1,736,234	1,584,528	151,706
Operating . . . . .	161,887	164,292	149,937	14,355
Total fire . . . . .	<u>1,872,701</u>	<u>1,900,526</u>	<u>1,734,465</u>	<u>166,061</u>
Total Security of Persons and Property.	<u>4,651,825</u>	<u>4,720,943</u>	<u>4,308,444</u>	<u>412,499</u>
Public Health and Welfare:				
Cemetary:				
Salaries and wages . . . . .	181,456	184,153	168,062	16,091
Operating . . . . .	60,746	61,649	56,262	5,387
Total cemetary . . . . .	<u>242,202</u>	<u>245,802</u>	<u>224,324</u>	<u>21,478</u>
Total Public Health and Welfare . . . . .	<u>242,202</u>	<u>245,802</u>	<u>224,324</u>	<u>21,478</u>
Community Environment:				
Building Inspection:				
Salaries and wages . . . . .	105,781	107,353	97,973	9,380
Operating . . . . .	13,877	14,084	12,853	1,231
Total building inspection . . . . .	<u>119,658</u>	<u>121,437</u>	<u>110,826</u>	<u>10,611</u>
Engineering:				
Salaries and wages . . . . .	435,624	442,097	403,468	38,629
Operating . . . . .	17,208	17,464	15,938	1,526
Total engineering . . . . .	<u>452,832</u>	<u>459,561</u>	<u>419,406</u>	<u>40,155</u>
Total Community Environment . . . . .	<u>572,490</u>	<u>580,998</u>	<u>530,232</u>	<u>50,766</u>

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**CITY OF DEFIANCE, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
**GENERAL FUND (CONTINUED)**  
 FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Leisure Time Activities:				
Parks and Recreation:				
Salaries and wages . . . . .	\$ 373,496	\$ 379,046	\$ 345,926	\$ 33,120
Operating . . . . .	251,924	255,667	233,328	22,339
Total parks and recreation . . . . .	<u>625,420</u>	<u>634,713</u>	<u>579,254</u>	<u>55,459</u>
Total Leisure Time Activity . . . . .	<u>625,420</u>	<u>634,713</u>	<u>579,254</u>	<u>55,459</u>
Economic Development and Assistance				
Development Department:				
Operating . . . . .	57,077	57,925	52,864	5,061
Total development department . . . . .	<u>57,077</u>	<u>57,925</u>	<u>52,864</u>	<u>5,061</u>
Total Economic Development and Assistance . . . . .	<u>57,077</u>	<u>57,925</u>	<u>52,864</u>	<u>5,061</u>
Total expenditures . . . . .	<u>8,951,461</u>	<u>9,088,931</u>	<u>8,248,615</u>	<u>840,316</u>
Excess of expenditures over revenues . . . . .	<u>(708,520)</u>	<u>(793,591)</u>	<u>(10,280)</u>	<u>783,311</u>
<b>Other financing uses:</b>				
Other financing sources . . . . .	11,398	11,470	134,926	123,456
Sale of capital assets. . . . .	9,937	10,000	416	(9,584)
Transfers in. . . . .	-	-	-	-
Transfers out . . . . .	(450,235)	(456,924)	(417,000)	39,924
Total other financing uses . . . . .	<u>(428,900)</u>	<u>(435,454)</u>	<u>(281,658)</u>	<u>153,796</u>
Net change in fund balance . . . . .	(1,137,420)	(1,229,045)	(291,938)	937,107
<b>Fund balance at beginning of year . . . . .</b>	1,246,532	1,246,532	1,246,532	-
<b>Prior year encumbrances appropriated . . . . .</b>	<u>265,161</u>	<u>265,161</u>	<u>265,161</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 374,273</u>	<u>\$ 282,648</u>	<u>\$ 1,219,755</u>	<u>\$ 937,107</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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Income taxes . . . . .	\$ 2,194,437	\$ 2,620,954	\$ 1,339,176	\$ (1,281,778)
Intergovernmental. . . . .	2,117,663	2,529,259	1,292,324	(1,236,935)
Donations. . . . .	24,597	29,379	15,011	(14,368)
Total revenues . . . . .	<u>4,336,697</u>	<u>5,179,592</u>	<u>2,646,511</u>	<u>(2,533,081)</u>
<b>Expenditures:</b>				
Capital Outlay:				
Operating . . . . .	<u>4,506,876</u>	<u>5,722,916</u>	<u>2,208,913</u>	<u>3,514,003</u>
Total expenditures. . . . .	<u>4,506,876</u>	<u>5,722,916</u>	<u>2,208,913</u>	<u>3,514,003</u>
Excess of expenditures over revenues . . .	<u>(170,179)</u>	<u>(543,324)</u>	<u>437,598</u>	<u>980,922</u>
<b>Other financing sources:</b>				
Other financing sources . . . . .	<u>600</u>	<u>716</u>	<u>366</u>	<u>(350)</u>
Total other financing sources . . . . .	<u>600</u>	<u>716</u>	<u>366</u>	<u>(350)</u>
Net change in fund balance . . . . .	(169,579)	(542,608)	437,964	980,572
<b>Fund balance at beginning of year . . . .</b>	912,928	912,928	912,928	-
<b>Prior year encumbrances appropriated .</b>	<u>347,044</u>	<u>347,044</u>	<u>347,044</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 1,090,393</u>	<u>\$ 717,364</u>	<u>\$ 1,697,936</u>	<u>\$ 980,572</u>

**CITY OF DEFIANCE, OHIO**

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2011

	<u>Nonmajor Special Revenue Funds</u>	<u>Nonmajor Debt Service Funds</u>	<u>Nonmajor Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . .	\$ 1,907,994	\$ 1,007,820	\$ 7,815	\$ 2,923,629
Receivables (net of allowance for uncollectibles):				
Income taxes . . . . .	3,637	-	-	3,637
Property and other local taxes. . . . .	200,586	-	-	200,586
Payment in lieu of taxes. . . . .	-	66,732	-	66,732
Accounts . . . . .	88,000	-	-	88,000
Loans . . . . .	1,315,788	-	-	1,315,788
Special assessments. . . . .	-	108,540	-	108,540
Accrued interest. . . . .	338	-	5	343
Due from other governments . . . . .	393,176	-	-	393,176
Materials and supplies inventory . . . . .	23,882	-	-	23,882
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets . . . . .	<u>\$ 3,933,401</u>	<u>\$ 1,183,092</u>	<u>\$ 7,820</u>	<u>\$ 5,124,313</u>
<b>Liabilities:</b>				
Accounts payable. . . . .	\$ 28,956	\$ -	\$ -	\$ 28,956
Accrued wages and benefits . . . . .	16,091	-	-	16,091
Due to other governments . . . . .	50,644	-	-	50,644
Deferred revenue . . . . .	244,000	108,540	-	352,540
Unearned revenue . . . . .	145,290	66,732	-	212,022
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities . . . . .	<u>484,981</u>	<u>175,272</u>	<u>-</u>	<u>660,253</u>
<b>Fund Balances:</b>				
Nonspendable. . . . .	23,882	-	-	23,882
Restricted. . . . .	3,329,940	1,007,820	7,820	4,345,580
Committed. . . . .	94,598	-	-	94,598
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances. . . . .	<u>3,448,420</u>	<u>1,007,820</u>	<u>7,820</u>	<u>4,464,060</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances . . . . .	<u>\$ 3,933,401</u>	<u>\$ 1,183,092</u>	<u>\$ 7,820</u>	<u>\$ 5,124,313</u>

**CITY OF DEFIANCE, OHIO**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Nonmajor Special Revenue Funds</u>	<u>Nonmajor Debt Service Funds</u>	<u>Nonmajor Capital Projects Fund</u>	<u>Other Governmental Funds</u>
<b>Revenues:</b>				
Income taxes . . . . .	\$ 22,160	\$ -	\$ -	\$ 22,160
Property and other local taxes . . . . .	365,707	-	-	365,707
Charges for services . . . . .	573	-	-	573
Licenses, permits and fees . . . . .	190,031	-	-	190,031
Fines and forfeitures . . . . .	269,370	-	-	269,370
Intergovernmental . . . . .	1,809,351	-	-	1,809,351
Special assessments . . . . .	-	41,695	-	41,695
Investment income . . . . .	59,598	-	890	60,488
Donations. . . . .	22,973	-	-	22,973
Payment in lieu of taxes . . . . .	-	82,256	-	82,256
Other . . . . .	90,442	-	187	90,629
Total revenues. . . . .	<u>2,830,205</u>	<u>123,951</u>	<u>1,077</u>	<u>2,955,233</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	413,111	1,440	-	414,551
Security of persons and property. . . . .	863,584	-	-	863,584
Transportation . . . . .	1,090,575	-	-	1,090,575
Community environment. . . . .	1,000	-	-	1,000
Economic development and assistance . . . . .	850,739	-	-	850,739
Capital outlay. . . . .	-	-	28,905	28,905
Debt service:				
Principal retirement. . . . .	-	104,543	-	104,543
Interest and fiscal charges . . . . .	-	6,280	46,500	52,780
Bond issuance costs . . . . .	-	-	75,000	75,000
Total expenditures . . . . .	<u>3,219,009</u>	<u>112,263</u>	<u>150,405</u>	<u>3,481,677</u>
Excess/(deficiency) of revenues over/(under) expenditures . . . . .	<u>(388,804)</u>	<u>11,688</u>	<u>(149,328)</u>	<u>(526,444)</u>
<b>Other financing sources (uses):</b>				
Bonds issued . . . . .	-	-	4,075,000	4,075,000
Premium on bond issuance. . . . .	-	-	42,588	42,588
Transfers in . . . . .	806,055	-	653,912	1,459,967
Transfers (out) . . . . .	<u>(653,912)</u>	<u>(7,230)</u>	<u>(389,055)</u>	<u>(1,050,197)</u>
Total other financing sources (uses) . . . . .	<u>152,143</u>	<u>(7,230)</u>	<u>4,382,445</u>	<u>4,527,358</u>
Net change in fund balances . . . . .	(236,661)	4,458	4,233,117	4,000,914
<b>Fund balances (deficit) at beginning of year. . . . .</b>	<u>3,685,081</u>	<u>1,003,362</u>	<u>(4,225,297)</u>	<u>463,146</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 3,448,420</u>	<u>\$ 1,007,820</u>	<u>\$ 7,820</u>	<u>\$ 4,464,060</u>

**CITY OF DEFIANCE, OHIO**

COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
DECEMBER 31, 2011

	<u>State Highway Improvements</u>	<u>Permissive Tax</u>	<u>Street Construction, Maintenance and Repair</u>	<u>Indigent Drivers</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . .	\$ 155,987	\$ 51,857	\$ 19,085	\$ 47,873
Receivables (net of allowance for uncollectibles):				
Income taxes . . . . .	-	-	3,637	-
Property and other local taxes. . . . .	-	-	-	-
Accounts . . . . .	-	-	264	5,758
Loans . . . . .	-	-	-	-
Accrued interest. . . . .	99	-	12	-
Due from other governments . . . . .	26,806	-	340,209	-
Materials and supplies inventory . . . . .	-	-	23,882	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets. . . . .	<u>\$ 182,892</u>	<u>\$ 51,857</u>	<u>\$ 387,089</u>	<u>\$ 53,631</u>
 <b>Liabilities:</b>				
Accounts payable. . . . .	\$ -	\$ 1,950	\$ 4,034	\$ -
Accrued wages and benefits . . . . .	-	-	16,091	-
Due to other governments . . . . .	-	-	21,495	-
Deferred revenue . . . . .	17,456	-	216,290	-
Unearned revenue . . . . .	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities . . . . .	<u>17,456</u>	<u>1,950</u>	<u>257,910</u>	<u>-</u>
 <b>Fund Balances:</b>				
Nonspendable. . . . .	-	-	23,882	-
Restricted. . . . .	165,436	49,907	105,297	53,631
Committed. . . . .	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances . . . . .	<u>165,436</u>	<u>49,907</u>	<u>129,179</u>	<u>53,631</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balance . . . . .	<u>\$ 182,892</u>	<u>\$ 51,857</u>	<u>\$ 387,089</u>	<u>\$ 53,631</u>



<b>Municipal Probation Services</b>	<b>Probation Grant</b>	<b>Court Computerization</b>	<b>Tree of Life</b>	<b>Special Project</b>	<b>OVI Special Project</b>
\$ 265,341	\$ 3,610	\$ 116,214	\$ 1,214	\$ 168,799	\$ 53,459
-	-	-	-	-	-
-	-	-	-	-	-
14,470	-	3,408	-	10,142	1,668
-	-	-	-	-	-
-	-	-	-	-	-
15,620	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 295,431</u>	<u>\$ 3,610</u>	<u>\$ 119,622</u>	<u>\$ 1,214</u>	<u>\$ 178,941</u>	<u>\$ 55,127</u>
\$ -	\$ 200	\$ 135	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	1,050	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>1,250</u>	<u>135</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
295,431	2,360	119,487	-	178,941	55,127
-	-	-	1,214	-	-
<u>295,431</u>	<u>2,360</u>	<u>119,487</u>	<u>1,214</u>	<u>178,941</u>	<u>55,127</u>
<u>\$ 295,431</u>	<u>\$ 3,610</u>	<u>\$ 119,622</u>	<u>\$ 1,214</u>	<u>\$ 178,941</u>	<u>\$ 55,127</u>

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**CITY OF DEFIANCE, OHIO**

COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)  
DECEMBER 31, 2011

	<u>Cable TV - Franchise</u>	<u>Housing Rehabilitation Grant</u>	<u>Revolving Loan - Industrial</u>	<u>Downtown Revitalization Grant</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . .	\$ -	\$ 5,373	\$ 336,087	\$ 99,706
Receivables (net of allowance for uncollectibles):				
Income taxes . . . . .	-	-	-	-
Property and other local taxes. . . . .	-	-	-	-
Accounts . . . . .	49,290	-	-	-
Loans . . . . .	-	-	1,315,788	-
Accrued interest. . . . .	-	-	214	-
Due from other governments . . . . .	-	-	-	-
Materials and supplies inventory . . . . .	-	-	-	-
Total assets. . . . .	<u>\$ 49,290</u>	<u>\$ 5,373</u>	<u>\$ 1,652,089</u>	<u>\$ 99,706</u>
<b>Liabilities:</b>				
Accounts payable. . . . .	\$ -	\$ 569	\$ -	\$ 21,936
Accrued wages and benefits . . . . .	-	-	-	-
Due to other governments . . . . .	-	-	-	-
Deferred revenue . . . . .	-	-	-	-
Unearned revenue . . . . .	-	-	-	-
Total liabilities . . . . .	<u>-</u>	<u>569</u>	<u>-</u>	<u>21,936</u>
<b>Fund Balances:</b>				
Nonspendable. . . . .	-	-	-	-
Restricted. . . . .	49,290	4,804	1,652,089	77,770
Committed. . . . .	-	-	-	-
Total fund balances . . . . .	<u>49,290</u>	<u>4,804</u>	<u>1,652,089</u>	<u>77,770</u>
Total liabilities and fund balance . . . . .	<u>\$ 49,290</u>	<u>\$ 5,373</u>	<u>\$ 1,652,089</u>	<u>\$ 99,706</u>

<b>Peace Officer Training</b>	<b>Reservoir Enhancement</b>	<b>Riverside Cemetery Enhancement</b>	<b>Hotel/Motel Tax</b>	<b>Cemetery Trust</b>	<b>Police Pension</b>
\$ 538	\$ 20,593	\$ 1,261	\$ 229,859	\$ 4,600	\$ 33,160
-	-	-	-	-	-
-	-	-	55,296	-	72,645
-	-	-	-	-	-
-	13	-	-	-	-
-	-	-	287	-	5,127
-	-	-	-	-	-
<u>\$ 538</u>	<u>\$ 20,606</u>	<u>\$ 1,261</u>	<u>\$ 285,442</u>	<u>\$ 4,600</u>	<u>\$ 110,932</u>
\$ -	\$ -	\$ -	\$ 132	\$ -	\$ -
-	-	-	-	-	-
-	-	-	28,099	-	-
-	-	-	-	-	5,127
-	-	-	-	-	72,645
-	-	-	28,231	-	77,772
-	-	-	-	-	-
538	-	1,261	257,211	4,600	33,160
-	20,606	-	-	-	-
<u>538</u>	<u>20,606</u>	<u>1,261</u>	<u>257,211</u>	<u>4,600</u>	<u>33,160</u>
<u>\$ 538</u>	<u>\$ 20,606</u>	<u>\$ 1,261</u>	<u>\$ 285,442</u>	<u>\$ 4,600</u>	<u>\$ 110,932</u>

-- Continued

**CITY OF DEFIANCE, OHIO**

COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)  
DECEMBER 31, 2011

	<u>Fire Pension</u>	<u>Tax Redirection</u>	<u>Law Enforcement Trust</u>	<u>East Side Firehouse</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . .	\$ 48,789	\$ 32,373	\$ 31,880	\$ 2,110
Receivables (net of allowance for uncollectibles):				
Income taxes . . . . .	-	-	-	-
Property and other local taxes . . . . .	72,645	-	-	-
Accounts . . . . .	-	-	-	-
Loans . . . . .	-	-	-	-
Accrued interest . . . . .	-	-	-	-
Due from other governments . . . . .	5,127	-	-	-
Materials and supplies inventory . . . . .	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets . . . . .	<u>\$ 126,561</u>	<u>\$ 32,373</u>	<u>\$ 31,880</u>	<u>\$ 2,110</u>
 <b>Liabilities:</b>				
Accounts payable . . . . .	\$ -	\$ -	\$ -	\$ -
Accrued wages and benefits . . . . .	-	-	-	-
Due to other governments . . . . .	-	-	-	-
Deferred revenue . . . . .	5,127	-	-	-
Unearned revenue . . . . .	72,645	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities . . . . .	<u>77,772</u>	<u>-</u>	<u>-</u>	<u>-</u>
 <b>Fund Balances:</b>				
Nonspendable . . . . .	-	-	-	-
Restricted . . . . .	48,789	-	31,880	-
Committed . . . . .	-	32,373	-	2,110
Total fund balances . . . . .	<hr/>	<hr/>	<hr/>	<hr/>
	48,789	32,373	31,880	2,110
Total liabilities and fund balance . . . . .	<u>\$ 126,561</u>	<u>\$ 32,373</u>	<u>\$ 31,880</u>	<u>\$ 2,110</u>

<b>Fire and Rescue Trust</b>	<b>Fire Damage Repair</b>	<b>Park and Recreation Trust</b>	<b>Total Nonmajor Special Revenue Funds</b>
\$ 75,971	\$ 63,960	\$ 38,295	\$ 1,907,994
-	-	-	3,637
-	-	-	200,586
-	3,000	-	88,000
-	-	-	1,315,788
-	-	-	338
-	-	-	393,176
-	-	-	23,882
<u>\$ 75,971</u>	<u>\$ 66,960</u>	<u>\$ 38,295</u>	<u>\$ 3,933,401</u>
\$ -	\$ -	\$ -	\$ 28,956
-	-	-	16,091
-	-	-	50,644
-	-	-	244,000
-	-	-	145,290
<u>-</u>	<u>-</u>	<u>-</u>	<u>484,981</u>
-	-	-	23,882
75,971	66,960	-	3,329,940
-	-	38,295	94,598
<u>75,971</u>	<u>66,960</u>	<u>38,295</u>	<u>3,448,420</u>
<u>\$ 75,971</u>	<u>\$ 66,960</u>	<u>\$ 38,295</u>	<u>\$ 3,933,401</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, 2011

	<b>State Highway Improvements</b>	<b>Permissive Tax</b>	<b>Street Construction, Maintenance and Repair</b>	<b>Indigent Drivers</b>
<b>Revenues:</b>				
Income taxes . . . . .	\$ -	\$ -	\$ 22,160	\$ -
Property and other local taxes . . . . .	-	-	-	-
Charges for services . . . . .	-	-	-	-
Licenses, permits and fees . . . . .	-	-	-	-
Fines and forfeitures . . . . .	-	-	-	25,886
Intergovernmental . . . . .	56,007	137,365	804,796	-
Investment income . . . . .	460	-	47	-
Donations . . . . .	-	-	-	-
Other . . . . .	-	-	4,332	-
<b>Total revenues.</b> . . . .	<u>56,467</u>	<u>137,365</u>	<u>831,335</u>	<u>25,886</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	-	-	-	-
Security of persons and property. . . . .	-	-	-	4,547
Transportation . . . . .	50,793	106,240	933,542	-
Community environment. . . . .	-	-	-	-
Economic development and assistance . . . . .	-	-	-	-
<b>Total expenditures</b> . . . . .	<u>50,793</u>	<u>106,240</u>	<u>933,542</u>	<u>4,547</u>
Excess/(deficiency) of revenues over/(under) expenditures . . . . .	<u>5,674</u>	<u>31,125</u>	<u>(102,207)</u>	<u>21,339</u>
<b>Other financing sources (uses):</b>				
Transfers in. . . . .	-	-	-	-
Transfers (out) . . . . .	-	-	-	-
<b>Total other financing sources (uses)</b> . . . . .	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances . . . . .	5,674	31,125	(102,207)	21,339
<b>Fund balances at beginning of year</b> . . . . .	<u>159,762</u>	<u>18,782</u>	<u>231,386</u>	<u>32,292</u>
<b>Fund balances at end of year</b> . . . . .	<u>\$ 165,436</u>	<u>\$ 49,907</u>	<u>\$ 129,179</u>	<u>\$ 53,631</u>

<u>Municipal Probation Services</u>	<u>Probation Grant</u>	<u>Court Computerization</u>	<u>Tree of Life</u>	<u>Special Project</u>	<u>OVI Special Project</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
41,589	-	46,708	-	146,666	1,915
13,670	41,009	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	11,678
<u>55,259</u>	<u>41,009</u>	<u>46,708</u>	<u>-</u>	<u>146,666</u>	<u>13,593</u>
-	-	17,403	-	30,835	-
74	55,762	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>74</u>	<u>55,762</u>	<u>17,403</u>	<u>-</u>	<u>30,835</u>	<u>-</u>
<u>55,185</u>	<u>(14,753)</u>	<u>29,305</u>	<u>-</u>	<u>115,831</u>	<u>13,593</u>
-	-	-	-	389,055	-
-	-	-	-	(653,912)	-
-	-	-	-	(264,857)	-
55,185	(14,753)	29,305	-	(149,026)	13,593
<u>240,246</u>	<u>17,113</u>	<u>90,182</u>	<u>1,214</u>	<u>327,967</u>	<u>41,534</u>
<u>\$ 295,431</u>	<u>\$ 2,360</u>	<u>\$ 119,487</u>	<u>\$ 1,214</u>	<u>\$ 178,941</u>	<u>\$ 55,127</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, 2011

	<u>Cable TV - Franchise</u>	<u>Housing Rehabilitation Grant</u>	<u>Revolving Loan - Industrial</u>	<u>Downtown Revitalization Grant</u>
<b>Revenues:</b>				
Income taxes . . . . .	\$ -	\$ -	\$ -	\$ -
Property and other local taxes . . . . .	-	-	-	-
Charges for services . . . . .	-	-	573	-
Licenses, permits and fees . . . . .	190,031	-	-	-
Fines and forfeitures . . . . .	-	-	-	-
Intergovernmental . . . . .	-	369,055	-	316,388
Investment income . . . . .	-	-	59,061	-
Donations. . . . .	-	-	-	-
Other . . . . .	-	-	-	-
<b>Total revenues.</b> . . . .	<u>190,031</u>	<u>369,055</u>	<u>59,634</u>	<u>316,388</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	187,020	-	-	-
Security of persons and property. . . . .	-	-	-	-
Transportation . . . . .	-	-	-	-
Community environment. . . . .	-	-	-	-
Economic development and assistance . . . . .	-	388,055	207,711	254,973
<b>Total expenditures</b> . . . . .	<u>187,020</u>	<u>388,055</u>	<u>207,711</u>	<u>254,973</u>
Excess/(deficiency) of revenues over/(under) expenditures . . . . .	<u>3,011</u>	<u>(19,000)</u>	<u>(148,077)</u>	<u>61,415</u>
<b>Other financing sources (uses):</b>				
Transfers in. . . . .	-	-	-	-
Transfers (out) . . . . .	-	-	-	-
<b>Total other financing sources (uses)</b> . . . . .	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances . . . . .	3,011	(19,000)	(148,077)	61,415
<b>Fund balances at beginning of year</b> . . . . .	<u>46,279</u>	<u>23,804</u>	<u>1,800,166</u>	<u>16,355</u>
<b>Fund balances at end of year</b> . . . . .	<u>\$ 49,290</u>	<u>\$ 4,804</u>	<u>\$ 1,652,089</u>	<u>\$ 77,770</u>



<b>Peace Officer Training</b>	<b>Reservoir Enhancement</b>	<b>Riverside Cemetery Enhancement</b>	<b>Hotel/Motel Tax</b>	<b>Cemetery Trust</b>	<b>Police Pension</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	202,489	-	81,609
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	12,827
-	26	4	-	-	-
-	20,225	1,490	92	-	-
-	-	-	1,011	-	-
-	20,251	1,494	203,592	-	94,436
-	-	-	177,853	-	-
1,511	-	-	-	-	312,310
-	-	-	-	-	-
-	-	1,000	-	-	-
-	-	-	-	-	-
1,511	-	1,000	177,853	-	312,310
(1,511)	20,251	494	25,739	-	(217,874)
-	-	-	-	-	211,000
-	-	-	-	-	-
-	-	-	-	-	211,000
(1,511)	20,251	494	25,739	-	(6,874)
2,049	355	767	231,472	4,600	40,034
\$ 538	\$ 20,606	\$ 1,261	\$ 257,211	\$ 4,600	\$ 33,160

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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, 2011

	<b>Fire Pension</b>	<b>Tax Redirection</b>	<b>Law Enforcement Trust</b>	<b>East Side Firehouse</b>
<b>Revenues:</b>				
Income taxes . . . . .	\$ -	\$ -	\$ -	\$ -
Property and other local taxes . . . . .	81,609	-	-	-
Charges for services . . . . .	-	-	-	-
Licenses, permits and fees . . . . .	-	-	-	-
Fines and forfeitures . . . . .	-	-	6,606	-
Intergovernmental . . . . .	12,827	-	-	-
Investment income . . . . .	-	-	-	-
Donations. . . . .	-	-	916	-
Other . . . . .	-	-	-	-
<b>Total revenues.</b> . . . .	<u>94,436</u>	<u>-</u>	<u>7,522</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	-	-	-	-
Security of persons and property. . . . .	292,002	-	419	-
Transportation . . . . .	-	-	-	-
Community environment. . . . .	-	-	-	-
Economic development and assistance . . . . .	-	-	-	-
<b>Total expenditures</b> . . . . .	<u>292,002</u>	<u>-</u>	<u>419</u>	<u>-</u>
Excess/(deficiency) of revenues over/(under) expenditures . . . . .	<u>(197,566)</u>	<u>-</u>	<u>7,103</u>	<u>-</u>
<b>Other financing sources (uses):</b>				
Transfers in. . . . .	206,000	-	-	-
Transfers (out) . . . . .	-	-	-	-
<b>Total other financing sources (uses)</b> . . . . .	<u>206,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances . . . . .	8,434	-	7,103	-
<b>Fund balances at beginning of year</b> . . . . .	<u>40,355</u>	<u>32,373</u>	<u>24,777</u>	<u>2,110</u>
<b>Fund balances at end of year</b> . . . . .	<u>\$ 48,789</u>	<u>\$ 32,373</u>	<u>\$ 31,880</u>	<u>\$ 2,110</u>

<b>Fire and Rescue Trust</b>	<b>Fire Damage Repair</b>	<b>Park and Recreation Trust</b>	<b>Total Nonmajor Special Revenue Funds</b>
\$ -	\$ -	\$ -	\$ 22,160
-	-	-	365,707
-	-	-	573
-	-	-	190,031
-	-	-	269,370
45,407	-	-	1,809,351
-	-	-	59,598
250	-	-	22,973
61,761	11,660	-	90,442
<u>107,418</u>	<u>11,660</u>	<u>-</u>	<u>2,830,205</u>
-	-	-	413,111
174,371	22,588	-	863,584
-	-	-	1,090,575
-	-	-	1,000
-	-	-	850,739
<u>174,371</u>	<u>22,588</u>	<u>-</u>	<u>3,219,009</u>
<u>(66,953)</u>	<u>(10,928)</u>	<u>-</u>	<u>(388,804)</u>
-	-	-	806,055
<u>-</u>	<u>-</u>	<u>-</u>	<u>(653,912)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>152,143</u>
(66,953)	(10,928)	-	(236,661)
<u>142,924</u>	<u>77,888</u>	<u>38,295</u>	<u>3,685,081</u>
<u>\$ 75,971</u>	<u>\$ 66,960</u>	<u>\$ 38,295</u>	<u>\$ 3,448,420</u>

**CITY OF DEFIANCE, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
**STATE HIGHWAY IMPROVEMENTS FUND**  
 FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental . . . . .	\$ 51,250	\$ 51,250	\$ 55,649	\$ 4,399
Investment income . . . . .	350	350	380	30
Total revenues . . . . .	<u>51,600</u>	<u>51,600</u>	<u>56,029</u>	<u>4,429</u>
<b>Expenditures:</b>				
Current:				
Transportation:				
Capital Improvements:				
Operating . . . . .	<u>58,000</u>	<u>58,000</u>	<u>50,793</u>	<u>7,207</u>
Total expenditures . . . . .	<u>58,000</u>	<u>58,000</u>	<u>50,793</u>	<u>7,207</u>
Net change in fund balance. . . . .	(6,400)	(6,400)	5,236	11,636
<b>Fund balance at beginning of year . . . .</b>	<u>150,751</u>	<u>150,751</u>	<u>150,751</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 144,351</u>	<u>\$ 144,351</u>	<u>\$ 155,987</u>	<u>\$ 11,636</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental . . . . .	\$ 16,398	\$ 114,783	\$ 137,365	\$ 22,582
Total revenues. . . . .	<u>16,398</u>	<u>114,783</u>	<u>137,365</u>	<u>22,582</u>
<b>Expenditures:</b>				
Current:				
Transportation:				
Capital Improvements:				
Operating . . . . .	21,668	141,668	136,418	5,250
Total expenditures . . . . .	<u>21,668</u>	<u>141,668</u>	<u>136,418</u>	<u>5,250</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>(5,270)</u>	<u>(26,885)</u>	<u>947</u>	<u>27,832</u>
<b>Other financing source:</b>				
Other financing sources. . . . .	3,602	25,217	30,178	4,961
Total other financing sources . . . . .	<u>3,602</u>	<u>25,217</u>	<u>30,178</u>	<u>4,961</u>
Net change in fund balance. . . . .	(1,668)	(1,668)	31,125	32,793
<b>Fund balance at beginning of year . . . .</b>	17,114	17,114	17,114	-
<b>Prior year encumbrances appropriated .</b>	1,668	1,668	1,668	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 17,114</u>	<u>\$ 17,114</u>	<u>\$ 49,907</u>	<u>\$ 32,793</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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Income taxes . . . . .	\$ 22,000	\$ 22,339	\$ 22,320	\$ (19)
Intergovernmental . . . . .	788,521	800,664	799,995	(669)
Investment income . . . . .	50	51	51	-
Other . . . . .	3,633	3,689	3,686	(3)
Total revenues. . . . .	<u>814,204</u>	<u>826,743</u>	<u>826,052</u>	<u>(691)</u>
<b>Expenditures:</b>				
Current:				
Transportation:				
Highway and Streets:				
Salaries and wages . . . . .	655,955	664,902	655,967	8,935
Operating . . . . .	297,121	301,174	297,127	4,047
Total expenditures. . . . .	<u>953,076</u>	<u>966,076</u>	<u>953,094</u>	<u>12,982</u>
Excess of expenditures over revenues . . . . .	<u>(138,872)</u>	<u>(139,333)</u>	<u>(127,042)</u>	<u>12,291</u>
<b>Other financing sources:</b>				
Other financing sources. . . . .	376	382	382	-
Transfers in . . . . .	29,570	30,025	30,000	(25)
Total other financing sources. . . . .	<u>29,946</u>	<u>30,407</u>	<u>30,382</u>	<u>(25)</u>
Net change in fund balance. . . . .	(108,926)	(108,926)	(96,660)	12,266
<b>Fund balance at beginning of year . . . . .</b>	92,113	92,113	92,113	-
<b>Prior year encumbrances appropriated . . . . .</b>	<u>17,261</u>	<u>17,261</u>	<u>17,261</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 448</u>	<u>\$ 448</u>	<u>\$ 12,714</u>	<u>\$ 12,266</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Fines and forfeitures . . . . .	\$ 22,000	\$ 22,000	\$ 25,106	\$ 3,106
Total revenues . . . . .	<u>22,000</u>	<u>22,000</u>	<u>25,106</u>	<u>3,106</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property:				
Municipal Court:				
Operating . . . . .	35,552	35,552	9,467	26,085
Total expenditures . . . . .	<u>35,552</u>	<u>35,552</u>	<u>9,467</u>	<u>26,085</u>
Net change in fund balance. . . . .	(13,552)	(13,552)	15,639	29,191
<b>Fund balance at beginning of year . . . .</b>	22,501	22,501	22,501	-
<b>Prior year encumbrances appropriated .</b>	5,552	5,552	5,552	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 14,501</u>	<u>\$ 14,501</u>	<u>\$ 43,692</u>	<u>\$ 29,191</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Fines and forfeitures . . . . .	\$ 22,000	\$ 22,000	\$ 27,622	\$ 5,622
Total revenues . . . . .	<u>22,000</u>	<u>22,000</u>	<u>27,622</u>	<u>5,622</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property:				
Municipal Probation Service:				
Operating . . . . .	9,020	9,020	974	8,046
Total expenditures . . . . .	<u>9,020</u>	<u>9,020</u>	<u>974</u>	<u>8,046</u>
Net change in fund balance . . . . .	12,980	12,980	26,648	13,668
<b>Fund balance at beginning of year . . . .</b>	237,573	237,573	237,573	-
<b>Prior year encumbrances appropriated .</b>	<u>220</u>	<u>220</u>	<u>220</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 250,773</u>	<u>\$ 250,773</u>	<u>\$ 264,441</u>	<u>\$ 13,668</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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental . . . . .	\$ 55,000	\$ 109,679	\$ 54,679	\$ (55,000)
Total revenues . . . . .	55,000	109,679	54,679	(55,000)
<b>Expenditures:</b>				
Current:				
Security of Persons and Property:				
Municipal Probation Service:				
Salaries and wages . . . . .	28,730	82,331	53,388	28,943
Operating . . . . .	789	2,262	2,263	(1)
Total expenditures . . . . .	29,519	84,593	55,651	28,942
Net change in fund balance. . . . .	25,481	25,086	(972)	(26,058)
<b>Fund balance at beginning of year . . . .</b>	4,263	4,263	4,263	-
<b>Fund balance at end of year . . . . .</b>	\$ 29,744	\$ 29,349	\$ 3,291	\$ (26,058)

**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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Fines and forfeitures . . . . .	\$ 48,000	\$ 48,000	\$ 46,859	\$ (1,141)
Total revenues . . . . .	<u>48,000</u>	<u>48,000</u>	<u>46,859</u>	<u>(1,141)</u>
<b>Expenditures:</b>				
Current:				
General Government:				
Municipal Court:				
Operating . . . . .	72,256	72,256	59,940	12,316
Total expenditures . . . . .	<u>72,256</u>	<u>72,256</u>	<u>59,940</u>	<u>12,316</u>
Net change in fund balance. . . . .	(24,256)	(24,256)	(13,081)	11,175
<b>Fund balance at beginning of year . . . .</b>	84,502	84,502	84,502	-
<b>Prior year encumbrances appropriated .</b>	<u>2,256</u>	<u>2,256</u>	<u>2,256</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 62,502</u>	<u>\$ 62,502</u>	<u>\$ 73,677</u>	<u>\$ 11,175</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures:</b>				
Current:				
Leisure Time Activities:				
Parks and Recreation:				
Operating . . . . .	\$ 1,213	\$ 1,213	\$ -	\$ 1,213
Total expenditures . . . . .	<u>1,213</u>	<u>1,213</u>	<u>-</u>	<u>1,213</u>
Net change in fund balance. . . . .	(1,213)	(1,213)	-	1,213
<b>Fund balance at beginning of year . . . .</b>	<u>1,214</u>	<u>1,214</u>	<u>1,214</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u><u>\$ 1</u></u>	<u><u>\$ 1</u></u>	<u><u>\$ 1,214</u></u>	<u><u>\$ 1,213</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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Fines and forfeitures . . . . .	\$ 144,521	\$ 144,521	\$ 147,041	\$ 2,520
Total revenues . . . . .	<u>144,521</u>	<u>144,521</u>	<u>147,041</u>	<u>2,520</u>
<b>Expenditures:</b>				
Current:				
General Government:				
Municipal Court:				
Operating . . . . .	87,286	88,675	88,598	77
Total municipal court . . . . .	<u>87,286</u>	<u>88,675</u>	<u>88,598</u>	<u>77</u>
Debt Service:				
Principal retirement . . . . .	4,581,130	4,654,012	4,650,000	4,012
Interest and fiscal charges . . . . .	45,811	46,540	46,500	40
Total debt service. . . . .	<u>4,626,941</u>	<u>4,700,552</u>	<u>4,696,500</u>	<u>4,052</u>
Total expenditures . . . . .	<u>4,714,227</u>	<u>4,789,227</u>	<u>4,785,098</u>	<u>4,129</u>
Excess of expenditures over revenues . . .	<u>(4,569,706)</u>	<u>(4,644,706)</u>	<u>(4,638,057)</u>	<u>6,649</u>
<b>Other financing sources:</b>				
Proceeds from the sale of bonds. . . . .	4,030,090	4,030,090	4,100,351	70,261
Transfers in . . . . .	382,389	382,389	389,055	6,666
Total other financing sources. . . . .	<u>4,412,479</u>	<u>4,412,479</u>	<u>4,489,406</u>	<u>76,927</u>
Net change in fund balance. . . . .	(157,227)	(232,227)	(148,651)	83,576
<b>Fund balance at beginning of year . . . .</b>	299,723	299,723	299,723	-
<b>Prior year encumbrances appropriated .</b>	<u>17,727</u>	<u>17,727</u>	<u>17,727</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 160,223</u>	<u>\$ 85,223</u>	<u>\$ 168,799</u>	<u>\$ 83,576</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Fines and forfeitures . . . . .	\$ -	\$ -	\$ 2,699	\$ 2,699
Other . . . . .	-	-	11,678	11,678
Total revenues . . . . .	<u>-</u>	<u>-</u>	<u>14,377</u>	<u>14,377</u>
<b>Expenditures:</b>				
Current:				
General Government:				
Municipal Court:				
Operating . . . . .	5,000	5,000	-	5,000
Total expenditures . . . . .	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Net change in fund balance. . . . .	(5,000)	(5,000)	14,377	19,377
<b>Fund balance at beginning of year . . . .</b>	<u>39,082</u>	<u>39,082</u>	<u>39,082</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 34,082</u>	<u>\$ 34,082</u>	<u>\$ 53,459</u>	<u>\$ 19,377</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Licenses, permits and fees . . . . .	\$ 180,000	\$ 187,020	\$ 187,020	\$ -
Total revenues . . . . .	<u>180,000</u>	<u>187,020</u>	<u>187,020</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
General Government:				
Cable TV:				
Operating . . . . .	180,000	187,020	187,020	-
Total expenditures . . . . .	<u>180,000</u>	<u>187,020</u>	<u>187,020</u>	<u>-</u>
Net change in fund balance. . . . .	-	-	-	-
<b>Fund balance at beginning of year . . . .</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental . . . . .	\$ 471,200	\$ 471,200	\$ 369,055	\$ (102,145)
Total revenues . . . . .	<u>471,200</u>	<u>471,200</u>	<u>369,055</u>	<u>(102,145)</u>
<b>Expenditures:</b>				
Current:				
Economic Development and Assistance:				
Housing Rehabilitation:				
Operating . . . . .	480,700	480,700	392,481	88,219
Total expenditures . . . . .	<u>480,700</u>	<u>480,700</u>	<u>392,481</u>	<u>88,219</u>
Net change in fund balance. . . . .	(9,500)	(9,500)	(23,426)	(13,926)
<b>Fund balance at beginning of year . . . .</b>	19,299	19,299	19,299	-
<b>Prior year encumbrances appropriated .</b>	<u>9,500</u>	<u>9,500</u>	<u>9,500</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 19,299</u>	<u>\$ 19,299</u>	<u>\$ 5,373</u>	<u>\$ (13,926)</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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Investment income . . . . .	\$ 752	\$ 832	\$ 714	\$ (118)
Total revenues . . . . .	752	832	714	(118)
<b>Expenditures:</b>				
Current:				
Economic Development and Assistance:				
Capital Improvement:				
Operating . . . . .	327,000	357,000	278,912	78,088
Total expenditures . . . . .	327,000	357,000	278,912	78,088
Excess of expenditures over revenues . . .	(326,248)	(356,168)	(278,198)	77,970
<b>Other financing sources:</b>				
Other financing sources. . . . .	248,033	274,574	235,622	(38,952)
Transfers in . . . . .	31,580	34,959	30,000	(4,959)
Total other financing sources . . . . .	279,613	309,533	265,622	(43,911)
Net change in fund balance. . . . .	(46,635)	(46,635)	(12,576)	34,059
<b>Fund balance at beginning of year . . . .</b>	348,663	348,663	348,663	-
<b>Fund balance at end of year . . . . .</b>	\$ 302,028	\$ 302,028	\$ 336,087	\$ 34,059



**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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental . . . . .	\$ 367,000	\$ 367,000	\$ 316,388	\$ (50,612)
Total revenues . . . . .	<u>367,000</u>	<u>367,000</u>	<u>316,388</u>	<u>(50,612)</u>
<b>Expenditures:</b>				
Current:				
Economic Development and Assistance:				
Downtown Revitalization:				
Operating . . . . .	366,743	366,743	233,037	133,706
Total expenditures . . . . .	<u>366,743</u>	<u>366,743</u>	<u>233,037</u>	<u>133,706</u>
Net change in fund balance. . . . .	257	257	83,351	83,094
<b>Fund balance at beginning of year . . . .</b>	<u>16,355</u>	<u>16,355</u>	<u>16,355</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 16,612</u>	<u>\$ 16,612</u>	<u>\$ 99,706</u>	<u>\$ 83,094</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental . . . . .	\$ -	\$ 600	\$ 600	\$ -
Total revenues . . . . .	<u>-</u>	<u>600</u>	<u>600</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property:				
Police:				
Operating . . . . .	1,420	2,020	1,511	509
Total expenditures . . . . .	<u>1,420</u>	<u>2,020</u>	<u>1,511</u>	<u>509</u>
Net change in fund balance. . . . .	(1,420)	(1,420)	(911)	509
<b>Fund balance at beginning of year . . . .</b>	<u>1,449</u>	<u>1,449</u>	<u>1,449</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u><u>\$ 29</u></u>	<u><u>\$ 29</u></u>	<u><u>\$ 538</u></u>	<u><u>\$ 509</u></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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Investment income . . . . .	\$ -	\$ -	\$ 13	\$ 13
Donations . . . . .	200	200	20,225	20,025
Total revenues . . . . .	<u>200</u>	<u>200</u>	<u>20,238</u>	<u>20,038</u>
<b>Expenditures:</b>				
Current:				
Community Environment:				
Water:				
Operating . . . . .	500	500	-	500
Total expenditures . . . . .	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>
Net change in fund balance. . . . .	(300)	(300)	20,238	20,538
<b>Fund balance at beginning of year . . . .</b>	155	155	155	-
<b>Prior year encumbrances appropriated .</b>	<u>200</u>	<u>200</u>	<u>200</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 55</u>	<u>\$ 55</u>	<u>\$ 20,593</u>	<u>\$ 20,538</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Investment income . . . . .	\$ -	\$ -	\$ 4	\$ 4
Donations. . . . .	-	620	1,490	870
Total revenues . . . . .	<u>-</u>	<u>620</u>	<u>1,494</u>	<u>874</u>
<b>Expenditures:</b>				
Current:				
Community Environment:				
Cemetery Enhancements:				
Operating . . . . .	750	1,370	1,000	370
Total expenditures . . . . .	<u>750</u>	<u>1,370</u>	<u>1,000</u>	<u>370</u>
Net change in fund balance. . . . .	(750)	(750)	494	1,244
<b>Fund balance at beginning of year . . . .</b>	<u>767</u>	<u>767</u>	<u>767</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 17</u>	<u>\$ 17</u>	<u>\$ 1,261</u>	<u>\$ 1,244</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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property and other local taxes . . . . .	\$ 180,000	\$ 189,450	\$ 197,638	\$ 8,188
Donations. . . . .	-	-	92	92
Other . . . . .	-	-	1,011	1,011
Total revenues . . . . .	<u>180,000</u>	<u>189,450</u>	<u>198,741</u>	<u>9,291</u>
<b>Expenditures:</b>				
Current:				
General Government:				
General Operating:				
Salaries and wages . . . . .	12,882	13,539	13,191	348
Operating. . . . .	<u>75,971</u>	<u>79,843</u>	<u>77,792</u>	<u>2,051</u>
Total general operating . . . . .	<u>88,853</u>	<u>93,382</u>	<u>90,983</u>	<u>2,399</u>
Capital Improvements:				
Operating . . . . .	<u>96,536</u>	<u>101,457</u>	<u>98,850</u>	<u>2,607</u>
Total capital improvements . . . . .	<u>96,536</u>	<u>101,457</u>	<u>98,850</u>	<u>2,607</u>
Total expenditures . . . . .	<u>185,389</u>	<u>194,839</u>	<u>189,833</u>	<u>5,006</u>
Net change in fund balance. . . . .	(5,389)	(5,389)	8,908	14,297
<b>Fund balance at beginning of year . . . .</b>	200,791	200,791	200,791	-
<b>Prior year encumbrances appropriated .</b>	<u>7,907</u>	<u>7,907</u>	<u>7,907</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 203,309</u>	<u>\$ 203,309</u>	<u>\$ 217,606</u>	<u>\$ 14,297</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures:</b>				
Current:				
Community Environment:				
Cemetery Perpetual Trust:				
Operating . . . . .	\$ 4,600	\$ 4,600	\$ -	\$ 4,600
Total expenditures . . . . .	<u>4,600</u>	<u>4,600</u>	<u>-</u>	<u>4,600</u>
Net change in fund balance. . . . .	(4,600)	(4,600)	-	4,600
<b>Fund balance at beginning of year . . . .</b>	<u>4,600</u>	<u>4,600</u>	<u>4,600</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,600</u>	<u>\$ 4,600</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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property and other local taxes . . . . .	\$ 76,200	\$ 76,200	\$ 81,609	\$ 5,409
Intergovernmental . . . . .	17,700	17,700	12,827	(4,873)
Total revenues . . . . .	<u>93,900</u>	<u>93,900</u>	<u>94,436</u>	<u>536</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property:				
Police Pension:				
Salaries and wages . . . . .	330,000	330,000	310,447	19,553
Operating . . . . .	2,500	2,500	1,863	637
Total expenditures . . . . .	<u>332,500</u>	<u>332,500</u>	<u>312,310</u>	<u>20,190</u>
Excess of expenditures over revenues . . .	<u>(238,600)</u>	<u>(238,600)</u>	<u>(217,874)</u>	<u>20,726</u>
<b>Other financing sources:</b>				
Transfers in . . . . .	211,000	211,000	211,000	-
Total other financing sources . . . . .	<u>211,000</u>	<u>211,000</u>	<u>211,000</u>	<u>-</u>
Net change in fund balance. . . . .	(27,600)	(27,600)	(6,874)	20,726
<b>Fund balance at beginning of year . . . .</b>	<u>40,034</u>	<u>40,034</u>	<u>40,034</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 12,434</u>	<u>\$ 12,434</u>	<u>\$ 33,160</u>	<u>\$ 20,726</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Property and other local taxes . . . . .	\$ 76,200	\$ 76,200	\$ 81,609	\$ 5,409
Intergovernmental . . . . .	17,700	17,700	12,827	(4,873)
Total revenues . . . . .	<u>93,900</u>	<u>93,900</u>	<u>94,436</u>	<u>536</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property:				
Fire Pension:				
Salaries and wages . . . . .	320,000	320,000	290,138	29,862
Operating . . . . .	2,500	2,500	1,864	636
Total expenditures . . . . .	<u>322,500</u>	<u>322,500</u>	<u>292,002</u>	<u>30,498</u>
Excess of expenditures over revenues . . .	<u>(228,600)</u>	<u>(228,600)</u>	<u>(197,566)</u>	<u>31,034</u>
<b>Other financing sources:</b>				
Transfers in . . . . .	206,000	206,000	206,000	-
Total other financing sources . . . . .	<u>206,000</u>	<u>206,000</u>	<u>206,000</u>	<u>-</u>
Net change in fund balance. . . . .	(22,600)	(22,600)	8,434	31,034
<b>Fund balance at beginning of year . . . .</b>	<u>40,355</u>	<u>40,355</u>	<u>40,355</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 17,755</u>	<u>\$ 17,755</u>	<u>\$ 48,789</u>	<u>\$ 31,034</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Fund balance at beginning of year . . . .</b>	\$ 32,373	\$ 32,373	\$ 32,373	\$ -
<b>Fund balance at end of year . . . . .</b>	<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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Fines and forfeitures . . . . .	\$ 3,500	\$ 3,500	\$ 7,406	\$ 3,906
Donations . . . . .	500	500	916	416
Total revenues . . . . .	<u>4,000</u>	<u>4,000</u>	<u>8,322</u>	<u>4,322</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property:				
Police:				
Operating . . . . .	<u>2,332</u>	<u>2,332</u>	<u>729</u>	<u>1,603</u>
Total expenditures . . . . .	<u>2,332</u>	<u>2,332</u>	<u>729</u>	<u>1,603</u>
Net change in fund balance. . . . .	1,668	1,668	7,593	5,925
<b>Fund balance at beginning of year . . . .</b>	23,955	23,955	23,955	-
<b>Prior year encumbrances appropriated .</b>	<u>332</u>	<u>332</u>	<u>332</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 25,955</u>	<u>\$ 25,955</u>	<u>\$ 31,880</u>	<u>\$ 5,925</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures:</b>				
Current:				
Security of Persons and Property:				
Fire:				
Operating . . . . .	\$ 2,110	\$ 2,110	\$ -	\$ 2,110
Total expenditures . . . . .	<u>2,110</u>	<u>2,110</u>	<u>-</u>	<u>2,110</u>
Net change in fund balance. . . . .	(2,110)	(2,110)	-	2,110
<b>Fund balance at beginning of year . . . .</b>	<u>2,110</u>	<u>2,110</u>	<u>2,110</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,110</u></u>	<u><u>\$ 2,110</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental . . . . .	\$ 64,421	\$ 36,000	\$ 45,407	\$ 9,407
Donations . . . . .	355	-	250	250
Other . . . . .	87,624	64,000	61,761	(2,239)
Total revenues . . . . .	<u>152,400</u>	<u>100,000</u>	<u>107,418</u>	<u>7,418</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property:				
Fire:				
Operating . . . . .	192,000	200,660	174,371	26,289
Total expenditures . . . . .	<u>192,000</u>	<u>200,660</u>	<u>174,371</u>	<u>26,289</u>
Net change in fund balance. . . . .	(39,600)	(100,660)	(66,953)	33,707
<b>Fund balance at beginning of year . . . .</b>	20,924	20,924	20,924	-
<b>Prior year encumbrances appropriated .</b>	<u>122,000</u>	<u>122,000</u>	<u>122,000</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 103,324</u>	<u>\$ 42,264</u>	<u>\$ 75,971</u>	<u>\$ 33,707</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Other . . . . .	\$ -	\$ 8,660	\$ 8,660	\$ -
Total revenues . . . . .	<u>-</u>	<u>8,660</u>	<u>8,660</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property:				
Fire:				
Operating . . . . .	77,788	86,448	86,448	-
Total expenditures . . . . .	<u>77,788</u>	<u>86,448</u>	<u>86,448</u>	<u>-</u>
Net change in fund balance. . . . .	(77,788)	(77,788)	(77,788)	-
<b>Fund balance at beginning of year . . . .</b>	100	100	100	-
<b>Prior year encumbrances appropriated .</b>	<u>77,788</u>	<u>77,788</u>	<u>77,788</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ -</u>

**CITY OF DEFIANCE, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
**PARK AND RECREATION TRUST FUND**  
 FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Fund balance at beginning of year . . . .</b>	\$ 38,295	\$ 38,295	\$ 38,295	\$ -
<b>Fund balance at end of year . . . . .</b>	<u>\$ 38,295</u>	<u>\$ 38,295</u>	<u>\$ 38,295</u>	<u>\$ -</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Other . . . . .	\$ -	\$ -	\$ 87	\$ 87
Total revenues . . . . .	<u>-</u>	<u>-</u>	<u>87</u>	<u>87</u>
<b>Expenditures:</b>				
Current:				
General Government:				
Finance Department:				
Operating . . . . .	8,500	8,500	-	8,500
Total finance department. . . . .	<u>8,500</u>	<u>8,500</u>	<u>-</u>	<u>8,500</u>
Total expenditures . . . . .	<u>8,500</u>	<u>8,500</u>	<u>-</u>	<u>8,500</u>
Net change in fund balance. . . . .	(8,500)	(8,500)	87	8,587
<b>Fund balance at beginning of year . . . .</b>	<u>\$ 28,690</u>	<u>\$ 28,690</u>	<u>\$ 28,690</u>	<u>\$ -</u>
<b>Fund balance at end of year . . . . .</b>	<u><u>\$ 20,190</u></u>	<u><u>\$ 20,190</u></u>	<u><u>\$ 28,777</u></u>	<u><u>\$ 8,587</u></u>

**CITY OF DEFIANCE, OHIO**  
**COMBINING BALANCE SHEET**  
**NONMAJOR DEBT SERVICE FUNDS**  
**DECEMBER 31, 2011**

	<b>Bond Retirement</b>	<b>Tax Increment Financing</b>	<b>Total Nonmajor Debt Service Funds</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . .	\$ 593,486	\$ 414,334	\$ 1,007,820
Receivables (net of allowance for uncollectibles):			
Payment in lieu of taxes. . . . .	-	66,732	66,732
Special assessments. . . . .	108,540	-	108,540
	\$ 702,026	\$ 481,066	\$ 1,183,092
Total assets . . . . .	\$ 702,026	\$ 481,066	\$ 1,183,092
<b>Liabilities:</b>			
Deferred revenue . . . . .	\$ 108,540	\$ -	\$ 108,540
Unearned revenue. . . . .	-	66,732	66,732
	108,540	66,732	175,272
Total liabilities . . . . .	108,540	66,732	175,272
<b>Fund Balances:</b>			
Restricted. . . . .	593,486	414,334	1,007,820
	593,486	414,334	1,007,820
Total fund balances . . . . .	593,486	414,334	1,007,820
Total liabilities and fund balance . . . . .	\$ 702,026	\$ 481,066	\$ 1,183,092



**CITY OF DEFIANCE, OHIO**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR DEBT SERVICE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<b>Bond Retirement</b>	<b>Tax Increment Financing</b>	<b>Total Nonmajor Debt Service Funds</b>
<b>Revenues:</b>			
Special assessments . . . . .	\$ 41,695	\$ -	\$ 41,695
Payment in lieu of taxes . . . . .	-	82,256	82,256
Total revenues. . . . .	<u>41,695</u>	<u>82,256</u>	<u>123,951</u>
<b>Expenditures:</b>			
Current:			
General government . . . . .	1,440	-	1,440
Debt service:			
Principal retirement. . . . .	64,543	40,000	104,543
Interest and fiscal charges . . . . .	3,500	2,780	6,280
Total expenditures . . . . .	<u>69,483</u>	<u>42,780</u>	<u>112,263</u>
Excess of revenues over expenditures. . . . .	<u>(27,788)</u>	<u>39,476</u>	<u>11,688</u>
<b>Other financing uses:</b>			
Transfers (out) . . . . .	(7,230)	-	(7,230)
Total other financing uses. . . . .	<u>(7,230)</u>	<u>-</u>	<u>(7,230)</u>
Net change in fund balances . . . . .	(35,018)	39,476	4,458
<b>Fund balances at beginning of year . . . . .</b>	<u>628,504</u>	<u>374,858</u>	<u>1,003,362</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 593,486</u>	<u>\$ 414,334</u>	<u>\$ 1,007,820</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Special assessments . . . . .	\$ 90,000	\$ 42,000	\$ 41,695	\$ (305)
Total revenues. . . . .	<u>90,000</u>	<u>42,000</u>	<u>41,695</u>	<u>(305)</u>
<b>Expenditures:</b>				
Current:				
General Government:				
County and State Charges:				
Operating . . . . .	7,000	7,000	1,443	5,557
Total county and state charges. . . . .	<u>7,000</u>	<u>7,000</u>	<u>1,443</u>	<u>5,557</u>
Total General Government . . . . .	<u>7,000</u>	<u>7,000</u>	<u>1,443</u>	<u>5,557</u>
Debt Service:				
Principal retirement . . . . .	71,770	71,770	71,770	-
Interest and fiscal charges . . . . .	<u>12,224</u>	<u>12,224</u>	<u>3,500</u>	<u>8,724</u>
Total debt service . . . . .	<u>83,994</u>	<u>83,994</u>	<u>75,270</u>	<u>8,724</u>
Total expenditures . . . . .	<u>90,994</u>	<u>90,994</u>	<u>76,713</u>	<u>14,281</u>
Net change in fund balance . . . . .	(994)	(48,994)	(35,018)	13,976
<b>Fund balance at beginning of year . . . . .</b>	<u>628,504</u>	<u>628,504</u>	<u>628,504</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 627,510</u>	<u>\$ 579,510</u>	<u>\$ 593,486</u>	<u>\$ 13,976</u>

**CITY OF DEFIANCE, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
**TAX INCREMENT FINANCING FUND**  
 FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures:</b>				
Current:				
Economic Development and Assistance:				
Operating . . . . .	\$ -	\$ 130,000	\$ -	\$ 130,000
Total Economic Development and Assistance . . . . .	<u>-</u>	<u>130,000</u>	<u>-</u>	<u>130,000</u>
Debt Service:				
Principal retirement . . . . .	40,000	40,000	40,000	-
Interest and fiscal charges . . . . .	2,780	2,780	2,780	-
Total expenditures . . . . .	<u>42,780</u>	<u>172,780</u>	<u>42,780</u>	<u>130,000</u>
Excess of expenditures over revenues . . .	<u>(42,780)</u>	<u>(172,780)</u>	<u>(42,780)</u>	<u>130,000</u>
<b>Other financing sources:</b>				
Other financing sources . . . . .	81,654	81,654	82,256	602
Total other financing sources . . . . .	<u>81,654</u>	<u>81,654</u>	<u>82,256</u>	<u>602</u>
Net change in fund balance . . . . .	38,874	(91,126)	39,476	130,602
<b>Fund balance at beginning of year . . . .</b>	<u>374,858</u>	<u>374,858</u>	<u>374,858</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 413,732</u>	<u>\$ 283,732</u>	<u>\$ 414,334</u>	<u>\$ 130,602</u>

**CITY OF DEFIANCE, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
**MUNICIPAL COURT CONSTRUCTION FUND**  
 FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Investment income . . . . .	\$ -	\$ 16,393	\$ 956	\$ (15,437)
Other . . . . .	-	3,207	187	(3,020)
Total revenues . . . . .	<u>-</u>	<u>19,600</u>	<u>1,143</u>	<u>(18,457)</u>
<b>Expenditures:</b>				
Capital Outlay:				
Operating . . . . .	<u>393,136</u>	<u>139,973</u>	<u>120,375</u>	<u>19,598</u>
Total expenditures. . . . .	<u>393,136</u>	<u>139,973</u>	<u>120,375</u>	<u>19,598</u>
Excess of expenditures over revenues . . . . .	<u>(393,136)</u>	<u>(120,373)</u>	<u>(119,232)</u>	<u>1,141</u>
<b>Other financing (uses):</b>				
Transfers out . . . . .	<u>-</u>	<u>(389,055)</u>	<u>(389,055)</u>	<u>-</u>
Total other financing (uses) . . . . .	<u>-</u>	<u>(389,055)</u>	<u>(389,055)</u>	<u>-</u>
Net change in fund balance . . . . .	(393,136)	(509,428)	(508,287)	1,141
<b>Fund balance at beginning of year . . . .</b>	418,134	418,134	418,134	-
<b>Prior year encumbrances appropriated .</b>	<u>97,968</u>	<u>97,968</u>	<u>97,968</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 122,966</u>	<u>\$ 6,674</u>	<u>\$ 7,815</u>	<u>\$ 1,141</u>

**CITY OF DEFIANCE, OHIO**  
**INDIVIDUAL FUND SCHEDULES**  
**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.

**Major Enterprise Funds**

***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.

***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.

**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 to provide water service to residential and commercial users of the City.

**INTERNAL SERVICE FUND**

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.

***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)

**WATER FUND**

FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Operating revenues:</b>				
Charges for services . . . . .	\$ 5,433,000	\$ 5,433,000	\$ 5,402,502	\$ (30,498)
Tap-in fees . . . . .	20,000	20,000	28,169	8,169
Other. . . . .	10,000	10,000	21,948	11,948
Total operating revenues. . . . .	5,463,000	5,463,000	5,452,619	(10,381)
<b>Operating expenses:</b>				
Personal services. . . . .	1,998,987	1,998,987	1,781,843	217,144
Contractual services . . . . .	302,856	302,856	273,366	29,490
Materials and supplies . . . . .	794,851	794,851	717,453	77,398
Administrative costs . . . . .	26,585	26,585	23,996	2,589
Utilities . . . . .	389,799	389,799	350,674	39,125
Other. . . . .	480	480	433	47
Capital outlay . . . . .	125,734	125,734	113,491	12,243
Total operating expenses. . . . .	3,639,292	3,639,292	3,261,256	378,036
Operating income . . . . .	1,823,708	1,823,708	2,191,363	367,655
<b>Nonoperating revenues (expenses):</b>				
Interest revenue . . . . .	3,000	3,000	3,640	640
Intergovernmental . . . . .	12,000	12,000	-	(12,000)
Note issuance . . . . .	47,500	47,500	47,500	-
Debt service:				
Principal retirement. . . . .	(917,519)	(917,519)	(828,176)	89,343
Interest and fiscal charges . . . . .	(788,378)	(788,378)	(711,610)	76,768
Total nonoperating revenues (expenses) . . . .	(1,643,397)	(1,643,397)	(1,488,646)	154,751
Net change is fund equity. . . . .	180,311	180,311	702,717	522,406
<b>Fund equity at beginning of year. . . . .</b>	648,306	648,306	648,306	-
<b>Prior year encumbrances appropriated . . .</b>	218,927	218,927	218,927	-
<b>Fund equity at end of year . . . . .</b>	\$ 1,047,544	\$ 1,047,544	\$ 1,569,950	\$ 522,406

**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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Operating revenues:</b>				
Charges for services . . . . .	\$ 6,422,022	\$ 6,138,000	\$ 6,103,572	\$ (34,428)
Other. . . . .	248,804	237,800	241,416	3,616
Total operating revenues . . . . .	6,670,826	6,375,800	6,344,988	(30,812)
<b>Operating expenses:</b>				
Personal services. . . . .	1,911,968	1,911,968	1,582,555	329,413
Contract services. . . . .	435,289	435,289	347,785	87,504
Materials and supplies. . . . .	390,590	390,590	312,072	78,518
Administrative costs. . . . .	24,435	24,435	19,523	4,912
Utilities . . . . .	500,804	500,804	397,718	103,086
Capital outlay . . . . .	4,434,285	4,434,285	3,542,884	891,401
Total operating expenses. . . . .	7,697,371	7,697,371	6,202,537	1,494,834
Operating income (loss) . . . . .	(1,026,545)	(1,321,571)	142,451	1,464,022
<b>Nonoperating revenues (expenses):</b>				
Interest revenue . . . . .	13,026	12,450	8,206	(4,244)
Intergovernmental . . . . .	51,790	49,500	-	(49,500)
Note issuance . . . . .	6,456,026	6,170,500	4,870,500	(1,300,000)
Loan issuance . . . . .	3,766,582	3,600,000	2,313,523	(1,286,477)
Debt service:				
Principal retirement. . . . .	(9,221,708)	(9,221,708)	(7,369,371)	1,852,337
Interest and fiscal charges. . . . .	(1,424,202)	(1,424,202)	(1,137,902)	286,300
Total nonoperating revenues (expenses) . . . . .	(358,486)	(813,460)	(1,315,044)	(501,584)
Net income before transfers. . . . .	(1,385,031)	(2,135,031)	(1,172,593)	962,438
Transfers in . . . . .	7,230	7,230	7,230	-
Net change in fund equity . . . . .	(1,377,801)	(2,127,801)	(1,165,363)	962,438
<b>Fund equity (deficit) at beginning of year. . . . .</b>	1,984,086	1,984,086	1,984,086	-
<b>Prior year encumbrances appropriated . . . . .</b>	1,935,505	1,935,505	1,935,505	-
<b>Fund equity at end of year . . . . .</b>	\$ 2,541,790	\$ 1,791,790	\$ 2,754,228	\$ 962,438

**CITY OF DEFIANCE, OHIO**

**COMBINING STATEMENT OF NET ASSETS  
NONMAJOR ENTERPRISE FUNDS  
DECEMBER 31, 2011**

	<u>Refuse</u>	<u>Utility Deposit</u>	<u>Totals</u>
<b>Assets:</b>			
Current assets:			
Equity in pooled cash and cash equivalents. . . . .	\$ 537,128	\$ -	\$ 537,128
Receivables (net of allowance for uncollectibles):			
Accounts . . . . .	58,367	-	58,367
Total current assets . . . . .	<u>595,495</u>	<u>-</u>	<u>595,495</u>
Noncurrent assets:			
Restricted assets:			
Equity in pooled cash and cash equivalents. . . . .	-	335,370	335,370
Total noncurrent assets . . . . .	<u>-</u>	<u>335,370</u>	<u>335,370</u>
Total assets . . . . .	<u>595,495</u>	<u>335,370</u>	<u>930,865</u>
<b>Liabilities:</b>			
Current liabilities:			
Current liabilities payable from restricted assets:			
Refundable deposit . . . . .	-	335,370	335,370
Total liabilities . . . . .	<u>-</u>	<u>335,370</u>	<u>335,370</u>
<b>Net assets:</b>			
Unrestricted. . . . .	595,495	-	595,495
Total net assets . . . . .	<u>\$ 595,495</u>	<u>\$ -</u>	<u>\$ 595,495</u>



**CITY OF DEFIANCE, OHIO**

COMBINING STATEMENT OF REVENUES, EXPENSES AND  
 CHANGES IN NET ASSETS  
**NONMAJOR ENTERPRISE FUNDS**  
 FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Refuse</u>	<u>Utility Deposit</u>	<u>Totals</u>
<b>Operating revenues:</b>			
Charges for services. . . . .	\$ 819,619	\$ -	\$ 819,619
Total operating revenues. . . . .	<u>819,619</u>	<u>-</u>	<u>819,619</u>
<b>Operating expenses:</b>			
Utilities . . . . .	<u>785,210</u>	<u>-</u>	<u>785,210</u>
Total operating expenses. . . . .	<u>785,210</u>	<u>-</u>	<u>785,210</u>
Operating income/change in net assets. . . . .	34,409	-	34,409
<b>Net assets at beginning of year. . . . .</b>	<u>561,086</u>	<u>-</u>	<u>561,086</u>
<b>Net assets at end of year . . . . .</b>	<u>\$ 595,495</u>	<u>\$ -</u>	<u>\$ 595,495</u>

**CITY OF DEFIANCE, OHIO**

COMBINING STATEMENT OF CASH FLOWS  
**NONMAJOR ENTERPRISE FUNDS**  
 FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Refuse</u>	<u>Utility Deposit</u>	<u>Totals</u>
<b>Cash flows from operating activities:</b>			
Cash received from charges for services . . . . .	\$ 816,636	\$ 31,475	\$ 848,111
Cash payments for utilities . . . . .	(785,210)	-	(785,210)
Cash payments for other operations . . . . .	-	(4,650)	(4,650)
	<hr/>	<hr/>	<hr/>
Net cash provided by operating activities . . . . .	31,426	26,825	58,251
	<hr/>	<hr/>	<hr/>
Net increase in cash and cash equivalents . . . . .	31,426	26,825	58,251
	<hr/>	<hr/>	<hr/>
<b>Cash and cash equivalents at beginning of year. . . . .</b>	505,702	308,545	814,247
	<hr/>	<hr/>	<hr/>
<b>Cash and cash equivalents at end of year . . . . .</b>	<u>\$ 537,128</u>	<u>\$ 335,370</u>	<u>\$ 872,498</u>
	<hr/>	<hr/>	<hr/>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income. . . . .	\$ 34,409	\$ -	\$ 34,409
Adjustments to reconcile operating income to net cash provided by operating activities:			
Changes in assets and liabilities:			
(Increase) in accounts receivable. . . . .	(2,983)	-	(2,983)
Increase in utility deposits payable. . . . .	-	26,825	26,825
	<hr/>	<hr/>	<hr/>
Net cash provided by operating activities . . . . .	<u>\$ 31,426</u>	<u>\$ 26,825</u>	<u>\$ 58,251</u>
	<hr/>	<hr/>	<hr/>

**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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Operating revenues:</b>				
Charges for services . . . . .	\$ 761,000	\$ 791,000	\$ 816,636	\$ 25,636
Total operating revenues . . . . .	<u>761,000</u>	<u>791,000</u>	<u>816,636</u>	<u>25,636</u>
<b>Operating expenses:</b>				
Utilities . . . . .	<u>748,082</u>	<u>778,082</u>	<u>764,991</u>	<u>13,091</u>
Total operating expenses . . . . .	<u>748,082</u>	<u>778,082</u>	<u>764,991</u>	<u>13,091</u>
Operating income (loss) . . . . .	<u>12,918</u>	<u>12,918</u>	<u>51,645</u>	<u>38,727</u>
<b>Nonoperating expenses:</b>				
Transfers out . . . . .	<u>(24,000)</u>	<u>(24,000)</u>	<u>(24,000)</u>	<u>-</u>
Total nonoperating expenses . . . . .	<u>(24,000)</u>	<u>(24,000)</u>	<u>(24,000)</u>	<u>-</u>
Net change in fund equity . . . . .	(11,082)	(11,082)	27,645	38,727
<b>Fund equity at beginning of year . . . . .</b>	497,620	497,620	497,620	-
<b>Prior year encumbrances appropriated . . .</b>	<u>8,082</u>	<u>8,082</u>	<u>8,082</u>	<u>-</u>
<b>Fund equity at end of year . . . . .</b>	<u>\$ 494,620</u>	<u>\$ 494,620</u>	<u>\$ 533,347</u>	<u>\$ 38,727</u>

**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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Operating revenues:</b>				
Charges for services . . . . .	\$ 30,000	\$ 30,000	\$ 31,475	\$ 1,475
Total operating revenues . . . . .	<u>30,000</u>	<u>30,000</u>	<u>31,475</u>	<u>1,475</u>
<b>Operating expenses:</b>				
Utilities . . . . .	30,000	30,000	4,650	25,350
Total operating expenses . . . . .	<u>30,000</u>	<u>30,000</u>	<u>4,650</u>	<u>25,350</u>
Net change in fund equity . . . . .	-	-	26,825	26,825
<b>Fund equity at beginning of year . . . . .</b>	<u>308,545</u>	<u>308,545</u>	<u>308,545</u>	<u>-</u>
<b>Fund equity at end of year . . . . .</b>	<u><u>\$ 308,545</u></u>	<u><u>\$ 308,545</u></u>	<u><u>\$ 335,370</u></u>	<u><u>\$ 26,825</u></u>

**CITY OF DEFIANCE, OHIO**

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN  
 FUND EQUITY - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
**HEALTH CARE TRUST FUND**  
 FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Operating revenues:</b>				
Charges for services . . . . .	\$ 1,985,000	\$ 1,985,000	\$ 1,918,206	\$ (66,794)
Total operating revenues. . . . .	<u>1,985,000</u>	<u>1,985,000</u>	<u>1,918,206</u>	<u>(66,794)</u>
<b>Operating expenses:</b>				
Claims . . . . .	<u>2,010,400</u>	<u>2,010,400</u>	<u>1,924,329</u>	<u>86,071</u>
Total operating expenses. . . . .	<u>2,010,400</u>	<u>2,010,400</u>	<u>1,924,329</u>	<u>86,071</u>
Operating loss . . . . .	<u>(25,400)</u>	<u>(25,400)</u>	<u>(6,123)</u>	<u>19,277</u>
<b>Other financing sources:</b>				
Interest revenue . . . . .	<u>1,800</u>	<u>1,800</u>	<u>684</u>	<u>(1,116)</u>
Total other financing sources. . . . .	<u>1,800</u>	<u>1,800</u>	<u>684</u>	<u>(1,116)</u>
Net change in fund equity. . . . .	(23,600)	(23,600)	(5,439)	18,161
<b>Fund equity at beginning of year . . . . .</b>	417,656	417,656	417,656	-
<b>Prior year encumbrances appropriated. .</b>	10,400	10,400	10,400	-
<b>Fund equity at end of year. . . . .</b>	<u>\$ 404,456</u>	<u>\$ 404,456</u>	<u>\$ 422,617</u>	<u>\$ 18,161</u>

**CITY OF DEFIANCE, OHIO**

**INDIVIDUAL FUND SCHEDULES  
FUND DESCRIPTION - FIDUCIARY FUND**

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 funds. The following are the City's fiduciary fund types:

**Agency Fund**

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

***Municipal Court Fund***

To account 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, 2011

<b>Municipal Court Fund</b>	<b>Beginning Balance 12/31/2010</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance 12/31/2011</b>
<b>Assets:</b>				
Cash in segregated accounts . . . . .	\$ 13,061	\$ 356	\$ -	\$ 13,417
Total assets . . . . .	<u>\$ 13,061</u>	<u>\$ 356</u>	<u>\$ -</u>	<u>\$ 13,417</u>
<b>Liabilities:</b>				
Due to other governments . . . . .	\$ 13,061	\$ 356	\$ -	\$ 13,417
Total liabilities . . . . .	<u>\$ 13,061</u>	<u>\$ 356</u>	<u>\$ -</u>	<u>\$ 13,417</u>

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# STATISTICAL SECTION

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**CITY OF DEFIANCE, OHIO**  
**STATISTICAL SECTION**

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

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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.	<b>133-142</b>
Schedules 5-6 reflect revenue capacity and help the reader assess the City's most significant local revenue source, the income tax.	<b>143-146</b>
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.	<b>147-155</b>
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.	<b>156-157</b>
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.	<b>158-162</b>

**Sources:** Unless otherwise noted, the information in these schedules is derived from the City's annual financial reports for the relevant year. The City implemented GASB Statement No. 34 in 2003; schedules 1 and 2, which present government-wide information on an accrual basis, include information beginning in that year.

**CITY OF DEFIANCE, OHIO**

SCHEDULE 1  
NET ASSETS BY COMPONENT  
LAST NINE YEARS  
(ACCRUAL BASIS OF ACCOUNTING)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Governmental Activities</b>				
Invested in capital assets, net of related debt	\$ 14,814,034	\$ 13,848,663	\$ 14,665,319	\$ 14,021,819
Restricted for:				
Capital projects	7,820	-	1,180,352	1,392,724
Debt service	1,085,623	1,237,297	1,188,099	1,212,716
Economic development projects	1,909,300	2,031,638	1,950,777	1,921,779
Transportation projects	497,741	541,136	632,776	745,459
Safety projects	618,436	625,783	583,247	492,417
Special projects	234,068	333,266	498,582	621,966
Community environment projects	4,804	23,804	27,686	125,358
Health projects	5,861	5,367	6,169	7,718
Parks and recreation projects	-	-	34,995	34,995
Other purposes	247,085	154,865	245,406	195,598
Unrestricted	4,013,245	3,667,142	2,597,515	3,940,429
Total governmental activities net assets	<u>23,438,017</u>	<u>22,468,961</u>	<u>23,610,923</u>	<u>24,712,978</u>
<b>Business-type Activities</b>				
Invested in capital assets, net of related debt	18,563,137	15,279,312	15,197,096	12,651,704
Unrestricted	5,003,212	5,493,597	2,742,655	3,787,353
Total business-type activities net assets	<u>23,566,349</u>	<u>20,772,909</u>	<u>17,939,751</u>	<u>16,439,057</u>
<b>Total Primary Government</b>				
Invested in capital assets, net of related debt	33,377,171	29,127,975	29,862,415	26,673,523
Restricted	4,610,738	4,953,156	6,348,089	6,750,730
Unrestricted	9,016,457	9,160,739	5,340,170	7,727,782
Total primary government net assets	<u>\$ 47,004,366</u>	<u>\$ 43,241,870</u>	<u>\$ 41,550,674</u>	<u>\$ 41,152,035</u>

**Note:** Accrual-basis financial information for the municipal government as a whole is available back to 2003 only, the year GASB Statement No. 34 was implemented.

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$	13,799,408	\$ 13,549,449	\$ 12,348,500	\$ 2,968,656	\$ 3,306,273
	967,504	836,427	535,747	633,866	894,284
	1,194,515	1,210,403	1,188,950	1,221,999	1,212,839
	1,826,439	1,575,853	-	-	-
	706,547	601,417	-	-	-
	400,250	-	-	-	-
	551,384	-	-	-	-
	130,221	-	-	-	-
	19,564	-	-	-	-
	34,995	-	-	-	-
	166,967	1,885,332	2,803,022	2,500,772	2,166,227
	4,826,514	3,938,352	4,259,774	4,259,704	2,086,067
	<u>24,624,308</u>	<u>23,597,233</u>	<u>21,135,993</u>	<u>11,584,997</u>	<u>9,665,690</u>
	11,696,962	9,780,309	7,214,254	14,168,848	12,512,562
	3,571,350	4,651,099	5,131,920	3,095,331	3,918,639
	<u>15,268,312</u>	<u>14,431,408</u>	<u>12,346,174</u>	<u>17,264,179</u>	<u>16,431,201</u>
	25,496,370	23,329,758	19,562,754	17,137,504	15,818,835
	5,998,386	6,109,432	4,527,719	4,356,637	4,273,350
	8,397,864	8,589,451	9,391,694	7,355,035	6,004,706
\$	<u><u>39,892,620</u></u>	<u><u>38,028,641</u></u>	<u><u>33,482,167</u></u>	<u><u>28,849,176</u></u>	<u><u>26,096,891</u></u>

**CITY OF DEFIANCE, OHIO**  
**SCHEDULE 2**  
**CHANGES IN NET ASSETS**  
**LAST NINE YEARS**  
**(ACCRUAL BASIS OF ACCOUNTING)**

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Program Revenues:</b>				
Governmental activities				
Charges for services:				
General government	\$ 367,422	\$ 289,696	\$ 378,315	\$ 395,715
Security of persons and property	1,191,219	1,343,214	1,171,103	1,247,379
Public health and welfare	68,689	72,449	41,521	58,774
Community environment	73,168	103,689	95,422	175,633
Leisure time activities	23,133	25,835	21,246	25,162
Economic Development	573	290	253	493
Operating grants and contributions	1,863,347	1,685,214	1,644,771	1,331,141
Capital grants and contributions	1,056,917	497,525	322,650	171,030
Total governmental activities program revenues	<u>4,644,468</u>	<u>4,017,912</u>	<u>3,675,281</u>	<u>3,405,327</u>
Business-type activities:				
Charges for services:				
Water	5,415,327	4,842,869	4,194,197	4,090,704
Sewer	6,113,369	5,279,085	4,690,081	4,301,484
Refuse	819,619	766,697	726,603	764,881
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	2,228,539	14,354	313,087
Total business-type activities program revenues	<u>12,348,315</u>	<u>13,117,190</u>	<u>9,625,235</u>	<u>9,470,156</u>
Total primary government	<u><u>16,992,783</u></u>	<u><u>17,135,102</u></u>	<u><u>13,300,516</u></u>	<u><u>12,875,483</u></u>
<b>Expenses:</b>				
Governmental Activities				
General government	2,817,789	3,429,558	3,405,877	2,700,947
Security of persons and property	5,429,001	6,043,793	5,727,001	5,718,266
Public health and welfare	244,943	224,256	207,391	288,007
Transportation	1,746,391	2,533,251	1,798,226	2,463,188
Community environment	475,458	556,280	522,191	586,847
Leisure time activities	650,516	740,699	697,284	995,983
Economic development	903,603	381,070	834,468	84,009
Utility services	5,335	-	-	-
Other	-	-	15,700	4,913
Interest and fiscal charges	83,200	77,825	41,344	29,296
Total governmental activities expenses	<u>12,356,236</u>	<u>13,986,732</u>	<u>13,249,482</u>	<u>12,871,456</u>
Business-type activities:				
Water	4,406,534	4,224,602	4,196,427	4,282,755
Sewer	4,691,866	6,192,897	3,971,144	3,993,639
Refuse	785,210	725,206	680,242	726,933
Total business-type activities expenses	<u>9,883,610</u>	<u>11,142,705</u>	<u>8,847,813</u>	<u>9,003,327</u>
Total primary government program expenses	<u><u>\$ 22,239,846</u></u>	<u><u>\$ 25,129,437</u></u>	<u><u>\$ 22,097,295</u></u>	<u><u>\$ 21,874,783</u></u>
<b>Net (Expense) Revenue</b>				
Governmental activities	\$ (7,711,768)	\$ (9,968,820)	\$ (9,574,201)	\$ (9,466,129)
Business-type activities	2,464,705	1,974,485	777,422	466,829
Total primary government net expense	<u><u>(5,247,063)</u></u>	<u><u>(7,994,335)</u></u>	<u><u>(8,796,779)</u></u>	<u><u>(8,999,300)</u></u>

	2007	2006	2005	2004	2003
\$	464,448	\$ 619,931	\$ 561,760	\$ 516,566	\$ 301,901
	1,180,003	1,186,602	1,082,726	927,719	1,129,641
	66,705	53,899	65,541	68,991	26,448
	179,334	233,028	318,884	129,380	148,489
	37,141	32,086	26,613	16,645	45,641
	290	65,886	4,683	29,929	4,554
	1,409,456	1,697,228	1,276,237	1,193,356	1,165,264
	201,996	-	-	-	20,871
	<u>3,539,373</u>	<u>3,888,660</u>	<u>3,336,444</u>	<u>2,882,586</u>	<u>2,842,809</u>
	4,020,403	3,600,821	3,523,194	3,586,124	3,400,764
	4,158,792	3,731,030	3,381,425	3,413,778	3,658,131
	671,841	661,607	610,256	593,051	572,514
	23,077	326,154	454,589	255,064	-
	-	-	-	-	312,900
	<u>8,874,113</u>	<u>8,319,612</u>	<u>7,969,464</u>	<u>7,848,017</u>	<u>7,944,309</u>
	<u>12,413,486</u>	<u>12,208,272</u>	<u>11,305,908</u>	<u>10,730,603</u>	<u>10,787,118</u>
	3,438,927	2,493,160	3,000,979	2,490,843	2,379,094
	5,559,839	5,118,991	4,576,342	4,993,929	4,743,623
	253,008	213,337	243,875	316,518	235,403
	2,149,203	1,556,748	2,122,467	1,087,018	887,323
	523,893	424,583	403,071	440,540	429,946
	961,329	897,522	825,764	1,020,436	806,178
	275,686	274,914	423,379	112,177	38,851
	-	-	-	-	-
	4,908	4,732	6,460	60,101	10,703
	48,348	79,072	127,845	76,890	72,507
	<u>13,215,141</u>	<u>11,063,059</u>	<u>11,730,182</u>	<u>10,598,452</u>	<u>9,603,628</u>
	3,827,063	3,830,920	3,700,775	3,486,248	3,515,971
	4,193,689	3,178,453	3,482,750	4,112,246	3,637,857
	630,422	608,056	543,180	543,170	535,534
	<u>8,651,174</u>	<u>7,617,429</u>	<u>7,726,705</u>	<u>8,141,664</u>	<u>7,689,362</u>
\$	<u>21,866,315</u>	<u>18,680,488</u>	<u>19,456,887</u>	<u>18,740,116</u>	<u>17,292,990</u>
\$	(9,675,768)	\$ (7,174,399)	\$ (8,393,738)	\$ (7,715,866)	\$ (6,760,819)
	222,939	702,183	242,759	(293,647)	254,947
	<u>(9,452,829)</u>	<u>(6,472,216)</u>	<u>(8,150,979)</u>	<u>(8,009,513)</u>	<u>(6,505,872)</u>

-- Continued

**CITY OF DEFIANCE, OHIO**

SCHEDULE 2  
 CHANGES IN NET ASSETS (CONTINUED)  
 LAST NINE YEARS  
 (ACCRUAL BASIS OF ACCOUNTING)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>General Revenues and Other Changes in Net Assets</b>				
Governmental activities				
Income taxes levied for:				
General purposes	5,209,705	5,458,481	5,227,106	5,933,088
Special purposes	21,871	23,236	21,395	25,248
Capital purposes	1,312,258	1,394,167	1,283,680	1,514,902
Property taxes levied for:				
General purposes	521,650	543,275	525,405	602,325
Special purposes	365,707	334,523	305,992	340,946
Grants and entitlements not restricted				
to specific programs	1,096,255	1,024,894	909,503	1,089,930
Investment earnings	19,885	13,353	22,217	155,049
Payment in lieu of taxes	82,256	82,943	83,895	-
Miscellaneous	101,646	540,547	99,418	231,871
Transfers	(50,409)	(588,561)	(6,465)	(338,560)
Special item: gain on sale of capital assets	-	-	-	-
Extraordinary item: reimb. of insurance claims	-	-	-	-
Total governmental activities	<u>8,680,824</u>	<u>8,826,858</u>	<u>8,472,146</u>	<u>9,554,799</u>
Business-type activities				
Investment earnings	14,382	5,659	9,888	69,086
Miscellaneous	263,944	264,453	269,208	296,270
Transfers	50,409	588,561	6,465	338,560
Special item - forgiveness of loan	-	-	437,711	-
Total business-type activities	<u>328,735</u>	<u>858,673</u>	<u>723,272</u>	<u>703,916</u>
Total primary government	<u>9,009,559</u>	<u>9,685,531</u>	<u>9,195,418</u>	<u>10,258,715</u>
 <b>Change in Net Assets</b>				
Governmental activities	969,056	(1,141,962)	(1,102,055)	88,670
Business-type activities	2,793,440	2,833,158	1,500,694	1,170,745
Total primary government	<u>\$ 3,762,496</u>	<u>\$ 1,691,196</u>	<u>\$ 398,639</u>	<u>\$ 1,259,415</u>

**Note:** Accrual-basis financial information for the municipal government as a whole is only available back to 2003, the year GASB Statement No. 34 was implemented.



<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
6,502,751	5,924,313	4,890,763	4,634,548	4,331,820
27,315	25,099	23,490	21,007	24,050
1,638,902	1,505,961	1,409,361	1,397,350	1,306,077
664,808	585,649	580,184	560,638	549,548
363,825	349,160	274,958	316,772	304,959
949,213	1,124,495	761,789	846,451	691,903
404,382	346,052	190,327	85,767	74,251
-	-	-	-	-
208,359	380,086	615,868	353,772	439,148
(56,712)	(605,176)	-	(1,026,313)	-
-	-	-	1,983,137	190,774
-	-	-	260,683	-
<u>10,702,843</u>	<u>9,635,639</u>	<u>8,746,740</u>	<u>9,433,812</u>	<u>7,912,530</u>
229,311	196,364	107,930	34,491	38,817
327,942	31,901	46,875	65,821	362,350
56,712	605,176	-	1,026,313	-
-	-	-	-	-
<u>613,965</u>	<u>833,441</u>	<u>154,805</u>	<u>1,126,625</u>	<u>401,167</u>
<u>11,316,808</u>	<u>10,469,080</u>	<u>8,901,545</u>	<u>10,560,437</u>	<u>8,313,697</u>
1,027,075	2,461,240	353,002	1,717,946	1,151,711
836,904	1,535,624	397,564	832,978	656,114
<u>\$ 1,863,979</u>	<u>\$ 3,996,864</u>	<u>\$ 750,566</u>	<u>\$ 2,550,924</u>	<u>\$ 1,807,825</u>

**CITY OF DEFIANCE, OHIO**

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>General Fund</b>				
Nonspendable	\$ 87	\$ -	\$ -	\$ -
Assigned	364,029	-	-	-
Unassigned	1,255,774	-	-	-
Reserved	-	190,796	298,434	571,452
Unreserved	-	1,573,664	2,044,712	3,019,128
Total general fund	<u>1,619,890</u>	<u>1,764,460</u>	<u>2,343,146</u>	<u>3,590,580</u>
<b>All Other Governmental Funds</b>				
Nonspendable	23,882	-	-	-
Restricted	4,345,580	-	-	-
Committed	2,073,285	-	-	-
Reserved	-	2,959,329	5,866,656	3,707,457
Unreserved (deficit), reported in:				
Special revenue funds	-	1,917,162	2,133,103	2,012,299
Debt service funds	-	-	-	-
Capital projects funds	-	(3,128,520)	(3,148,530)	442,761
Total all other governmental funds	<u>6,442,747</u>	<u>1,747,971</u>	<u>4,851,229</u>	<u>6,162,517</u>
Total governmental funds	<u>\$ 8,062,637</u>	<u>\$ 3,512,431</u>	<u>\$ 7,194,375</u>	<u>\$ 9,753,097</u>

The City implemented GASB 54 in 2011.

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
524,398	523,571	469,007	600,870	603,947	608,775
<u>3,871,519</u>	<u>3,315,057</u>	<u>2,355,690</u>	<u>1,325,598</u>	<u>764,714</u>	<u>710,621</u>
<u>4,395,917</u>	<u>3,838,628</u>	<u>2,824,697</u>	<u>1,926,468</u>	<u>1,368,661</u>	<u>1,319,396</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,003,392	2,533,157	2,076,762	1,990,605	2,153,512	2,147,800
2,174,078	2,437,600	1,793,615	1,226,565	958,607	871,958
-	-	-	-	586,530	-
<u>326,347</u>	<u>515,373</u>	<u>43,225</u>	<u>381,076</u>	<u>(221,660)</u>	<u>460,398</u>
<u>5,503,817</u>	<u>5,486,130</u>	<u>3,913,602</u>	<u>3,598,246</u>	<u>3,476,989</u>	<u>3,480,156</u>
<u>\$ 9,899,734</u>	<u>\$ 9,324,758</u>	<u>\$ 6,738,299</u>	<u>\$ 5,524,714</u>	<u>\$ 4,845,650</u>	<u>\$ 4,799,552</u>

**CITY OF DEFIANCE, OHIO**

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Revenues</b>				
Income taxes	\$ 6,645,815	\$ 6,709,254	\$ 6,574,354	\$ 7,392,483
Property and other local taxes	907,400	882,023	833,037	941,651
Charges for services	664,054	695,129	571,591	583,007
Licenses, permits and fees	280,571	307,950	283,514	362,524
Fines and forfeitures	795,442	838,380	857,055	957,625
Intergovernmental	3,932,905	2,969,152	2,835,054	2,306,703
Special assessments	41,695	88,403	111,684	128,763
Investment earnings	78,555	76,653	86,723	223,765
Donations	40,284	31,167	12,050	22,504
Payments in lieu of taxes	82,256	82,943	83,895	-
Other	99,346	518,328	99,418	231,871
Total revenues	<u>13,568,323</u>	<u>13,199,382</u>	<u>12,348,375</u>	<u>13,150,896</u>
<b>Expenditures</b>				
Current:				
General government	2,729,651	3,204,581	3,326,526	2,608,253
Security of persons and property	5,162,340	5,633,172	5,494,652	5,565,046
Public health and welfare	215,876	209,367	195,960	256,613
Transportation	1,090,575	1,286,092	944,909	924,908
Community environment	527,416	530,248	501,339	577,079
Leisure time activities	543,357	542,834	565,067	744,411
Economic development	903,603	381,070	834,468	84,009
Other	-	-	15,700	4,913
Intergovernmental	-	-	-	-
Capital outlay	1,721,528	4,904,016	2,885,875	2,363,794
Bad debt expense	-	-	-	-
Debt service				
Principal retirement	106,308	104,703	107,723	132,368
Interest and fiscal charges	52,821	78,407	41,913	30,026
Bond issuance costs	75,000	-	-	-
Total expenditures	<u>13,128,475</u>	<u>16,874,490</u>	<u>14,914,132</u>	<u>13,291,420</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>439,848</u>	<u>(3,675,108)</u>	<u>(2,565,757)</u>	<u>(140,524)</u>
<b>Other Financing Sources (Uses)</b>				
Issuance of notes	-	-	-	-
Premium on notes issued	-	-	-	-
Issuance of bonds	4,075,000	-	-	-
Premium on bond issued	42,588	-	-	-
Capital lease transaction	-	-	-	-
Transfers in	1,459,967	671,356	456,000	1,108,237
Transfers out	(1,467,197)	(678,192)	(462,465)	(1,114,350)
Sale of capital assets	-	-	13,500	-
Total other financing sources (uses)	<u>4,110,358</u>	<u>(6,836)</u>	<u>7,035</u>	<u>(6,113)</u>
<b>Extraordinary item:</b>				
Reimbursement of insurance claims	-	-	-	-
Net change in fund balances	<u>\$ 4,550,206</u>	<u>\$ (3,681,944)</u>	<u>\$ (2,558,722)</u>	<u>\$ (146,637)</u>
Capital expenditures	\$ 1,781,679	\$ 3,863,981	\$ 2,570,136	\$ 1,123,330
Debt service as a percentage of noncapital expenditures	1.40%	1.41%	1.21%	1.33%

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$	8,144,681	\$ 7,514,929	\$ 6,428,760	\$ 5,944,049	\$ 5,567,280	\$ 5,565,034
	990,413	973,459	826,498	878,004	833,007	804,495
	610,410	814,599	839,657	643,479	587,681	375,390
	411,195	530,437	463,353	271,463	284,297	239,000
	906,316	846,396	757,197	738,594	784,696	796,792
	2,331,185	2,689,369	1,942,831	2,111,344	1,835,962	1,969,559
	128,306	128,820	146,712	137,942	135,015	152,945
	463,182	329,191	178,880	84,064	73,562	125,238
	92,831	-	-	-	-	-
	-	-	-	-	-	-
	209,200	380,086	615,868	353,772	439,148	493,063
	<u>14,287,719</u>	<u>14,207,286</u>	<u>12,199,756</u>	<u>11,162,711</u>	<u>10,540,648</u>	<u>10,521,516</u>
	3,310,360	2,402,010	2,899,234	2,266,688	2,276,000	2,484,258
	5,168,495	4,796,241	4,192,094	4,543,285	4,431,232	4,816,465
	237,907	159,148	148,132	136,487	139,110	212,237
	925,825	742,619	766,292	769,930	698,651	717,482
	489,268	392,490	352,314	338,152	382,559	567,177
	783,809	647,025	556,414	509,370	475,334	569,347
	275,686	274,914	423,379	112,177	38,851	63,290
	4,908	4,732	6,460	55,125	5,000	-
	-	-	-	6,129	5,703	-
	1,914,186	2,475,899	2,128,733	2,518,693	2,100,825	2,024,174
	-	-	-	-	-	257,461
	551,951	836,795	862,967	861,967	859,355	853,967
	49,224	91,505	122,152	77,494	75,577	93,432
	-	-	-	-	-	-
	<u>13,711,619</u>	<u>12,823,378</u>	<u>12,458,171</u>	<u>12,195,497</u>	<u>11,488,197</u>	<u>12,659,290</u>
	576,100	1,383,908	(258,415)	(1,032,786)	(947,549)	(2,137,774)
	-	435,000	722,000	760,000	760,000	762,388
	186	122	-	1,153	2,471	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	4,471	17,429	-	-	-	-
	395,000	494,000	409,765	418,694	670,612	918,049
	(400,781)	(494,000)	(409,765)	(418,694)	(670,612)	(918,049)
	-	750,000	750,000	690,014	203,626	-
	<u>(1,124)</u>	<u>1,202,551</u>	<u>1,472,000</u>	<u>1,451,167</u>	<u>966,097</u>	<u>762,388</u>
	-	-	-	260,683	-	-
\$	<u>574,976</u>	<u>2,586,459</u>	<u>1,213,585</u>	<u>679,064</u>	<u>18,548</u>	<u>(1,375,386)</u>
\$	942,062	\$ 1,183,018	\$ 788,101	\$ 93,105	\$ 1,336,374	\$ 617,591
	4.71%	7.97%	8.44%	7.76%	9.21%	7.87%

**CITY OF DEFIANCE, OHIO**

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Income Tax Rate</b>	1.50%	1.50%	1.50%	1.50%
<b>Income Tax Receipts</b>				
Employee Withholding	\$ 5,533,044	\$ 5,374,407	\$ 5,245,899	\$ 5,861,752
% of total	82.6%	80.8%	79.6%	78.1%
Corporate	701,004	825,523	880,991	1,163,740
% of total	10.5%	12.4%	13.4%	15.5%
Individuals	461,777	451,815	462,826	476,250
% of total	6.9%	6.8%	7.0%	6.3%
Total income tax receipts	<u>\$ 6,695,825</u>	<u>\$ 6,651,745</u>	<u>\$ 6,589,716</u>	<u>\$ 7,501,742</u>

**Source:** City of Defiance Income Tax Division

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
1.50%	1.50%	1.50%	1.30%	1.30%	1.30%
\$ 6,356,243 76.2%	\$ 6,475,804 80.3%	\$ 4,980,724 79.0%	\$ 4,640,931 79.6%	\$ 4,559,615 83.3%	\$ 4,511,692 81.8%
1,457,108 17.5%	1,130,513 14.0%	934,303 14.8%	786,767 13.5%	531,118 9.7%	647,235 11.7%
529,900 6.4%	457,548 5.7%	386,924 6.1%	401,586 6.9%	382,500 7.0%	358,082 6.5%
<u>\$ 8,343,251</u>	<u>\$ 8,063,865</u>	<u>\$ 6,301,951</u>	<u>\$ 5,829,284</u>	<u>\$ 5,473,233</u>	<u>\$ 5,517,009</u>

**CITY OF DEFIANCE, OHIO**

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Tax Rate Components:</b>				
General operations	1.195%	1.195%	1.195%	1.195%
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>1.50%</u>	<u>1.50%</u>	<u>1.50%</u>	<u>1.50%</u>
<b>Allocation of Receipts:</b>				
General Fund	\$ 5,334,329	\$ 5,298,498	\$ 5,249,652	\$ 5,976,388
% of total	79.7%	79.7%	79.7%	79.7%
Capital Fund	1,339,176	1,331,064	1,318,096	1,500,348
% of total	20.0%	20.0%	20.0%	20.0%
SCMR Fund (Streets)	22,320	22,184	21,968	25,006
% of total	0.3%	0.3%	0.3%	0.3%
Total income tax allocated	<u>\$ 6,695,825</u>	<u>\$ 6,651,745</u>	<u>\$ 6,589,716</u>	<u>\$ 7,501,742</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, 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 June, 2005.

**Source:** City of Defiance Income Tax Division



<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
1.195%	1.195%	1.195%	0.995%	0.995%	0.995%
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>1.30%</u>	<u>1.30%</u>	<u>1.30%</u>
\$ 6,646,790	\$ 6,424,212	\$ 5,020,554	\$ 4,461,645	\$ 4,189,128	\$ 4,222,634
79.7%	79.7%	79.7%	76.5%	76.5%	76.5%
1,668,650	1,612,773	1,260,390	1,345,219	1,263,054	1,273,156
20.0%	20.0%	20.0%	23.1%	23.1%	23.1%
27,811	26,880	21,007	22,420	21,051	21,219
0.3%	0.3%	0.3%	0.4%	0.4%	0.4%
<u>\$ 8,343,251</u>	<u>\$ 8,063,865</u>	<u>\$ 6,301,951</u>	<u>\$ 5,829,284</u>	<u>\$ 5,473,233</u>	<u>\$ 5,517,009</u>

**CITY OF DEFIANCE, OHIO**

SCHEDULE 7  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN YEARS

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Governmental Activities</b>				
General obligation bonds payable	\$ 4,075,000	\$ 40,000	\$ 80,000	\$ 120,000
Special assessment bonds payable	42,272	106,815	166,358	229,316
Bond anticipation notes	-	4,650,000	4,800,000	-
Capital lease obligation	-	1,765	6,925	11,690
<b>Business-type Activities</b>				
General obligation bonds payable	8,020,000	8,595,000	9,135,000	9,660,000
Special assessment bonds payable	86,952	94,182	101,018	107,483
Bond anticipation notes	4,918,000	5,420,000	4,347,000	4,774,000
OWDA loans payable	32,816,389	32,714,041	29,051,352	22,892,250
OWPC loans payable	451,992	530,737	607,863	683,429
Capital lease obligation	-	-	3,041	9,257
<b>Total primary government</b>	<b>\$ 50,410,605</b>	<b>\$ 52,152,540</b>	<b>\$ 48,298,557</b>	<b>\$ 38,487,425</b>
<b>Debt per capita</b>				
City Population <sup>1</sup>	16,494	16,494	16,012	16,046
Outstanding debt per capita	\$ 3,056	\$ 3,162	\$ 3,016	\$ 2,399
<b>Debt as percentage of personal income</b>				
Personal income	\$ 522,645,378	\$ 522,645,378	\$ 495,251,160	\$ 517,740,236
Percentage of personal income	9.65%	9.98%	9.75%	7.43%
<b>Business-type debt per customer</b>				
# of customers <sup>3</sup>	6,641	6,607	6,679	6,669
Outstanding debt per utility customer	\$ 6,971	\$ 7,167	\$ 6,475	\$ 5,717

**Sources:**

<sup>1</sup>U.S. Census Bureau

<sup>2</sup>U.S. Department of Commerce, Bureau of Economic Analysis

<sup>3</sup>City of Defiance Utility Billing Office

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 160,000	\$ 195,000	\$ 230,000	\$ 260,000	\$ 290,000	\$ 315,000
317,284	395,252	473,220	546,187	618,154	690,121
225,000	435,000	1,357,000	1,595,000	1,595,000	762,388
16,090	15,602	-	-	-	-
10,155,000	10,750,000	11,205,000	11,625,000	12,000,000	12,495,000
113,596	119,377	124,844	130,013	134,901	139,523
4,819,000	3,850,000	4,101,100	1,465,000	1,924,000	2,281,140
16,026,896	10,094,686	11,372,326	12,145,142	12,873,756	13,560,900
757,486	830,084	918,595	988,105	1,056,313	1,123,263
14,996	20,296	25,189	-	-	-
<u>\$ 32,605,348</u>	<u>\$ 26,705,297</u>	<u>\$ 29,807,274</u>	<u>\$ 28,754,447</u>	<u>\$ 30,492,124</u>	<u>\$ 31,367,335</u>
16,039	16,062	15,597	16,101	16,230	16,367
\$ 2,033	\$ 1,663	\$ 1,911	\$ 1,786	\$ 1,879	\$ 1,916
\$ 513,809,365	\$ 494,918,406	\$ 457,350,831	\$ 466,107,849	\$ 465,947,070	\$ 442,563,680
6.35%	5.40%	6.52%	6.17%	6.54%	7.09%
6,672	6,663	6,574	6,547	6,507	6,466
\$ 4,779	\$ 3,852	\$ 4,221	\$ 4,025	\$ 4,301	\$ 4,578

**CITY OF DEFIANCE, OHIO**

SCHEDULE 8  
RATIOS OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN YEARS

	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>Population<sup>1</sup></b>	16,494	16,494	16,012	16,046
<b>Assessed Value<sup>2</sup></b>	\$ 276,385,000	\$ 277,919,920	\$ 280,455,300	\$ 286,340,580
<b>General Bonded Debt</b>				
General Obligation Bonds	\$ 12,095,000	\$ 8,635,000	\$ 9,215,000	\$ 9,780,000
<b>Ratio of Net Bonded Debt to Assessed Value</b>	4.38%	3.11%	3.29%	3.42%
<b>Net Bonded Debt per Capita</b>	\$ 733	\$ 524	\$ 576	\$ 609

**Sources:**

<sup>1</sup>U.S. Census Bureau

<sup>2</sup>Defiance County Auditor

<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
16,039	16,062	15,597	16,101	16,230	16,367
\$ 292,134,140	\$ 298,927,420	\$ 300,607,160	\$ 272,590,000	\$ 270,242,060	\$ 271,897,510
\$ 10,315,000	\$ 10,945,000	\$ 11,435,000	\$ 11,885,000	\$ 12,290,000	\$ 12,810,000
3.53%	3.66%	3.80%	4.36%	4.55%	4.71%
\$ 643	\$ 681	\$ 733	\$ 738	\$ 757	\$ 783

**CITY OF DEFIANCE, OHIO**

SCHEDULE 9  
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
 AS OF DECEMBER 31, 2011

<u>Jurisdiction</u>	<u>Governmental Activities Debt Outstanding</u>	<u>Percentage Applicable to City</u>	<u>Amount Applicable to City</u>
<b>Direct - City of Defiance</b>	\$ 4,075,000	100.00%	\$ 4,075,000
<b>Overlapping debt:</b>			
Defiance County	3,650,000	37.36%	1,363,640
Defiance City School District	8,955,000	83.86%	7,509,663
Northeastern Local School District	4,411,438	27.11%	1,195,941
Total overlapping debt	<u>17,016,438</u>		<u>10,069,244</u>
Total direct and overlapping debt	<u>\$ 21,091,438</u>		<u>\$ 14,144,244</u>

**Source:** Ohio Municipal Advisory Council. Excludes special assessment and self-supporting debt.

**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 value that is within the subdivision's boundaries and dividing it by the City's total taxable assessed value.

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**CITY OF DEFIANCE, OHIO**

SCHEDULE 10  
LEGAL DEBT MARGIN  
LAST TEN YEARS

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Total Assessed Property Value</b>	\$ 276,385,000	\$ 277,919,920	\$ 280,455,300	\$ 286,340,580
<b>Overall Legal Debt Limit</b> (10 1/2 % of assessed valuation)	<u>29,020,425</u>	<u>29,181,592</u>	<u>29,447,807</u>	<u>30,065,761</u>
Debt outstanding				
General obligation bonds payable	12,095,000	8,635,000	9,215,000	9,780,000
Special assessment bonds payable	129,224	200,997	267,376	336,799
Bond anticipation notes	4,918,000	10,070,000	9,147,000	4,774,000
OWDA loans payable	32,816,389	32,714,041	29,051,352	22,892,250
OWPC loans payable	<u>451,992</u>	<u>530,737</u>	<u>607,863</u>	<u>683,429</u>
Total gross indebtedness	<u>50,410,605</u>	<u>52,150,775</u>	<u>48,288,591</u>	<u>38,466,478</u>
Less <sup>1</sup> :				
General obligation bonds payable	8,020,000	8,595,000	9,135,000	9,660,000
Special assessment bonds payable	129,224	200,997	267,376	336,799
Bond anticipation notes	4,918,000	10,070,000	9,147,000	4,774,000
OWDA loans payable	32,816,389	32,714,041	29,051,352	22,892,250
OWPC loans payable	<u>451,992</u>	<u>530,737</u>	<u>607,863</u>	<u>683,429</u>
Total net debt applicable to debt limit	<u>4,075,000</u>	<u>40,000</u>	<u>80,000</u>	<u>120,000</u>
Legal debt margin within 10 1/2 % limitation	<u>\$ 24,945,425</u>	<u>\$ 29,141,592</u>	<u>\$ 29,367,807</u>	<u>\$ 29,945,761</u>
Legal debt margin as a percentage of the debt limit	85.96%	99.86%	99.73%	99.60%
<b>Unvoted Debt Limitation</b> (5 1/2 % of assessed valuation)	<u>15,201,175</u>	<u>15,285,596</u>	<u>15,425,042</u>	<u>15,748,732</u>
Net debt within 5 1/2 % limitation	<u>4,075,000</u>	<u>40,000</u>	<u>80,000</u>	<u>120,000</u>
Unvoted legal debt margin within 5 1/2 % limitation	<u>\$ 11,126,175</u>	<u>\$ 15,245,596</u>	<u>\$ 15,345,042</u>	<u>\$ 15,628,732</u>
Unvoted legal debt margin as a percentage of the unvoted debt limitation	73.19%	99.74%	99.48%	99.24%

**Note:**

<sup>1</sup>Self-supporting and enterprise debt are not considered in the calculation of Legal Debt Margin.



<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 292,134,140	\$ 298,927,420	\$ 300,607,160	\$ 272,590,000	\$ 270,242,060	\$ 271,897,510
<u>30,674,085</u>	<u>31,387,379</u>	<u>31,563,752</u>	<u>28,621,950</u>	<u>28,375,416</u>	<u>28,549,239</u>
10,315,000	10,945,000	11,435,000	11,885,000	12,290,000	12,810,000
430,880	514,629	598,064	676,200	753,055	829,644
5,044,000	4,285,000	5,458,100	3,060,000	3,519,000	3,043,528
16,026,896	10,094,686	11,372,326	12,145,142	12,873,756	13,560,900
757,486	830,084	918,595	988,105	1,056,313	1,123,263
<u>32,574,262</u>	<u>26,669,399</u>	<u>29,782,085</u>	<u>28,754,447</u>	<u>30,492,124</u>	<u>31,367,335</u>
10,155,000	10,750,000	11,205,000	11,625,000	12,000,000	12,495,000
430,880	514,629	598,064	676,200	753,055	829,644
5,044,000	4,285,000	5,458,100	3,060,000	3,519,000	3,043,528
16,026,896	10,094,686	11,372,326	12,145,142	12,873,756	13,560,900
757,486	830,084	918,595	988,105	1,056,313	1,123,263
<u>160,000</u>	<u>195,000</u>	<u>230,000</u>	<u>260,000</u>	<u>290,000</u>	<u>315,000</u>
<u>\$ 30,514,085</u>	<u>\$ 31,192,379</u>	<u>\$ 31,333,752</u>	<u>\$ 28,361,950</u>	<u>\$ 28,085,416</u>	<u>\$ 28,234,239</u>
99.48%	99.38%	99.27%	99.09%	98.98%	98.90%
<u>16,067,378</u>	<u>16,441,008</u>	<u>16,533,394</u>	<u>14,992,450</u>	<u>14,863,313</u>	<u>14,954,363</u>
<u>160,000</u>	<u>195,000</u>	<u>230,000</u>	<u>260,000</u>	<u>290,000</u>	<u>315,000</u>
<u>\$ 15,907,378</u>	<u>\$ 16,246,008</u>	<u>\$ 16,303,394</u>	<u>\$ 14,732,450</u>	<u>\$ 14,573,313</u>	<u>\$ 14,639,363</u>
99.00%	98.81%	98.61%	98.27%	98.05%	97.89%

**CITY OF DEFIANCE, OHIO**

SCHEDULE 11  
 PLEDGED REVENUE COVERAGE  
 LAST TEN YEARS

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>OWDA Loans - Sewer System<sup>1</sup></b>				
Gross Revenues <sup>2</sup>	\$ 6,364,585	\$ 5,528,935	\$ 4,950,558	\$ 4,548,972
Direct Operating Expenses <sup>3</sup>	<u>2,954,268</u>	<u>4,941,769</u>	<u>2,884,596</u>	<u>2,908,124</u>
Net Revenue Available for Debt Service	3,410,317	587,166	2,065,962	1,640,848
Annual Debt Service Requirement <sup>4</sup>	3,061,015	2,035,828	1,407,607	817,363
Coverage	1.11	0.29	1.47	2.01
<b>OWDA Loans - Water Reservoir</b>				
Gross Revenues <sup>2</sup>	\$ 5,442,437	\$ 4,863,131	\$ 4,196,841	\$ 4,110,023
Direct Operating Expenses <sup>3</sup>	<u>2,885,831</u>	<u>2,692,862</u>	<u>2,702,414</u>	<u>2,815,298</u>
Net Revenue Available for Debt Service	2,556,606	2,170,269	1,494,427	1,294,725
Annual Debt Service Requirement <sup>4</sup>	431,761	444,610	444,610	393,034
Coverage	5.92	4.88	3.36	3.29

**Notes:**

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

<sup>2</sup>Revenues are derived from Sewer and Water customer user charges and include interest income.

<sup>3</sup>Operating expenses less depreciation.

<sup>4</sup>Includes only principal and interest payments associated with pledged revenue.

\*Detail prior to 2003 not available.

n/a - not applicable prior to 2008

**Source:** City of Defiance Finance Department

	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
\$	4,575,143	\$ 3,879,471	\$ 3,452,204	\$ 3,432,128	\$ 3,679,691	*
	2,903,426	1,888,438	2,049,144	2,026,409	2,054,015	*
	<u>1,671,717</u>	<u>1,991,033</u>	<u>1,403,060</u>	<u>1,405,719</u>	<u>1,625,676</u>	*
	813,857	810,601	807,576	1,205,843	839,350	*
	2.05	2.46	1.74	1.17	1.94	*
	n/a	n/a	n/a	n/a	n/a	n/a
	n/a	n/a	n/a	n/a	n/a	n/a
	n/a	n/a	n/a	n/a	n/a	n/a
	n/a	n/a	n/a	n/a	n/a	n/a
	n/a	n/a	n/a	n/a	n/a	n/a

**CITY OF DEFIANCE, OHIO**

SCHEDULE 12  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN YEARS

Year	Population <sup>1,5</sup>	Total Personal Income <sup>2</sup>	Per Capita Personal Income <sup>2,5</sup>	Public School Enrollment <sup>3</sup>	Unemployment Rates <sup>4</sup>		
					Defiance County	State of Ohio	United States
2011	16,494	\$ 522,645,378	\$ 31,687	2,654	9.3%	8.6%	8.9%
2010	16,494	522,645,378	31,687	2,723	11.8%	10.0%	9.6%
2009	16,012	495,251,160	30,930	2,685	13.8%	10.1%	9.3%
2008	16,046	517,740,236	32,266	2,556	7.4%	6.5%	5.8%
2007	16,039	513,809,365	32,035	2,392	5.6%	5.6%	4.6%
2006	16,062	494,918,406	30,813	2,348	5.5%	5.4%	4.6%
2005	15,597	457,350,831	29,323	2,360	6.0%	5.9%	5.1%
2004	16,101	466,107,849	28,949	2,376	6.0%	6.1%	5.5%
2003	16,230	465,947,070	28,709	2,420	6.2%	6.2%	6.0%
2002	16,367	442,563,680	27,040	2,421	5.8%	5.7%	5.8%

**Sources:**

<sup>1</sup>U.S. Census Bureau

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

<sup>3</sup>Defiance City Schools

<sup>4</sup>U.S. Department of Labor, Bureau of Labor Statistics (Annual Average)

<sup>5</sup>This information is unavailable at the time for 2011 and will use the 2010 as an estimate

**CITY OF DEFIANCE, OHIO**

SCHEDULE 13  
PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO

<u>Employer</u>	<u>Tax Year 2010</u>			<u>Tax Year 2001</u>		
	<u>Employees<sup>1</sup></u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees<sup>1</sup></u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Johns Manville Corporation (MFG)	784	1	4.27%	884	2	3.78%
Defiance Metal Products (MFG)	700	2	3.81%	382	9	1.63%
Defiance College	698	3	3.80%	609	4	2.60%
General Motors Company (MFG) <sup>2</sup>	592	4	3.22%	903	1	3.86%
Defiance City Schools	528	5	2.88%	527	5	2.25%
Defiance Regional Medical Center	365	6	1.99%	449	8	1.92%
Defiance County	362	7	1.97%	507	6	2.17%
Wal Mart (RETAIL)	353	8	1.92%			
Fauster-Cameron (HLTH)	330	9	1.80%			
Meijer (RETAIL)	248	10	1.35%	634	3	2.71%
K-Mart (RETAIL)				488	7	2.09%
Chief Supermarket (RETAIL)				344	10	1.47%
	<u>4,960</u>		<u>27.01%</u>	<u>5,727</u>		<u>24.48%</u>
<b>Total Employment within the City</b>	18,359			23,400		

**Notes:**

<sup>1</sup>Employee 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.

<sup>2</sup>General Motors Company is located outside the city corporation limit; the number of employees listed includes only those required to file W-2 forms with the City Income Tax Division.

**Source:** City of Defiance Income Tax Division

**CITY OF DEFIANCE, OHIO**

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

<b>Function/Division</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
<b>General Government</b>										
Council*	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Municipal Court	13.8	13.3	13.2	12.6	12.3	12.0	12.0	13.2	12.8	12.0
Mayor	2.0	2.0	2.0	2.3	2.1	2.1	2.0	2.0	2.0	2.1
Administrator	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.6	1.1
Finance	3.8	3.8	3.9	4.0	4.0	4.0	3.0	3.0	4.0	4.0
Law	3.8	3.8	3.8	3.5	3.3	3.0	3.1	4.1	4.6	5.2
Civil Service*	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Income Tax	1.7	2.0	2.0	2.0	1.1	2.0	2.0	2.0	2.0	2.0
Buildings and Land	1.6	1.6	1.6	2.1	2.1	2.0	1.8	1.0	1.1	1.5
Engineer	5.6	6.2	5.5	4.7	3.2	2.1	2.1	2.1	2.8	6.0
	<u>38.3</u>	<u>38.7</u>	<u>38.0</u>	<u>37.2</u>	<u>34.1</u>	<u>33.2</u>	<u>32.0</u>	<u>33.4</u>	<u>34.9</u>	<u>38.9</u>
<b>Security of Persons and Property</b>										
Police	31.7	32.8	32.9	32.9	33.1	31.8	29.8	35.0	35.0	36.4
Fire	30.6	32.7	35.1	36.3	35.2	33.0	32.1	34.1	37.2	40.0
	<u>62.3</u>	<u>65.5</u>	<u>68.0</u>	<u>69.2</u>	<u>68.3</u>	<u>64.8</u>	<u>61.9</u>	<u>69.1</u>	<u>72.2</u>	<u>76.4</u>
<b>Leisure Time Activities</b>										
Parks & Recreation	7.2	7.1	6.8	10.6	11.7	10.9	8.9	8.2	8.6	11.3
Cemetery	2.9	2.8	2.8	4.5	3.4	2.9	2.7	1.6	2.4	3.7
Cultural/Historian*	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
	<u>10.6</u>	<u>10.4</u>	<u>10.1</u>	<u>15.6</u>	<u>15.6</u>	<u>14.3</u>	<u>12.1</u>	<u>10.3</u>	<u>11.5</u>	<u>15.5</u>
<b>Community Development</b>										
Building Inspections	1.6	1.4	1.3	1.4	2.0	1.9	1.7	1.9	3.4	5.1
<b>Transportation</b>										
Streets	11.1	11.2	12.0	10.9	12.5	10.8	11.2	11.3	10.7	12.6
<b>Utility Services</b>										
Utility Billing	6.1	6.1	6.1	5.7	7.0	6.9	6.0	7.0	7.0	6.9
Water Treatment/Distribution	19.9	22.4	22.6	26.3	22.7	20.9	19.7	19.6	21.9	22.9
Wastewater Treatment/Collection	18.9	18.2	18.4	15.4	14.9	16.7	15.4	18.3	20.0	21.8
	<u>44.9</u>	<u>46.7</u>	<u>47.1</u>	<u>47.4</u>	<u>44.6</u>	<u>44.5</u>	<u>41.1</u>	<u>44.9</u>	<u>48.9</u>	<u>51.6</u>
<b>Total</b>	<u><u>168.8</u></u>	<u><u>173.9</u></u>	<u><u>176.5</u></u>	<u><u>181.7</u></u>	<u><u>177.1</u></u>	<u><u>169.5</u></u>	<u><u>160.0</u></u>	<u><u>170.9</u></u>	<u><u>181.6</u></u>	<u><u>200.1</u></u>

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

\*Part-time salaried positions counted as 0.5 each.

**Source:** City of Defiance Finance Department

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**CITY OF DEFIANCE, OHIO**

SCHEDULE 15  
OPERATING INDICATORS BY FUNCTION/PROGRAM  
LAST TEN YEARS

<b>Function/Program</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>General Government</b>				
General Fund begin balance (cash)	\$1,511,693	\$1,970,107	\$2,840,494	\$3,866,343
General Fund receipts (cash)	8,901,881	8,358,947	8,546,209	9,377,084
General Fund expenditures (cash)	9,037,332	8,817,361	9,416,596	10,402,933
General Fund end balance (cash)	<u>\$1,376,242</u>	<u>\$1,511,693</u>	<u>\$1,970,107</u>	<u>\$2,840,494</u>
<b>Municipal Court</b>				
Cases heard and closed	9,572	9,998	9,651	11,593
<b>Police</b>				
Total calls for services	22,322	25,834	28,655	26,285
Traffic violations	1,590	1,710	2,003	2,195
Motor vehicle accidents	826	821	900	1,116
Criminal arrests	2,164	2,185	2,669	2,266
<b>Fire/Emergency Medical Services</b>				
Fire calls	474	574	579	617
EMS calls	1,609	1,475	1,348	1,478
Fire safety inspections	848	35	12	2
<b>Building Inspections</b>				
Construction permits issued	937	1,161	1,208	929
Estimated value of construction	\$4,913,011	\$7,161,765	\$6,800,582	\$17,494,447
<b>Recreation</b>				
Swimming pool memberships	40	41	31	57
Shelter house rentals	54	64	66	105
<b>Streets</b>				
Salt usage (tons)	275	1,051	1,016	1,113
Cost of salt purchased	\$18,755	\$71,442	\$77,887	\$66,354
<b>Water</b>				
Monthly avg. water treated (mcf)	97.9	112.2	108.4	118.7
Water customers	6,641	6,607	6,679	6,669
Water main breaks repaired	49	74	36	61
<b>Water Pollution Control</b>				
Sewer lines cleaned/repaired (ft)	32,304	17,640	19,480	20,350
Sewer customers	6,438	6,426	6,480	6,466

**Source:** Various City of Defiance Divisions

\*Data not available.



<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$3,184,285	\$1,670,830	\$879,949	\$524,064	\$364,716	\$1,359,750
10,217,683	10,745,595	9,573,150	8,803,907	8,604,627	8,404,558
9,535,625	9,232,140	8,782,269	8,448,022	8,445,279	9,399,592
<u>\$3,866,343</u>	<u>\$3,184,285</u>	<u>\$1,670,830</u>	<u>\$879,949</u>	<u>\$524,064</u>	<u>\$364,716</u>
11,134	10,399	10,243	9,997	12,951	13,828
26,657	22,042	20,843	22,866	24,794	24,587
2,349	1,921	1,614	1,668	1,248	1,333
956	809	935	908	944	947
2,509	2,045	1,586	1,900	1,766	1,356
581	363	421	412	401	427
1,425	1,582	1,641	1,557	1,569	1,484
158	76	40	124	385	682
1,032	1,252	1,355	1,190	1,368	1,368
\$28,849,492	\$34,485,181	\$43,958,755	\$12,013,021	\$18,243,305	\$8,473,792
57	50	21	9	13	40
103	78	87	73	*	*
1,628	306	1,787	857	1,343	597
\$68,897	\$38,964	\$40,267	\$41,653	\$52,995	\$35,156
126.6	123.4	119.3	112.9	118.3	135.2
6,672	6,663	6,574	6,547	6,507	6,466
50	64	72	*	*	*
24,600	19,000	23,750	18,700	14,850	181,784
6,478	6,465	6,372	6,326	6,291	6,255

**CITY OF DEFIANCE, OHIO**

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

<b>Function/Program</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>Police</b>				
Stations	1	1	1	1
Vehicles	12	12	12	11
<b>Fire/EMS</b>				
Stations	1	1	1	1
Vehicles - Fire	9	9	9	9
Vehicles - EMS	3	3	3	3
<b>Parks &amp; Recreation</b>				
Parks	8	8	8	8
Pools	1	1	1	2
Tennis courts	8	8	8	7
Sand volleyball courts	2	2	2	2
Basketball courts	4	4	4	4
Ballfields	14	14	13	12
Park shelter houses	13	13	13	13
<b>Streets</b>				
Streets (miles)	110.12	103.66	99.78	99.22
Vehicles	17	18	17	17
<b>Water</b>				
Water lines (miles)	125.62	123.54	123.54	121.06
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

**Source:** Various City of Defiance Divisions

2007	2006	2005	2004	2003	2002
1	1	1	1	1	1
11	12	12	11	11	11
1	1	1	1	1	1
9	9	9	9	9	9
3	3	3	3	3	2
8	8	8	8	8	8
2	2	2	1	2	2
9	9	9	9	9	9
0	0	0	0	0	0
4	4	4	4	4	4
12	12	12	12	12	12
13	14	14	14	14	14
98.97	98.85	97.89	96.69	96.24	96.21
17	17	18	16	16	16
116.50	118.39	113.84	112.69	115.68	111.93
3	3	3	3	3	3
1.6 mg	1.6 mg	1.6 mg	1.6 mg	1.6 mg	1.6 mg
na	na	na	na	na	na

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**CITY OF DEFIANCE  
DEFIANCE COUNTY, OHIO**

*SUPPLEMENTAL REPORTS*

FOR THE YEAR ENDED  
DECEMBER 31, 2011

**JOHN LEHNER, FINANCE DIRECTOR**

**CITY OF DEFIANCE  
DEFIANCE COUNTY, OHIO**

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**CITY OF DEFIANCE  
DEFIANCE COUNTY, OHIO**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

<b>FEDERAL GRANTOR</b>			
<i>Pass Through Grantor</i>	Pass Through	Federal	(A)
<u>Program Title</u>	<u>Entity Number</u>	<u>CFDA Number</u>	<u>Disbursements</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
<i>Passed Through Ohio Department of Transportation</i>			
Highway Planning and Construction	86573	20.205	\$ 24,818
ARRA - Highway Planning and Construction	85914	20.205	<u>857,716</u>
<b>Total U.S. Department of Transportation</b>			<u>882,534</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<i>Passed Through Ohio Department of Development</i>			
Home Investment Partnership Program (CHIP)	A-C-09-2BD-2	14.239	<u>332,963</u>
Community Development Block Grant (Home)	A-C-09-2BD-1	14.228	41,886
Community Development Block Grant (Revitalization)	A-T-09-2BD-1	14.228	233,037
Community Development Block Grant (Formula)	A-F-10-2BD-1	14.228	24,200
Community Development Block Grant (Revolving Loans)	N/A	14.228	<u>248,912</u>
<b>Total Community Development Block Grant</b>			<u>548,035</u>
<b>Total U. S. Department of Housing and Urban Development</b>			<u>880,998</u>
<b>TOTAL</b>			<u>\$ 1,763,532</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, 2011**

**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 2011 is as follows:

Beginning loans receivable balance as of January 1, 2011	\$ 1,440,401
Loans made	50,000
Loan principal repaid	<u>(171,823)</u>
Ending loans receivable balance as of December 31, 2011	<u>\$ 1,318,578</u>
Cash balance on hand in the revolving loan fund as of December 31, 2011	\$ 336,087
Program Expenditures:	
Revolving Loan Issued in 2011	\$ 50,000
Revolving Loan 2011 Administrative Cost	8,000
Other Grants Administred through the CDBG 14.228 Program	<u>490,035</u>
Total CDBG 14.228 Program	<u>\$ 548,035</u>

The above reports gross loans recievable. Of the loans recievable as of December 31, 2011, the City Estimates \$2,790 to be uncollectable.

**Note C - Matching Requirements**

Certain Federal programs requirre 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.





**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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

**Independent Accountants' 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 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, 2011, which collectively comprise the City of Defiance's basic financial statements and have issued our report thereon dated June 22, 2012, wherein we noted the City of Defiance implemented Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Defiance's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the City of Defiance's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City of Defiance's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the City of Defiance's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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, providing an opinion 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 one instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as item 2011-COD-001.

The City of Defiance's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City of Defiance's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the management and Members of Council and Mayor of the City of Defiance, federal awarding agencies and pass-through entities, and others within the City of Defiance. We intend it for no one other than these specified parties.



Julian & Grube, Inc.  
June 22, 2012



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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

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

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

To the Members of Council and Mayor:

Compliance

We have audited the compliance of the City of Defiance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the City of Defiance's major federal program for the year ended December 31, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the City of Defiance's major federal programs. The City of Defiance's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the City of Defiance's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the City of Defiance's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Defiance's compliance with these requirements.

In our opinion, the City of Defiance complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2011.

Members of Council and Mayor  
City of Defiance

### Internal Control Over Compliance

The City of Defiance's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Defiance's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining 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 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We did note a certain matter not requiring inclusion in this report that we reported to the City of Defiance's management in a separate letter dated June 22, 2012.

### Schedule of Expenditures of Federal Awards

We have also audited and issued our unqualified opinion on 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, 2011, and have issued our report thereon dated June 22, 2012, wherein we noted the City of Defiance implemented *Governmental Accounting Standard No. 54*. Our audit was performed to form opinions on the financial statements that collectively comprise the City of Defiance's basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards (the "schedule") provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. The schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Members of Council and Mayor  
City of Defiance

We intend this report solely for the information and use of the management and Members of Council and Mayor of the City of Defiance, federal awarding agencies and pass-through entities, and others within the City of Defiance. We intend it for no one other than these specified parties.

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

Julian & Grube, Inc.  
June 22, 2012

**CITY OF DEFIANCE  
DEFIANCE COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2011**

<b>1. SUMMARY OF AUDITORS' RESULTS</b>		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<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>	Yes
<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>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs:</i>	Highway Planning and Construction, CFDA #20.205; and Home Investment Partnership Program, CFDA #14.239
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

**CITY OF DEFIANCE  
DEFIANCE COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2011**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2011-COD-001

Ohio Revised Code Section 5705.36(A)(4) states that upon a determination by the Fiscal Officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission and the commission shall certify an amended certificate reflecting the deficiency.

At year end, the City had appropriations that were greater than actual resources, which consist of actual revenues, beginning fund balance and prior year encumbrances appropriated, in the following funds:

<u>Funds</u>	<u>Actual Resources</u>	<u>Appropriations</u>	<u>Excess</u>
<u>Major Governmental</u>			
Capital Improvement	\$ 3,906,849	\$ 5,722,916	\$ 1,816,067
<u>Nonmajor Governmental</u>			
Street Construction, Maintenance and Repair Fund	965,808	966,076	268
Municipal Court Construction Fund	517,245	529,028	11,783
<u>Major Enterprise</u>			
Sewer	17,464,038	18,343,281	879,243

By appropriating more funds than actual resources, the City is at risk of spending more money than is available. This may result in negative fund balances.

We recommend the City monitor appropriations in comparison to actual resources and obtain decreased amended appropriations as needed. Further guidance may be found in Auditor of State bulletin 97-010.

*Client Response:* The City is attempting to monitor the budget more closely.

<b>3. FINDINGS FOR FEDERAL AWARDS AND QUESTIONED COSTS</b>
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None

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# Dave Yost • Auditor of State

**CITY 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  
SEPTEMBER 11, 2012**