



Comprehensive Annual Financial Report

for the year ended December 31, 2012



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of Defiance, Defiance County, prepared by Julian & Grube, Inc., for the audit period January 1, 2012 through December 31, 2012. 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 2, 2013

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CITY OF DEFIANCE, OHIO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2012

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, 2012

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Bob Armstrong
Mayor

Jeffery S. Leonard
City Administrator

John W. Lehner
Finance Director

David H. Williams
Law Director

June 25, 2013

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, 2012. 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, 2012. The City continues to receive an unmodified 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, 2012 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 1823.

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

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

The Mayor is elected to a four year term that begins on the first day of January following the election. According to the charter, the Mayor is the chief executive officer of the City and is responsible to the electors for enforcement of all laws and ordinances, and for control and proper operation of all departments and divisions. The Mayor appoints a City Administrator, Law Director, and Finance Director with the advice and consent of a majority of 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 ordinance 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 – Economic recovery in Defiance, as in much of the nation, has been slow. While county-wide unemployment numbers are encouraging – dropping from a high of 13.8 percent in 2009 to 7.5 percent in 2012 – *employment* figures are less so. County-wide employment (much of which is located in the City) has been steadily dropping over the last 10 years – from a monthly average of 17,446 in 2002 to 15,068 in 2011. Partial year numbers for 2012 reflect a modest improvement to 15,211 (U.S. Bureau of Labor Statistics).

Development near the recently upgraded US Route 24 has included plans and initial work on two new retail shopping plazas and the opening of several new restaurants, but the City is still seeking industrial employers to replace a significant numbers of jobs lost over the last decade.

One new employer, Consolidated Grain and Barge (CGB Enterprises), has constructed a large grain shipment facility that is designed to store more than two million bushels of grain and load 90 railcars on a loop track. CSX Rail will serve the facility, which has potential to serve several major industries in the area, in addition to the farming community.

Clemens Mobile Welding is also constructing a new facility along Route 24 that will produce between 20 and 30 new jobs in the City. Much of the area surrounding the Clemens facility is being considered for new infrastructure development to encourage additional industrial growth.

Long Term Financial Planning – Defiance continues to be 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 eighth 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 is currently in the middle of a study period, granted by the EPA, to develop a modified project strategy that could result in significant long-term savings. Any proposed changes would require approval of a modified Consent Order.

Outstanding general obligation debt totals \$11.4 million, representing approximately \$680 per capita. Approximately two-thirds of the balance, however, is being funded from revenues of the water treatment utility, not general tax dollars.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Defiance, Ohio for its comprehensive annual financial report for the year ended December 31, 2011. 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.

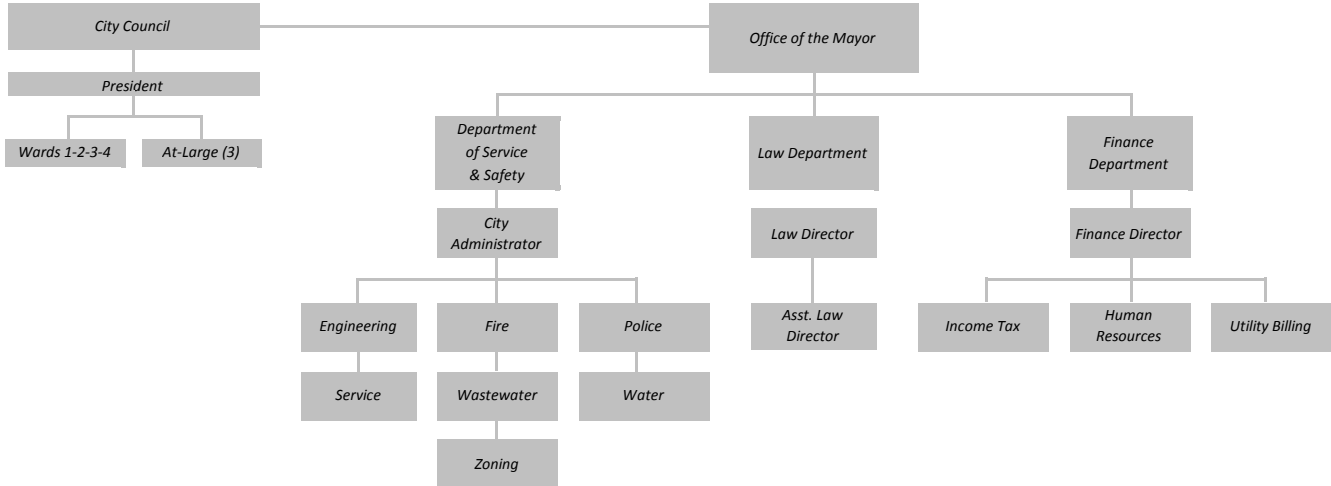
I would also like to thank the Mayor and Members of Council for their ongoing support of excellence in financial reporting and disclosure, and to Julian & Grube, Inc. for their assistance with the preparation of this CAFR.

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, 2012

Elected Officials

Mayor	Bob Armstrong
City Council:	
President	Tim Holtsberry
At-Large	Joe Eureste
At-Large	Mike Ketcham
At-Large	David Plant
1 st Ward	Peter Lundberg
2 nd Ward	Larry Bryant
3 rd Ward	Darrell Handy
4 th Ward	Chris Engel
Municipal Court Judge	John T. Rohrs, III

Appointed Officials

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

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, 2011

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.



Christopher P. Mouill

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 Auditor's Report

City of Defiance
631 Perry Street
Defiance, Ohio 43512

To the Members of Council and Mayor:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Defiance, Defiance County, Ohio, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City of Defiance's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Defiance, Defiance County, Ohio, as of December 31, 2012, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund, thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Independent Auditor's Report
City of Defiance

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2012, the City of Defiance adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the City of Defiance's basic financial statements taken as a whole. The introductory section, the financial section's combining statements, individual fund statements and schedules, and the statistical section information present additional analysis and are not a required part of the basic financial statements.

The 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. We subjected these statements and schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, 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 assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2013, on our consideration of the City of Defiance's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Defiance's internal control over financial reporting and compliance.



Julian & Grube, Inc.
June 25, 2013

CITY OF DEFIANCE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012 (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, 2012. 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 2012 are as follows:

- The City restated net position at December 31, 2011 as described in Note 3 to the basic financial statements. The total net position of the City increased \$1,676,572. Net position of governmental activities decreased \$1,141,115 or 4.88% over 2011 and net position of business-type activities increased \$2,817,687 or 12.03% over 2011.
- General revenues accounted for \$8,935,056, or 69.13%, of total governmental activities revenue. Program specific revenues accounted for \$3,990,110, or 30.87%, of total governmental activities revenue.
- The City had \$13,720,192 in expenses related to governmental activities; \$3,990,110 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$8,935,056.
- The City has two major governmental funds, the general fund and the capital improvements fund. The general fund had revenues of \$8,262,811 in 2012 while the expenditures and other financing uses totaled \$8,287,613. While the City made useful efforts to reduce costs, reserves from prior years were needed to cover 2012 expenditures and other financing uses in the general fund. The net decrease in fund balance for the general fund was \$24,802.
- The capital improvements fund had revenues and other financing sources of \$2,986,763 and expenditures and other financing uses totaling \$4,003,356 during 2012. The net decrease in fund balance of \$1,016,593 is due to an increase in expenditures from the prior year relating to various projects throughout the City.
- Net position for the business-type activities, which are made up of the water, sewer, refuse and utility deposit enterprise funds, increased in 2012 by \$2,817,687. The increase in business-type activities net position is a result of a continued increase in charges for services revenues received in 2012.
- In the general fund, the actual revenues and other financing sources came in \$69,607 lower than they were in the final budget and actual expenditures and other financing uses were \$419,263 lower than the amount in the final budget as a result of tight spending restraints. Budgeted revenues and other financing sources increased \$87,057 from the original to the final budget. Budgeted expenditures and other financing uses increased \$240,172 from the original to the final budget.

Using this Comprehensive Annual Financial Report (CAFR)

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

CITY OF DEFIANCE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012 (UNAUDITED)

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

Reporting the City as a Whole

Statement of Net Position and 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 2012?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Business-type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The City's 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.

CITY OF DEFIANCE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012 (UNAUDITED)

Governmental Funds

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

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

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund 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.

Government-Wide Financial Analysis

The statement of net position provides the perspective of the City as a whole. Certain asset, deferred outflow, liability, deferred inflow, and net position classifications have been restated by the City for 2011 to conform to 2012 presentation in accordance with GASB Statement No. 63 and GASB Statement No. 65. The net position of the City was restated at December 31, 2011 as described in Note 3 to the basic financial statements. The table below provides a summary of the City's net position at December 31, 2012 and December 31, 2011.

CITY OF DEFIANCE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

The table below provides a summary of the City's net position at December 31, 2012 and 2011:

	Net Position					
			(Restated)			(Restated)
	Governmental	Business-type	Governmental	Business-type		(Restated)
	Activities	Activities	Activities	Activities	2012	2011
	2012	2012	2011	2011	Total	Total
<u>Assets</u>						
Current and other assets	\$ 9,613,265	\$ 5,430,057	\$ 10,894,768	\$ 6,960,145	\$ 15,043,322	\$ 17,854,913
Capital assets, net	<u>19,956,491</u>	<u>65,717,677</u>	<u>18,899,299</u>	<u>63,680,703</u>	<u>85,674,168</u>	<u>82,580,002</u>
Total assets	<u>29,569,756</u>	<u>71,147,734</u>	<u>29,794,067</u>	<u>70,640,848</u>	<u>100,717,490</u>	<u>100,434,915</u>
Deferred outflows	<u>-</u>	<u>296,412</u>	<u>-</u>	<u>326,114</u>	<u>296,412</u>	<u>326,114</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	5,793,693	43,030,664	4,767,717	45,456,873	48,824,357	50,224,590
Other liabilities	<u>855,420</u>	<u>2,170,153</u>	<u>1,004,960</u>	<u>2,084,447</u>	<u>3,025,573</u>	<u>3,089,407</u>
Total liabilities	<u>6,649,113</u>	<u>45,200,817</u>	<u>5,772,677</u>	<u>47,541,320</u>	<u>51,849,930</u>	<u>53,313,997</u>
Deferred inflows	<u>697,805</u>	<u>-</u>	<u>657,437</u>	<u>-</u>	<u>697,805</u>	<u>657,437</u>
<u>Net Position</u>						
Net investment in capital assets	14,851,497	21,768,542	14,739,970	18,422,430	36,620,039	33,162,400
Restricted	4,520,437	-	4,610,738	-	4,520,437	4,610,738
Unrestricted	<u>2,850,904</u>	<u>4,474,787</u>	<u>4,013,245</u>	<u>5,003,212</u>	<u>7,325,691</u>	<u>9,016,457</u>
Total net position	<u>\$ 22,222,838</u>	<u>\$ 26,243,329</u>	<u>\$ 23,363,953</u>	<u>\$ 23,425,642</u>	<u>\$ 48,466,167</u>	<u>\$ 46,789,595</u>

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2012, the City's assets and deferred outflows exceeded liabilities and deferred inflows by \$48,466,167. At year-end, net position was \$22,222,838 and \$26,243,329 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's net position. At December 31, 2012, capital assets represented 84.81% of total assets. 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 67.49% of total assets while the business-type activities represented 91.98% of total assets. The net investment in capital assets at December 31, 2012, was \$14,851,497 and \$21,768,542 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, 2012, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the City's net position, \$4,520,437, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net position of \$2,850,838 may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF DEFIANCE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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(UNAUDITED)**

The table below shows the changes in net position for 2012 and 2011.

			Change in Net Position		2012 Total	2011 Total
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities		
	<u>2012</u>	<u>2012</u>	<u>2011</u>	<u>2011</u>		
Revenues						
Program revenues:						
Charges for services	\$ 1,748,484	\$ 13,295,675	\$ 1,724,204	\$ 12,348,315	\$ 15,044,159	\$ 14,072,519
Operating grants and contributions	1,752,458	-	1,863,347	-	1,752,458	1,863,347
Capital grants and contributions	489,168	-	1,056,917	-	489,168	1,056,917
Total program revenues	<u>3,990,110</u>	<u>13,295,675</u>	<u>4,644,468</u>	<u>12,348,315</u>	<u>17,285,785</u>	<u>16,992,783</u>
General revenues:						
Property taxes	927,218	-	887,357	-	927,218	887,357
Income taxes	6,945,572	-	6,543,834	-	6,945,572	6,543,834
Unrestricted grants and entitlements	768,909	-	1,096,255	-	768,909	1,096,255
Investment earnings	25,118	19,942	19,885	14,382	45,060	34,267
Payment in lieu of taxes	66,732	-	82,256	-	66,732	82,256
Miscellaneous	201,507	44,680	101,646	263,944	246,187	365,590
Total general revenues	<u>8,935,056</u>	<u>64,622</u>	<u>8,731,233</u>	<u>278,326</u>	<u>8,999,678</u>	<u>9,009,559</u>
Total revenues	<u>12,925,166</u>	<u>13,360,297</u>	<u>13,375,701</u>	<u>12,626,641</u>	<u>26,285,463</u>	<u>26,002,342</u>
Expenses:						
General government	3,065,260	-	2,817,789	-	3,065,260	2,817,789
Security of persons and property	5,725,571	-	5,429,001	-	5,725,571	5,429,001
Public health and welfare	237,991	-	244,943	-	237,991	244,943
Transportation	2,257,425	-	1,746,391	-	2,257,425	1,746,391
Community environment	600,805	-	475,458	-	600,805	475,458
Leisure time activity	820,217	-	650,516	-	820,217	650,516
Economic development	888,011	-	903,603	-	888,011	903,603
Other	-	-	5,335	-	-	5,335
Interest and fiscal charges	124,912	-	83,200	-	124,912	83,200
Water	-	4,746,280	-	4,406,534	4,746,280	4,406,534
Sewer	-	5,313,868	-	4,691,866	5,313,868	4,691,866
Other enterprise fund	-	828,551	-	785,210	828,551	785,210
Total expenses	<u>13,720,192</u>	<u>10,888,699</u>	<u>12,356,236</u>	<u>9,883,610</u>	<u>24,608,891</u>	<u>22,239,846</u>
Change in net position before transfers	<u>(795,026)</u>	<u>2,471,598</u>	<u>1,019,465</u>	<u>2,743,031</u>	<u>1,676,572</u>	<u>3,762,496</u>
Transfers	<u>(346,089)</u>	<u>346,089</u>	<u>(50,409)</u>	<u>50,409</u>	<u>-</u>	<u>-</u>
Change in net position	(1,141,115)	2,817,687	969,056	2,793,440	1,676,572	3,762,496
Net position, beginning of year (restated)	<u>23,363,953</u>	<u>23,425,642</u>	<u>22,394,897</u>	<u>20,632,202</u>	<u>46,789,595</u>	<u>43,027,099</u>
Net position, end of year	<u>\$ 22,222,838</u>	<u>\$ 26,243,329</u>	<u>\$ 23,363,953</u>	<u>\$ 23,425,642</u>	<u>\$ 48,466,167</u>	<u>\$ 46,789,595</u>

CITY OF DEFIANCE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

Governmental Activities

Governmental activities net position decreased \$1,141,115 in 2012.

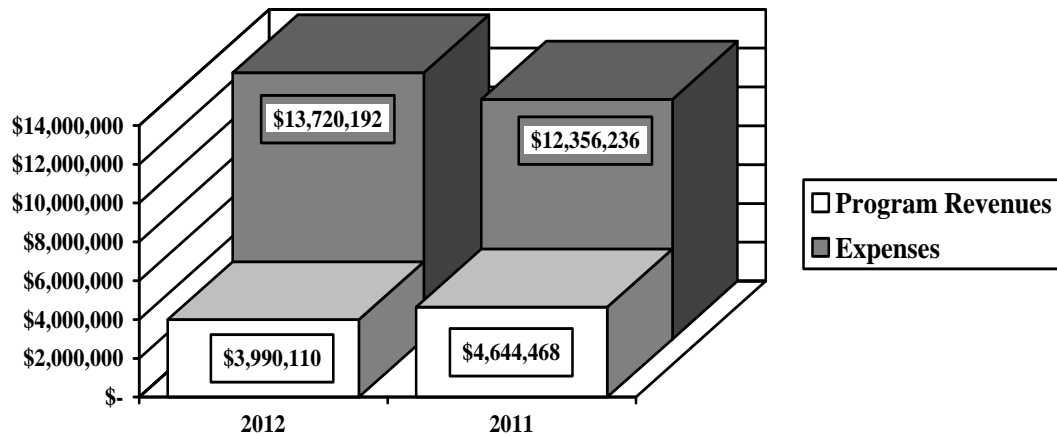
Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$5,725,571 of the total expenses of the City. These expenses were partially funded by \$1,130,824 in direct charges to users of the services and \$82,748 in operating grants and contributions. Transportation expenses totaled \$2,257,425. Transportation expenses were partially funded by \$1,058,870 in operating grants and contributions and \$189,168 in capital grants and contributions.

The state and federal government contributed to the City a total of \$1,752,458 in operating grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$1,058,870 subsidized transportation programs and \$609,816 subsidized economic development programs. The City received \$489,168 in capital grants and contribution including \$300,000 relating to an American Recovery and Reinvestment Act (ARRA) grant from the Ohio Department of Energy. Total capital grants and contributions decreased in 2012 from 2011 primarily due to the City receiving \$882,534 Safe Routes to School ARRA grant in 2011.

General revenues totaled \$8,935,056, and amounted to 69.13% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$7,872,790. 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 \$768,909.

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 decrease in program revenues from the prior year can be attributed to the decreased intergovernmental grant revenues the City received from capital grants for various capital projects throughout the City.

CITY OF DEFIANCE, OHIO

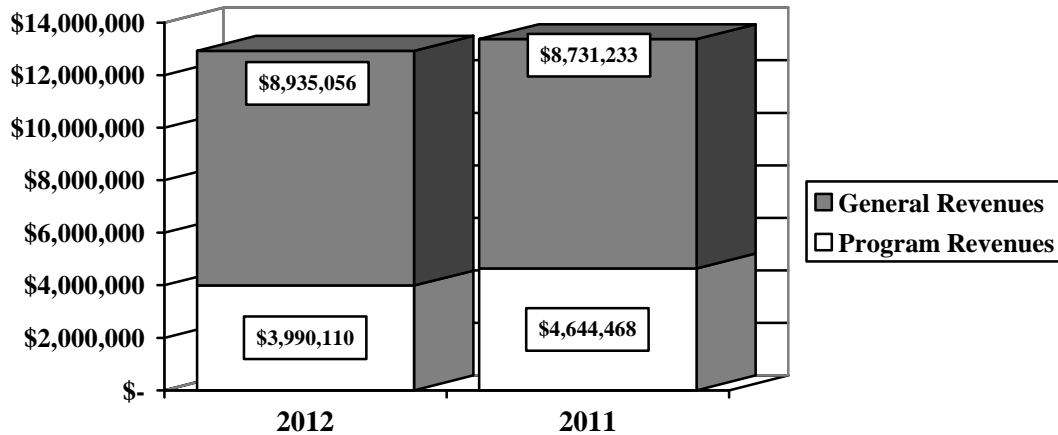
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

Governmental Activities

	Total Cost of Services <u>2012</u>	Net Cost of Services <u>2012</u>	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>
Program Expenses:				
General government	\$ 3,065,260	\$ 2,373,235	\$ 2,817,789	\$ 2,450,275
Security of persons and property	5,725,571	4,511,999	5,429,001	4,136,530
Public health and welfare	237,991	169,524	244,943	176,254
Transportation	2,257,425	1,009,387	1,746,391	(306,280)
Community environment	600,805	490,108	475,458	380,545
Leisure time activity	820,217	794,437	650,516	627,383
Economic development	888,011	256,480	903,603	158,526
Other	-	-	5,335	5,335
Interest and fiscal charges	<u>124,912</u>	<u>124,912</u>	<u>83,200</u>	<u>83,200</u>
Total	<u>\$ 13,720,192</u>	<u>\$ 9,730,082</u>	<u>\$ 12,356,236</u>	<u>\$ 7,711,768</u>

The dependence upon general revenues for governmental activities is apparent, with 70.92% of expenses supported through taxes and other general revenues for 2012.

Governmental Activities - General and Program Revenues



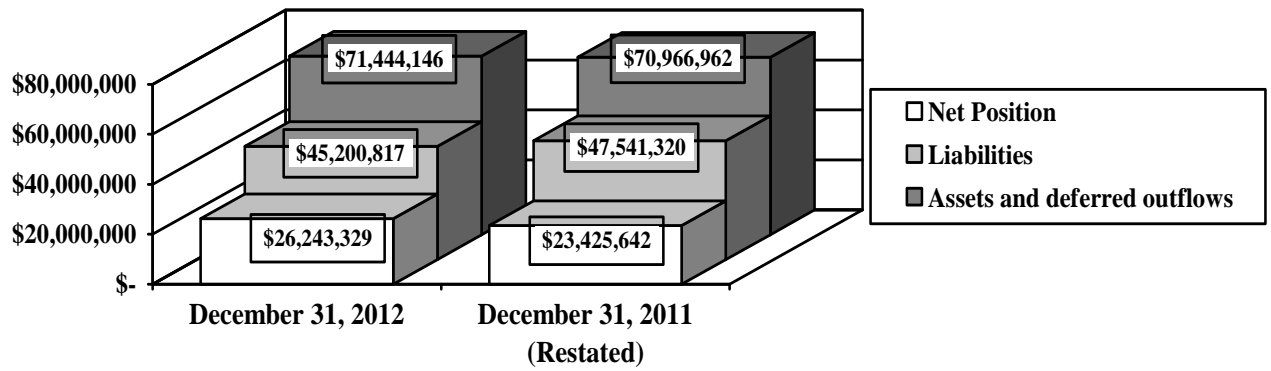
CITY OF DEFIANCE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

Business-type Activities

Business-type activities include the water, sewer, refuse and utility deposit enterprise funds. These programs had program revenues of \$13,295,675, general revenues of \$64,622, transfers in of \$346,089 and expenses of \$10,888,699 for 2012. The graph below shows the business-type activities assets, deferred outflows, liabilities, deferred inflows and net position at year-end. The increase in expenditures in the sewer fund are primarily due to the increase in contract services expenses related to construction projects from the prior year.

Net Position 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.

The City's governmental funds reported a combined fund balance of \$6,892,988 which is a \$1,169,649 decrease from last year's total of \$8,062,637. The significant decrease is due to a decrease in the capital improvements capital project fund as a result of increased spending of various projects from the prior fiscal year. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2012 for all major and nonmajor governmental funds.

	<u>Fund Balances</u> <u>12/31/12</u>	<u>Fund Balances</u> <u>12/31/11</u>	<u>(Decrease)</u>
Major funds:			
General	\$ 1,595,088	\$ 1,619,890	\$ (24,802)
Capital improvements	962,094	1,978,687	(1,016,593)
Other nonmajor governmental funds	<u>4,335,806</u>	<u>4,464,060</u>	<u>(128,254)</u>
Total	<u>\$ 6,892,988</u>	<u>\$ 8,062,637</u>	<u>\$ (1,169,649)</u>

CITY OF DEFIANCE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

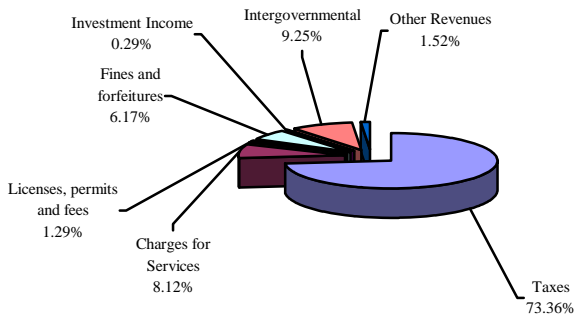
General Fund

While the City made efforts to reduce costs, a decision was made to utilize a portion of general fund reserves to cover 2012 expenditures in the general fund. The City's general fund balance decreased \$24,802. The table that follows assists in illustrating the revenues of the general fund.

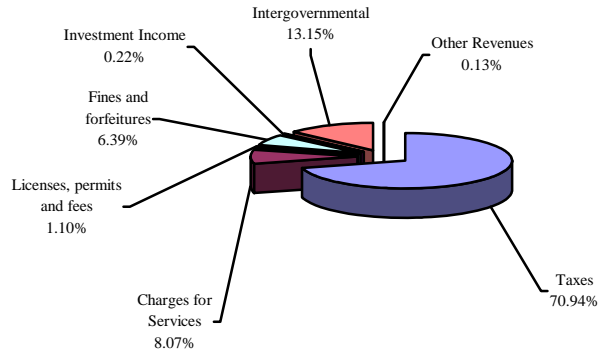
	<u>2012</u> <u>Amount</u>	<u>2011</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 6,061,613	\$ 5,835,780	\$ 225,833	3.87 %
Charges for services	671,046	663,481	7,565	1.14 %
Licenses, permits and fees	106,597	90,540	16,057	17.73 %
Fines and forfeitures	509,655	526,072	(16,417)	(3.12) %
Investment income	23,717	18,067	5,650	31.27 %
Intergovernmental	764,211	1,081,648	(317,437)	(29.35) %
Other	<u>125,972</u>	<u>11,017</u>	<u>114,955</u>	1,043.43 %
Total	<u>\$ 8,262,811</u>	<u>\$ 8,226,605</u>	<u>\$ 36,206</u>	0.44 %

Tax revenue represents 73.36% of all general fund revenue. Tax revenue increased by \$225,833 or 3.87% from the prior year. This increase is due mainly to increased income and real estate tax revenue from the prior year. The decrease of \$317,437 or 29.35% in the area of intergovernmental revenues can be attributed to a decrease in both the amount of estate tax revenue and local government revenue (funding from the State of Ohio) compared to the prior year. The increase in other revenue is due to an increase in the amount of cash receipts of other miscellaneous revenue including reimbursements received in 2012. 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 - 2012



Revenues - 2011



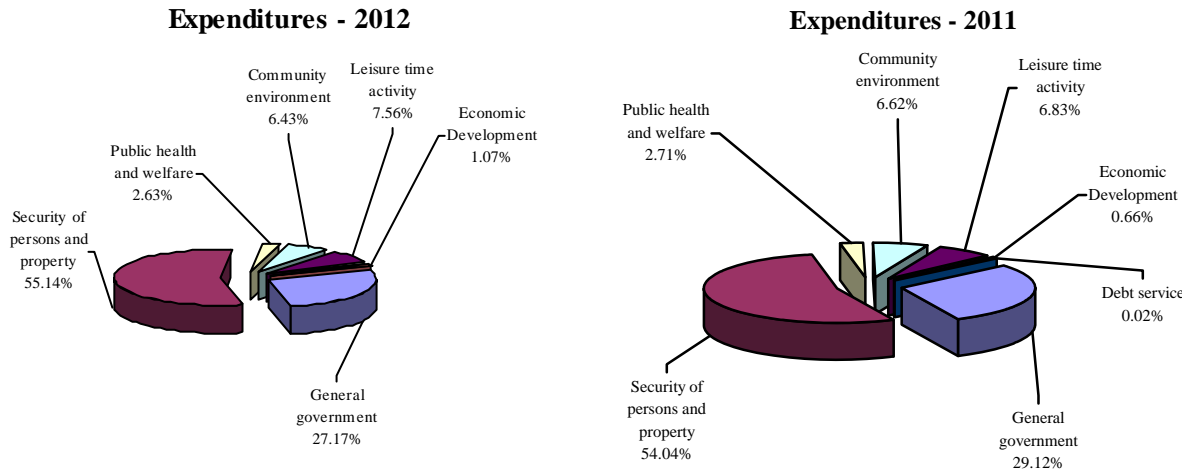
CITY OF DEFIANCE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

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

	<u>2012</u> <u>Amount</u>	<u>2011</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>				
General government	\$ 2,140,209	\$ 2,315,100	\$ (174,891)	(7.55) %
Security of persons and property	4,343,798	4,298,756	45,042	1.05 %
Public health and welfare	207,560	215,876	(8,316)	(3.85) %
Community environment	506,585	526,416	(19,831)	(3.77) %
Leisure time activity	595,366	543,357	52,009	9.57 %
Economic development	84,095	52,864	31,231	59.08 %
Debt service	-	1,806	(1,806)	(100.00) %
Total	<u>\$ 7,877,613</u>	<u>\$ 7,954,175</u>	<u>\$ (76,562)</u>	<u>(0.96) %</u>

Expenditures of the general fund decreased \$76,562 or 0.96%. The largest expenditure of the City, security of persons and property, increased \$45,042 which is only 1.05% higher than 2011. Debt service expenditures decreased \$1,806 or 100% due to the final payment being made on a capital lease during 2011. General government expenditures decreased \$174,891 or 7.55% and can be attributed to the City's ability to control and cut costs from the prior year. All other expenditures remained comparable to 2011.



Capital Improvements Fund

The capital improvements fund had revenues and other financing sources of \$2,986,763 and expenditures and other financing uses totaling \$4,003,356 during 2012. The net decrease in fund balance of \$1,016,593 is due to an increase in expenditures from the prior year relating to various projects throughout the City.

CITY OF DEFIANCE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(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 \$8,302,847 which was \$69,607 less than the final budgeted revenues of \$8,372,454. Original budgeted revenues and other financing sources were \$8,285,397 which is \$87,057 lower than the final revenues and other financing sources. Actual expenditures and other financing uses were \$8,626,822, which was \$419,263 lower than the final budgeted expenditures and other financing uses of \$9,046,085 due to conservative spending by the City. Original budgeted expenditures and other financing uses were \$8,805,913 which is \$240,172 lower than the final budgeted expenditures. Based on the rising costs of the economy conservative estimates were used in the 2012 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, 2012, the City had \$85,674,168 (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, \$19,956,491 was reported in governmental activities and \$65,717,677 was reported in business-type activities. The following table shows December 31, 2012 capital assets compared to December 31, 2011:

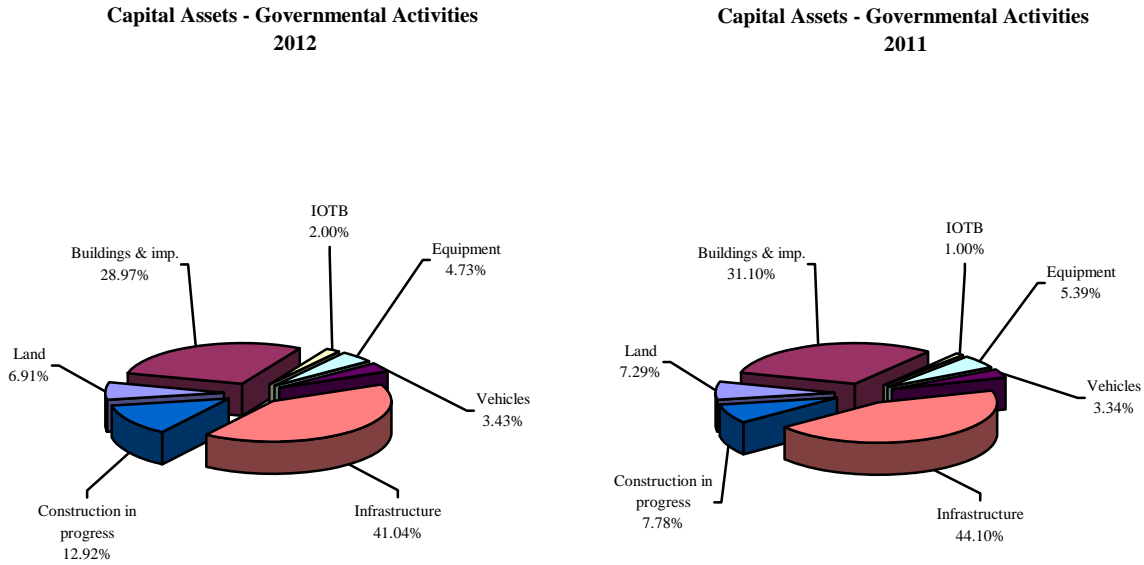
**Capital Assets at December 31
(Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 1,378,358	\$ 1,378,358	\$ 280,171	\$ 280,171	\$ 1,658,529	\$ 1,658,529
IOTB	399,898	188,729	341,715	367,503	741,613	556,232
Buildings and improvements	5,782,006	5,878,425	17,627,710	17,978,302	23,409,716	23,856,727
Equipment	943,507	1,018,700	1,067,176	1,128,782	2,010,683	2,147,482
Vehicles	685,190	630,417	448,286	293,615	1,133,476	924,032
Infrastructure	8,190,281	8,334,024	18,009,497	18,489,598	26,199,778	26,823,622
Construction in progress	<u>2,577,251</u>	<u>1,470,646</u>	<u>27,943,122</u>	<u>25,142,732</u>	<u>30,520,373</u>	<u>26,613,378</u>
Totals	<u>\$ 19,956,491</u>	<u>\$ 18,899,299</u>	<u>\$ 65,717,677</u>	<u>\$ 63,680,703</u>	<u>\$ 85,674,168</u>	<u>\$ 82,580,002</u>

CITY OF DEFIANCE, OHIO

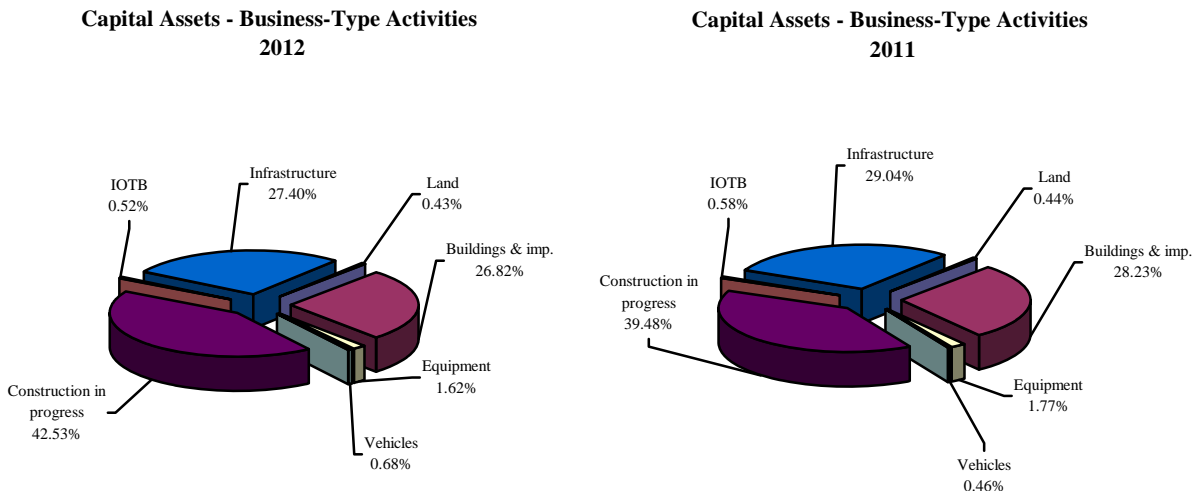
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

The following graphs show the breakdown of governmental capital assets by category for 2012 and 2011.



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 41.04% of the City's total governmental capital assets at December 31, 2012.

The following graphs show the breakdown of business-type capital assets by category for 2012 and 2011.



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 27.40% of the City's total business-type capital assets at December 31, 2012.

See Note 9 for detail on capital assets.

CITY OF DEFIANCE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

Debt Administration

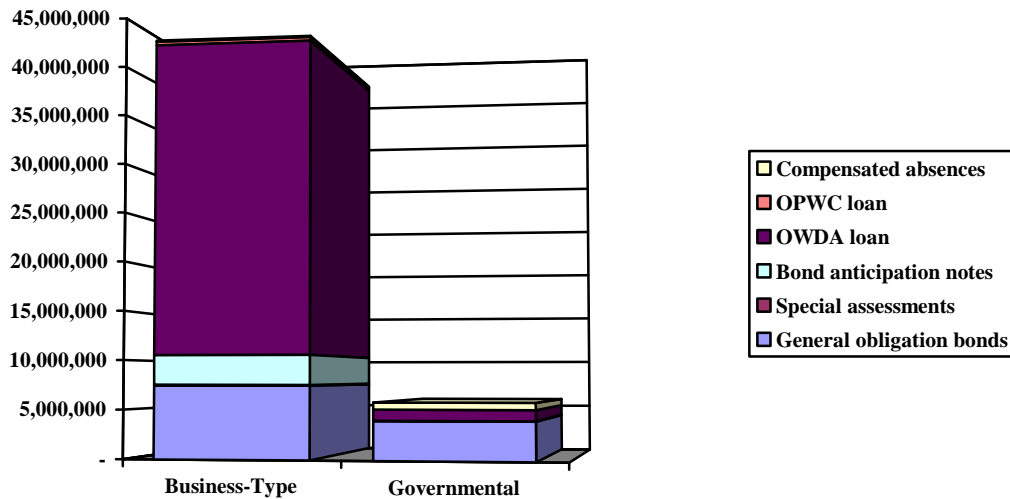
The City had the following long-term obligations outstanding at December 31, 2012 and 2011:

	Governmental Activities	
	<u>2012</u>	<u>2011</u>
Compensated absences	\$ 688,699	\$ 608,388
General obligation bonds	3,925,000	4,075,000
Special assessment bonds	27,729	42,272
OWDA loan	<u>1,112,332</u>	<u>-</u>
Total long-term obligations	<u>\$ 5,753,760</u>	<u>\$ 4,725,660</u>

	Business-type Activities	
	<u>2012</u>	<u>2011</u>
General obligation bonds	\$ 7,425,000	\$ 8,020,000
Special assessment bonds	79,307	86,952
OWDA loan	31,610,089	32,816,389
OPWC loan	371,573	451,992
Bond anticipation notes	2,986,000	3,493,000
Compensated absences	<u>135,117</u>	<u>121,720</u>
Total long-term obligations	<u>\$ 42,607,086</u>	<u>\$ 44,990,053</u>

See Note 11 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, 2012 (UNAUDITED)

Economic Outlook and Next Year's Budget

After two years of double-digit declines during the recession of 2008/2009, followed by two more years of only negligible growth, Defiance finally realized a measurable gain in income tax revenues in 2012: 4.0% over the prior year. In the General Fund, this amounted to an increase of \$214,000 on a cash basis, and was an encouraging sign for the local economy. Unfortunately, the gain was offset by reduced city revenues from other sources, most notably Local Government Funds (LGF) from the State of Ohio. Total revenues in the General Fund were actually down 0.8%, or \$70,835 on a cash basis.

The 2013 budget was prepared recognizing that both trends were likely to continue. Revenue projections for 2013 include an additional 3.0% gain in income taxes, but reflect that State-shared revenues will continue to decline. 2013 marks the final year of a three year phase-out of fifty percent of LGF – a loss to the City of \$180,000 annually; and the first year in which Ohio's estate tax is eliminated. Municipalities had received eighty percent of the estate tax, and Defiance's annual share averaged about \$300,000.

On the expense side, the 2013 General Fund budget is essentially level funded with the prior year, but still represents a reduction of 14.0% from pre-recession spending levels. For the sixth consecutive year, the budget relies on reserve balances to be fully funded. Reserves that totaled over forty percent of operating expenditures in 2007 are projected to drop to 8.6% by the end of 2013. To address the declining fund balance, the City Council and Administration will be considering options that include additional and significant service reductions in 2014 and/or a number of revenue enhancement options, including the possibility of a balloted tax initiative to raise revenues through increased income or property tax rates.

While the State of Ohio has reduced its financial assistance to municipalities, it is also actively pursuing a reduction in state income tax rates. The City views this combination as a conscientious shift of funding responsibility from the State to the local governments, and recognizes that a local tax increase offset by a State tax reduction, and thereby leaving the total tax burden unchanged, might be more palatable to local voters.

Contacting the City's Financial Management

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

CITY OF DEFIANCE, OHIO

STATEMENT OF NET POSITION
DECEMBER 31, 2012

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 5,074,195	\$ 4,532,783	\$ 9,606,978
Cash with escrow agent	1,314	-	1,314
Investments	106,890	-	106,890
Receivables (net of allowance for uncollectibles):			
Income taxes	897,003	-	897,003
Property and other local taxes	732,615	-	732,615
Payment in lieu of taxes	67,030	-	67,030
Accounts	234,342	571,615	805,957
Loans receivable	1,559,674	-	1,559,674
Special assessments	88,861	40,352	129,213
Accrued interest	1,698	2,092	3,790
Due from other governments	809,904	-	809,904
Materials and supplies inventory	37,124	64,843	101,967
Internal balance	2,615	(2,615)	-
Restricted assets:			
Equity in pooled cash and cash equivalents	-	220,987	220,987
Capital assets:			
Land and construction in progress	3,955,609	28,223,293	32,178,902
Depreciable capital assets, net	16,000,882	37,494,384	53,495,266
Total capital assets, net	19,956,491	65,717,677	85,674,168
Total assets	29,569,756	71,147,734	100,717,490
Deferred outflows of resources:			
Unamortized deferred charges on debt refunding	-	296,412	296,412
Liabilities:			
Accounts payable	215,503	149,551	365,054
Contracts payable	75,624	226,352	301,976
Accrued wages and benefits payable	223,632	82,519	306,151
Due to other governments	300,282	78,599	378,881
Due to claimants	28,690	-	28,690
Accrued interest payable	10,375	62,145	72,520
Matured bonds payable	1,314	-	1,314
Payable from restricted assets:			
Refundable deposits	-	220,987	220,987
Bond anticipation notes payable	-	1,350,000	1,350,000
Long-term liabilities:			
Due within one year	518,246	4,760,825	5,279,071
Due in more than one year	5,275,447	38,269,839	43,545,286
Total liabilities	6,649,113	45,200,817	51,849,930
Deferred inflows of resources:			
Property taxes levied for the next year	630,775	-	630,775
Payments in lieu of taxes levied for the next year	67,030	-	67,030
Total deferred inflows of resources	697,805	-	697,805
Net position:			
Net investment in capital assets	14,851,497	21,768,542	36,620,039
Restricted for:			
Capital projects	7,844	-	7,844
Debt service	844,314	-	844,314
Transportation projects	581,289	-	581,289
Safety projects	498,201	-	498,201
Special projects	263,351	-	263,351
Community environment projects	47,820	-	47,820
Economic development projects	2,114,679	-	2,114,679
Health projects	6,684	-	6,684
Other purposes	156,255	-	156,255
Unrestricted	2,850,904	4,474,787	7,325,691
Total net position	\$ 22,222,838	\$ 26,243,329	\$ 48,466,167

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF DEFIANCE, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 3,065,260	\$ 391,824	\$ 201	\$ 300,000
Security of persons and property	5,725,571	1,130,824	82,748	-
Public health and welfare	237,991	68,467	-	-
Transportation	2,257,425	-	1,058,870	189,168
Community environment	600,805	109,874	823	-
Leisure time activity	820,217	25,780	-	-
Economic development	888,011	21,715	609,816	-
Interest and fiscal charges	124,912	-	-	-
Total governmental activities	<u>13,720,192</u>	<u>1,748,484</u>	<u>1,752,458</u>	<u>489,168</u>
Business-type activities:				
Sewer	5,313,868	6,388,276	-	-
Water	4,746,280	6,031,392	-	-
Other business-type activities:				
Refuse	828,551	876,007	-	-
Total business-type activities	<u>10,888,699</u>	<u>13,295,675</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 24,608,891</u>	<u>\$ 15,044,159</u>	<u>\$ 1,752,458</u>	<u>\$ 489,168</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 position
- Net position at beginning of year (restated)**
- Net position at end of year**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (2,373,235)	\$ -	\$ (2,373,235)
(4,511,999)	-	(4,511,999)
(169,524)	-	(169,524)
(1,009,387)	-	(1,009,387)
(490,108)	-	(490,108)
(794,437)	-	(794,437)
(256,480)	-	(256,480)
(124,912)	-	(124,912)
<u>(9,730,082)</u>	<u>-</u>	<u>(9,730,082)</u>
-	1,074,408	1,074,408
-	1,285,112	1,285,112
-	47,456	47,456
<u>-</u>	<u>2,406,976</u>	<u>2,406,976</u>
<u>(9,730,082)</u>	<u>2,406,976</u>	<u>(7,323,106)</u>
5,540,859	-	5,540,859
23,028	-	23,028
1,381,685	-	1,381,685
523,667	-	523,667
403,551	-	403,551
768,909	-	768,909
25,118	19,942	45,060
66,732	-	66,732
201,507	44,680	246,187
<u>8,935,056</u>	<u>64,622</u>	<u>8,999,678</u>
<u>(346,089)</u>	<u>346,089</u>	<u>-</u>
<u>8,588,967</u>	<u>410,711</u>	<u>8,999,678</u>
(1,141,115)	2,817,687	1,676,572
<u>23,363,953</u>	<u>23,425,642</u>	<u>46,789,595</u>
<u>\$ 22,222,838</u>	<u>\$ 26,243,329</u>	<u>\$ 48,466,167</u>

CITY OF DEFIANCE, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	<u>General</u>	<u>Capital Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 1,165,285	\$ 897,152	\$ 2,591,465	\$ 4,653,902
Cash with escrow agent	1,314	-	-	1,314
Investments	106,890	-	-	106,890
Receivables (net of allowance for uncollectibles):				
Income taxes	686,552	207,001	3,450	897,003
Property and other local taxes	512,397	-	220,218	732,615
Payments in lieu of taxes.	-	-	67,030	67,030
Accounts	202,500	-	22,123	224,623
Loans receivable	-	-	1,559,674	1,559,674
Special assessments	-	-	88,861	88,861
Accrued interest	1,398	-	156	1,554
Due from other governments.	314,804	1,451	493,649	809,904
Materials and supplies inventory.	-	-	37,124	37,124
Total assets.	<u>\$ 2,991,140</u>	<u>\$ 1,105,604</u>	<u>\$ 5,083,750</u>	<u>\$ 9,180,494</u>
Liabilities:				
Accounts payable	\$ 103,862	\$ 10,720	\$ 100,911	\$ 215,493
Contracts payable	-	74,174	1,450	75,624
Accrued wages and benefits payable.	202,948	-	20,684	223,632
Due to other governments	250,037	-	50,245	300,282
Due to claimants	28,690	-	-	28,690
Matured bonds payable	1,314	-	-	1,314
Total liabilities.	<u>586,851</u>	<u>84,894</u>	<u>173,290</u>	<u>845,035</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year.	471,087	-	159,688	630,775
Payments in lieu of taxes levied for the next year	-	-	67,030	67,030
Delinquent property tax revenue not available.	40,648	-	-	40,648
Special assessments revenue not available.	-	-	88,861	88,861
Income tax revenue not available	153,409	58,616	977	213,002
Intergovernmental revenue not available	144,057	-	258,098	402,155
Total deferred inflows of resources	<u>809,201</u>	<u>58,616</u>	<u>574,654</u>	<u>1,442,471</u>
Fund balances:				
Nonspendable	93	-	37,124	37,217
Restricted	-	-	4,223,607	4,223,607
Committed.	8,165	962,094	75,075	1,045,334
Assigned.	535,956	-	-	535,956
Unassigned	1,050,874	-	-	1,050,874
Total fund balances.	<u>1,595,088</u>	<u>962,094</u>	<u>4,335,806</u>	<u>6,892,988</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,991,140</u>	<u>\$ 1,105,604</u>	<u>\$ 5,083,750</u>	<u>\$ 9,180,494</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF DEFIANCE, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2012

Total governmental fund balances	\$	6,892,988
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		19,956,491
Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflows of resources in the funds.		
Income taxes receivable	\$ 213,002	
Property and other taxes receivable	40,648	
Special assessments receivable	88,861	
Intergovernmental receivable	402,155	
Total		744,666
An internal service fund is used by management to charge the costs of health care to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position. The net position of the internal service fund, including an internal balance of \$2,615, is:		432,761
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(10,375)
Unamortized premiums on bond issuances are not recognized in the funds.		(39,933)
Long-term liabilities, including bonds payable, loans payable, and compensated absences payable are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds payable	(3,925,000)	
Special assessment bonds payable	(27,729)	
OWDA loans payable	(1,112,332)	
Compensated absences payable	(688,699)	
Total		(5,753,760)
Net position of governmental activities	\$	<u>22,222,838</u>

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, 2012

	<u>General</u>	<u>Capital Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Income taxes.	\$ 5,527,262	\$ 1,383,754	\$ 23,062	\$ 6,934,078
Property and other local taxes.	534,351	-	403,551	937,902
Payments in lieu of taxes.	-	-	66,732	66,732
Charges for services.	671,046	-	402	671,448
Licenses, permits and fees.	106,597	-	152,590	259,187
Fines and forfeitures.	509,655	-	286,881	796,536
Intergovernmental	764,211	489,168	1,690,400	2,943,779
Special assessments	-	-	40,992	40,992
Investment income.	23,717	-	65,110	88,827
Donations	3,062	-	3,418	6,480
Other.	122,910	1,509	74,026	198,445
Total revenues	<u>8,262,811</u>	<u>1,874,431</u>	<u>2,807,164</u>	<u>12,944,406</u>
Expenditures:				
Current:				
General government	2,140,209	-	484,009	2,624,218
Security of persons and property.	4,343,798	-	880,117	5,223,915
Public health and welfare	207,560	-	-	207,560
Transportation	-	-	1,003,738	1,003,738
Community environment.	506,585	-	-	506,585
Leisure time activity	595,366	-	-	595,366
Economic development	84,095	-	803,916	888,011
Capital outlay	-	3,773,922	1,450	3,775,372
Debt service:				
Principal retirement	-	-	164,543	164,543
Interest and fiscal charges.	-	147,398	-	147,398
Total expenditures.	<u>7,877,613</u>	<u>3,921,320</u>	<u>3,337,773</u>	<u>15,136,706</u>
Excess (deficiency) of revenues over (under) expenditures	<u>385,198</u>	<u>(2,046,889)</u>	<u>(530,609)</u>	<u>(2,192,300)</u>
Other financing sources (uses):				
Transfers in	-	-	410,000	410,000
Transfers (out).	(410,000)	(82,036)	(7,645)	(499,681)
Loan proceeds	-	1,112,332	-	1,112,332
Total other financing sources (uses).	<u>(410,000)</u>	<u>1,030,296</u>	<u>402,355</u>	<u>1,022,651</u>
Net change in fund balances.	(24,802)	(1,016,593)	(128,254)	(1,169,649)
Fund balances at beginning of year	<u>1,619,890</u>	<u>1,978,687</u>	<u>4,464,060</u>	<u>8,062,637</u>
Fund balances at end of year.	<u>\$ 1,595,088</u>	<u>\$ 962,094</u>	<u>\$ 4,335,806</u>	<u>\$ 6,892,988</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, 2012

Net change in fund balances - total governmental funds	\$	(1,169,649)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the current period.		
Capital asset additions	2,299,108	
Current year depreciation	(1,196,722)	
Total	1,102,386	1,102,386
The net effect of various transactions involving capital assets is to decrease net position.		
		(45,194)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income tax revenue	11,494	
Property and other tax revenue	(10,684)	
Special assessment revenue	(19,679)	
Intergovernmental revenue	(1,748)	
Total	(20,617)	(20,617)
Proceeds of loans 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 position.		
		(1,112,332)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		164,543
In the statement of activities, interest is accrued on outstanding bonds, whereas, in the governmental funds, an interest expenditure is reported when due. The following items resulted in less interest being reported in the statement of activities.		
Decrease in accrued interest payable	20,362	
Amortization of bond premium	2,124	
Total	22,486	22,486
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.		
		(80,311)
The internal service fund used by management to charge the costs of health care to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund, including internal balance activity of \$5,149, is allocated among the governmental activities		
		(2,427)
Change in net position of governmental activities	\$	(1,141,115)

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, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Income taxes	\$ 5,512,677	\$ 5,570,600	\$ 5,548,478	\$ (22,122)
Property and other local taxes	526,468	532,000	537,635	5,635
Charges for services	778,916	787,100	688,301	(98,799)
Licenses, permits and fees	107,421	108,550	78,394	(30,156)
Fines and forfeitures	539,541	545,210	516,270	(28,940)
Intergovernmental	737,608	745,358	784,457	39,099
Investment income	9,896	10,000	22,373	12,373
Donations	267	270	3,062	2,792
Other.	62,707	63,366	113,817	50,451
Total revenues	<u>8,275,501</u>	<u>8,362,454</u>	<u>8,292,787</u>	<u>(69,667)</u>
Expenditures:				
Current:				
General government.	2,496,032	2,575,452	2,408,774	166,678
Security of persons and property	4,475,090	4,563,481	4,388,031	175,450
Public health and welfare.	220,884	224,884	213,200	11,684
Community environment	526,200	546,200	507,525	38,675
Leisure time activity	592,707	641,068	615,267	25,801
Economic development	85,000	85,000	84,025	975
Total expenditures	<u>8,395,913</u>	<u>8,636,085</u>	<u>8,216,822</u>	<u>419,263</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(120,412)</u>	<u>(273,631)</u>	<u>75,965</u>	<u>349,596</u>
Other financing sources (uses):				
Sale of capital assets	9,896	10,000	10,060	60
Transfers (out)	(410,000)	(410,000)	(410,000)	-
Total other financing sources (uses)	<u>(400,104)</u>	<u>(400,000)</u>	<u>(399,940)</u>	<u>60</u>
Net change in fund balances	(520,516)	(673,631)	(323,975)	349,656
Fund balances at beginning of year.	1,219,755	1,219,755	1,219,755	-
Prior year encumbrances appropriated.	156,487	156,487	156,487	-
Fund balance at end of year.	<u>\$ 855,726</u>	<u>\$ 702,611</u>	<u>\$ 1,052,267</u>	<u>\$ 349,656</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF DEFIANCE, OHIO

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2012

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Fund
	Sewer	Water	Nonmajor	Total	
Assets:					
Current assets:					
Equity in pooled cash and cash equivalents . . .	\$ 1,063,992	\$ 2,884,854	\$ 583,937	\$ 4,532,783	\$ 420,293
Receivables (net of allowance for uncollectibles):					
Accounts	299,711	212,890	59,014	571,615	9,719
Accrued interest	1,148	944	-	2,092	144
Special assessments	1,498	38,854	-	40,352	-
Materials and supplies inventory.	17,594	47,249	-	64,843	-
Total current assets.	<u>1,383,943</u>	<u>3,184,791</u>	<u>642,951</u>	<u>5,211,685</u>	<u>430,156</u>
Noncurrent assets:					
Restricted equity in pooled cash and cash equivalents	-	-	220,987	220,987	-
Capital assets:					
Land and construction in progress.	27,999,682	223,611	-	28,223,293	-
Depreciable capital assets, net.	14,890,124	22,604,260	-	37,494,384	-
Total capital assets, net	<u>42,889,806</u>	<u>22,827,871</u>	<u>-</u>	<u>65,717,677</u>	<u>-</u>
Total noncurrent assets	<u>42,889,806</u>	<u>22,827,871</u>	<u>220,987</u>	<u>65,938,664</u>	<u>-</u>
Total assets	<u>44,273,749</u>	<u>26,012,662</u>	<u>863,938</u>	<u>71,150,349</u>	<u>430,156</u>
Deferred outflows of resources:					
Unamortized deferred charges on refunding. . . .	-	296,412	-	296,412	-
Liabilities:					
Current liabilities:					
Accounts payable	51,412	98,139	-	149,551	10
Contracts payable	205,995	20,357	-	226,352	-
Accrued wages and benefits payable	37,237	45,282	-	82,519	-
Due to other governments	35,646	42,953	-	78,599	-
Accrued interest payable.	26,028	36,117	-	62,145	-
Payable from restricted assets:					
Refundable deposits	-	-	220,987	220,987	-
Bond anticipation notes payable	4,336,000	-	-	4,336,000	-
Compensated absences payable - current	35,254	48,363	-	83,617	-
General obligation bonds payable - current. . .	-	630,000	-	630,000	-
Special assessment bonds payable - current . .	8,085	-	-	8,085	-
OWDA loans payable - current	806,685	164,285	-	970,970	-
OPWC loans payable - current.	10,710	71,443	-	82,153	-
Total current liabilities.	<u>5,553,052</u>	<u>1,156,939</u>	<u>220,987</u>	<u>6,930,978</u>	<u>10</u>
Long-term liabilities:					
Compensated absences payable	16,077	35,423	-	51,500	-
General obligation bonds payable, net of unamortized premium	-	7,218,578	-	7,218,578	-
Special assessment bonds payable	71,222	-	-	71,222	-
OWDA loans payable	24,058,089	6,581,030	-	30,639,119	-
OPWC loans payable.	69,612	219,808	-	289,420	-
Total noncurrent liabilities	<u>24,215,000</u>	<u>14,054,839</u>	<u>-</u>	<u>38,269,839</u>	<u>-</u>
Total liabilities	<u>29,768,052</u>	<u>15,211,778</u>	<u>220,987</u>	<u>45,200,817</u>	<u>10</u>
Net position:					
Net investment in capital assets	13,529,403	8,239,139	-	21,768,542	-
Unrestricted	976,294	2,858,157	642,951	4,477,402	430,146
Total net position	<u>\$ 14,505,697</u>	<u>\$ 11,097,296</u>	<u>\$ 642,951</u>	<u>26,245,944</u>	<u>\$ 430,146</u>
Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds.				(2,615)	
Net position of business-type activities.				<u>\$ 26,243,329</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF DEFIANCE, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Business-type Activities - Enterprise Funds</u>				<u>Governmental Activities - Internal Fund</u>
	<u>Sewer</u>	<u>Water</u>	<u>Nonmajor</u>	<u>Total</u>	
Operating revenues:					
Charges for services	\$ 6,388,276	\$ 6,007,733	\$ 876,007	\$ 13,272,016	\$ 1,865,723
Tap-in fees	-	23,659	-	23,659	-
Other	37,362	5,822	-	43,184	-
Total operating revenues	<u>6,425,638</u>	<u>6,037,214</u>	<u>876,007</u>	<u>13,338,859</u>	<u>1,865,723</u>
Operating expenses:					
Personal services	1,532,980	1,669,406	-	3,202,386	-
Contract services	1,399,166	589,804	-	1,988,970	-
Materials and supplies	416,249	820,284	-	1,236,533	-
Administrative costs	22,699	18,881	-	41,580	-
Utilities	293,006	223,902	828,551	1,345,459	-
Claims	-	-	-	-	1,874,676
Depreciation	653,333	743,555	-	1,396,888	-
Other	-	6,279	-	6,279	-
Total operating expenses	<u>4,317,433</u>	<u>4,072,111</u>	<u>828,551</u>	<u>9,218,095</u>	<u>1,874,676</u>
Operating income (loss)	<u>2,108,205</u>	<u>1,965,103</u>	<u>47,456</u>	<u>4,120,764</u>	<u>(8,953)</u>
Nonoperating revenues (expenses):					
Interest revenue	11,692	8,250	-	19,942	1,377
Gain on sale of capital assets	1,496	-	-	1,496	-
Interest and fiscal charges	(993,920)	(671,535)	-	(1,665,455)	-
Total nonoperating revenues (expenses)	<u>(980,732)</u>	<u>(663,285)</u>	<u>-</u>	<u>(1,644,017)</u>	<u>1,377</u>
Income (loss) before contributions and transfers	1,127,473	1,301,818	47,456	2,476,747	(7,576)
Transfer in	48,663	41,018	-	89,681	-
Capital contributions	-	256,408	-	256,408	-
Change in net position	1,176,136	1,599,244	47,456	2,822,836	(7,576)
Net position at beginning of year (restated) . . .	<u>13,329,561</u>	<u>9,498,052</u>	<u>595,495</u>		<u>437,722</u>
Net position at end of year	<u>\$ 14,505,697</u>	<u>\$ 11,097,296</u>	<u>\$ 642,951</u>		<u>\$ 430,146</u>
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds.				(5,149)	
Change in net position of business-type activities.				<u>\$ 2,817,687</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, 2012

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Fund
	Sewer	Water	Nonmajor	Total	
Cash flows from operating activities:					
Cash received from charges for services	\$ 6,375,715	\$ 6,032,256	\$ 907,304	\$ 13,315,275	\$ 1,856,004
Cash received from tap-in fees	-	23,659	-	23,659	-
Cash received from other operations	37,362	6,402	-	43,764	-
Cash payments for personal services	(1,525,462)	(1,663,406)	-	(3,188,868)	-
Cash payments for contractual services	(1,399,854)	(592,933)	-	(1,992,787)	-
Cash payments for administrative costs	(22,760)	(17,199)	-	(39,959)	-
Cash payments for materials and supplies	(401,557)	(812,936)	-	(1,214,493)	-
Cash payments for claims	-	-	-	-	(1,875,495)
Cash payments for utilities	(296,709)	(230,979)	(828,551)	(1,356,239)	-
Cash payments for other operations	-	(6,279)	(146,327)	(152,606)	-
Net cash provided by (used in) operating activities	<u>2,766,735</u>	<u>2,738,585</u>	<u>(67,574)</u>	<u>5,437,746</u>	<u>(19,491)</u>
Cash flows from noncapital financing activities:					
Cash received from transfers in	48,663	41,018	-	89,681	-
Net cash provided by noncapital financing activities	<u>48,663</u>	<u>41,018</u>	<u>-</u>	<u>89,681</u>	<u>-</u>
Cash flows from capital and related financing activities:					
Cash received from sale of capital assets	10,869	-	-	10,869	-
Cash payments for the acquisition of capital assets	(2,763,385)	(164,063)	-	(2,927,448)	-
Cash received from issuance of loans	956,362	-	-	956,362	-
Cash received from issuance of notes	4,336,000	-	-	4,336,000	-
Cash payments for principal retirement	(6,893,750)	(869,976)	-	(7,763,726)	-
Cash payments for interest and fiscal charges	(988,719)	(677,575)	-	(1,666,294)	-
Net cash used in capital and related financing activities	<u>(5,342,623)</u>	<u>(1,711,614)</u>	<u>-</u>	<u>(7,054,237)</u>	<u>-</u>
Cash flows from investing activities:					
Cash received from interest earned	12,706	8,347	-	21,053	1,511
Net cash provided by investing activities	<u>12,706</u>	<u>8,347</u>	<u>-</u>	<u>21,053</u>	<u>1,511</u>
Net increase (decrease) in cash and cash equivalents	(2,514,519)	1,076,336	(67,574)	(1,505,757)	(17,980)
Cash and cash equivalents at beginning of year	3,578,511	1,808,518	872,498	6,259,527	438,273
Cash and cash equivalents at end of year	\$ 1,063,992	\$ 2,884,854	\$ 804,924	\$ 4,753,770	\$ 420,293

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CITY OF DEFIANCE, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Business-type Activities - Enterprise Funds</u>				<u>Governmental Activities - Internal Fund</u>
	<u>Sewer</u>	<u>Water</u>	<u>Nonmajor</u>	<u>Total</u>	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 2,108,205	\$ 1,965,103	\$ 47,456	\$ 4,120,764	\$ (8,953)
Adjustments:					
Depreciation.	653,333	743,555	-	1,396,888	-
Changes in assets and liabilities:					
Decrease (increase) in accounts receivable.	(14,059)	7,695	(647)	(7,011)	(9,719)
Decrease in special assessments receivable.	1,498	17,408	-	18,906	-
Decrease in materials and supplies inventory.	217	5,959	-	6,176	-
Increase (decrease) in accounts payable.	9,134	(8,935)	-	199	(819)
Increase in accrued wages and benefits	4,063	5,737	-	9,800	-
Increase in compensated absences payable.	8,401	4,996	-	13,397	-
(Decrease) in due to other governments	(4,057)	(2,933)	-	(6,990)	-
(Decrease) in utility deposits payable.	-	-	(114,383)	(114,383)	-
Net cash provided by (used in) operating activities	<u>\$ 2,766,735</u>	<u>\$ 2,738,585</u>	<u>\$ (67,574)</u>	<u>\$ 5,437,746</u>	<u>\$ (19,491)</u>

Non-cash capital transactions:

At December 31, 2012 and December 31, 2011, the sewer fund purchased \$225,366 and \$33,176 in capital assets on account, respectively.
 At December 31, 2012 and December 31, 2011, the water fund purchased \$67,345 and \$156 in capital assets on account, respectively.
 During 2012, the water fund received \$256,408 in capital contributions from governmental activities.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF DEFIANCE, OHIO

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
DECEMBER 31, 2012**

	<u>Agency</u>
Assets:	
Cash in segregated accounts	\$ 16,822
Total assets.	<u>\$ 16,822</u>
Liabilities:	
Due to other governments	\$ 16,822
Total liabilities.	<u>\$ 16,822</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, 2012

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 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, 2012

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 2012, the City contributed \$40,500 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 2012, 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, 2012

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 \$357,012 in payments to the Corporation in 2012. 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 position and a statement of activities and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activities of the internal service fund are eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

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

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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 plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance. The following are the City's major governmental funds:

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

Capital improvements fund - The capital improvements fund accounts for 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.

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

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

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

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.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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

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.

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

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current deferred outflows of resources, current liabilities and current deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the financial statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the City's proprietary funds are charges for services. Operating expenses from the enterprise funds include personnel and other expenses related to sewer, water, refuse, and utility deposits and operating expenses for the internal service fund include claims 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, 2012

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 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.

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

Property taxes for which there is an enforceable legal claim as of December 31, 2012, but which were levied to finance fiscal year 2013 operations, grants and entitlements received before the eligibility requirements are met, and long-term special assessments have been recorded as deferred inflows of resources. On governmental fund financial statements, delinquent taxes due at December 31, 2012 and grants, entitlements and other receivables that will not be collected within the available period have also been reported as deferred inflows of resources.

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

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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, 2012**

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

During 2012, 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 2012. 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 at which the investment could be sold at December 31, 2012.

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 2012 amounted to \$23,717, which included \$17,778 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.

The City had money held in a bond and coupon account at December 31, 2012. This interest bearing depository account is presented on the financial statements as "cash with escrow agent" since it is maintained separate from 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 in the enterprise funds 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, 2012

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 position, 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 position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and disposals during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold 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 payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the City and the employee.

In conformity with GASB Statement No. 16, "*Accounting for Compensated Absences*", vacation 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, 2012

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. The net residual amounts due between governmental and business-type activities are presented as internal balances.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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. It also includes the long-term amount of loans receivable in the general fund.

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 such as ordinances or resolutions, which include 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, 2012**

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

P. Contributions of Capital

Contributions of capital in governmental activities and proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, from grants or outside contributions of resources restricted to capital acquisition and construction, or from other funds within the City. During 2012, the City's Water fund received \$256,408 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 Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The City's net investment in capital assets 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 position is reported as restricted when there are limitations imposed on its use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes consisted of the court computerization fund (a nonmajor governmental fund).

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or 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. Bond Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss

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

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

On the governmental fund financial statements bond premiums and discounts are recognized in the period in which these items are incurred. The reconciliation between the face value of bonds and the amount reported on the statement of net position is presented in Note 11.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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

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

NOTE 3 - ACCOUNTABILITY

Change in Accounting Principles

For 2012, the City has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the City.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 Financial Accounting Standards Board and American Institute of Certified Public Accountants pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the City.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows or resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the City's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 3 - ACCOUNTABILITY - (Continued)

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 had the following effect on the financial statements of the City:

	Governmental Activities	Business-type Activities	Enterprise Fund Water
Net assets as previously reported	\$ 23,438,017	\$ 23,566,349	\$ 9,638,759
Removal of unamortized bond issuance costs	(74,064)	(140,707)	(140,707)
Net position at January 1, 2012	\$ 23,363,953	\$ 23,425,642	\$ 9,498,052

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;

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 item (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

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

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

A. Cash on Hand

At 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".

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Cash in Segregated Accounts

At year end, the City had \$16,822 in cash in segregated accounts held for the Municipal Court which is included on the financial statements of the City as an agency fund. This amount is included in “Deposits with Financial Institutions” below.

C. Cash with Escrow Agent

At year end, the City had \$1,314 maintained in a bond and coupon depository account held outside of the City’s internal investment pool. This amount is included on the financial statements of the City in the general fund and is included in “Deposits with Financial Institutions” below.

D. Deposits with Financial Institutions

At December 31, 2012, the carrying amount of all City deposits was \$9,779,949. Based on the criteria described in GASB Statement No. 40, “*Deposits and Investment Risk Disclosures*”, as of December 31, 2012, \$1,865,487 of the City’s bank balance of \$10,095,016 was exposed to custodial risk as discussed below, while \$8,229,529 was covered by the FDIC.

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

E. Investments

As of December 31, 2012, the City had the following investments and maturities:

Investment type	Fair Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
STAR Ohio	\$ 63,902	\$ 63,902	\$ -	\$ -	\$ -	\$ -
City owned bonds	106,890	-	22,627	-	21,593	62,670
Total	<u>\$ 170,792</u>	<u>\$ 63,902</u>	<u>\$ 22,627</u>	<u>\$ -</u>	<u>\$ 21,593</u>	<u>\$ 62,670</u>

The weighted average maturity of investments is 2.41 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. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The City’s investment policy does not specifically address credit risk beyond requiring the City to only invest in securities authorized by State statute.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2012:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 63,902	37.42
City owned bonds	106,890	62.58
Total	<u>\$ 170,792</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2012:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 9,779,949
Investments	170,792
Cash on hand	<u>2,250</u>
Total	<u>\$ 9,952,991</u>
<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 5,182,399
Business-type activities	4,753,770
Agency fund	<u>16,822</u>
Total	<u>\$ 9,952,991</u>

NOTE 5 - INTERFUND TRANSFERS

For 2012, interfund transfers consisted of the following, as reported in the fund financial statements:

<u>Transfers from the general fund to:</u>	
Nonmajor governmental funds	\$ 410,000
<u>Transfers from the capital improvement fund to:</u>	
Sewer enterprise fund	41,018
Water enterprise fund	41,018
<u>Transfers from nonmajor governmental funds to:</u>	
Sewer enterprise fund	<u>7,645</u>
Total transfers	<u>\$ 499,681</u>

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 5 - INTERFUND TRANSFERS - (Continued)

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 transfers to the sewer and water funds from the capital improvement fund was to provide resources for the payment of bond anticipation notes and the transfer to the sewer fund from the nonmajor governmental funds was for payment of special assessment bonds.

During 2012, \$256,408 in net capital assets of the governmental activities were reassigned to the water fund. This amount, which is not included above, is shown as capital contributions revenue on the statement of revenues, expenses, and changes in net position – proprietary funds, and as a transfer out of the governmental activities on the statement of activities.

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 and Note 2.N.

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

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be 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. 2012 public utility property taxes became a lien December 31, 2011, are levied after October 1, 2012, and are collected in 2013 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, 2012 and for which there is an enforceable legal claim. In the governmental funds, property and other taxes receivable has been offset by a deferred inflow of resources for the current portion, since the current taxes were not levied to finance 2012 operations, and the delinquent portion, since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is unavailable.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 6 - PROPERTY TAXES - (Continued)

The full tax rate for all City operations for the year ended December 31, 2012 was \$3.00 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2012 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 185,870,390
Commercial/industrial/mineral	81,328,330
 <u>Public utility</u>	
Real	39,010
Personal	33,219,670
Total assessed value	\$ 300,457,400

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 2012 was \$6,934,078 on the modified accrual basis of accounting.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2012, 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, 2012.

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

Governmental activities:

Income taxes	\$ 897,003
Property and other local taxes	732,615
Payments in lieu of taxes	67,030
Accounts	234,342
Loans	1,559,674
Special assessments	88,861
Accrued interest	1,698
Due from other governments	809,904

Business-type activities:

Accounts	571,615
Special assessments	40,352
Accrued interest	2,092

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 8 - RECEIVABLES - (Continued)

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.

NOTE 9 - CAPITAL ASSETS

The following activity occurred in the City's governmental activities and business-type activities capital assets during 2012:

<u>Governmental activities:</u>	<u>Balance 12/31/11</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 12/31/2012</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,378,358	\$ -	\$ -	\$ 1,378,358
Construction in progress	<u>1,470,646</u>	<u>1,106,605</u>	<u>-</u>	<u>2,577,251</u>
Total capital assets, not being depreciated	<u>2,849,004</u>	<u>1,106,605</u>	<u>-</u>	<u>3,955,609</u>
<i>Capital assets, being depreciated:</i>				
Buildings	9,557,768	153,304	-	9,711,072
Improvements other than buildings	990,149	240,550	-	1,230,699
Equipment	2,557,898	114,985	(53,718)	2,619,165
Vehicles	2,460,047	269,787	(253,743)	2,476,091
Infrastructure	<u>16,734,389</u>	<u>413,877</u>	<u>-</u>	<u>17,148,266</u>
Total capital assets, being depreciated	<u>32,300,251</u>	<u>1,192,503</u>	<u>(307,461)</u>	<u>33,185,293</u>
<i>Less: accumulated depreciation:</i>				
Buildings	(3,679,343)	(249,723)	-	(3,929,066)
Improvements other than buildings	(801,420)	(29,381)	-	(830,801)
Equipment	(1,539,198)	(179,977)	43,517	(1,675,658)
Vehicles	(1,829,630)	(180,021)	218,750	(1,790,901)
Infrastructure	<u>(8,400,365)</u>	<u>(557,620)</u>	<u>-</u>	<u>(8,957,985)</u>
Total accumulated depreciation	<u>(16,249,956)</u>	<u>(1,196,722)</u>	<u>262,267</u>	<u>(17,184,411)</u>
Total capital assets, being depreciated, net	<u>16,050,295</u>	<u>(4,219)</u>	<u>(45,194)</u>	<u>16,000,882</u>
Governmental activities capital assets, net	<u>\$ 18,899,299</u>	<u>\$ 1,102,386</u>	<u>\$ (45,194)</u>	<u>\$ 19,956,491</u>

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 9 - CAPITAL ASSETS - (Continued)

<u>Business-type activities:</u>	<u>Balance</u> <u>12/31/11</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/2012</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 280,171	\$ -	\$ -	\$ 280,171
Construction in progress	<u>25,142,732</u>	<u>2,800,390</u>	<u>-</u>	<u>27,943,122</u>
Total capital assets, not being depreciated	<u>25,422,903</u>	<u>2,800,390</u>	<u>-</u>	<u>28,223,293</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	965,930	3,115	-	969,045
Buildings and improvements	29,306,169	281,187	-	29,587,356
Equipment	3,444,216	32,955	(3,946)	3,473,225
Vehicles	1,101,838	265,588	(132,895)	1,234,531
Infrastructure	<u>30,357,974</u>	<u>60,000</u>	<u>-</u>	<u>30,417,974</u>
Total capital assets, being depreciated	<u>65,176,127</u>	<u>642,845</u>	<u>(136,841)</u>	<u>65,682,131</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(598,427)	(28,903)	-	(627,330)
Buildings and improvements	(11,327,867)	(631,779)	-	(11,959,646)
Equipment	(2,315,434)	(94,561)	3,946	(2,406,049)
Vehicles	(808,223)	(101,544)	123,522	(786,245)
Infrastructure	<u>(11,868,376)</u>	<u>(540,101)</u>	<u>-</u>	<u>(12,408,477)</u>
Total accumulated depreciation	<u>(26,918,327)</u>	<u>(1,396,888)</u>	<u>127,468</u>	<u>(28,187,747)</u>
Total capital assets being depreciated, net	<u>38,257,800</u>	<u>(754,043)</u>	<u>(9,373)</u>	<u>37,494,384</u>
Business-type activities capital assets, net	<u>\$ 63,680,703</u>	<u>\$ 2,046,347</u>	<u>\$ (9,373)</u>	<u>\$ 65,717,677</u>

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

Governmental activities:

General government	\$ 206,520
Security of persons and property	215,516
Public health and welfare	14,371
Community environment	43,243
Leisure time activity	106,469
Transportation	<u>610,603</u>
Total depreciation expense - governmental activities	<u>\$ 1,196,722</u>

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 9 - CAPITAL ASSETS - (Continued)

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

Business-type activities:

Water	\$ 743,555
Sewer	<u>653,333</u>
Total depreciation expense - business-type activities	<u><u>\$ 1,396,888</u></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 \$417,177 at December 31, 2012. 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 \$406,639 at December 31, 2012. Amounts are recorded as a fund liability and/or on the government-wide financial statements, as applicable.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 11 - LONG-TERM OBLIGATIONS

A. Governmental Activities Long-Term Obligations

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

<u>Governmental activities:</u>	Original Amount	Balance 12/31/11	Additions	Reductions	Balance 12/31/12	Amount Due in One Year
General obligation bonds payable:						
Series 2011 Bonds - 2.00-4.00%	\$4,075,000	\$ 4,075,000	\$ -	\$ (150,000)	\$3,925,000	\$ 170,000
Total general obligation bonds		<u>4,075,000</u>	<u>-</u>	<u>(150,000)</u>	<u>3,925,000</u>	<u>170,000</u>
Special assessment bonds payable:						
1994 Ottawa Avenue - 5.10%	29,968	3,143	-	(1,500)	1,643	1,643
1995 Stadium Drive - 5.90%	260,849	39,129	-	(13,043)	26,086	13,043
Total special assessment bonds		<u>42,272</u>	<u>-</u>	<u>(14,543)</u>	<u>27,729</u>	<u>14,686</u>
OWDA loan payable - 0%	2,334,869	-	1,112,332	-	1,112,332	-
Compensated absences payable		<u>608,388</u>	<u>341,908</u>	<u>(261,597)</u>	<u>688,699</u>	<u>333,560</u>
Total		<u>\$ 4,725,660</u>	<u>\$ 1,454,240</u>	<u>\$ (426,140)</u>	5,753,760	<u>\$ 518,246</u>
Add: Unamortized bond premium					<u>39,933</u>	
Total on statement of net position					<u>\$5,793,693</u>	

General Obligation Bonds

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

Special assessment Bonds

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

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

OWDA Loan

During 2012, the City entered into an interest free debt financing arrangement to fund Richland Township sanitary sewer improvements through the Ohio Water Development Authority (OWDA). The City may borrow up to \$2,334,869 and had outstanding borrowings of \$1,112,332 at December 31, 2012. Loan payments will begin in 2014 and will continue through 2034. As of December 31, 2012, the loan is still “open” therefore future annual debt service principal and interest requirements are not available. The proceeds of the OWDA are reported in the capital improvements fund.

The compensated absences liability will be paid out of the general fund.

Future Debt Service Requirements

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

Year Ending	General Obligation Bonds			Special Assessment Bonds		
	Principal	Interest	Total	Principal	Interest	Total
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	175,000	110,450	285,450	-	-	-
2018 - 2022	950,000	467,675	1,417,675	-	-	-
2023 - 2027	1,090,000	309,575	1,399,575	-	-	-
2028 - 2031	1,020,000	100,170	1,120,170	-	-	-
Total	<u>\$ 3,925,000</u>	<u>\$1,464,370</u>	<u>\$ 5,389,370</u>	<u>\$ 27,729</u>	<u>\$ 2,410</u>	<u>\$ 30,139</u>

Legal Debt Margin

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the City’s legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City’s legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2012, the City’s total debt margin was \$27,623,027 and the unvoted debt margin was \$12,600,157.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

B. Business-Type Activities Long-Term Obligations

The following activity occurred in the business type activities long-term obligations during 2012:

<u>Business-type activities:</u>	<u>Interest Rate</u>	<u>Balance 12/31/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/12</u>	<u>Amount Due in One Year</u>
<u>General obligation bonds:</u>						
Waterworks - series 2005 refunding	4.00-5.00%	\$ 3,135,000	\$ -	\$ (285,000)	\$ 2,850,000	\$ 305,000
Waterworks - series 2007 refunding	4.50-5.25%	4,885,000	-	(310,000)	4,575,000	325,000
Total general obligation bonds		<u>8,020,000</u>	<u>-</u>	<u>(595,000)</u>	<u>7,425,000</u>	<u>630,000</u>
<u>Special assessment bonds</u>						
Sewer street improvements - Series 2000	5.75%	86,952	-	(7,645)	79,307	8,085
<u>Notes payable</u>						
Water - 2011 bond anticipation note	0.709%	47,500	-	(47,500)	-	-
Sewer - 2012 bond anticipation note	0.699%	-	2,986,000	-	2,986,000	2,986,000
Sewer - 2011 bond anticipation note	0.709%	3,445,500	-	(3,445,500)	-	-
Total bond anticipation notes		<u>3,493,000</u>	<u>2,986,000</u>	<u>(3,493,000)</u>	<u>2,986,000</u>	<u>2,986,000</u>
<u>Other long-term obligations</u>						
OWDA loans	2.62-7.65%	32,816,389	956,362	(2,162,662)	31,610,089	970,970
OPWC loans	0-4.00%	451,992	-	(80,419)	371,573	82,153
Compensated absences payable		121,720	93,760	(80,363)	135,117	83,617
Total other long-term obligations		<u>33,390,101</u>	<u>1,050,122</u>	<u>(2,323,444)</u>	<u>32,116,779</u>	<u>1,136,740</u>
Total business-type activities long-term liabilities		<u>\$ 44,990,053</u>	<u>\$ 4,036,122</u>	<u>\$ (6,419,089)</u>	42,607,086	<u>\$ 4,760,825</u>
Add: Unamortized bond premium					423,578	
Total on statement of net assets					<u>\$ 43,030,664</u>	

General Obligation Bonds

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

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

The Series 2005 Waterworks System improvement refunding bonds issue is comprised of current interest bonds, par value \$4,805,000, with an annual interest rate ranging from 4.00%-5.00%. The re-acquisition 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, 2012

NOTE 11 - 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.

Special Assessment Bonds

On August 3, 2000, the City issued \$145,434 in special assessment bonds to finance the costs of sewer improvements to South Jefferson Street. These bonds bear an interest rate of 5.75% and mature December 1, 2020. During 2012, the City retired \$7,645 of these bonds, leaving an outstanding balance of \$79,307 at December 31, 2012.

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

Future Debt Service Requirements

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

Year Ending December 31,	General Obligation Bonds			Sewer Special Assessment Bonds		
	Principal	Interest	Total	Principal	Interest	Total
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	750,000	239,888	989,888	10,111	2,534	12,645
2018 - 2022	3,455,000	605,845	4,060,845	33,959	3,976	37,935
2023	530,000	27,825	557,825	-	-	-
Total	<u>\$ 7,425,000</u>	<u>\$ 2,176,610</u>	<u>\$ 9,601,610</u>	<u>\$ 79,307</u>	<u>\$ 21,853</u>	<u>\$ 101,160</u>

Notes Payable

On April 12, 2011, the City issued a water improvement note payable in the amount of \$47,500. This note bore an interest rate of 0.709% and matured on April 12, 2012. The note was retired from the Water fund.

On April 12, 2011, the City issued a sewer improvement note payable in the amount of \$3,445,500. This note bore an interest rate of 0.709% and matured on April 12, 2012. The note was retired from the Sewer fund.

On April 10, 2012, the City issued a sewer improvement note payable in the amount of \$2,986,000. This note bears an interest rate of 0.699% and matures on April 10, 2013. This note is a liability of the Sewer fund. On April 9, 2013 the City retired the note payable in the amount of \$2,986,000 and issued \$3,574,000 in new bond anticipation notes as described in Note 19.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

OWDA Loans

The City constructed a wastewater treatment facility in 1990. The Project was financed through expenditure by the Ohio Water Development Authority (OWDA). In 1999, the City began making major improvements to its wastewater treatment facility, which was also partially financed by OWDA. Beginning in 2008, the City borrowed money through the OWDA to finance water reservoir construction and sewer improvement construction. 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.

At December 31, 2012, the City had the following OWDA loans outstanding:

Purpose	Interest Rate	Maturity Date	Balance Outstanding 12/31/2012
<u>Sewer Fund:</u>			
Wastewater facility improvements	3.91%	7/1/2020	\$ 3,780,569
Group 4 sewer design	3.25%	1/29/2029	721,290
Group 2 express sewer	3.36%	1/1/2030	435,508
Group 6 sewer planning	3.25%	7/1/2029	3,819,430
Group 6 sewer design	3.25%	1/1/2030	2,170,397
Group 5 sewer planning/sses	3.25%	1/1/2031	424,035
Group 4 sewer separation	3.53%	1/1/2031	367,220
Sewer design groups 1 & 2	3.20%	7/1/2014	6,019,338
Group 5 design	4.14%	1/1/2031	172,662
Group 31A river intrusion elimination project	4.14%	1/1/2031	465,318
Group 6 sewer separation	3.70%	1/1/2031	1,932,612
Group 5 sewer separation	3.25%	1/1/2031	3,051,516
Group 12 and 14 sewer planning	2.62%	7/1/2031	431,139
LTCP planning	3.28%	7/1/2035	464,056
Group 14 - 15 sewer separation	2.45%	1/1/2034	262,493
CSO long term control planning	2.69%	7/1/2035	347,191
Total Sewer OWDA loans			<u>24,864,774</u>
<u>Water Fund:</u>			
Water reservoir construction	4.09%	7/1/2037	6,745,315
Total OWDA loans			<u>\$ 31,610,089</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 61.13 percent of net revenues and 26.83 percent of total revenues. The total principal and interest remaining to be paid on the loans is \$41,016,575. Principal and interest paid for the current year were \$3,343,944, total net revenues were \$5,470,196 and total revenues were \$12,462,852.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Future Debt Service Requirements

The following is a summary of the City's future annual debt service principal and interest requirements for the business-type activities OWDA loans outstanding. The schedule below will not agree to the balance of OWDA loans outstanding in the schedule of long-term liabilities due to many of the loans still being "open" with a final amortization schedule not being available.

Year Ending December 31,	OWDA Loans Payable		
	Principal	Interest	Total
2013	\$ 970,970	\$ 709,870	\$ 1,680,840
2014	1,268,699	879,012	2,147,711
2015	1,316,064	831,648	2,147,712
2016	1,365,209	782,503	2,147,712
2017	1,416,200	731,512	2,147,712
2018 - 2022	6,390,912	2,881,472	9,272,384
2023 - 2027	5,980,851	1,825,359	7,806,210
2028 - 2032	4,626,421	739,726	5,366,147
2033 - 2037	1,785,756	187,520	1,973,276
Total	<u>\$25,121,082</u>	<u>\$ 9,568,622</u>	<u>\$ 34,689,704</u>

OPWC Loans

Improvements to the City's water treatment facilities were financed through expenditures by the Ohio Public Works Commission (OPWC). At December 31, 2012, the City has the following four loans outstanding with OPWC:

	Interest Rate	Maturity Date	Balance Outstanding 12/31/12
<u>Water Fund</u>			
OPWC loan	4.00%	1/1/2014	\$ 33,924
OPWC loan	3.00%	7/1/2017	139,735
OPWC loan	0.00%	7/1/2019	117,592
Total Water OPWC loans			<u>291,251</u>
<u>Sewer Fund</u>			
OPWC loan	0.00%	7/1/2020	80,322
Total OPWC loans			<u>\$ 371,573</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, 2012

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Future Debt Service Requirements

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

Year Ending December 31,	OPWC Loans Payable		
	Principal	Interest	Total
2013	\$ 82,153	\$ 5,108	\$ 87,261
2014	72,186	3,313	75,499
2015	61,571	2,165	63,736
2016	62,516	1,220	63,736
2017	46,775	247	47,022
2018 - 2020	<u>46,372</u>	<u>-</u>	<u>46,372</u>
Total	<u>\$ 371,573</u>	<u>\$ 12,053</u>	<u>\$ 383,626</u>

NOTE 12 - NOTES PAYABLE

On October 3, 2012, the City issued \$1,350,000 in bond anticipation notes whose proceeds were used to retire \$1,425,000 of bond anticipation notes that were previously issued on October 4, 2011. Proceeds of the bond anticipation note issuances are being used to finance improvements to the City's sanitary sewer system. The \$1,350,000 of bond anticipation notes outstanding at December 31, 2012 bear an interest rate of 0.850% and mature on October 3, 2013. The bond anticipation notes are a liability of the Sewer enterprise fund.

A summary of the note transactions for the year ended December 31, 2012 follows:

	Maturity Date	Outstanding 12/31/2011	Issued	Retired	Outstanding 12/31/2012
<u>Business-type activities:</u>					
Sewer bond anticipation notes:					
Series 2011 BAN - 0.819%	10/4/2012	\$ 1,425,000	\$ -	\$(1,425,000)	\$ -
Series 2012 BAN - 0.850%	10/3/2013	<u>-</u>	<u>1,350,000</u>	<u>-</u>	<u>1,350,000</u>
Total bond anticipation notes		<u>\$ 1,425,000</u>	<u>\$ 1,350,000</u>	<u>\$(1,425,000)</u>	<u>\$ 1,350,000</u>

NOTE 13 - 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.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 13 - RISK MANAGEMENT - (Continued)

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.

As of December 31, 2012, the pool had cash reserves of \$341,664, which, in the opinion of management, is adequate for any claims currently pending against the pool. During 2012, the City paid \$240,984 into the pool for total premiums for the property and casualty coverage received. For the plan year that includes December 31, 2012, the amount of risk retained within the pool is \$50,000 per occurrence for Property, \$25,000 per occurrence for Property, Crime, 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 \$2,000,000 maximum per year. Coverage is provided by various insurance carriers with total Property limits of up to \$250,000,000, 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 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, 2012, the pool had total reported assets of \$4,299,599. The 2012 monthly premiums paid by the City of Defiance per covered employee were \$1,322 for family coverage, \$1,025 for two-party coverage, and \$488 for single coverage. The monthly life insurance premium was \$1.80. The cost of coverage for premiums is paid out of each respective fund and department that pays the salary of the individuals covered under the plan. Employees contribute a portion of each monthly premium through payroll withholding. During 2012, the City paid \$1,870,397 into the pool for all covered benefits. The amount of risk retained by the pool in 2012 was \$175,000 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.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 13 - RISK MANAGEMENT - (Continued)

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 2012, the City paid \$214,233 in total Workers' Compensation premiums and administrative costs.

D. State Unemployment Benefits

Political subdivisions in Ohio are not required to pay the State's unemployment tax. Instead, the City pays unemployment benefits claims directly to the Ohio Department of Job and Family Services, as they occur. During 2012, the City paid \$1,859 to the Ohio Department of Job and Family Services for unemployment benefits claims.

NOTE 14 - 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 2012, member and contribution rates were consistent across all three plans. The 2012 member contribution rates were 10.00% for members. The City's contribution rate for 2012 was 14.00% of covered payroll.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 14 - PENSION PLANS - (Continued)

The City's contribution rate for pension benefits for members in the Traditional Plan for 2012 was 10.00%. The City's contribution rate for pension benefits for members in the Combined Plan for 2012 was 7.95%. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2012, 2011, and 2010 were \$392,605, \$419,403, and \$375,685, respectively; 90.65% has been contributed for 2012 and 100% has been contributed for 2011 and 2010. Contributions to the member-directed plan for 2012 were \$49,181 made by the City and \$35,129 made by the plan members.

B. Ohio Police and Fire Pension Fund

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

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 2012, 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 \$200,811 and \$200,587 for the year ended December 31, 2012, \$210,059 and \$215,516 for the year ended December 31, 2011, and \$212,356 and \$221,543 for the year ended December 31, 2010. The full amount has been contributed for 2011 and 2010. 90.95% has been contributed for police and firefighters for 2012.

NOTE 15 - POST-EMPLOYMENT 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.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 15 - POST-EMPLOYMENT BENEFIT PLANS - (Continued)

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2012, 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 2012 was 4.00%. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2012 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, 2012, 2011, and 2010 were \$161,922, \$172,651, and \$212,229, respectively; 90.65% has been contributed for 2012 and 100% has been contributed for 2011 and 2010.

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, 2012

NOTE 15 - POST-EMPLOYMENT 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, 2012, 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 \$106,312 and \$78,490 for the year ended December 31, 2012, \$111,208 and \$84,333 for the year ended December 31, 2011, and \$112,424 and \$86,691 for the year ended December 31, 2010. The full amount has been contributed for 2011 and 2010. 90.95% has been contributed for police and firefighters for 2012.

NOTE 16 - 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, 2012

NOTE 16 - 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	\$ (323,975)
Net adjustment for revenue accruals	(29,982)
Net adjustment for expenditure accruals	152,381
Net adjustment for other sources/uses	(10,060)
Funds budgeted elsewhere	6
Adjustment for encumbrances	186,828
GAAP basis	<u>\$ (24,802)</u>

The unclaimed monies fund is legally budgeted in as a separate special revenue fund; however, it is considered part of the general fund on a GAAP basis.

NOTE 17 - 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 12/31/11	Additions	Deletions	Balance 12/31/2012
CDBG loans	\$ 1,315,788	\$ 450,000	\$ (206,114)	\$ 1,559,674

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

NOTE 18 - 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, 2012.

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.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 19 - SIGNIFICANT SUBSEQUENT EVENT

On April 9, 2013, the City retired \$2,986,000 in general obligation bond anticipation notes and issued \$3,574,000 in new bond anticipation notes with an interest rate of 1.000% and a maturity date of April 9, 2014. The following table summarizes the activity.

<u>Note Issuance</u>	<u>Original Issue Date</u>	<u>Retired</u>	<u>Issued</u>
Bond Anticipation Notes	4/12/12	\$ 2,986,000	\$ -
Bond Anticipation Notes	4/9/13	-	3,574,000

The difference between the amount of the new notes issued and the amount of the old notes retired represent additional resources to the City that will be used to finance various projects.

NOTE 20 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 136,135
Capital improvements	1,384,392
Nonmajor governmental	5,994
Total	<u>\$ 1,526,521</u>

NOTE 21 - CONTRACTUAL COMMITMENTS

At December 31, 2012, the City had the following outstanding contractual commitments:

<u>Vendor</u>	<u>Contract Amount</u>	<u>Amount Paid at 12/31/12</u>	<u>Amount Outstanding</u>
A&A Safety, Inc.	\$ 34,941	\$ 33,491	\$ 1,450
Arcadis U.S., Inc.	57,800	29,335	28,465
Gerkin Paving, Inc.	361,634	319,955	41,679
Helm & Sons Excavating	3,396,491	3,213,419	183,072
Mannik & Smith Group	251,848	190,975	60,873
Miller Contracting Group, Inc.	147,411	115,893	31,518
Poggemeyer Design	263,090	206,744	56,346
Reynolds Inliner, LLC	2,177,836	2,023,831	154,005
Schimmoeller Construction	40,000	-	40,000
U.R.S. Corp.	60,000	47,250	12,750
VTF Excavation, LLC	1,657,429	1,492,784	164,645
Total Contractual Commitments	<u>\$ 8,448,480</u>	<u>\$ 7,673,677</u>	<u>\$ 774,803</u>

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 22 - FUND BALANCE

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

Fund balance	General	Capital Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Materials and supplies inventory	\$ -	\$ -	\$ 37,124	\$ 37,124
Unclaimed monies	<u>93</u>	<u>-</u>	<u>-</u>	<u>93</u>
Total nonspendable	<u>93</u>	<u>-</u>	<u>37,124</u>	<u>37,217</u>
Restricted:				
General government	-	-	715,140	715,140
Security of persons and property	-	-	487,965	487,965
Transportation	-	-	373,181	373,181
Community environment	-	-	54,504	54,504
Economic development	-	-	1,819,145	1,819,145
Debt service	-	-	765,828	765,828
Capital projects	<u>-</u>	<u>-</u>	<u>7,844</u>	<u>7,844</u>
Total restricted	<u>-</u>	<u>-</u>	<u>4,223,607</u>	<u>4,223,607</u>
Committed:				
General government	7,115	-	-	7,115
Security of persons and property	300	-	2,110	2,410
Public health and welfare	750	-	-	750
Community environment	-	-	40,592	40,592
Economic development	-	-	32,373	32,373
Capital projects	<u>-</u>	<u>962,094</u>	<u>-</u>	<u>962,094</u>
Total committed	<u>8,165</u>	<u>962,094</u>	<u>75,075</u>	<u>1,045,334</u>
Assigned:				
General government	82,213	-	-	82,213
Security of persons and property	25,274	-	-	25,274
Public health and welfare	4,400	-	-	4,400
Community environment	1,517	-	-	1,517
Leisure time activity	14,636	-	-	14,636
Subsequent year appropriations	<u>407,916</u>	<u>-</u>	<u>-</u>	<u>407,916</u>
Total assigned	<u>535,956</u>	<u>-</u>	<u>-</u>	<u>535,956</u>
Unassigned	<u>1,050,874</u>	<u>-</u>	<u>-</u>	<u>1,050,874</u>
Total fund balances	<u>\$ 1,595,088</u>	<u>\$ 962,094</u>	<u>\$ 4,335,806</u>	<u>\$ 6,892,988</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 fund is included in the general fund (GAAP basis), but has a separate legally adopted budget (budget basis):

Unclaimed Monies Fund

This fund accounts for uncashed checks issued by the City.

DEBT SERVICE FUNDS

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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Income taxes	\$ 5,512,677	\$ 5,570,600	\$ 5,548,478	\$ (22,122)
Property and other local taxes	526,468	532,000	537,635	5,635
Charges for services	778,916	787,100	688,301	(98,799)
Licenses, permits and fees	107,421	108,550	78,394	(30,156)
Fines and forfeitures	539,541	545,210	516,270	(28,940)
Intergovernmental	737,608	745,358	784,457	39,099
Investment income	9,896	10,000	22,373	12,373
Donations	267	270	3,062	2,792
Other	62,707	63,366	113,817	50,451
Total revenues	8,275,501	8,362,454	8,292,787	(69,667)
Expenditures:				
Current:				
General Government:				
City Council:				
Salaries and wages	71,410	71,689	71,681	8
Operating	31,772	31,772	30,092	1,680
Total city council	103,182	103,461	101,773	1,688
Municipal Court:				
Salaries and wages	86,442	80,505	115,730	(35,225)
Operating	114,129	114,129	98,162	15,967
Total municipal court	200,571	194,634	213,892	(19,258)
County Law Library:				
Operating	23,108	32,608	32,608	-
Total county law library	23,108	32,608	32,608	-
Mayor:				
Salaries and wages	147,220	147,530	147,478	52
Operating	13,430	13,430	10,067	3,363
Total mayor	160,650	160,960	157,545	3,415
City Administrator:				
Salaries and wages	120,585	120,630	120,621	9
Operating	78,338	86,338	63,740	22,598
Total city administrator	198,923	206,968	184,361	22,607
Finance Department:				
Salaries and wages	271,345	273,714	273,417	297
Operating	68,131	68,131	60,176	7,955
Total finance department	339,476	341,845	333,593	8,252
County and State Charges:				
Operating	78,500	98,500	94,574	3,926
Total county and state charges	78,500	98,500	94,574	3,926
Law Department:				
Salaries and wages	281,590	281,590	272,117	9,473
Operating	23,614	43,614	27,432	16,182
Total law department	305,204	325,204	299,549	25,655

- - Continued

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Civil Service:				
Salaries and wages	\$ 7,595	\$ 7,595	\$ 6,913	\$ 682
Operating	47,471	12,200	3,742	8,458
Total civil service	55,066	19,795	10,655	9,140
Land and Buildings:				
Salaries and wages	73,695	73,695	71,570	2,125
Operating	434,744	491,773	427,750	64,023
Total land and buildings	508,439	565,468	499,320	66,148
Insurance Pool:				
Operating	238,900	240,988	240,984	4
Total insurance pool	238,900	240,988	240,984	4
Income Tax Collection and Distribution:				
Salaries and wages	57,425	58,433	57,603	830
Operating	226,588	226,588	182,317	44,271
Total income tax collection and distribution	284,013	285,021	239,920	45,101
Total General Government	2,496,032	2,575,452	2,408,774	166,678
Security of Persons and Property:				
Police:				
Salaries and wages	2,303,041	2,304,366	2,226,108	78,258
Operating	489,583	484,453	405,705	78,748
Total police	2,792,624	2,788,819	2,631,813	157,006
Fire:				
Salaries and wages	1,538,987	1,582,238	1,533,803	48,435
Operating	143,479	192,424	222,415	(29,991)
Total fire	1,682,466	1,774,662	1,756,218	18,444
Total Security of Persons and Property.	4,475,090	4,563,481	4,388,031	175,450
Public Health and Welfare:				
Cemetery:				
Salaries and wages	159,135	159,135	157,273	1,862
Operating	61,749	65,749	55,927	9,822
Total cemetery	220,884	224,884	213,200	11,684
Total Public Health and Welfare	220,884	224,884	213,200	11,684
Community Environment:				
Building Inspection:				
Salaries and wages	115,960	115,960	109,106	6,854
Operating	23,046	23,046	15,107	7,939
Total building inspection	139,006	139,006	124,213	14,793
Engineering:				
Salaries and wages	361,955	381,955	366,108	15,847
Operating	25,239	25,239	17,204	8,035
Total engineering	387,194	407,194	383,312	23,882
Total Community Environment.	526,200	546,200	507,525	38,675

- - Continued

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2012

	<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	\$ 334,395	\$ 338,620	\$ 333,258	\$ 5,362
Operating	258,312	302,448	282,009	20,439
Total parks and recreation	<u>592,707</u>	<u>641,068</u>	<u>615,267</u>	<u>25,801</u>
Total Leisure Time Activity	<u>592,707</u>	<u>641,068</u>	<u>615,267</u>	<u>25,801</u>
Economic Development:				
Development Department:				
Operating	85,000	85,000	84,025	975
Total development department	<u>85,000</u>	<u>85,000</u>	<u>84,025</u>	<u>975</u>
Total Economic Development	<u>85,000</u>	<u>85,000</u>	<u>84,025</u>	<u>975</u>
Total expenditures	<u>8,395,913</u>	<u>8,636,085</u>	<u>8,216,822</u>	<u>419,263</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(120,412)</u>	<u>(273,631)</u>	<u>75,965</u>	<u>349,596</u>
Other financing uses:				
Sale of capital assets.	9,896	10,000	10,060	60
Transfers out	(410,000)	(410,000)	(410,000)	-
Total other financing uses	<u>(400,104)</u>	<u>(400,000)</u>	<u>(399,940)</u>	<u>60</u>
Net change in fund balance	(520,516)	(673,631)	(323,975)	349,656
Fund balance at beginning of year	1,219,755	1,219,755	1,219,755	-
Prior year encumbrances appropriated	<u>156,487</u>	<u>156,487</u>	<u>156,487</u>	<u>-</u>
Fund balance at end of year	<u>\$ 855,726</u>	<u>\$ 702,611</u>	<u>\$ 1,052,267</u>	<u>\$ 349,656</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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Income taxes	\$ 1,340,809	\$ 1,391,600	\$ 1,392,923	\$ 1,323
Intergovernmental.	1,556,537	1,615,500	487,717	(1,127,783)
Donations.	-	-	-	-
Total revenues	2,897,346	3,007,100	1,880,640	(1,126,460)
Expenditures:				
Capital Outlay:				
Operating	6,236,395	7,104,395	5,078,097	2,026,298
Total expenditures.	6,236,395	7,104,395	5,078,097	2,026,298
Excess of expenditures over revenues . .	(3,339,049)	(4,097,295)	(3,197,457)	899,838
Other financing sources:				
Other financing sources	2,023,353	2,100,000	776,439	(1,323,561)
Note issuance	385,401	400,000	-	(400,000)
Total other financing sources	2,408,754	2,500,000	776,439	(1,723,561)
Net change in fund balance	(930,295)	(1,597,295)	(2,421,018)	(823,723)
Fund balance at beginning of year	1,697,936	1,697,936	1,697,936	-
Prior year encumbrances appropriated .	166,958	166,958	166,958	-
Fund balance at end of year	\$ 934,599	\$ 267,599	\$ (556,124)	\$ (823,723)

CITY OF DEFIANCE, OHIO

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	<u>Nonmajor Special Revenue Funds</u>	<u>Nonmajor Debt Service Funds</u>	<u>Nonmajor Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents . . .	\$ 1,817,796	\$ 765,828	\$ 7,841	\$ 2,591,465
Receivables:				
Income taxes	3,450	-	-	3,450
Property and other local taxes.	220,218	-	-	220,218
Payment in lieu of taxes.	-	67,030	-	67,030
Accounts	22,123	-	-	22,123
Loans	1,559,674	-	-	1,559,674
Special assessments.	-	88,861	-	88,861
Accrued interest.	153	-	3	156
Due from other governments	493,649	-	-	493,649
Materials and supplies inventory	37,124	-	-	37,124
Total assets	<u>\$ 4,154,187</u>	<u>\$ 921,719</u>	<u>\$ 7,844</u>	<u>\$ 5,083,750</u>
Liabilities:				
Accounts payable.	\$ 100,911	\$ -	\$ -	\$ 100,911
Contracts payable.	1,450	-	-	1,450
Accrued wages and benefits	20,684	-	-	20,684
Due to other governments	50,245	-	-	50,245
Total liabilities	<u>173,290</u>	<u>-</u>	<u>-</u>	<u>173,290</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year.	159,688	-	-	159,688
Payments in lieu of taxes levied for the next year . . .	-	67,030	-	67,030
Special assessments revenue not available.	-	88,861	-	88,861
Income tax revenue not available	977	-	-	977
Intergovernmental revenue not available	258,098	-	-	258,098
Total deferred inflows of resources.	<u>418,763</u>	<u>155,891</u>	<u>-</u>	<u>574,654</u>
Fund Balances:				
Nonspendable	37,124	-	-	37,124
Restricted	3,449,935	765,828	7,844	4,223,607
Committed.	75,075	-	-	75,075
Total fund balances.	<u>3,562,134</u>	<u>765,828</u>	<u>7,844</u>	<u>4,335,806</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,154,187</u>	<u>\$ 921,719</u>	<u>\$ 7,844</u>	<u>\$ 5,083,750</u>

CITY OF DEFIANCE, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
Revenues:				
Income taxes	\$ 23,062	\$ -	\$ -	\$ 23,062
Property and other local taxes	403,551	-	-	403,551
Payment in lieu of taxes	-	66,732	-	66,732
Charges for services	402	-	-	402
Licenses, permits and fees	152,590	-	-	152,590
Fines and forfeitures	286,881	-	-	286,881
Intergovernmental	1,690,400	-	-	1,690,400
Special assessments	-	40,992	-	40,992
Investment income	65,086	-	24	65,110
Donations.	3,418	-	-	3,418
Other	74,026	-	-	74,026
Total revenues.	<u>2,699,416</u>	<u>107,724</u>	<u>24</u>	<u>2,807,164</u>
Expenditures:				
Current:				
General government	482,481	1,528	-	484,009
Security of persons and property.	880,117	-	-	880,117
Transportation	1,003,738	-	-	1,003,738
Economic development	477,916	326,000	-	803,916
Capital outlay.	1,450	-	-	1,450
Debt service:				
Principal retirement.	150,000	14,543	-	164,543
Total expenditures	<u>2,995,702</u>	<u>342,071</u>	<u>-</u>	<u>3,337,773</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>(296,286)</u>	<u>(234,347)</u>	<u>24</u>	<u>(530,609)</u>
Other financing sources (uses):				
Transfers in	410,000	-	-	410,000
Transfers (out)	-	(7,645)	-	(7,645)
Total other financing sources (uses)	<u>410,000</u>	<u>(7,645)</u>	<u>-</u>	<u>402,355</u>
Net change in fund balances	113,714	(241,992)	24	(128,254)
Fund balances at beginning of year	<u>3,448,420</u>	<u>1,007,820</u>	<u>7,820</u>	<u>4,464,060</u>
Fund balances at end of year	<u>\$ 3,562,134</u>	<u>\$ 765,828</u>	<u>\$ 7,844</u>	<u>\$ 4,335,806</u>

CITY OF DEFIANCE, OHIO

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2012

	State Highway Improvements	Permissive Tax	Street Construction, Maintenance and Repair	Indigent Drivers
Assets:				
Equity in pooled cash and cash equivalents . . .	\$ 150,409	\$ 14,179	\$ 133,477	\$ 41,272
Receivables:				
Income taxes	-	-	3,450	-
Property and other local taxes	-	-	-	-
Accounts	-	-	-	5,154
Loans	-	-	-	-
Accrued interest	50	-	26	-
Due from other governments	27,180	-	344,162	-
Materials and supplies inventory	-	-	37,124	-
Total assets	<u>\$ 177,639</u>	<u>\$ 14,179</u>	<u>\$ 518,239</u>	<u>\$ 46,426</u>
Liabilities:				
Accounts payable	\$ 2,020	\$ -	\$ 8,396	\$ -
Contracts payable	1,450	-	-	-
Accrued wages and benefits	-	-	20,684	-
Due to other governments	-	-	18,363	-
Total liabilities	<u>3,470</u>	<u>-</u>	<u>47,443</u>	<u>-</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	-	-	-	-
Income tax revenue not available	-	-	977	-
Intergovernmental revenue not available	18,591	-	229,271	-
Total deferred inflows of resources	<u>18,591</u>	<u>-</u>	<u>230,248</u>	<u>-</u>
Fund Balances:				
Nonspendable	-	-	37,124	-
Restricted	155,578	14,179	203,424	46,426
Committed	-	-	-	-
Total fund balances	<u>155,578</u>	<u>14,179</u>	<u>240,548</u>	<u>46,426</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 177,639</u>	<u>\$ 14,179</u>	<u>\$ 518,239</u>	<u>\$ 46,426</u>

Municipal Probation Services	Probation Grant	Court Computerization	Tree of Life	Special Project	OVI Special Project
\$ 274,118	\$ 3,729	\$ 151,859	\$ 1,214	\$ 176,120	\$ 75,977
-	-	-	-	-	-
-	-	-	-	-	-
1,180	-	4,467	-	8,962	2,360
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 275,298</u>	<u>\$ 3,729</u>	<u>\$ 156,326</u>	<u>\$ 1,214</u>	<u>\$ 185,082</u>	<u>\$ 78,337</u>
\$ -	\$ -	\$ 71	\$ -	\$ -	\$ 68
-	-	-	-	-	-
-	-	-	-	-	-
-	917	-	-	-	-
-	<u>917</u>	<u>71</u>	<u>-</u>	<u>-</u>	<u>68</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
275,298	2,812	156,255	-	185,082	78,269
-	-	-	1,214	-	-
<u>275,298</u>	<u>2,812</u>	<u>156,255</u>	<u>1,214</u>	<u>185,082</u>	<u>78,269</u>
<u>\$ 275,298</u>	<u>\$ 3,729</u>	<u>\$ 156,326</u>	<u>\$ 1,214</u>	<u>\$ 185,082</u>	<u>\$ 78,337</u>

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CITY OF DEFIANCE, OHIO

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
DECEMBER 31, 2012

	<u>Cable TV - Franchise</u>	<u>Housing Rehabilitation Grant</u>	<u>Revolving Loan - Industrial</u>	<u>Downtown Revitalization Grant</u>
Assets:				
Equity in pooled cash and cash equivalents . . .	\$ -	\$ 30,608	\$ 254,753	\$ -
Receivables:				
Income taxes	-	-	-	-
Property and other local taxes.	-	-	-	-
Accounts	-	-	-	-
Loans	-	-	1,559,674	-
Accrued interest.	-	-	77	-
Due from other governments	-	107,071	5,000	-
Materials and supplies inventory	-	-	-	-
Total assets.	<u>\$ -</u>	<u>\$ 137,679</u>	<u>\$ 1,819,504</u>	<u>\$ -</u>
Liabilities:				
Accounts payable.	\$ -	\$ 89,859	\$ 359	\$ -
Contracts payable.	-	-	-	-
Accrued wages and benefits	-	-	-	-
Due to other governments	-	-	-	-
Total liabilities	<u>-</u>	<u>89,859</u>	<u>359</u>	<u>-</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	-	-	-	-
Income tax revenue not available.	-	-	-	-
Intergovernmental nonexchange transactions	-	-	-	-
Total deferred inflows of resources.	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Nonspendable.	-	-	-	-
Restricted.	-	47,820	1,819,145	-
Committed.	-	-	-	-
Total fund balances	<u>-</u>	<u>47,820</u>	<u>1,819,145</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ -</u>	<u>\$ 137,679</u>	<u>\$ 1,819,504</u>	<u>\$ -</u>

Peace Officer Training	Reservoir Enhancement	Riverside Cemetery Enhancement	Hotel/Motel Tax	Cemetery Trust	Police Pension
\$ 138	\$ 1,083	\$ 2,084	\$ 265,969	\$ 4,600	\$ 33,569
-	-	-	-	-	-
-	-	-	60,530	-	79,844
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	5,118
-	-	-	-	-	-
<u>\$ 138</u>	<u>\$ 1,083</u>	<u>\$ 2,084</u>	<u>\$ 326,499</u>	<u>\$ 4,600</u>	<u>\$ 118,531</u>
\$ 138	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	30,965	-	-
<u>138</u>	<u>-</u>	<u>-</u>	<u>30,965</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	79,844
-	-	-	-	-	-
-	-	-	-	-	5,118
-	-	-	-	-	84,962
-	-	-	-	-	-
-	-	2,084	295,534	4,600	33,569
-	1,083	-	-	-	-
-	<u>1,083</u>	<u>2,084</u>	<u>295,534</u>	<u>4,600</u>	<u>33,569</u>
<u>\$ 138</u>	<u>\$ 1,083</u>	<u>\$ 2,084</u>	<u>\$ 326,499</u>	<u>\$ 4,600</u>	<u>\$ 118,531</u>

- - Continued

CITY OF DEFIANCE, OHIO

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
DECEMBER 31, 2012

	<u>Fire Pension</u>	<u>Tax Redirection</u>	<u>Law Enforcement Trust</u>	<u>East Side Firehouse</u>
Assets:				
Equity in pooled cash and cash equivalents . . .	\$ 46,495	\$ 32,373	\$ 29,021	\$ 2,110
Receivables:				
Income taxes	-	-	-	-
Property and other local taxes.	79,844	-	-	-
Accounts	-	-	-	-
Loans	-	-	-	-
Accrued interest.	-	-	-	-
Due from other governments	5,118	-	-	-
Materials and supplies inventory	-	-	-	-
Total assets.	<u>\$ 131,457</u>	<u>\$ 32,373</u>	<u>\$ 29,021</u>	<u>\$ 2,110</u>
Liabilities:				
Accounts payable.	\$ -	\$ -	\$ -	\$ -
Contracts payable.	-	-	-	-
Accrued wages and benefits	-	-	-	-
Due to other governments	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	79,844	-	-	-
Income tax revenue not available.	-	-	-	-
Intergovernmental nonexchange transactions	5,118	-	-	-
Total deferred inflows of resources.	<u>84,962</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Nonspendable.	-	-	-	-
Restricted.	46,495	-	29,021	-
Committed.	-	32,373	-	2,110
Total fund balances	<u>46,495</u>	<u>32,373</u>	<u>29,021</u>	<u>2,110</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 131,457</u>	<u>\$ 32,373</u>	<u>\$ 29,021</u>	<u>\$ 2,110</u>

Fire and Rescue Trust	Fire Damage Repair	Park and Recreation Trust	Total Nonmajor Special Revenue Funds
\$ 48,244	\$ 6,100	\$ 38,295	\$ 1,817,796
-	-	-	3,450
-	-	-	220,218
-	-	-	22,123
-	-	-	1,559,674
-	-	-	153
-	-	-	493,649
-	-	-	37,124
<u>\$ 48,244</u>	<u>\$ 6,100</u>	<u>\$ 38,295</u>	<u>\$ 4,154,187</u>
\$ -	\$ -	\$ -	\$ 100,911
-	-	-	1,450
-	-	-	20,684
-	-	-	50,245
<u>-</u>	<u>-</u>	<u>-</u>	<u>173,290</u>
-	-	-	159,688
-	-	-	977
-	-	-	258,098
<u>-</u>	<u>-</u>	<u>-</u>	<u>418,763</u>
-	-	-	37,124
48,244	6,100	-	3,449,935
-	-	38,295	75,075
<u>48,244</u>	<u>6,100</u>	<u>38,295</u>	<u>3,562,134</u>
<u>\$ 48,244</u>	<u>\$ 6,100</u>	<u>\$ 38,295</u>	<u>\$ 4,154,187</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, 2012

	State Highway Improvements	Permissive Tax	Street Construction, Maintenance and Repair	Indigent Drivers
Revenues:				
Income taxes	\$ -	\$ -	\$ 23,062	\$ -
Property and other local taxes	-	-	-	-
Charges for services	-	-	-	-
Licenses, permits and fees	-	-	-	-
Fines and forfeitures	-	-	-	29,857
Intergovernmental	56,199	174,226	809,028	-
Investment income	538	3,678	74	-
Donations.	-	-	-	-
Other	-	-	4,166	-
Total revenues.	<u>56,737</u>	<u>177,904</u>	<u>836,330</u>	<u>29,857</u>
Expenditures:				
Current:				
General government	-	-	-	-
Security of persons and property.	-	-	-	37,062
Transportation	65,145	213,632	724,961	-
Economic development	-	-	-	-
Capital outlay	1,450	-	-	-
Debt service:				
Principal retirement.	-	-	-	-
Total expenditures	<u>66,595</u>	<u>213,632</u>	<u>724,961</u>	<u>37,062</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>(9,858)</u>	<u>(35,728)</u>	<u>111,369</u>	<u>(7,205)</u>
Other financing sources (uses):				
Transfers in.	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(9,858)	(35,728)	111,369	(7,205)
Fund balances at beginning of year	165,436	49,907	129,179	53,631
Fund balances at end of year	<u>\$ 155,578</u>	<u>\$ 14,179</u>	<u>\$ 240,548</u>	<u>\$ 46,426</u>

Municipal Probation Services	Probation Grant	Court Computerization	Tree of Life	Special Project	OVI Special Project
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
7,791	-	77,093	-	156,141	13,544
-	41,809	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	9,811
<u>7,791</u>	<u>41,809</u>	<u>77,093</u>	<u>-</u>	<u>156,141</u>	<u>23,355</u>
-	-	40,325	-	-	-
27,924	41,357	-	-	-	213
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	150,000	-
<u>27,924</u>	<u>41,357</u>	<u>40,325</u>	<u>-</u>	<u>150,000</u>	<u>213</u>
<u>(20,133)</u>	<u>452</u>	<u>36,768</u>	<u>-</u>	<u>6,141</u>	<u>23,142</u>
-	-	-	-	-	-
-	-	-	-	-	-
(20,133)	452	36,768	-	6,141	23,142
295,431	2,360	119,487	1,214	178,941	55,127
<u>\$ 275,298</u>	<u>\$ 2,812</u>	<u>\$ 156,255</u>	<u>\$ 1,214</u>	<u>\$ 185,082</u>	<u>\$ 78,269</u>

- - Continued

CITY OF DEFIANCE, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2012

	Cable TV - Franchise	Housing Rehabilitation Grant	Revolving Loan - Industrial	Downtown Revitalization Grant
Revenues:				
Income taxes	\$ -	\$ -	\$ -	\$ -
Property and other local taxes	-	-	-	-
Charges for services	-	-	402	-
Licenses, permits and fees	152,590	-	-	-
Fines and forfeitures	-	-	-	-
Intergovernmental	-	209,069	175,000	165,000
Investment income	-	-	60,747	-
Donations.	-	-	-	-
Other	-	-	-	-
Total revenues.	<u>152,590</u>	<u>209,069</u>	<u>236,149</u>	<u>165,000</u>
Expenditures:				
Current:				
General government	201,880	-	-	-
Security of persons and property.	-	-	-	-
Transportation	-	-	-	-
Economic development	-	166,053	69,093	242,770
Capital outlay	-	-	-	-
Debt service:				
Principal retirement.	-	-	-	-
Total expenditures	<u>201,880</u>	<u>166,053</u>	<u>69,093</u>	<u>242,770</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>(49,290)</u>	<u>43,016</u>	<u>167,056</u>	<u>(77,770)</u>
Other financing sources (uses):				
Transfers in.	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(49,290)	43,016	167,056	(77,770)
Fund balances at beginning of year	49,290	4,804	1,652,089	77,770
Fund balances at end of year	<u>\$ -</u>	<u>\$ 47,820</u>	<u>\$ 1,819,145</u>	<u>\$ -</u>

Peace Officer Training	Reservoir Enhancement	Riverside Cemetery Enhancement	Hotel/Motel Tax	Cemetery Trust	Police Pension
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	257,235	-	73,158
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	16,650
-	44	5	-	-	-
-	157	818	-	-	-
-	-	-	1,640	-	195
-	201	823	258,875	-	90,003
-	19,724	-	220,552	-	-
538	-	-	-	-	309,594
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
538	19,724	-	220,552	-	309,594
(538)	(19,523)	823	38,323	-	(219,591)
-	-	-	-	-	220,000
-	-	-	-	-	220,000
(538)	(19,523)	823	38,323	-	409
538	20,606	1,261	257,211	4,600	33,160
\$ -	\$ 1,083	\$ 2,084	\$ 295,534	\$ 4,600	\$ 33,569

- - Continued

CITY OF DEFIANCE, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2012

	Fire Pension	Tax Redirection	Law Enforcement Trust	East Side Firehouse
Revenues:				
Income taxes	\$ -	\$ -	\$ -	\$ -
Property and other local taxes	73,158	-	-	-
Charges for services	-	-	-	-
Licenses, permits and fees	-	-	-	-
Fines and forfeitures	-	-	2,455	-
Intergovernmental	16,650	-	-	-
Investment income	-	-	-	-
Donations.	-	-	2,170	-
Other	-	-	-	-
Total revenues.	<u>89,808</u>	<u>-</u>	<u>4,625</u>	<u>-</u>
Expenditures:				
Current:				
General government	-	-	-	-
Security of persons and property.	282,102	-	7,484	-
Transportation	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement.	-	-	-	-
Total expenditures	<u>282,102</u>	<u>-</u>	<u>7,484</u>	<u>-</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>(192,294)</u>	<u>-</u>	<u>(2,859)</u>	<u>-</u>
Other financing sources (uses):				
Transfers in.	<u>190,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>190,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(2,294)	-	(2,859)	-
Fund balances at beginning of year	48,789	32,373	31,880	2,110
Fund balances at end of year	<u>\$ 46,495</u>	<u>\$ 32,373</u>	<u>\$ 29,021</u>	<u>\$ 2,110</u>

Fire and Rescue Trust	Fire Damage Repair	Park and Recreation Trust	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ 23,062
-	-	-	403,551
-	-	-	402
-	-	-	152,590
-	-	-	286,881
26,769	-	-	1,690,400
-	-	-	65,086
273	-	-	3,418
-	58,214	-	74,026
<u>27,042</u>	<u>58,214</u>	<u>-</u>	<u>2,699,416</u>
-	-	-	482,481
54,769	119,074	-	880,117
-	-	-	1,003,738
-	-	-	477,916
-	-	-	1,450
-	-	-	150,000
<u>54,769</u>	<u>119,074</u>	<u>-</u>	<u>2,995,702</u>
<u>(27,727)</u>	<u>(60,860)</u>	<u>-</u>	<u>(296,286)</u>
-	-	-	410,000
-	-	-	410,000
(27,727)	(60,860)	-	113,714
75,971	66,960	38,295	3,448,420
<u>\$ 48,244</u>	<u>\$ 6,100</u>	<u>\$ 38,295</u>	<u>\$ 3,562,134</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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 51,200	\$ 51,200	\$ 56,960	\$ 5,760
Investment income	300	300	587	287
Total revenues	<u>51,500</u>	<u>51,500</u>	<u>57,547</u>	<u>6,047</u>
Expenditures:				
Current:				
Transportation:				
Capital Improvements:				
Operating	<u>59,000</u>	<u>67,500</u>	<u>66,751</u>	<u>749</u>
Total expenditures	<u>59,000</u>	<u>67,500</u>	<u>66,751</u>	<u>749</u>
Net change in fund balance.	(7,500)	(16,000)	(9,204)	6,796
Fund balance at beginning of year	<u>155,987</u>	<u>155,987</u>	<u>155,987</u>	<u>-</u>
Fund balance at end of year	<u>\$ 148,487</u>	<u>\$ 139,987</u>	<u>\$ 146,783</u>	<u>\$ 6,796</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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 30,000	\$ 180,000	\$ 174,226	\$ (5,774)
Investment income	-	-	3,678	3,678
Total revenues.	<u>30,000</u>	<u>180,000</u>	<u>177,904</u>	<u>(2,096)</u>
Expenditures:				
Current:				
Transportation:				
Capital Improvements:				
Operating	<u>31,950</u>	<u>225,426</u>	<u>219,514</u>	<u>5,912</u>
Total expenditures	<u>31,950</u>	<u>225,426</u>	<u>219,514</u>	<u>5,912</u>
Net change in fund balance.	(1,950)	(45,426)	(41,610)	3,816
Fund balance at beginning of year	49,907	49,907	49,907	-
Prior year encumbrances appropriated .	1,950	1,950	1,950	-
Fund balance at end of year	<u>\$ 49,907</u>	<u>\$ 6,431</u>	<u>\$ 10,247</u>	<u>\$ 3,816</u>

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
STREET CONSTRUCTION, MAINTENANCE AND REPAIR FUND
 FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Income taxes	\$ 23,200	\$ 23,200	\$ 23,215	\$ 15
Intergovernmental	802,500	802,500	819,067	16,567
Investment income	100	100	60	(40)
Other	-	-	2,639	2,639
Total revenues.	<u>825,800</u>	<u>825,800</u>	<u>844,981</u>	<u>19,181</u>
Expenditures:				
Current:				
Transportation:				
Highway and Streets:				
Salaries and wages	679,484	679,484	603,438	76,046
Operating	207,852	207,852	184,590	23,262
Total expenditures.	<u>887,336</u>	<u>887,336</u>	<u>788,028</u>	<u>99,308</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(61,536)</u>	<u>(61,536)</u>	<u>56,953</u>	<u>118,489</u>
Other financing sources:				
Other financing sources.	30,000	30,000	1,791	(28,209)
Transfers in	13,000	13,000	30,000	17,000
Total other financing sources.	<u>43,000</u>	<u>43,000</u>	<u>31,791</u>	<u>(11,209)</u>
Net change in fund balance.	(18,536)	(18,536)	88,744	107,280
Fund balance at beginning of year	12,714	12,714	12,714	-
Prior year encumbrances appropriated .	6,371	6,371	6,371	-
Fund balance at end of year	<u>\$ 549</u>	<u>\$ 549</u>	<u>\$ 107,829</u>	<u>\$ 107,280</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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and forfeitures	\$ 22,000	\$ 22,000	\$ 30,461	\$ 8,461
Total revenues	<u>22,000</u>	<u>22,000</u>	<u>30,461</u>	<u>8,461</u>
Expenditures:				
Current:				
Security of Persons and Property:				
Municipal Court:				
Operating	34,181	64,181	46,562	17,619
Total expenditures	<u>34,181</u>	<u>64,181</u>	<u>46,562</u>	<u>17,619</u>
Net change in fund balance.	(12,181)	(42,181)	(16,101)	26,080
Fund balance at beginning of year	43,692	43,692	43,692	-
Prior year encumbrances appropriated .	4,181	4,181	4,181	-
Fund balance at end of year	<u>\$ 35,692</u>	<u>\$ 5,692</u>	<u>\$ 31,772</u>	<u>\$ 26,080</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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and forfeitures	\$ 24,000	\$ 24,000	\$ 23,031	\$ (969)
Total revenues	<u>24,000</u>	<u>24,000</u>	<u>23,031</u>	<u>(969)</u>
Expenditures:				
Current:				
Security of Persons and Property:				
Municipal Probation Service:				
Salaries and wages	13,258	13,258	8,102	5,156
Operating	<u>11,242</u>	<u>11,242</u>	<u>6,870</u>	<u>4,372</u>
Total expenditures	<u>24,500</u>	<u>24,500</u>	<u>14,972</u>	<u>9,528</u>
Net change in fund balance	(500)	(500)	8,059	8,559
Fund balance at beginning of year	264,441	264,441	264,441	-
Prior year encumbrances appropriated .	900	900	900	-
Fund balance at end of year	<u>\$ 264,841</u>	<u>\$ 264,841</u>	<u>\$ 273,400</u>	<u>\$ 8,559</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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 55,000	\$ 55,800	\$ 55,479	\$ (321)
Total revenues	<u>55,000</u>	<u>55,800</u>	<u>55,479</u>	<u>(321)</u>
Expenditures:				
Current:				
Security of Persons and Property:				
Municipal Probation Service:				
Salaries and wages	15,973	30,670	30,666	4
Operating	<u>14,239</u>	<u>27,340</u>	<u>25,304</u>	<u>2,036</u>
Total expenditures	<u>30,212</u>	<u>58,010</u>	<u>55,970</u>	<u>2,040</u>
Net change in fund balance.	24,788	(2,210)	(491)	1,719
Fund balance at beginning of year	3,291	3,291	3,291	-
Prior year encumbrances appropriated .	<u>319</u>	<u>319</u>	<u>319</u>	<u>-</u>
Fund balance at end of year	<u>\$ 28,398</u>	<u>\$ 1,400</u>	<u>\$ 3,119</u>	<u>\$ 1,719</u>

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
COURT COMPUTERIZATION FUND
 FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and forfeitures	\$ 48,000	\$ 48,000	\$ 76,034	\$ 28,034
Total revenues	<u>48,000</u>	<u>48,000</u>	<u>76,034</u>	<u>28,034</u>
Expenditures:				
Current:				
General Government:				
Municipal Court:				
Operating	132,537	132,537	59,350	73,187
Total expenditures	<u>132,537</u>	<u>132,537</u>	<u>59,350</u>	<u>73,187</u>
Net change in fund balance.	(84,537)	(84,537)	16,684	101,221
Fund balance at beginning of year	73,677	73,677	73,677	-
Prior year encumbrances appropriated .	42,537	42,537	42,537	-
Fund balance at end of year	<u>\$ 31,677</u>	<u>\$ 31,677</u>	<u>\$ 132,898</u>	<u>\$ 101,221</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, 2012

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

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SPECIAL PROJECT FUND
 FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and forfeitures	\$ 140,000	\$ 140,000	\$ 157,321	\$ 17,321
Total revenues	<u>140,000</u>	<u>140,000</u>	<u>157,321</u>	<u>17,321</u>
Expenditures:				
Current:				
General Government:				
Municipal Court:				
Operating	-	2,500	2,491	9
Total municipal court	<u>-</u>	<u>2,500</u>	<u>2,491</u>	<u>9</u>
Debt Service:				
Principal retirement	150,000	150,000	150,000	-
Total debt service.	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>-</u>
Total expenditures	<u>150,000</u>	<u>152,500</u>	<u>152,491</u>	<u>9</u>
Net change in fund balance.	(10,000)	(12,500)	4,830	17,330
Fund balance at beginning of year	168,799	168,799	168,799	-
Fund balance at end of year	<u>\$ 158,799</u>	<u>\$ 156,299</u>	<u>\$ 173,629</u>	<u>\$ 17,330</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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and forfeitures	\$ -	\$ -	\$ 12,852	\$ 12,852
Other	-	-	9,811	9,811
Total revenues	<u>-</u>	<u>-</u>	<u>22,663</u>	<u>22,663</u>
Expenditures:				
Current:				
General Government:				
Municipal Court:				
Operating	<u>5,000</u>	<u>5,000</u>	<u>500</u>	<u>4,500</u>
Total expenditures	<u>5,000</u>	<u>5,000</u>	<u>500</u>	<u>4,500</u>
Net change in fund balance.	(5,000)	(5,000)	22,163	27,163
Fund balance at beginning of year	<u>53,459</u>	<u>53,459</u>	<u>53,459</u>	<u>-</u>
Fund balance at end of year	<u>\$ 48,459</u>	<u>\$ 48,459</u>	<u>\$ 75,622</u>	<u>\$ 27,163</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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Licenses, permits and fees	\$ 190,000	\$ 206,500	\$ 201,880	\$ (4,620)
Total revenues	<u>190,000</u>	<u>206,500</u>	<u>201,880</u>	<u>(4,620)</u>
Expenditures:				
Current:				
General Government:				
Cable TV:				
Operating	190,000	206,500	201,880	4,620
Total expenditures	<u>190,000</u>	<u>206,500</u>	<u>201,880</u>	<u>4,620</u>
Net change in fund balance.	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
HOUSING REHABILITATION GRANT FUND
 FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 516,840	\$ 101,840	\$ 101,998	\$ 158
Total revenues	<u>516,840</u>	<u>101,840</u>	<u>101,998</u>	<u>158</u>
Expenditures:				
Current:				
Economic Development:				
Housing Rehabilitation:				
Operating	516,000	101,000	85,758	15,242
Total expenditures	<u>516,000</u>	<u>101,000</u>	<u>85,758</u>	<u>15,242</u>
Net change in fund balance.	840	840	16,240	15,400
Fund balance at beginning of year	<u>5,373</u>	<u>5,373</u>	<u>5,373</u>	<u>-</u>
Fund balance at end of year	<u>\$ 6,213</u>	<u>\$ 6,213</u>	<u>\$ 21,613</u>	<u>\$ 15,400</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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 200,000	\$ 200,000	\$ 170,000	\$ (30,000)
Investment income	550	550	996	446
Total revenues	<u>200,550</u>	<u>200,550</u>	<u>170,996</u>	<u>(29,554)</u>
Expenditures:				
Current:				
Economic Development:				
Capital Improvement:				
Operating	<u>535,000</u>	<u>563,000</u>	<u>518,427</u>	<u>44,573</u>
Total expenditures	<u>535,000</u>	<u>563,000</u>	<u>518,427</u>	<u>44,573</u>
Excess of expenditures over revenues . . .	<u>(334,450)</u>	<u>(362,450)</u>	<u>(347,431)</u>	<u>15,019</u>
Other financing sources:				
Other financing sources	268,103	268,103	266,097	(2,006)
Transfers in	-	-	-	-
Total other financing sources	<u>268,103</u>	<u>268,103</u>	<u>266,097</u>	<u>(2,006)</u>
Net change in fund balance	(66,347)	(94,347)	(81,334)	13,013
Fund balance at beginning of year	336,087	336,087	336,087	-
Fund balance at end of year	<u>\$ 269,740</u>	<u>\$ 241,740</u>	<u>\$ 254,753</u>	<u>\$ 13,013</u>

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
DOWNTOWN REVITALIZATION GRANT FUND
 FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 271,000	\$ 165,000	\$ 165,000	\$ -
Total revenues	<u>271,000</u>	<u>165,000</u>	<u>165,000</u>	<u>-</u>
Expenditures:				
Current:				
Economic Development:				
Downtown Revitalization:				
Operating	271,000	264,706	264,706	-
Total expenditures	<u>271,000</u>	<u>264,706</u>	<u>264,706</u>	<u>-</u>
Net change in fund balance.	-	(99,706)	(99,706)	-
Fund balance at beginning of year	99,706	99,706	99,706	-
Fund balance at end of year	<u>\$ 99,706</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)
PEACE OFFICER TRAINING FUND
 FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 1,500	\$ 1,500	\$ -	\$ (1,500)
Total revenues	<u>1,500</u>	<u>1,500</u>	<u>-</u>	<u>(1,500)</u>
Expenditures:				
Current:				
Security of Persons and Property:				
Police:				
Operating	2,038	2,038	538	1,500
Total expenditures	<u>2,038</u>	<u>2,038</u>	<u>538</u>	<u>1,500</u>
Net change in fund balance.	(538)	(538)	(538)	-
Fund balance at beginning of year	538	538	538	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
RESERVOIR ENHANCEMENT FUND
 FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Investment income	\$ -	\$ -	\$ 57	\$ 57
Donations.	-	-	157	157
Total revenues	<u>-</u>	<u>-</u>	<u>214</u>	<u>214</u>
Expenditures:				
Current:				
Community Environment:				
Water:				
Operating	<u>20,000</u>	<u>20,000</u>	<u>19,724</u>	<u>276</u>
Total expenditures	<u>20,000</u>	<u>20,000</u>	<u>19,724</u>	<u>276</u>
Net change in fund balance.	(20,000)	(20,000)	(19,510)	490
Fund balance at beginning of year	<u>20,593</u>	<u>20,593</u>	<u>20,593</u>	<u>-</u>
Fund balance at end of year	<u>\$ 593</u>	<u>\$ 593</u>	<u>\$ 1,083</u>	<u>\$ 490</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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Investment income	\$ -	\$ -	\$ 5	\$ 5
Donations.	-	-	818	818
Total revenues	<u>-</u>	<u>-</u>	<u>823</u>	<u>823</u>
Expenditures:				
Current:				
Community Environment:				
Cemetery Enhancements:				
Operating	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance.	-	-	823	823
Fund balance at beginning of year	<u>1,261</u>	<u>1,261</u>	<u>1,261</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,261</u>	<u>\$ 1,261</u>	<u>\$ 2,084</u>	<u>\$ 823</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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and other local taxes	\$ 184,000	\$ 219,620	\$ 254,905	\$ 35,285
Donations.	-	-	-	-
Other	-	-	1,640	1,640
Total revenues	<u>184,000</u>	<u>219,620</u>	<u>256,545</u>	<u>36,925</u>
Expenditures:				
Current:				
General Government:				
General Operating:				
Salaries and wages	13,685	17,607	17,349	258
Operating.	<u>79,793</u>	<u>102,663</u>	<u>101,158</u>	<u>1,505</u>
Total general operating	<u>93,478</u>	<u>120,270</u>	<u>118,507</u>	<u>1,763</u>
Capital Improvements:				
Operating	<u>100,860</u>	<u>129,768</u>	<u>127,865</u>	<u>1,903</u>
Total capital improvements	<u>100,860</u>	<u>129,768</u>	<u>127,865</u>	<u>1,903</u>
Total expenditures	<u>194,338</u>	<u>250,038</u>	<u>246,372</u>	<u>3,666</u>
Net change in fund balance.	(10,338)	(30,418)	10,173	40,591
Fund balance at beginning of year	217,606	217,606	217,606	-
Prior year encumbrances appropriated .	<u>12,253</u>	<u>12,253</u>	<u>12,253</u>	<u>-</u>
Fund balance at end of year	<u>\$ 219,521</u>	<u>\$ 199,441</u>	<u>\$ 240,032</u>	<u>\$ 40,591</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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Fund balance at beginning of year	\$ 4,600	\$ 4,600	\$ 4,600	\$ -
Fund balance at end of year	<u>\$ 4,600</u>	<u>\$ 4,600</u>	<u>\$ 4,600</u>	<u>\$ -</u>

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
POLICE PENSION FUND
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and other local taxes	\$ 73,887	\$ 73,887	\$ 73,158	\$ (729)
Intergovernmental	16,793	16,793	16,650	(143)
Other	-	-	195	195
Total revenues	<u>90,680</u>	<u>90,680</u>	<u>90,003</u>	<u>(677)</u>
Expenditures:				
Current:				
Security of Persons and Property:				
Police Pension:				
Salaries and wages	320,000	320,000	307,416	12,584
Operating	2,500	2,500	2,178	322
Total expenditures	<u>322,500</u>	<u>322,500</u>	<u>309,594</u>	<u>12,906</u>
Excess of expenditures over revenues . . .	<u>(231,820)</u>	<u>(231,820)</u>	<u>(219,591)</u>	<u>12,229</u>
Other financing sources:				
Transfers in	<u>220,000</u>	<u>220,000</u>	<u>220,000</u>	<u>-</u>
Total other financing sources	<u>220,000</u>	<u>220,000</u>	<u>220,000</u>	<u>-</u>
Net change in fund balance.	(11,820)	(11,820)	409	12,229
Fund balance at beginning of year	<u>33,160</u>	<u>33,160</u>	<u>33,160</u>	<u>-</u>
Fund balance at end of year	<u>\$ 21,340</u>	<u>\$ 21,340</u>	<u>\$ 33,569</u>	<u>\$ 12,229</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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property and other local taxes	\$ 73,887	\$ 73,887	\$ 73,158	\$ (729)
Intergovernmental	16,793	16,793	16,650	(143)
Total revenues	<u>90,680</u>	<u>90,680</u>	<u>89,808</u>	<u>(872)</u>
Expenditures:				
Current:				
Security of Persons and Property:				
Fire Pension:				
Salaries and wages	290,000	290,000	279,924	10,076
Operating	2,500	2,500	2,178	322
Total expenditures	<u>292,500</u>	<u>292,500</u>	<u>282,102</u>	<u>10,398</u>
Excess of expenditures over revenues . . .	<u>(201,820)</u>	<u>(201,820)</u>	<u>(192,294)</u>	<u>9,526</u>
Other financing sources:				
Transfers in	190,000	190,000	190,000	-
Total other financing sources	<u>190,000</u>	<u>190,000</u>	<u>190,000</u>	<u>-</u>
Net change in fund balance.	(11,820)	(11,820)	(2,294)	9,526
Fund balance at beginning of year	48,789	48,789	48,789	-
Fund balance at end of year	<u>\$ 36,969</u>	<u>\$ 36,969</u>	<u>\$ 46,495</u>	<u>\$ 9,526</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, 2012

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

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
LAW ENFORCEMENT TRUST FUND
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines and forfeitures	\$ 2,735	\$ 2,735	\$ 2,455	\$ (280)
Donations	500	500	2,170	1,670
Total revenues	<u>3,235</u>	<u>3,235</u>	<u>4,625</u>	<u>1,390</u>
Expenditures:				
Current:				
Security of Persons and Property:				
Police:				
Operating	12,000	12,000	7,484	4,516
Total expenditures	<u>12,000</u>	<u>12,000</u>	<u>7,484</u>	<u>4,516</u>
Net change in fund balance.	(8,765)	(8,765)	(2,859)	5,906
Fund balance at beginning of year	<u>31,880</u>	<u>31,880</u>	<u>31,880</u>	<u>-</u>
Fund balance at end of year	<u>\$ 23,115</u>	<u>\$ 23,115</u>	<u>\$ 29,021</u>	<u>\$ 5,906</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, 2012

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

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FIRE AND RESCUE TRUST FUND
 FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 19,600	\$ 19,600	\$ 26,769	\$ 7,169
Donations.	-	-	273	273
Other	-	-	-	-
Total revenues	<u>19,600</u>	<u>19,600</u>	<u>27,042</u>	<u>7,442</u>
Expenditures:				
Current:				
Security of Persons and Property:				
Fire:				
Operating	<u>65,000</u>	<u>65,000</u>	<u>54,769</u>	<u>10,231</u>
Total expenditures	<u>65,000</u>	<u>65,000</u>	<u>54,769</u>	<u>10,231</u>
Net change in fund balance.	(45,400)	(45,400)	(27,727)	17,673
Fund balance at beginning of year	<u>75,971</u>	<u>75,971</u>	<u>75,971</u>	<u>-</u>
Fund balance at end of year	<u>\$ 30,571</u>	<u>\$ 30,571</u>	<u>\$ 48,244</u>	<u>\$ 17,673</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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other	\$ -	\$ 61,214	\$ 61,214	\$ -
Total revenues	<u>-</u>	<u>61,214</u>	<u>61,214</u>	<u>-</u>
Expenditures:				
Current:				
Security of Persons and Property:				
Fire:				
Operating	63,860	125,074	125,074	-
Total expenditures	<u>63,860</u>	<u>125,074</u>	<u>125,074</u>	<u>-</u>
Net change in fund balance.	(63,860)	(63,860)	(63,860)	-
Fund balance at beginning of year	100	100	100	-
Prior year encumbrances appropriated .	63,860	63,860	63,860	-
Fund balance at end of year	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ -</u>

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
PARK AND RECREATION TRUST FUND
 FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Fund balance at beginning of year	\$ 38,295	\$ 38,295	\$ 38,295	\$ -
Fund balance at end of year	<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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other	\$ -	\$ -	\$ 6	\$ 6
Total revenues	<u>-</u>	<u>-</u>	<u>6</u>	<u>6</u>
Expenditures:				
Current:				
General Government:				
Finance Department:				
Operating	28,777	28,777	-	28,777
Total finance department.	<u>28,777</u>	<u>28,777</u>	<u>-</u>	<u>28,777</u>
Total expenditures	<u>28,777</u>	<u>28,777</u>	<u>-</u>	<u>28,777</u>
Net change in fund balance.	(28,777)	(28,777)	6	28,783
Fund balance at beginning of year	28,777	28,777	28,777	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,783</u>	<u>\$ 28,783</u>

CITY OF DEFIANCE, OHIO
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
DECEMBER 31, 2012

	Bond Retirement	Tax Increment Financing	Total Nonmajor Debt Service Funds
Assets:			
Equity in pooled cash and cash equivalents . . .	\$ 610,762	\$ 155,066	\$ 765,828
Receivables:			
Payment in lieu of taxes.	-	67,030	67,030
Special assessments.	88,861	-	88,861
Total assets	\$ 699,623	\$ 222,096	\$ 921,719
Deferred inflows of resources:			
Payments in lieu of taxes levied for the next year . .	\$ -	\$ 67,030	\$ 67,030
Special assessments revenue not available.	88,861	-	88,861
Total deferred inflows of resources.	88,861	67,030	155,891
Fund Balances:			
Restricted	610,762	155,066	765,828
Total fund balances	610,762	155,066	765,828
Total deferred inflows of resources and fund balances	\$ 699,623	\$ 222,096	\$ 921,719

CITY OF DEFIANCE, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Bond Retirement	Tax Increment Financing	Total Nonmajor Debt Service Funds
Revenues:			
Payment in lieu of taxes	\$ -	\$ 66,732	\$ 66,732
Special assessments	40,992	-	40,992
Total revenues.	<u>40,992</u>	<u>66,732</u>	<u>107,724</u>
Expenditures:			
Current:			
General government	1,528	-	1,528
Economic development and assistance	-	326,000	326,000
Debt service:			
Principal retirement.	14,543	-	14,543
Total expenditures	<u>16,071</u>	<u>326,000</u>	<u>342,071</u>
Excess (deficiency) of revenues over (under) expenditures	<u>24,921</u>	<u>(259,268)</u>	<u>(234,347)</u>
Other financing uses:			
Transfers (out)	(7,645)	-	(7,645)
Total other financing uses.	<u>(7,645)</u>	<u>-</u>	<u>(7,645)</u>
Net change in fund balances	17,276	(259,268)	(241,992)
Fund balances at beginning of year	<u>593,486</u>	<u>414,334</u>	<u>1,007,820</u>
Fund balances at end of year	<u><u>\$ 610,762</u></u>	<u><u>\$ 155,066</u></u>	<u><u>\$ 765,828</u></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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Special assessments	\$ 36,700	\$ 36,700	\$ 40,992	\$ 4,292
Total revenues.	<u>36,700</u>	<u>36,700</u>	<u>40,992</u>	<u>4,292</u>
Expenditures:				
Current:				
General Government:				
County and State Charges:				
Operating	-	7,000	1,530	5,470
Total county and state charges.	-	7,000	1,530	5,470
Total General Government	-	7,000	1,530	5,470
Debt Service:				
Principal retirement	-	22,190	22,186	4
Interest and fiscal charges	-	7,465	-	7,465
Total debt service	-	29,655	22,186	7,469
Total expenditures	-	36,655	23,716	12,939
Net change in fund balance	36,700	45	17,276	17,231
Fund balance at beginning of year	593,486	593,486	593,486	-
Fund balance at end of year	\$ 630,186	\$ 593,531	\$ 610,762	\$ 17,231

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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other	\$ 68,600	\$ 68,600	\$ 66,732	\$ (1,868)
Total revenues.	<u>68,600</u>	<u>68,600</u>	<u>66,732</u>	<u>(1,868)</u>
Expenditures:				
Current:				
Economic Development and Assistance:				
Operating	-	326,000	326,000	-
Total expenditures	<u>-</u>	<u>326,000</u>	<u>326,000</u>	<u>-</u>
Net change in fund balance	68,600	(257,400)	(259,268)	(1,868)
Fund balance at beginning of year	414,334	414,334	414,334	-
Fund balance at end of year	<u>\$ 482,934</u>	<u>\$ 156,934</u>	<u>\$ 155,066</u>	<u>\$ (1,868)</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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Investment income	\$ -	\$ -	\$ 26	\$ 26
Total revenues	<u>-</u>	<u>-</u>	<u>26</u>	<u>26</u>
Net change in fund balance	-	-	26	26
Fund balance at beginning of year	7,815	7,815	7,815	-
Prior year encumbrances appropriated .	-	-	-	-
Fund balance at end of year	<u>\$ 7,815</u>	<u>\$ 7,815</u>	<u>\$ 7,841</u>	<u>\$ 26</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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for services	\$ 5,788,000	\$ 5,788,000	\$ 6,032,256	\$ 244,256
Tap-in fees	20,000	20,000	23,659	3,659
Other.	10,000	10,000	6,402	(3,598)
Total operating revenues.	5,818,000	5,818,000	6,062,317	244,317
Operating expenses:				
Personal services.	1,476,562	1,562,544	1,378,507	184,037
Contractual services	401,652	395,934	349,301	46,633
Materials and supplies	1,096,022	1,012,861	893,566	119,295
Administrative costs	23,267	22,491	19,842	2,649
Utilities	359,924	302,917	267,239	35,678
Other.	7,493	7,911	6,979	932
Capital outlay	637,409	672,611	593,391	79,220
Total operating expenses.	4,002,329	3,977,269	3,508,825	468,444
Operating income	1,815,671	1,840,731	2,553,492	712,761
Nonoperating revenues (expenses):				
Interest revenue	4,000	4,000	8,347	4,347
Debt service:				
Principal retirement.	(890,005)	(939,627)	(828,958)	110,669
Interest and fiscal charges	(727,472)	(768,033)	(677,574)	90,459
Total nonoperating revenues (expenses)	(1,613,477)	(1,703,660)	(1,498,185)	205,475
Net income (loss) before transfers.	202,194	137,071	1,055,307	918,236
Transfers in	228,000	228,000	228,000	-
Transfers out.	(500,900)	(500,900)	(500,900)	-
Net change in fund equity.	(70,706)	(135,829)	782,407	918,236
Fund equity at beginning of year.	1,569,950	1,569,950	1,569,950	-
Prior year encumbrances appropriated	238,568	238,568	238,568	-
Fund equity at end of year	\$ 1,737,812	\$ 1,672,689	\$ 2,590,925	\$ 918,236

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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues:				
Charges for services	\$ 6,334,640	\$ 6,334,640	\$ 6,375,715	\$ 41,075
Other	5,000	5,000	37,362	32,362
Total operating revenues	<u>6,339,640</u>	<u>6,339,640</u>	<u>6,413,077</u>	<u>73,437</u>
Operating expenses:				
Personal services	1,394,692	1,397,732	1,304,241	93,491
Contract services	398,516	399,385	329,172	70,213
Materials and supplies	515,084	516,207	425,456	90,751
Administrative costs	28,323	28,385	23,395	4,990
Utilities	437,025	437,978	360,980	76,998
Capital outlay	<u>5,727,164</u>	<u>5,739,650</u>	<u>4,730,601</u>	<u>1,009,049</u>
Total operating expenses	<u>8,500,804</u>	<u>8,519,337</u>	<u>7,173,845</u>	<u>1,345,492</u>
Operating income (loss)	<u>(2,161,164)</u>	<u>(2,179,697)</u>	<u>(760,768)</u>	<u>1,418,929</u>
Nonoperating revenues (expenses):				
Interest revenue	5,450	5,450	12,706	7,256
Sale of capital assets	-	14,950	10,869	(4,081)
Note issuance	4,336,000	4,336,000	4,336,000	-
Loan issuance	5,098,000	5,098,000	983,700	(4,114,300)
Debt service:				
Principal retirement	(8,224,043)	(8,241,973)	(6,793,007)	1,448,966
Interest and fiscal charges	<u>(1,197,008)</u>	<u>(1,199,618)</u>	<u>(988,721)</u>	<u>210,897</u>
Total nonoperating revenues (expenses)	<u>18,399</u>	<u>12,809</u>	<u>(2,438,453)</u>	<u>(2,451,262)</u>
Net income before transfers	(2,142,765)	(2,166,888)	(3,199,221)	(1,032,333)
Transfers in	228,000	228,000	228,000	-
Transfers out	<u>(489,300)</u>	<u>(489,300)</u>	<u>(489,300)</u>	<u>-</u>
Net change in fund equity	(2,404,065)	(2,428,188)	(3,460,521)	(1,032,333)
Fund equity at beginning of year	2,754,228	2,754,228	2,754,228	-
Prior year encumbrances appropriated	824,283	824,283	824,283	-
Fund equity at end of year	<u>\$ 1,174,446</u>	<u>\$ 1,150,323</u>	<u>\$ 117,990</u>	<u>\$ (1,032,333)</u>

CITY OF DEFIANCE, OHIO

**COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
DECEMBER 31, 2012**

	<u>Refuse</u>	<u>Utility Deposit</u>	<u>Totals</u>
Assets:			
Current assets:			
Equity in pooled cash and cash equivalents.	\$ 583,937	\$ -	\$ 583,937
Receivables (net of allowance for uncollectibles):			
Accounts	59,014	-	59,014
Total current assets	<u>642,951</u>	<u>-</u>	<u>642,951</u>
Noncurrent assets:			
Restricted assets:			
Equity in pooled cash and cash equivalents.	-	220,987	220,987
Total noncurrent assets	<u>-</u>	<u>220,987</u>	<u>220,987</u>
Total assets	<u>642,951</u>	<u>220,987</u>	<u>863,938</u>
Liabilities:			
Current liabilities:			
Current liabilities payable from restricted assets:			
Refundable deposit	-	220,987	220,987
Total liabilities	<u>-</u>	<u>220,987</u>	<u>220,987</u>
Net position:			
Unrestricted.	642,951	-	642,951
Total net position	<u>\$ 642,951</u>	<u>\$ -</u>	<u>\$ 642,951</u>

CITY OF DEFIANCE, OHIO

COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Refuse</u>	<u>Utility Deposit</u>	<u>Totals</u>
Operating revenues:			
Charges for services.	\$ 876,007	\$ -	\$ 876,007
Total operating revenues.	<u>876,007</u>	<u>-</u>	<u>876,007</u>
Operating expenses:			
Utilities	828,551	-	828,551
Total operating expenses.	<u>828,551</u>	<u>-</u>	<u>828,551</u>
Operating income/change in net assets.	47,456	-	47,456
Net position at beginning of year.	<u>595,495</u>	<u>-</u>	<u>595,495</u>
Net position at end of year	<u>\$ 642,951</u>	<u>\$ -</u>	<u>\$ 642,951</u>

CITY OF DEFIANCE, OHIO

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Refuse	Utility Deposit	Totals
Cash flows from operating activities:			
Cash received from charges for services	\$ 875,360	\$ 31,944	\$ 907,304
Cash payments for utilities	(828,551)	-	(828,551)
Cash payments for other operations	-	(146,327)	(146,327)
Net cash provided by (used in) operating activities . . .	46,809	(114,383)	(67,574)
Net increase (decrease) in cash and cash equivalents	46,809	(114,383)	(67,574)
Cash and cash equivalents at beginning of year.	537,128	335,370	872,498
Cash and cash equivalents at end of year	\$ 583,937	\$ 220,987	\$ 804,924
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income.	\$ 47,456	\$ -	\$ 47,456
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Changes in assets and liabilities:			
(Increase) in accounts receivable.	(647)	-	(647)
(Decrease) in utility deposits payable.	-	(114,383)	(114,383)
Net cash provided by (used in) operating activities . . .	\$ 46,809	\$ (114,383)	\$ (67,574)

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for services	\$ 805,000	\$ 830,320	\$ 875,360	\$ 45,040
Total operating revenues	805,000	830,320	875,360	45,040
Operating expenses:				
Utilities	784,781	810,101	804,551	5,550
Total operating expenses	784,781	810,101	804,551	5,550
Operating income (loss)	20,219	20,219	70,809	50,590
Nonoperating expenses:				
Transfers out	(24,000)	(24,000)	(24,000)	-
Total nonoperating expenses	(24,000)	(24,000)	(24,000)	-
Net change in fund equity	(3,781)	(3,781)	46,809	50,590
Fund equity at beginning of year	533,347	533,347	533,347	-
Prior year encumbrances appropriated . . .	3,781	3,781	3,781	-
Fund equity at end of year	\$ 533,347	\$ 533,347	\$ 583,937	\$ 50,590

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for services	\$ 30,000	\$ 30,000	\$ 31,944	\$ 1,944
Total operating revenues	30,000	30,000	31,944	1,944
Operating expenses:				
Utilities	200,000	200,000	146,327	53,673
Total operating expenses	200,000	200,000	146,327	53,673
Net change in fund equity	(170,000)	(170,000)	(114,383)	55,617
Fund equity at beginning of year.	335,370	335,370	335,370	-
Fund equity at end of year	\$ 165,370	\$ 165,370	\$ 220,987	\$ 55,617

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for services	\$ 2,000,000	\$ 2,000,000	\$ 1,856,004	\$ (143,996)
Total operating revenues.	<u>2,000,000</u>	<u>2,000,000</u>	<u>1,856,004</u>	<u>(143,996)</u>
Operating expenses:				
Claims	2,015,656	2,015,656	1,886,809	128,847
Total operating expenses.	<u>2,015,656</u>	<u>2,015,656</u>	<u>1,886,809</u>	<u>128,847</u>
Operating loss	<u>(15,656)</u>	<u>(15,656)</u>	<u>(30,805)</u>	<u>(15,149)</u>
Other financing sources:				
Interest revenue	500	500	1,511	1,011
Total other financing sources.	<u>500</u>	<u>500</u>	<u>1,511</u>	<u>1,011</u>
Net change in fund equity.	(15,156)	(15,156)	(29,294)	(14,138)
Fund equity at beginning of year	422,617	422,617	422,617	-
Prior year encumbrances appropriated. .	15,656	15,656	15,656	-
Fund equity at end of year.	<u>\$ 423,117</u>	<u>\$ 423,117</u>	<u>\$ 408,979</u>	<u>\$ (14,138)</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, 2012

Municipal Court Fund	Beginning Balance 12/31/2011	Additions	Reductions	Ending Balance 12/30/2012
Assets:				
Cash in segregated accounts	\$ 16,822	\$ -	\$ -	\$ 16,822
Total assets	<u>\$ 16,822</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,822</u>
Liabilities:				
Due to other governments	\$ 16,822	\$ -	\$ -	\$ 16,822
Total liabilities	<u>\$ 16,822</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,822</u>

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STATISTICAL SECTION

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CITY OF DEFIANCE, OHIO
STATISTICAL SECTION

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

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Sources: Unless otherwise noted, the information in these schedules is derived from the City's annual financial reports for the relevant year. 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 POSITION BY COMPONENT
LAST TEN YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	<u>2012</u>	<u>2011 (2)</u>	<u>2010</u>	<u>2009</u>
Governmental Activities				
Net investment in capital assets	\$ 14,851,497	\$ 14,739,970	\$ 13,848,663	\$ 14,665,319
Restricted for:				
Capital projects	7,844	7,820	-	1,180,352
Debt service	844,314	1,085,623	1,237,297	1,188,099
Economic development projects	2,114,679	1,909,300	2,031,638	1,950,777
Transportation projects	581,289	497,741	541,136	632,776
Safety projects	498,201	618,436	625,783	583,247
Special projects	263,351	234,068	333,266	498,582
Community environment projects	47,820	4,804	23,804	27,686
Health projects	6,684	5,861	5,367	6,169
Parks and recreation projects	-	-	-	34,995
Other purposes	156,255	247,085	154,865	245,406
Unrestricted	<u>2,850,904</u>	<u>4,013,245</u>	<u>3,667,142</u>	<u>2,597,515</u>
Total governmental activities net position	<u>22,222,838</u>	<u>23,363,953</u>	<u>22,468,961</u>	<u>23,610,923</u>
Business-type Activities				
Net investment in capital assets	21,768,542	18,422,430	15,279,312	15,197,096
Unrestricted	<u>4,474,787</u>	<u>5,003,212</u>	<u>5,493,597</u>	<u>2,742,655</u>
Total business-type activities net position	<u>26,243,329</u>	<u>23,425,642</u>	<u>20,772,909</u>	<u>17,939,751</u>
Total Primary Government				
Net investment in capital assets	36,620,039	33,162,400	29,127,975	29,862,415
Restricted	4,520,437	4,610,738	4,953,156	6,348,089
Unrestricted	<u>7,325,691</u>	<u>9,016,457</u>	<u>9,160,739</u>	<u>5,340,170</u>
Total primary government net position	<u>\$ 48,466,167</u>	<u>\$ 46,789,595</u>	<u>\$ 43,241,870</u>	<u>\$ 41,550,674</u>

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

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$	14,021,819	\$ 13,799,408	\$ 13,549,449	\$ 12,348,500	\$ 2,968,656	\$ 3,306,273
	1,392,724	967,504	836,427	535,747	633,866	894,284
	1,212,716	1,194,515	1,210,403	1,188,950	1,221,999	1,212,839
	1,921,779	1,826,439	1,575,853	-	-	-
	745,459	706,547	601,417	-	-	-
	492,417	400,250	-	-	-	-
	621,966	551,384	-	-	-	-
	125,358	130,221	-	-	-	-
	7,718	19,564	-	-	-	-
	34,995	34,995	-	-	-	-
	195,598	166,967	1,885,332	2,803,022	2,500,772	2,166,227
	3,940,429	4,826,514	3,938,352	4,259,774	4,259,704	2,086,067
	<u>24,712,978</u>	<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>
	12,651,704	11,696,962	9,780,309	7,214,254	14,168,848	12,512,562
	3,787,353	3,571,350	4,651,099	5,131,920	3,095,331	3,918,639
	<u>16,439,057</u>	<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>
	26,673,523	25,496,370	23,329,758	19,562,754	17,137,504	15,818,835
	6,750,730	5,998,386	6,109,432	4,527,719	4,356,637	4,273,350
	7,727,782	8,397,864	8,589,451	9,391,694	7,355,035	6,004,706
\$	<u>41,152,035</u>	<u>\$ 39,892,620</u>	<u>\$ 38,028,641</u>	<u>\$ 33,482,167</u>	<u>\$ 28,849,176</u>	<u>\$ 26,096,891</u>

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Program Revenues:				
Governmental activities				
Charges for services:				
General government	\$ 391,824	\$ 367,422	\$ 289,696	\$ 378,315
Security of persons and property	1,130,824	1,191,219	1,343,214	1,171,103
Public health and welfare	68,467	68,689	72,449	41,521
Community environment	109,874	73,168	103,689	95,422
Leisure time activities	25,780	23,133	25,835	21,246
Economic Development	21,715	573	290	253
Operating grants and contributions	1,752,458	1,863,347	1,685,214	1,644,771
Capital grants and contributions	489,168	1,056,917	497,525	322,650
Total governmental activities program revenues	<u>3,990,110</u>	<u>4,644,468</u>	<u>4,017,912</u>	<u>3,675,281</u>
Business-type activities:				
Charges for services:				
Water	6,031,392	5,415,327	4,842,869	4,194,197
Sewer	6,388,276	6,113,369	5,279,085	4,690,081
Refuse	876,007	819,619	766,697	726,603
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	-	2,228,539	14,354
Total business-type activities program revenues	<u>13,295,675</u>	<u>12,348,315</u>	<u>13,117,190</u>	<u>9,625,235</u>
Total primary government	<u><u>17,285,785</u></u>	<u><u>16,992,783</u></u>	<u><u>17,135,102</u></u>	<u><u>13,300,516</u></u>
Expenses:				
Governmental Activities				
General government	3,065,260	2,817,789	3,429,558	3,405,877
Security of persons and property	5,725,571	5,429,001	6,043,793	5,727,001
Public health and welfare	237,991	244,943	224,256	207,391
Transportation	2,257,425	1,746,391	2,533,251	1,798,226
Community environment	600,805	475,458	556,280	522,191
Leisure time activities	820,217	650,516	740,699	697,284
Economic development	888,011	903,603	381,070	834,468
Utility services	-	5,335	-	-
Other	-	-	-	15,700
Interest and fiscal charges	124,912	83,200	77,825	41,344
Total governmental activities expenses	<u>13,720,192</u>	<u>12,356,236</u>	<u>13,986,732</u>	<u>13,249,482</u>
Business-type activities:				
Water	4,746,280	4,406,534	4,224,602	4,196,427
Sewer	5,313,868	4,691,866	6,192,897	3,971,144
Refuse	828,551	785,210	725,206	680,242
Total business-type activities expenses	<u>10,888,699</u>	<u>9,883,610</u>	<u>11,142,705</u>	<u>8,847,813</u>
Total primary government program expenses	<u><u>\$ 24,608,891</u></u>	<u><u>\$ 22,239,846</u></u>	<u><u>\$ 25,129,437</u></u>	<u><u>\$ 22,097,295</u></u>
Net (Expense) Revenue				
Governmental activities	\$ (9,730,082)	\$ (7,711,768)	\$ (9,968,820)	\$ (9,574,201)
Business-type activities	<u>2,406,976</u>	<u>2,464,705</u>	<u>1,974,485</u>	<u>777,422</u>
Total primary government net expense	<u><u>(7,323,106)</u></u>	<u><u>(5,247,063)</u></u>	<u><u>(7,994,335)</u></u>	<u><u>(8,796,779)</u></u>

	2008	2007	2006	2005	2004	2003
\$	395,715	\$ 464,448	\$ 619,931	\$ 561,760	\$ 516,566	\$ 301,901
	1,247,379	1,180,003	1,186,602	1,082,726	927,719	1,129,641
	58,774	66,705	53,899	65,541	68,991	26,448
	175,633	179,334	233,028	318,884	129,380	148,489
	25,162	37,141	32,086	26,613	16,645	45,641
	493	290	65,886	4,683	29,929	4,554
	1,331,141	1,409,456	1,697,228	1,276,237	1,193,356	1,165,264
	171,030	201,996	-	-	-	20,871
	<u>3,405,327</u>	<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>
	4,090,704	4,020,403	3,600,821	3,523,194	3,586,124	3,400,764
	4,301,484	4,158,792	3,731,030	3,381,425	3,413,778	3,658,131
	764,881	671,841	661,607	610,256	593,051	572,514
	-	23,077	326,154	454,589	255,064	-
	313,087	-	-	-	-	312,900
	<u>9,470,156</u>	<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>12,875,483</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>
	2,700,947	3,438,927	2,493,160	3,000,979	2,490,843	2,379,094
	5,718,266	5,559,839	5,118,991	4,576,342	4,993,929	4,743,623
	288,007	253,008	213,337	243,875	316,518	235,403
	2,463,188	2,149,203	1,556,748	2,122,467	1,087,018	887,323
	586,847	523,893	424,583	403,071	440,540	429,946
	995,983	961,329	897,522	825,764	1,020,436	806,178
	84,009	275,686	274,914	423,379	112,177	38,851
	-	-	-	-	-	-
	4,913	4,908	4,732	6,460	60,101	10,703
	29,296	48,348	79,072	127,845	76,890	72,507
	<u>12,871,456</u>	<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>
	4,282,755	3,827,063	3,830,920	3,700,775	3,486,248	3,515,971
	3,993,639	4,193,689	3,178,453	3,482,750	4,112,246	3,637,857
	726,933	630,422	608,056	543,180	543,170	535,534
	<u>9,003,327</u>	<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>21,874,783</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>
\$	(9,466,129)	\$ (9,675,768)	\$ (7,174,399)	\$ (8,393,738)	\$ (7,715,866)	\$ (6,760,819)
	466,829	222,939	702,183	242,759	(293,647)	254,947
	<u>(8,999,300)</u>	<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 POSITION (CONTINUED)
LAST TEN YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
General Revenues and Other Changes in Net Position				
Governmental activities				
Income taxes levied for:				
General purposes	5,540,859	5,209,705	5,458,481	5,227,106
Special purposes	23,028	21,871	23,236	21,395
Capital purposes	1,381,685	1,312,258	1,394,167	1,283,680
Property taxes levied for:				
General purposes	523,667	521,650	543,275	525,405
Special purposes	403,551	365,707	334,523	305,992
Grants and entitlements not restricted				
to specific programs	768,909	1,096,255	1,024,894	909,503
Investment earnings	25,118	19,885	13,353	22,217
Payment in lieu of taxes	66,732	82,256	82,943	83,895
Miscellaneous	201,507	101,646	540,547	99,418
Transfers	(346,089)	(50,409)	(588,561)	(6,465)
Special item: gain on sale of capital assets	-	-	-	-
Extraordinary item: reimb. of insurance claims	-	-	-	-
Total governmental activities	<u>8,588,967</u>	<u>8,680,824</u>	<u>8,826,858</u>	<u>8,472,146</u>
Business-type activities				
Investment earnings	19,942	14,382	5,659	9,888
Miscellaneous	44,680	263,944	264,453	269,208
Transfers	346,089	50,409	588,561	6,465
Special item - forgiveness of loan	-	-	-	437,711
Total business-type activities	<u>410,711</u>	<u>328,735</u>	<u>858,673</u>	<u>723,272</u>
Total primary government	<u>8,999,678</u>	<u>9,009,559</u>	<u>9,685,531</u>	<u>9,195,418</u>
Change in Net Position				
Governmental activities	(1,141,115)	969,056	(1,141,962)	(1,102,055)
Business-type activities	2,817,687	2,793,440	2,833,158	1,500,694
Total primary government	<u>\$ 1,676,572</u>	<u>\$ 3,762,496</u>	<u>\$ 1,691,196</u>	<u>\$ 398,639</u>

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
5,933,088	6,502,751	5,924,313	4,890,763	4,634,548	4,331,820
25,248	27,315	25,099	23,490	21,007	24,050
1,514,902	1,638,902	1,505,961	1,409,361	1,397,350	1,306,077
602,325	664,808	585,649	580,184	560,638	549,548
340,946	363,825	349,160	274,958	316,772	304,959
1,089,930	949,213	1,124,495	761,789	846,451	691,903
155,049	404,382	346,052	190,327	85,767	74,251
-	-	-	-	-	-
231,871	208,359	380,086	615,868	353,772	439,148
(338,560)	(56,712)	(605,176)	-	(1,026,313)	-
-	-	-	-	1,983,137	190,774
-	-	-	-	260,683	-
<u>9,554,799</u>	<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>
69,086	229,311	196,364	107,930	34,491	38,817
296,270	327,942	31,901	46,875	65,821	362,350
338,560	56,712	605,176	-	1,026,313	-
-	-	-	-	-	-
<u>703,916</u>	<u>613,965</u>	<u>833,441</u>	<u>154,805</u>	<u>1,126,625</u>	<u>401,167</u>
<u>10,258,715</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>
88,670	1,027,075	2,461,240	353,002	1,717,946	1,151,711
1,170,745	836,904	1,535,624	397,564	832,978	656,114
<u>\$ 1,259,415</u>	<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>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
General Fund				
Nonspendable	\$ 93	\$ 87	\$ -	\$ -
Committed	8,165	-	-	-
Assigned	535,956	364,029	-	-
Unassigned	1,050,874	1,255,774	-	-
Reserved	-	-	190,796	298,434
Unreserved	-	-	1,573,664	2,044,712
Total general fund	<u>1,595,088</u>	<u>1,619,890</u>	<u>1,764,460</u>	<u>2,343,146</u>
All Other Governmental Funds				
Nonspendable	37,124	23,882	-	-
Restricted	4,223,607	4,345,580	-	-
Committed	1,037,169	2,073,285	-	-
Reserved	-	-	2,959,329	5,866,656
Unreserved (deficit), reported in:				
Special revenue funds	-	-	1,917,162	2,133,103
Debt service funds	-	-	-	-
Capital projects funds	-	-	(3,128,520)	(3,148,530)
Total all other governmental funds	<u>5,297,900</u>	<u>6,442,747</u>	<u>1,747,971</u>	<u>4,851,229</u>
Total governmental funds	<u>\$ 6,892,988</u>	<u>\$ 8,062,637</u>	<u>\$ 3,512,431</u>	<u>\$ 7,194,375</u>

The City implemented GASB 54 in 2011.

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
571,452	524,398	523,571	469,007	600,870	603,947
<u>3,019,128</u>	<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>3,590,580</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>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,707,457	3,003,392	2,533,157	2,076,762	1,990,605	2,153,512
2,012,299	2,174,078	2,437,600	1,793,615	1,226,565	958,607
-	-	-	-	-	586,530
<u>442,761</u>	<u>326,347</u>	<u>515,373</u>	<u>43,225</u>	<u>381,076</u>	<u>(221,660)</u>
<u>6,162,517</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>\$ 9,753,097</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>

CITY OF DEFIANCE, OHIO

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Revenues				
Income taxes	\$ 6,934,078	\$ 6,645,815	\$ 6,709,254	\$ 6,574,354
Property and other local taxes	937,902	907,400	882,023	833,037
Payments in lieu of taxes	66,732	82,256	82,943	83,895
Charges for services	671,448	664,054	695,129	571,591
Licenses, permits and fees	259,187	280,571	307,950	283,514
Fines and forfeitures	796,536	795,442	838,380	857,055
Intergovernmental	2,943,779	3,932,905	2,969,152	2,835,054
Special assessments	40,992	41,695	88,403	111,684
Investment earnings	88,827	78,555	76,653	86,723
Donations	6,480	40,284	31,167	12,050
Other	198,445	99,346	518,328	99,418
Total revenues	<u>12,944,406</u>	<u>13,568,323</u>	<u>13,199,382</u>	<u>12,348,375</u>
Expenditures				
Current:				
General government	2,624,218	2,729,651	3,204,581	3,326,526
Security of persons and property	5,223,915	5,162,340	5,633,172	5,494,652
Public health and welfare	207,560	215,876	209,367	195,960
Transportation	1,003,738	1,090,575	1,286,092	944,909
Community environment	506,585	527,416	530,248	501,339
Leisure time activities	595,366	543,357	542,834	565,067
Economic development	888,011	903,603	381,070	834,468
Other	3,775,372	-	-	15,700
Intergovernmental	-	-	-	-
Capital outlay	-	1,721,528	4,904,016	2,885,875
Debt service				
Principal retirement	164,543	106,308	104,703	107,723
Interest and fiscal charges	147,398	52,821	78,407	41,913
Bond issuance costs	-	75,000	-	-
Total expenditures	<u>15,136,706</u>	<u>13,128,475</u>	<u>16,874,490</u>	<u>14,914,132</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>(2,192,300)</u>	<u>439,848</u>	<u>(3,675,108)</u>	<u>(2,565,757)</u>
Other Financing Sources (Uses)				
Issuance of notes	-	-	-	-
Premium on notes issued	-	-	-	-
Issuance of bonds	-	4,075,000	-	-
Premium on bond issued	-	42,588	-	-
Capital lease transaction	-	-	-	-
Transfers in	410,000	1,459,967	671,356	456,000
Transfers out	(499,681)	(1,467,197)	(678,192)	(462,465)
Loan proceeds	1,112,332	-	-	-
Sale of capital assets	-	-	-	13,500
Total other financing sources (uses)	<u>1,022,651</u>	<u>4,110,358</u>	<u>(6,836)</u>	<u>7,035</u>
Extraordinary item:				
Reimbursement of insurance claims	-	-	-	-
Net change in fund balances	<u>\$ (1,169,649)</u>	<u>\$ 4,550,206</u>	<u>\$ (3,681,944)</u>	<u>\$ (2,558,722)</u>
Capital expenditures	\$ 2,299,108	\$ 1,781,679	\$ 3,863,981	\$ 2,570,136
Debt service as a percentage of noncapital expenditures	2.43%	1.40%	1.41%	1.21%

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$	7,392,483	\$ 8,144,681	\$ 7,514,929	\$ 6,428,760	\$ 5,944,049	\$ 5,567,280
	941,651	990,413	973,459	826,498	878,004	833,007
	-	-	-	-	-	-
	583,007	610,410	814,599	839,657	643,479	587,681
	362,524	411,195	530,437	463,353	271,463	284,297
	957,625	906,316	846,396	757,197	738,594	784,696
	2,306,703	2,331,185	2,689,369	1,942,831	2,111,344	1,835,962
	128,763	128,306	128,820	146,712	137,942	135,015
	223,765	463,182	329,191	178,880	84,064	73,562
	22,504	92,831	-	-	-	-
	231,871	209,200	380,086	615,868	353,772	439,148
	<u>13,150,896</u>	<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>
	2,608,253	3,310,360	2,402,010	2,899,234	2,266,688	2,276,000
	5,565,046	5,168,495	4,796,241	4,192,094	4,543,285	4,431,232
	256,613	237,907	159,148	148,132	136,487	139,110
	924,908	925,825	742,619	766,292	769,930	698,651
	577,079	489,268	392,490	352,314	338,152	382,559
	744,411	783,809	647,025	556,414	509,370	475,334
	84,009	275,686	274,914	423,379	112,177	38,851
	4,913	4,908	4,732	6,460	55,125	5,000
	-	-	-	-	6,129	5,703
	2,363,794	1,914,186	2,475,899	2,128,733	2,518,693	2,100,825
	132,368	551,951	836,795	862,967	861,967	859,355
	30,026	49,224	91,505	122,152	77,494	75,577
	-	-	-	-	-	-
	<u>13,291,420</u>	<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>
	(140,524)	576,100	1,383,908	(258,415)	(1,032,786)	(947,549)
	-	-	435,000	722,000	760,000	760,000
	-	186	122	-	1,153	2,471
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	4,471	17,429	-	-	-
	1,108,237	395,000	494,000	409,765	418,694	670,612
	(1,114,350)	(400,781)	(494,000)	(409,765)	(418,694)	(670,612)
	-	-	-	-	-	-
	-	-	750,000	750,000	690,014	203,626
	<u>(6,113)</u>	<u>(1,124)</u>	<u>1,202,551</u>	<u>1,472,000</u>	<u>1,451,167</u>	<u>966,097</u>
	-	-	-	-	260,683	-
\$	<u>(146,637)</u>	<u>\$ 574,976</u>	<u>\$ 2,586,459</u>	<u>\$ 1,213,585</u>	<u>\$ 679,064</u>	<u>\$ 18,548</u>
\$	1,123,330	\$ 942,062	\$ 1,183,018	\$ 788,101	\$ 93,105	\$ 1,336,374
	1.33%	4.71%	7.97%	8.44%	7.76%	9.21%

CITY OF DEFIANCE, OHIO

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Income Tax Rate	1.50%	1.50%	1.50%	1.50%
Income Tax Receipts				
Employee Withholding	\$ 5,792,726	\$ 5,533,044	\$ 5,374,407	\$ 5,245,899
% of total	83.2%	82.6%	80.8%	79.6%
Corporate	744,150	701,004	825,523	880,991
% of total	10.7%	10.5%	12.4%	13.4%
Individuals	427,740	461,777	451,815	462,826
% of total	6.1%	6.9%	6.8%	7.0%
Total income tax receipts	<u>\$ 6,964,616</u>	<u>\$ 6,695,825</u>	<u>\$ 6,651,745</u>	<u>\$ 6,589,716</u>

Source: City of Defiance Income Tax Division

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
1.50%	1.50%	1.50%	1.50%	1.30%	1.30%
\$ 5,861,752 78.1%	\$ 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%
1,163,740 15.5%	1,457,108 17.5%	1,130,513 14.0%	934,303 14.8%	786,767 13.5%	531,118 9.7%
476,250 6.3%	529,900 6.4%	457,548 5.7%	386,924 6.1%	401,586 6.9%	382,500 7.0%
<u>\$ 7,501,742</u>	<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>

CITY OF DEFIANCE, OHIO

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Tax Rate Components:				
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>
Allocation of Receipts:				
General Fund	\$ 5,548,478	\$ 5,334,329	\$ 5,298,498	\$ 5,249,652
% of total	79.7%	79.7%	79.7%	79.7%
Capital Fund	1,392,923	1,339,176	1,331,064	1,318,096
% of total	20.0%	20.0%	20.0%	20.0%
SCMR Fund (Streets)	23,215	22,320	22,184	21,968
% of total	0.3%	0.3%	0.3%	0.3%
Total income tax allocated	<u>\$ 6,964,616</u>	<u>\$ 6,695,825</u>	<u>\$ 6,651,745</u>	<u>\$ 6,589,716</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

2008	2007	2006	2005	2004	2003
1.195%	1.195%	1.195%	1.195%	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%
1.50%	1.50%	1.50%	1.50%	1.30%	1.30%
\$ 5,976,388	\$ 6,646,790	\$ 6,424,212	\$ 5,020,554	\$ 4,461,645	\$ 4,189,128
79.7%	79.7%	79.7%	79.7%	76.5%	76.5%
1,500,348	1,668,650	1,612,773	1,260,390	1,345,219	1,263,054
20.0%	20.0%	20.0%	20.0%	23.1%	23.1%
25,006	27,811	26,880	21,007	22,420	21,051
0.3%	0.3%	0.3%	0.3%	0.4%	0.4%
<u>\$ 7,501,742</u>	<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>

CITY OF DEFIANCE, OHIO

SCHEDULE 7
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN YEARS

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Governmental Activities				
General obligation bonds payable	\$ 3,925,000	\$ 4,075,000	\$ 40,000	\$ 80,000
Special assessment bonds payable	27,729	42,272	106,815	166,358
Bond anticipation notes	-	-	4,650,000	4,800,000
OWDA loans payable	1,112,332	-	-	-
Capital lease obligation	-	-	1,765	6,925
Business-type Activities				
General obligation bonds payable	7,425,000	8,020,000	8,595,000	9,135,000
Special assessment bonds payable	79,307	86,952	94,182	101,018
Bond anticipation notes	4,336,000	4,918,000	5,420,000	4,347,000
OWDA loans payable	31,610,089	32,816,389	32,714,041	29,051,352
OWPC loans payable	371,573	451,992	530,737	607,863
Capital lease obligation	-	-	-	3,041
Total primary government	<u>\$ 48,887,030</u>	<u>\$ 50,410,605</u>	<u>\$ 52,152,540</u>	<u>\$ 48,298,557</u>
Debt per capita				
City Population ¹	16,838	16,622	16,494	16,012
Outstanding debt per capita	\$ 2,903	\$ 3,033	\$ 3,162	\$ 3,016
Debt as percentage of personal income				
Personal income	\$ 561,092,674	\$ 553,894,906	\$ 516,245,706	\$ 493,057,516
Percentage of personal income	8.71%	9.10%	10.10%	9.80%
Business-type debt per customer				
# of customers ³	6,619	6,641	6,607	6,679
Outstanding debt per utility customer	\$ 6,621	\$ 6,971	\$ 7,167	\$ 6,475

Sources:

¹U.S. Census Bureau

²U.S. Department of Commerce, Bureau of Economic Analysis

³City of Defiance Utility Billing Office

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 120,000	\$ 160,000	\$ 195,000	\$ 230,000	\$ 260,000	\$ 290,000
229,316	317,284	395,252	473,220	546,187	618,154
-	225,000	435,000	1,357,000	1,595,000	1,595,000
-	-	-	-	-	-
11,690	16,090	15,602	-	-	-
9,660,000	10,155,000	10,750,000	11,205,000	11,625,000	12,000,000
107,483	113,596	119,377	124,844	130,013	134,901
4,774,000	4,819,000	3,850,000	4,101,100	1,465,000	1,924,000
22,892,250	16,026,896	10,094,686	11,372,326	12,145,142	12,873,756
683,429	757,486	830,084	918,595	988,105	1,056,313
9,257	14,996	20,296	25,189	-	-
<u>\$ 38,487,425</u>	<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>
16,046	16,039	16,062	15,597	16,101	16,230
\$ 2,399	\$ 2,033	\$ 1,663	\$ 1,911	\$ 1,786	\$ 1,879
\$ 513,921,288	\$ 505,228,500	\$ 487,658,382	\$ 451,798,299	\$ 461,631,771	\$ 462,457,620
7.49%	6.45%	5.48%	6.60%	6.23%	6.59%
6,669	6,672	6,663	6,574	6,547	6,507
\$ 5,717	\$ 4,779	\$ 3,852	\$ 4,221	\$ 4,025	\$ 4,301

CITY OF DEFIANCE, OHIO

SCHEDULE 8
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN YEARS

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Population¹	16,838	16,622	16,494	16,012
Assessed Value²	\$ 300,457,400	\$ 276,385,000	\$ 277,919,920	\$ 280,455,300
General Bonded Debt				
General Obligation Bonds	\$ 11,350,000	\$ 12,095,000	\$ 8,635,000	\$ 9,215,000
Ratio of Net Bonded Debt to Assessed Value	3.78%	4.38%	3.11%	3.29%
Net Bonded Debt per Capita	\$ 674	\$ 728	\$ 524	\$ 576

Sources:

¹U.S. Census Bureau

²Defiance County Auditor

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
16,046	16,039	16,062	15,597	16,101	16,230
\$ 286,340,580	\$ 292,134,140	\$ 298,927,420	\$ 300,607,160	\$ 272,590,000	\$ 270,242,060
\$ 9,780,000	\$ 10,315,000	\$ 10,945,000	\$ 11,435,000	\$ 11,885,000	\$ 12,290,000
3.42%	3.53%	3.66%	3.80%	4.36%	4.55%
\$ 609	\$ 643	\$ 681	\$ 733	\$ 738	\$ 757

CITY OF DEFIANCE, OHIO

SCHEDULE 9
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 AS OF DECEMBER 31, 2012

<u>Jurisdiction</u>	<u>Governmental Activities Debt Outstanding</u>	<u>Percentage Applicable to City</u>	<u>Amount Applicable to City</u>
Direct - City of Defiance	\$ 3,925,000	100.00%	\$ 3,925,000
Overlapping debt:			
Defiance County	3,445,000	39.61%	1,364,565
Defiance City School District	8,755,000	84.27%	7,377,839
Northeastern Local School District	4,362,047	33.53%	1,462,594
Total overlapping debt	<u>16,562,047</u>		<u>10,204,997</u>
Total direct and overlapping debt	<u>\$ 20,487,047</u>		<u>\$ 14,129,997</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>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Total Assessed Property Value	\$ 300,457,400	\$ 276,385,000	\$ 277,919,920	\$ 280,455,300
Overall Legal Debt Limit (10 1/2 % of assessed valuation)	<u>31,548,027</u>	<u>29,020,425</u>	<u>29,181,592</u>	<u>29,447,807</u>
Debt outstanding				
General obligation bonds payable	11,350,000	12,095,000	8,635,000	9,215,000
Special assessment bonds payable	107,036	129,224	200,997	267,376
Bond anticipation notes	4,336,000	4,918,000	10,070,000	9,147,000
OWDA loans payable	32,722,421	32,816,389	32,714,041	29,051,352
OWPC loans payable	<u>371,573</u>	<u>451,992</u>	<u>530,737</u>	<u>607,863</u>
Total gross indebtedness	<u>48,887,030</u>	<u>50,410,605</u>	<u>52,150,775</u>	<u>48,288,591</u>
Less ¹ :				
General obligation bonds payable	7,425,000	8,020,000	8,595,000	9,135,000
Special assessment bonds payable	107,036	129,224	200,997	267,376
Bond anticipation notes	4,336,000	4,918,000	10,070,000	9,147,000
OWDA loans payable	32,722,421	32,816,389	32,714,041	29,051,352
OWPC loans payable	<u>371,573</u>	<u>451,992</u>	<u>530,737</u>	<u>607,863</u>
Total net debt applicable to debt limit	<u>3,925,000</u>	<u>4,075,000</u>	<u>40,000</u>	<u>80,000</u>
Legal debt margin within 10 1/2 % limitation	<u>\$ 27,623,027</u>	<u>\$ 24,945,425</u>	<u>\$ 29,141,592</u>	<u>\$ 29,367,807</u>
Legal debt margin as a percentage of the debt limit	87.56%	85.96%	99.86%	99.73%
Unvoted Debt Limitation (5 1/2 % of assessed valuation)	<u>16,525,157</u>	<u>15,201,175</u>	<u>15,285,596</u>	<u>15,425,042</u>
Net debt within 5 1/2 % limitation	<u>3,925,000</u>	<u>4,075,000</u>	<u>40,000</u>	<u>80,000</u>
Unvoted legal debt margin within 5 1/2 % limitation	<u>\$ 12,600,157</u>	<u>\$ 11,126,175</u>	<u>\$ 15,245,596</u>	<u>\$ 15,345,042</u>
Unvoted legal debt margin as a percentage of the unvoted debt limitation	76.25%	73.19%	99.74%	99.48%

Note:

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

2008	2007	2006	2005	2004	2003
<u>\$ 286,340,580</u>	<u>\$ 292,134,140</u>	<u>\$ 298,927,420</u>	<u>\$ 300,607,160</u>	<u>\$ 272,590,000</u>	<u>\$ 270,242,060</u>
<u>30,065,761</u>	<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>
9,780,000	10,315,000	10,945,000	11,435,000	11,885,000	12,290,000
336,799	430,880	514,629	598,064	676,200	753,055
4,774,000	5,044,000	4,285,000	5,458,100	3,060,000	3,519,000
22,892,250	16,026,896	10,094,686	11,372,326	12,145,142	12,873,756
683,429	757,486	830,084	918,595	988,105	1,056,313
<u>38,466,478</u>	<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>
9,660,000	10,155,000	10,750,000	11,205,000	11,625,000	12,000,000
336,799	430,880	514,629	598,064	676,200	753,055
4,774,000	5,044,000	4,285,000	5,458,100	3,060,000	3,519,000
22,892,250	16,026,896	10,094,686	11,372,326	12,145,142	12,873,756
683,429	757,486	830,084	918,595	988,105	1,056,313
<u>120,000</u>	<u>160,000</u>	<u>195,000</u>	<u>230,000</u>	<u>260,000</u>	<u>290,000</u>
<u>\$ 29,945,761</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>
99.60%	99.48%	99.38%	99.27%	99.09%	98.98%
<u>15,748,732</u>	<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>120,000</u>	<u>160,000</u>	<u>195,000</u>	<u>230,000</u>	<u>260,000</u>	<u>290,000</u>
<u>\$ 15,628,732</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>
99.24%	99.00%	98.81%	98.61%	98.27%	98.05%

CITY OF DEFIANCE, OHIO

SCHEDULE 11
 PLEDGED REVENUE COVERAGE
 LAST TEN YEARS

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
OWDA Loans - Sewer System¹				
Gross Revenues ²	\$ 6,045,464	\$ 6,364,585	\$ 5,528,935	\$ 4,950,558
Direct Operating Expenses ³	4,743,646	2,954,268	4,941,769	2,884,596
Net Revenue Available for Debt Service	<u>1,301,818</u>	<u>3,410,317</u>	<u>587,166</u>	<u>2,065,962</u>
Annual Debt Service Requirement ⁴	2,905,438	3,061,015	2,035,828	1,407,607
Coverage	0.45	1.11	0.29	1.47
OWDA Loans - Water Reservoir				
Gross Revenues ²	\$ 6,437,330	\$ 5,442,437	\$ 4,863,131	\$ 4,196,841
Direct Operating Expenses ³	4,329,125	2,885,831	2,692,862	2,702,414
Net Revenue Available for Debt Service	<u>2,108,205</u>	<u>2,556,606</u>	<u>2,170,269</u>	<u>1,494,427</u>
Annual Debt Service Requirement ⁴	438,506	431,761	444,610	444,610
Coverage	4.81	5.92	4.88	3.36

Notes:

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

²Revenues are derived from Sewer and Water customer user charges and include interest income.

³Operating expenses less depreciation.

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

n/a - not applicable prior to 2008

Source: City of Defiance Finance Department

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 4,548,972	\$ 4,575,143	\$ 3,879,471	\$ 3,452,204	\$ 3,432,128	\$ 3,679,691
2,908,124	2,903,426	1,888,438	2,049,144	2,026,409	2,054,015
<u>1,640,848</u>	<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>
817,363	813,857	810,601	807,576	1,205,843	839,350
2.01	2.05	2.46	1.74	1.17	1.94
\$ 4,110,023	n/a	n/a	n/a	n/a	n/a
2,815,298	n/a	n/a	n/a	n/a	n/a
<u>1,294,725</u>	n/a	n/a	n/a	n/a	n/a
393,034	n/a	n/a	n/a	n/a	n/a
3.29	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 ¹	Total Personal Income ²	Per Capita Personal Income ^{2,5}	Public School Enrollment ³	Unemployment Rates ⁴		
					Defiance County	State of Ohio	United States
2012	16,838	\$ 561,092,674	\$ 33,323	2,657	7.5%	7.2%	8.1%
2011	16,622	553,894,906	33,323	2,654	9.3%	8.6%	8.9%
2010	16,494	516,245,706	31,299	2,723	11.8%	10.0%	9.6%
2009	16,012	493,057,516	30,793	2,685	13.8%	10.1%	9.3%
2008	16,046	513,921,288	32,028	2,556	7.4%	6.5%	5.8%
2007	16,039	505,228,500	31,500	2,392	5.6%	5.6%	4.6%
2006	16,062	487,658,382	30,361	2,348	5.5%	5.4%	4.6%
2005	15,597	451,798,299	28,967	2,360	6.0%	5.9%	5.1%
2004	16,101	461,631,771	28,671	2,376	6.0%	6.1%	5.5%
2003	16,230	462,457,620	28,494	2,420	6.2%	6.2%	6.0%

Sources:

¹U.S. Census Bureau

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

³Defiance City Schools

⁴U.S. Department of Labor, Bureau of Labor Statistics (Annual Average)

⁵This information is unavailable at the time for 2012 and will use the 2011 as an estimate

CITY OF DEFIANCE, OHIO
SCHEDULE 13
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

<u>Employer</u>	<u>Tax Year 2011</u>			<u>Tax Year 2002</u>		
	<u>Employees¹</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees¹</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Defiance College	783	1	4.19%	598	3	2.68%
Johns Manville Corporation (MFG)	757	2	4.05%	838	2	3.75%
General Motors Company (MFG) ²	553	3	2.96%	838	1	3.75%
Defiance City Schools	507	4	2.71%	529	5	2.37%
Defiance Metal Products (MFG)	440	5	2.35%	402	9	1.80%
Defiance Regional Medical Center	377	6	2.02%	487	7	2.18%
Wal Mart (RETAIL)	364	7	1.95%			
Defiance County	349	8	1.87%	509	6	2.28%
Fauster-Cameron (HLTH)	324	9	1.73%	350	10	1.57%
Meijer (RETAIL)	274	10	1.46%	589	4	2.64%
K-Mart (RETAIL)				429	8	1.92%
	4,728		25.29%	5,569		24.94%
Total Employment within the City	18,707			22,324		

Notes:

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

²General Motors Company 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

Function/Division	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Government										
Council*	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Municipal Court	13.5	13.8	13.3	13.2	12.6	12.3	12.0	12.0	13.2	12.8
Mayor	2.0	2.0	2.0	2.0	2.3	2.1	2.1	2.0	2.0	2.0
Administrator	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.6
Finance	3.7	3.8	3.8	3.9	4.0	4.0	4.0	3.0	3.0	4.0
Law	3.3	3.8	3.8	3.8	3.5	3.3	3.0	3.1	4.1	4.6
Civil Service*	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Income Tax	1.0	1.7	2.0	2.0	2.0	1.1	2.0	2.0	2.0	2.0
Buildings and Land	1.6	1.6	1.6	1.6	2.1	2.1	2.0	1.8	1.0	1.1
Engineer	6.5	5.6	6.2	5.5	4.7	3.2	2.1	2.1	2.1	2.8
	<u>37.7</u>	<u>38.3</u>	<u>38.7</u>	<u>38.0</u>	<u>37.2</u>	<u>34.1</u>	<u>33.2</u>	<u>32.0</u>	<u>33.4</u>	<u>34.9</u>
Security of Persons and Property										
Police	31.1	31.7	32.8	32.9	32.9	33.1	31.8	29.8	35.0	35.0
Fire	28.7	30.6	32.7	35.1	36.3	35.2	33.0	32.1	34.1	37.2
	<u>59.8</u>	<u>62.3</u>	<u>65.5</u>	<u>68.0</u>	<u>69.2</u>	<u>68.3</u>	<u>64.8</u>	<u>61.9</u>	<u>69.1</u>	<u>72.2</u>
Leisure Time Activities										
Parks & Recreation	7.8	7.2	7.1	6.8	10.6	11.7	10.9	8.9	8.2	8.6
Cemetery	3.0	2.9	2.8	2.8	4.5	3.4	2.9	2.7	1.6	2.4
Cultural/Historian*	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
	<u>11.3</u>	<u>10.6</u>	<u>10.4</u>	<u>10.1</u>	<u>15.6</u>	<u>15.6</u>	<u>14.3</u>	<u>12.1</u>	<u>10.3</u>	<u>11.5</u>
Community Development										
Building Inspections	2.1	1.6	1.4	1.3	1.4	2.0	1.9	1.7	1.9	3.4
Transportation										
Streets	10.1	11.1	11.2	12.0	10.9	12.5	10.8	11.2	11.3	10.7
Utility Services										
Utility Billing	6.1	6.1	6.1	6.1	5.7	7.0	6.9	6.0	7.0	7.0
Water Treatment/Distribution	20.1	19.9	22.4	22.6	26.3	22.7	20.9	19.7	19.6	21.9
Wastewater Treatment/Collection	18.3	18.9	18.2	18.4	15.4	14.9	16.7	15.4	18.3	20.0
	<u>44.5</u>	<u>44.9</u>	<u>46.7</u>	<u>47.1</u>	<u>47.4</u>	<u>44.6</u>	<u>44.5</u>	<u>41.1</u>	<u>44.9</u>	<u>48.9</u>
Total	<u>165.4</u>	<u>168.8</u>	<u>173.9</u>	<u>176.5</u>	<u>181.7</u>	<u>177.1</u>	<u>169.5</u>	<u>160.0</u>	<u>170.9</u>	<u>181.6</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

Function/Program	2012	2011	2010	2009
General Government				
General Fund begin balance (cash)	\$1,376,242	\$1,511,693	\$1,970,107	\$2,840,494
General Fund receipts (cash)	8,831,048	8,901,881	8,358,947	8,546,209
General Fund expenditures (cash)	8,968,195	9,037,332	8,817,361	9,416,596
General Fund end balance (cash)	<u>\$1,239,095</u>	<u>\$1,376,242</u>	<u>\$1,511,693</u>	<u>\$1,970,107</u>
Municipal Court				
Cases heard and closed	9,688	9,572	9,998	9,651
Police				
Total calls for services	21,030	23,194	25,834	28,655
Traffic violations	1,485	1,590	1,710	2,003
Motor vehicle accidents	846	826	821	900
Criminal arrests	2,031	2,164	2,185	2,669
Fire/Emergency Medical Services				
Fire calls	629	474	574	579
EMS calls	1,477	1,609	1,475	1,348
Fire safety inspections	1,296	848	35	12
Building Inspections				
Construction permits issued	1,007	937	1,161	1,208
Estimated value of construction	\$6,253,697	\$4,913,011	\$7,161,765	\$6,800,582
Recreation				
Swimming pool memberships	55	40	41	31
Shelter house rentals	57	54	64	66
Streets				
Salt usage (tons)	570	275	1,051	1,016
Cost of salt purchased	\$38,741	\$18,755	\$71,442	\$77,887
Water				
Monthly avg. water treated (mil. Gal.)	106.8	97.9	112.2	108.4
Water customers	6,619	6,641	6,607	6,679
Water main breaks repaired	0	49	74	36
Water Pollution Control				
Sewer lines cleaned/repaired (ft)	86,440	32,304	17,640	19,480
Sewer customers	6,422	6,438	6,426	6,480

Source: Various City of Defiance Divisions

*Data not available.

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$3,866,343	\$3,184,285	\$1,670,830	\$879,949	\$524,064	\$364,716
9,377,084	10,217,683	10,745,595	9,573,150	8,803,907	8,604,627
10,402,933	9,535,625	9,232,140	8,782,269	8,448,022	8,445,279
<u>\$2,840,494</u>	<u>\$3,866,343</u>	<u>\$3,184,285</u>	<u>\$1,670,830</u>	<u>\$879,949</u>	<u>\$524,064</u>
11,593	11,134	10,399	10,243	9,997	12,951
26,285	26,657	22,042	20,843	22,866	24,794
2,195	2,349	1,921	1,614	1,668	1,248
1,116	956	809	935	908	944
2,266	2,509	2,045	1,586	1,900	1,766
617	581	363	421	412	401
1,478	1,425	1,582	1,641	1,557	1,569
2	158	76	40	124	385
929	1,032	1,252	1,355	1,190	1,368
\$17,494,447	\$28,849,492	\$34,485,181	\$43,958,755	\$12,013,021	\$18,243,305
57	57	50	21	9	13
105	103	78	87	73	*
1,113	1,628	306	1,787	857	1,343
\$66,354	\$68,897	\$38,964	\$40,267	\$41,653	\$52,995
118.7	126.6	123.4	119.3	112.9	118.3
6,669	6,672	6,663	6,574	6,547	6,507
61	50	64	72	*	*
20,350	24,600	19,000	23,750	18,700	14,850
6,466	6,478	6,465	6,372	6,326	6,291

CITY OF DEFIANCE, OHIO

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

Function/Program	2012	2011	2010	2009
Police				
Stations	1	1	1	1
Vehicles	12	12	12	12
Fire/EMS				
Stations	1	1	1	1
Vehicles - Fire	9	9	9	9
Vehicles - EMS	3	3	3	3
Parks & Recreation				
Parks	8	8	8	8
Pools	1	1	1	1
Tennis courts	8	8	8	8
Sand volleyball courts	2	2	2	2
Basketball courts	4	4	4	4
Ballfields	14	14	14	13
Park shelter houses	13	13	13	13
Streets				
Streets (miles)	142.00	110.12	103.66	99.78
Vehicles	15	17	18	17
Water				
Water lines (miles)	126.37	125.62	123.54	123.54
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

2008	2007	2006	2005	2004	2003
1	1	1	1	1	1
11	11	12	12	11	11
1	1	1	1	1	1
9	9	9	9	9	9
3	3	3	3	3	3
8	8	8	8	8	8
2	2	2	2	1	2
7	9	9	9	9	9
2	0	0	0	0	0
4	4	4	4	4	4
12	12	12	12	12	12
13	13	14	14	14	14
99.22	98.97	98.85	97.89	96.69	96.24
17	17	17	18	16	16
121.06	116.50	118.39	113.84	112.69	115.68
3	3	3	3	3	3
1.6 mg	1.6 mg	1.6 mg	1.6 mg	1.6 mg	1.6 mg
350 mg	na	na	na	na	na

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**CITY OF DEFIANCE
DEFIANCE COUNTY, OHIO**

SUPPLEMENTAL REPORTS

FOR THE YEAR ENDED
DECEMBER 31, 2012

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, 2012**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Grant Number	Federal CFDA Number	(A) Disbursements
U.S. DEPARTMENT OF JUSTICE			
Bulletproof Vest Partnership Program	N/A	16.607	\$ 4,370
Total U. S. Department of Justice			<u>4,370</u>
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed Through Ohio Department of Transportation</i>			
ARRA - Highway Planning and Construction, Recovery Act	85914	20.205	94,078
Total U. S. Department of Transportation			<u>94,078</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Assistance to Firefighters Grant	N/A	97.044	75,917
Total U. S. Department of Homeland Security			<u>75,917</u>
U.S. DEPARTMENT OF ENERGY			
<i>Passed Through Ohio Department of Development</i>			
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG), Recovery Act	ARRA-EECBG-10-35	81.128	300,000
Total U. S. Department of Energy			<u>300,000</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through Ohio Department of Development</i>			
Home Investment Partnerships Program (CHIP)	A-C-11-2BD-1	14.239	16,269
Community Development Block Grants (Home)	A-C-11-2BD-2	14.228	60,494
Community Development Block Grants (Revitalization)	A-T-09-2BD-1	14.228	99,706
Community Development Block Grants (Formula)	A-F-10-2BD-1	14.228	111,800
Community Development Block Grants (Downtown)	A-D-10-2BD-1	14.228	165,000
Community Development Block Grants (Economic Development)	A-E-11-2BD-1	14.228	170,000
(B) Community Development Block Grants (Revolving Loans)	N/A	14.228	68,428
Total Community Development Block Grants			<u>675,428</u>
Total U. S. Department of Housing and Urban Development			<u>691,697</u>
TOTAL			<u>\$ 1,166,062</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, 2012**

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 2012 is as follows:

Beginning loans receivable balance as of January 1, 2012	\$	1,318,578
Loans made		450,000
Loan principal repaid		<u>(206,114)</u>
Ending loans receivable balance as of December 31, 2012	\$	<u><u>1,562,464</u></u>
Cash balance on hand in the revolving loan fund as of December 31, 2012	\$	254,753
Administrative costs expended during 2012	\$	13,109

The above reports gross loans receivable. Of the loans receivable as of December 31, 2012, the City estimates \$2,790 to be uncollectible.

Note C - Matching Requirements

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



Julian & Grube, Inc.

Serving Ohio Local Governments

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

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

To the Members of Council and Mayor:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Defiance, Defiance County, Ohio, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City of Defiance's basic financial statements and have issued our report thereon dated June 25, 2013, wherein we noted as discussed in Note 3, the City of Defiance adopted Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City of Defiance's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Members of Council and Mayor
City of Defiance

Compliance and Other Matters

As part of reasonably assuring whether the City of Defiance's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed one instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as item 2012-COD-001.

City of Defiance's Response to Finding

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.

Purpose of this Report

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



Julian & Grube, Inc.
June 25, 2013



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**Independent Auditor's 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:

Report on Compliance for Each Major Federal Program

We have audited the City of Defiance's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the City of Defiance's major federal program for the year ended December 31, 2012. The *Summary of Audit Results* in the accompanying schedule of findings and responses identifies the City of Defiance's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Members of Council and Mayor
City of Defiance

Opinion on the Major Federal Program

In our opinion, the City of Defiance complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2012.

Report on Internal Control over Compliance

The City of Defiance's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the City of Defiance's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City of Defiance's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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 25, 2013.

Members of Council and Mayor
City of Defiance

Report on the Schedule of Expenditures of Federal Award

We have also audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Defiance as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City of Defiance's basic financial statements. We issued our unmodified report thereon dated June 25, 2013, wherein we noted as discussed in Note 3, the City of Defiance adopted Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. We conducted our audit to opine on the City of Defiance's basic financial statements. The accompanying schedule of expenditures of federal awards presents additional analysis required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. The schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records management used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Julian & Grube, Inc.
June 25, 2013

**CITY OF DEFIANCE
DEFIANCE COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2012**

1. SUMMARY OF AUDITORS' RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	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>	Unmodified
<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>	ARRA – Energy Efficiency and Conservation Block Grant Program (EECBG), Recovery Act, CFDA #81.128
<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, 2012**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2012-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	\$ 4,521,973	\$ 7,104,395	\$ 2,582,422
<u>Nonmajor Governmental</u>			
Peace Officer Training	538	2,038	1,500
<u>Major Enterprise</u>			
Sewer	15,562,863	18,450,228	2,887,365

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.

3. FINDINGS FOR FEDERAL AWARDS AND QUESTIONED COSTS
--

None

**CITY OF DEFIANCE
DEFIANCE COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2012**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2011-COD-001	Ohio Revised Code Section 5705.36(A)(4) states that upon 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 City had appropriations in excess of actual resources.	No	Repeated as finding 2012-COD-001



Dave Yost • Auditor of State

CITY OF DEFIANCE

DEFIANCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 15, 2013**