



Comprehensive Annual Financial Report

for the year ended December 31, 2013



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, 2013 through December 31, 2013. 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.

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Dave Yost
Auditor of State

July 17, 2014

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CITY OF DEFIANCE, OHIO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2013

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, 2013

TABLE OF CONTENTS

I. INTRODUCTORY SECTION

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

II. FINANCIAL SECTION

Independent Auditor’s Report	1-2
Management’s Discussion and Analysis	3-16
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	17
Statement of Activities	18-19
Fund Financial Statements:	
Balance Sheet - Governmental Funds	20
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	21
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	23
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis): General Fund.....	24
Statement of Net Position - Proprietary Funds.....	25
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds.....	26
Statement of Cash Flows - Proprietary Funds	27-28
Statement of Fiduciary Assets and Liabilities – Fiduciary Fund.....	29
Notes to the Basic Financial Statements.....	30-66

Combining Statements and Individual Fund Schedules for Governmental Funds:

Fund Descriptions - Governmental Funds.....	67-69
Major Funds:	
Individual Fund Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - Major Funds:	
General Fund.....	70-72
Capital Improvements Fund.....	73
Combining Statements - Nonmajor Governmental Funds:	
Combining Balance Sheet - Nonmajor Governmental Funds	74
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	75
Special Revenue Funds:	
Combining Balance Sheet - Nonmajor Special Revenue Funds	76-81
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	82-87
Individual Fund Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - Nonmajor Special Revenue Funds:	
State Highway Improvements Fund.....	88
Permissive Tax Fund.....	89
Street Construction, Maintenance and Repair Fund.....	90
Indigent Drivers Fund.....	91
Municipal Probation Services Fund	92
Probation Grant Fund.....	93
Court Computerization Fund.....	94
Tree of Life Fund	95
Special Project Fund	96
OVI Special Project Fund	97
Cable TV – Franchise Fund	98
Housing Rehabilitation Grant Fund	99
Revolving Loan – Industrial Fund	100
Peace Officer Training Fund.....	101
Reservoir Enhancement Fund	102
Riverside Cemetery Enhancement Fund.....	103
Hotel/Motel Tax Fund.....	104
Museum Trust Fund.....	105
Cemetery Trust Fund	106
Police Pension Fund.....	107
Fire Pension Fund	108
Tax Redirection Fund.....	109
Law Enforcement Trust Fund	110
East Side Firehouse Fund.....	111
Fire and Rescue Trust Fund	112
Fire Damage Repair Fund.....	113
Park and Recreation Trust Fund.....	114
Individual Fund Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - Unclaimed Monies Fund:	
Unclaimed Monies Fund.....	115

Debt Service Funds:

Combining Balance Sheet - Nonmajor Debt Service Funds	116
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Debt Service Funds	117
Individual Fund Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - Nonmajor Debt Service Funds:	
Bond Retirement Fund	118
Tax Increment Financing Fund	119

Capital Projects Fund:

Individual Fund Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - Nonmajor Capital Projects Fund:	
Municipal Court Construction Fund	120

Proprietary Funds:

Fund Descriptions - Proprietary Funds	121
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Major Enterprise Funds:

Individual Fund Schedules of Revenues, Expenses, and Changes in Fund Equity - Budget and Actual (Non-GAAP Budgetary Basis) - Major Enterprise Funds:	
Water Fund.....	122
Sewer Fund	123

Combining Statements - Nonmajor Funds:

Combining Statement of Net Position - Nonmajor Enterprise Funds	124
Combining Statement of Revenues, Expenses, and Changes in Net Position - Nonmajor Enterprise Funds	125
Combining Statement of Cash Flows - Nonmajor Enterprise Funds	126
Individual Fund Schedules of Revenues, Expenses, and Changes in Fund Equity - Budget and Actual (Non-GAAP Budgetary Basis) – Nonmajor Enterprise Funds:	
Refuse Fund	127
Utility Deposit Fund.....	128

Internal Service Fund:

Schedule of Revenues, Expenses, and Changes in Fund Equity - Budget and Actual (Non-GAAP Budgetary Basis) – Health Care Trust Fund.....	129
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Agency Fund:

Fund Description - Fiduciary Fund	130
Statement of Changes in Assets and Liabilities - Agency Fund.....	131

III. STATISTICAL SECTION

Table of Contents	132
Net Position by Component - Last Ten Years.....	133-134
Changes in Net Position - Last Ten Years.....	135-138

III. STATISTICAL SECTION - (Continued)

Fund Balances, Governmental Funds - Last Ten Years	139-140
Changes in Fund Balances, Governmental Funds - Last Ten Years	141-142
Income Tax Revenues by Source - Last Ten Years	143-144
Income Tax Rates and Allocation by Fund - Last Ten Years	145-146
Ratios of Outstanding Debt by Type - Last Ten Years	147-148
Ratios of General Bonded Debt Outstanding - Last Ten Years.....	149-150
Direct and Overlapping Governmental Activities Debt - as of December 31, 2013	151
Legal Debt Margin - Last Ten Years.....	152-153
Pledged Revenue Coverage - Last Ten Years	154-155
Demographic and Economic Statistics - Last Ten Years	156
Principal Employers - Current Year and Nine Years Ago	157
Full-Time Equivalent Position by Function/Division – Last Ten Years	158
Operating Indicators by Function/Program - Last Ten Years	159-160
Capital Asset Statistics by Function/Program - Last Ten Years.....	161-162



Bob Armstrong
Mayor

Jeffery S. Leonard
City Administrator

John W. Lehner
Finance Director

David H. Williams
Law Director

June 23, 2014

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, 2013. 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, 2013, and they have issued an unmodified ("clean") opinion. The Independent Auditor's Report on the City's financial statements is included in the Financial Section of this report.

As part of the City's independent audit, tests are made to determine the adequacy of the internal control structure, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's independent audit for the year ended December 31, 2013 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

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

Profile of the Government

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

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

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

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



Local Economy

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

Like much of the nation, the local economy has been stable, at best, for the last several years. Income tax collections declined significantly in 2008 and 2009, during the last recession, and have hardly moved since. Unemployment rates in Defiance County have fluctuated over the last several years -- consistent with rates in the broader economy -- peaking in 2009 at 13.8 percent, but falling to 7.2 percent in 2013. This was slightly better than the State of Ohio and nationwide rates of 7.4 percent each.

The City is currently engaged in an effort to expand its borders by annexing properties served by the municipal water and sewer utilities that are not currently inside city limits. Approximately 230 parcels -- including both residential and commercial properties -- have been targeted. As "inside" water and sewer rates are significantly lower than "outside" rates, the program has been quite successful, to date.

In December, 2013, the City had its credit rating upgraded by Standard & Poor's Ratings Services to AA- (w/stable outlook) from A+ (w/negative outlook). Recent passage of a new 0.3% income tax increase and projected stability in the City's General Fund were cited as reasons for the upgrade.

Long Term Financial Planning

Based on the new city income tax rate, preliminary long-term revenue and expense forecasts show stable General Fund balances for a period of at least 10 years. Barring unforeseen circumstances, the current city council is committed to conservative budgeting practices that will support that projection.

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

The City is currently in an EPA-approved study period to reassess its strategy in addressing combined sewer overflows into the Maumee and Auglaize Rivers. Overflows typically occur during significant rainfall events that overwhelm the capacity of the existing sewer system. Costs associated with the City's initial plan, as proscribed by the current consent order, became prohibitive after an investment of over \$30 million in the first eight years of a twenty-year plan. Results of the study are promising: it is hoped that the initial plan costs of nearly \$120 million dollars can be reduced by half.

Otherwise, the City has no imminent plans to issue new debt. Outstanding general obligation debt totals \$10.55 million, representing approximately \$627 per capita. Nearly two-thirds of the balance, however, is being funded from revenues of the water treatment utility, not general tax dollars.

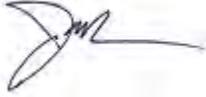
Awards and Acknowledgements

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, 2012. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standard of preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

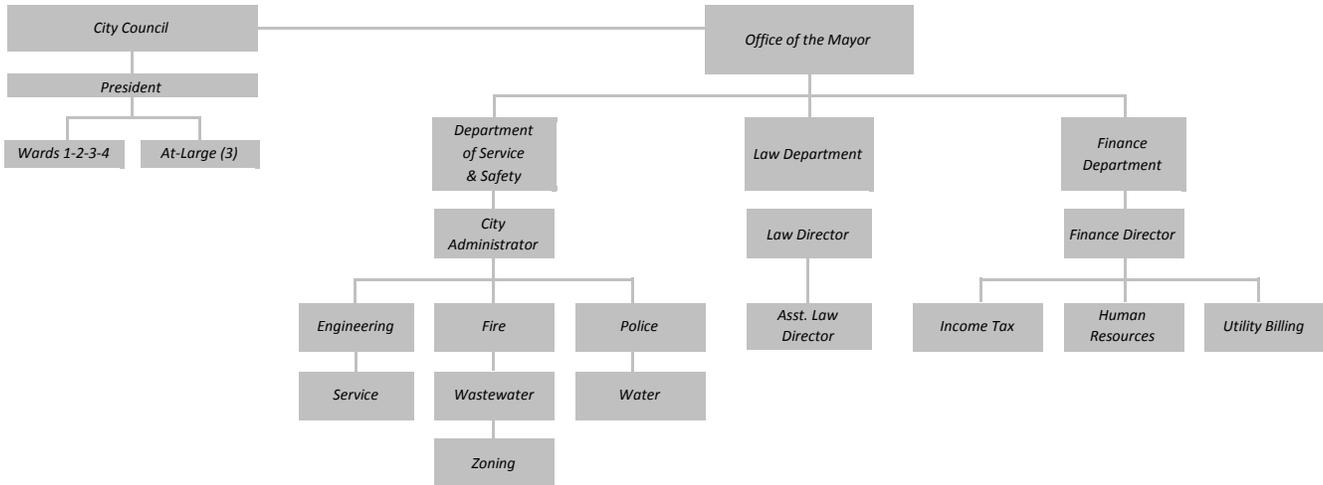
I would like to express my appreciation to the employees of the Defiance Finance Department for their hard work and professionalism. The successful preparation of this document would not be possible without their efforts. I would also like to thank the Mayor and Members of Council for their ongoing support 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 black ink, appearing to read 'J. 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, 2013

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	Jared Orzolek
4 th Ward	Chris Engel
Municipal Court Judge	John T. Rohrs, III

Appointed Officials

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



Government Finance Officers Association

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

Presented to

**City of Defiance
Ohio**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

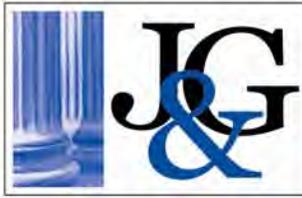
December 31, 2012

Executive Director/CEO

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FINANCIAL SECTION

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Julian & Grube, Inc.

Serving Ohio Local Governments

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

Independent Auditor's Report

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

To the Members of Council and Mayor:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Defiance, Defiance County, Ohio, as of and for the year ended December 31, 2013, 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, 2013, 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

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2014, 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 23, 2014

CITY OF DEFIANCE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013 (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, 2013. 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 2013 are as follows:

- The total net position of the City increased \$3,368,873. Net position of governmental activities increased \$261,916 over 2012 and net position of business-type activities increased \$3,106,957 over 2012.
- General revenues accounted for \$9,029,764, or 67.55%, of total governmental activities revenue. Program specific revenues accounted for \$4,337,143, or 32.45%, of total governmental activities revenue.
- The City had \$13,046,436 in expenses related to governmental activities; \$4,337,143 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$9,029,764.
- The City has two major governmental funds, the general fund and the capital improvements fund. The general fund had revenues of \$8,090,109 in 2013 while the expenditures and other financing uses totaled \$8,343,548. While the City made useful efforts to reduce costs, reserves from prior years were needed to cover 2013 expenditures and other financing uses in the general fund. The net decrease in fund balance for the general fund was \$253,439.
- The capital improvements fund had revenues and other financing sources of \$3,412,717 and expenditures totaling \$3,215,666 during 2013. The net increase in fund balance of \$197,051 is due primarily to \$1.1 million in Ohio Water Development Authority loan proceeds received in 2013.
- Net position for the business-type activities, which are made up of the water, sewer, refuse and utility deposit enterprise funds, increased in 2013 by \$3,106,957. The increase in business-type activities net position is a result of a continued decrease in expenses in 2013 compared to 2012.
- In the general fund, the actual revenues and other financing sources came in \$174,712 lower than they were in the final budget and actual expenditures and other financing uses were \$577,289 lower than the amount in the final budget as a result of tight spending restraints. Budgeted revenues and other financing sources increased \$5,182 from the original to the final budget. Budgeted expenditures and other financing uses increased \$126,057 from the original to the final budget.

Using this Comprehensive Annual Financial Report (CAFR)

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

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

CITY OF DEFIANCE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013 (UNAUDITED)

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 2013?" 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.

Governmental Funds

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

CITY OF DEFIANCE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013 (UNAUDITED)

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

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

Proprietary Funds

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, refuse and utility deposits management functions. The City's major enterprise funds are the water and sewer funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The basic proprietary fund financial statements can be found on pages 25-28 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency funds are the City's only fiduciary fund type. The basic fiduciary fund financial statement can be found on page 29 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 30-66 of this report.

CITY OF DEFIANCE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)**

Government-Wide Financial Analysis

The statement of net position provides the perspective of the City as a whole. The table below provides a summary of the City's net position at December 31, 2013 and December 31, 2012.

	Net Position					
	Governmental	Business-type	Governmental	Business-type	2013	2012
	Activities 2013	Activities 2013	Activities 2012	Activities 2012	Total	Total
<u>Assets</u>						
Current and other assets	\$ 10,304,598	\$ 8,952,431	\$ 9,613,265	\$ 5,430,057	\$ 19,257,029	\$ 15,043,322
Capital assets, net	<u>20,623,265</u>	<u>66,128,273</u>	<u>19,956,491</u>	<u>65,717,677</u>	<u>86,751,538</u>	<u>85,674,168</u>
Total assets	<u>30,927,863</u>	<u>75,080,704</u>	<u>29,569,756</u>	<u>71,147,734</u>	<u>106,008,567</u>	<u>100,717,490</u>
Deferred outflows	<u>-</u>	<u>266,708</u>	<u>-</u>	<u>296,412</u>	<u>266,708</u>	<u>296,412</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	6,646,499	43,795,852	5,793,693	43,030,664	50,442,351	48,824,357
Other liabilities	<u>1,090,810</u>	<u>2,201,274</u>	<u>855,420</u>	<u>2,170,153</u>	<u>3,292,084</u>	<u>3,025,573</u>
Total liabilities	<u>7,737,309</u>	<u>45,997,126</u>	<u>6,649,113</u>	<u>45,200,817</u>	<u>53,734,435</u>	<u>51,849,930</u>
Deferred inflows	<u>705,800</u>	<u>-</u>	<u>697,805</u>	<u>-</u>	<u>705,800</u>	<u>697,805</u>
<u>Net Position</u>						
Net investment in capital assets	14,481,473	21,292,299	14,851,497	21,768,542	35,773,772	36,620,039
Restricted	4,648,746	-	4,520,437	-	4,648,746	4,520,437
Unrestricted	<u>3,354,535</u>	<u>8,057,987</u>	<u>2,850,904</u>	<u>4,474,787</u>	<u>11,412,522</u>	<u>7,325,691</u>
Total net position	<u>\$ 22,484,754</u>	<u>\$ 29,350,286</u>	<u>\$ 22,222,838</u>	<u>\$ 26,243,329</u>	<u>\$ 51,835,040</u>	<u>\$ 48,466,167</u>

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2013, the City's assets and deferred outflows exceeded liabilities and deferred inflows by \$51,835,040. At year-end, net position was \$22,484,754 and \$29,350,286 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, 2013, capital assets represented 81.83% 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 66.68% of total assets while the business-type activities represented 88.08% of total assets. The net investment in capital assets at December 31, 2013, was \$14,481,473 and \$21,292,299 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, 2013, 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, \$4,648,746, 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 \$3,354,535 may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF DEFIANCE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)

The table below shows the changes in net position for 2013 and 2012.

			Change in Net Position		2013 <u>Total</u>	2012 <u>Total</u>
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities		
	<u>2013</u>	<u>2013</u>	<u>2012</u>	<u>2012</u>		
Revenues						
Program revenues:						
Charges for services	\$ 1,933,615	\$ 13,038,711	\$ 1,748,484	\$ 13,295,675	\$ 14,972,326	\$ 15,044,159
Operating grants and contributions	1,420,889	-	1,752,458	-	1,420,889	1,752,458
Capital grants and contributions	982,639	158,860	489,168	-	1,141,499	489,168
Total program revenues	<u>4,337,143</u>	<u>13,197,571</u>	<u>3,990,110</u>	<u>13,295,675</u>	<u>17,534,714</u>	<u>17,285,785</u>
General revenues:						
Property taxes	962,313	-	927,218	-	962,313	927,218
Income taxes	7,196,097	-	6,945,572	-	7,196,097	6,945,572
Unrestricted grants and entitlements	524,815	-	768,909	-	524,815	768,909
Investment earnings	32,216	30,295	25,118	19,942	62,511	45,060
Payment in lieu of taxes	67,034	-	66,732	-	67,034	66,732
Miscellaneous	247,289	107,946	201,507	44,680	355,235	246,187
Total general revenues	<u>9,029,764</u>	<u>138,241</u>	<u>8,935,056</u>	<u>64,622</u>	<u>9,168,005</u>	<u>8,999,678</u>
Total revenues	<u>13,366,907</u>	<u>13,335,812</u>	<u>12,925,166</u>	<u>13,360,297</u>	<u>26,702,719</u>	<u>26,285,463</u>
Expenses:						
General government	3,154,896	-	3,065,260	-	3,154,896	3,065,260
Security of persons and property	5,516,843	-	5,725,571	-	5,516,843	5,725,571
Public health and welfare	259,593	-	237,991	-	259,593	237,991
Transportation	2,070,218	-	2,257,425	-	2,070,218	2,257,425
Community environment	464,158	-	600,805	-	464,158	600,805
Leisure time activity	777,604	-	820,217	-	777,604	820,217
Economic development	681,350	-	888,011	-	681,350	888,011
Interest and fiscal charges	121,774	-	124,912	-	121,774	124,912
Water	-	5,068,496	-	4,746,280	5,068,496	4,746,280
Sewer	-	4,769,476	-	5,313,868	4,769,476	5,313,868
Other enterprise fund	-	787,148	-	828,551	787,148	828,551
Total expenses	<u>13,046,436</u>	<u>10,625,120</u>	<u>13,720,192</u>	<u>10,888,699</u>	<u>23,671,556</u>	<u>24,608,891</u>
Change in net position before transfers and special item	<u>320,471</u>	<u>2,710,692</u>	<u>(795,026)</u>	<u>2,471,598</u>	<u>3,031,163</u>	<u>1,676,572</u>
Special item - legal settlement	-	337,710	-	-	337,710	-
Transfers	<u>(58,555)</u>	<u>58,555</u>	<u>(346,089)</u>	<u>346,089</u>	<u>-</u>	<u>-</u>
Change in net position	<u>261,916</u>	<u>3,106,957</u>	<u>(1,141,115)</u>	<u>2,817,687</u>	<u>3,368,873</u>	<u>1,676,572</u>
Net position, beginning 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>
Net position, end of year	<u>\$ 22,484,754</u>	<u>\$ 29,350,286</u>	<u>\$ 22,222,838</u>	<u>\$ 26,243,329</u>	<u>\$ 51,835,040</u>	<u>\$ 48,466,167</u>

CITY OF DEFIANCE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)**

Governmental Activities

Governmental activities net position increased \$261,916 in 2013.

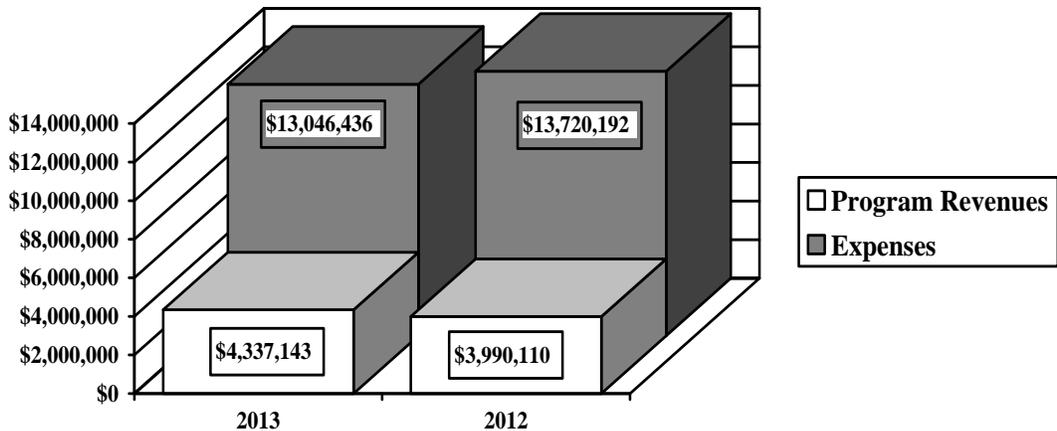
Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$5,516,843 of the total expenses of the City. These expenses were partially funded by \$1,198,534 in direct charges to users of the services and \$123,097 in operating grants and contributions. Transportation expenses totaled \$2,070,218. Transportation expenses were partially funded by \$936,466 in operating grants and contributions and \$950,869 in capital grants and contributions.

The state and federal government contributed to the City a total of \$1,420,889 in operating grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$936,466 subsidized transportation programs and \$357,251 subsidized economic development programs. The City received \$982,639 in capital grants and contribution including \$31,770 relating to a capital contribution to the City.

General revenues totaled \$9,029,764, and amounted to 67.55% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$8,158,410. 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 \$524,815.

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

Governmental Activities - Program Revenues vs. Total Expenses



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

CITY OF DEFIANCE, OHIO

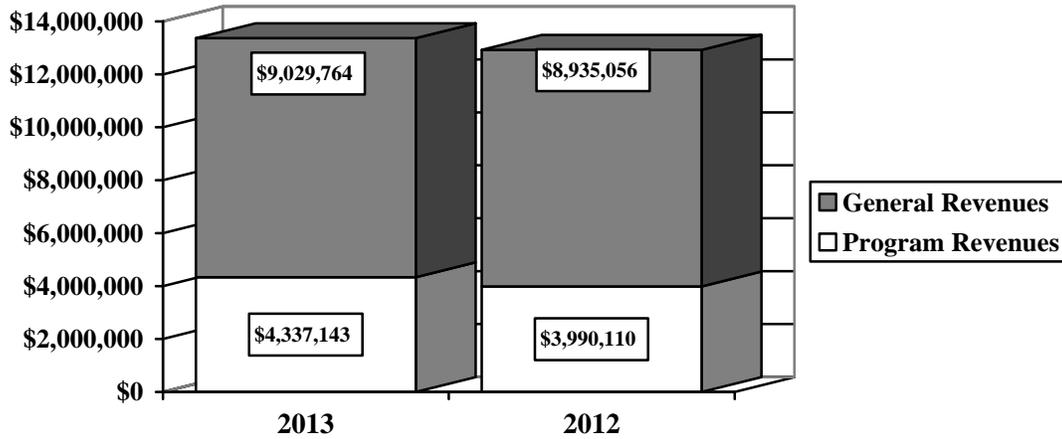
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)**

Governmental Activities

	Total Cost of Services <u>2013</u>	Net Cost of Services <u>2013</u>	Total Cost of Services <u>2012</u>	Net Cost of Services <u>2012</u>
Program Expenses:				
General government	\$ 3,154,896	\$ 2,598,887	\$ 3,065,260	\$ 2,373,235
Security of persons and property	5,516,843	4,163,442	5,725,571	4,511,999
Public health and welfare	259,593	190,190	237,991	169,524
Transportation	2,070,218	182,883	2,257,425	1,009,387
Community environment	464,158	387,710	600,805	490,108
Leisure time activity	777,604	760,875	820,217	794,437
Economic development	681,350	303,532	888,011	256,480
Interest and fiscal charges	<u>121,774</u>	<u>121,774</u>	<u>124,912</u>	<u>124,912</u>
Total	<u>\$ 13,046,436</u>	<u>\$ 8,709,293</u>	<u>\$ 13,720,192</u>	<u>\$ 9,730,082</u>

The dependence upon general revenues for governmental activities is apparent, with 66.76% of expenses supported through taxes and other general revenues for 2013.

Governmental Activities - General and Program Revenues



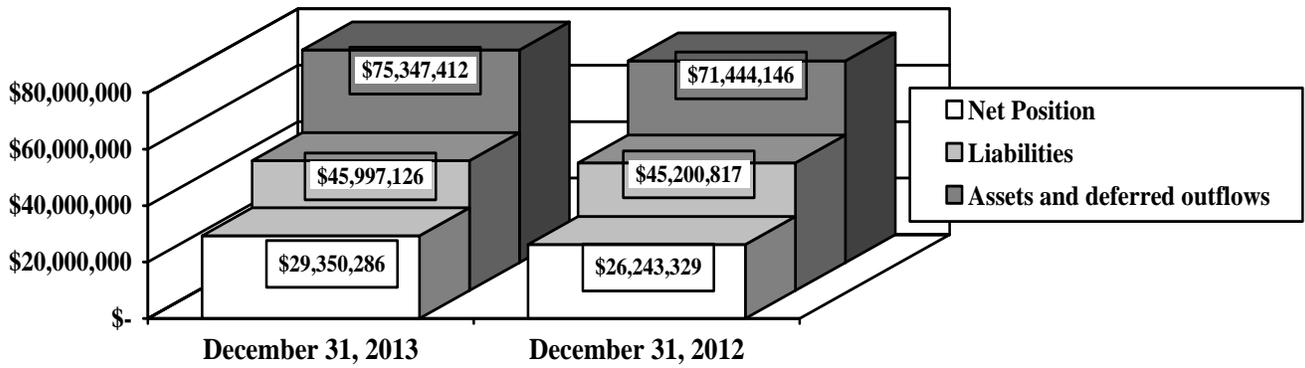
CITY OF DEFIANCE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)**

Business-type Activities

Business-type activities include the water, sewer, refuse and utility deposit enterprise funds. These programs had program revenues of \$13,197,571, general revenues of \$138,241, transfers in of \$58,555, a special item of \$337,710 and expenses of \$10,625,120 for 2013. The graph below shows the business-type activities assets, deferred outflows, liabilities, deferred inflows and net position at year-end. Expenses of the sewer operations decreased \$544,392 from the prior year while expenses of the water operations increased \$322,216 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 \$6,960,638 which is a \$67,650 increase from last year's total of \$6,892,988. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2013 for all major and nonmajor governmental funds.

	Fund Balances 12/31/13	Fund Balances 12/31/12	Increase (Decrease)
Major funds:			
General	\$ 1,341,649	\$ 1,595,088	\$ (253,439)
Capital improvements	1,159,145	962,094	197,051
Nonmajor governmental funds	<u>4,459,844</u>	<u>4,335,806</u>	<u>124,038</u>
 Total	 <u>\$ 6,960,638</u>	 <u>\$ 6,892,988</u>	 <u>\$ 67,650</u>

CITY OF DEFIANCE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)**

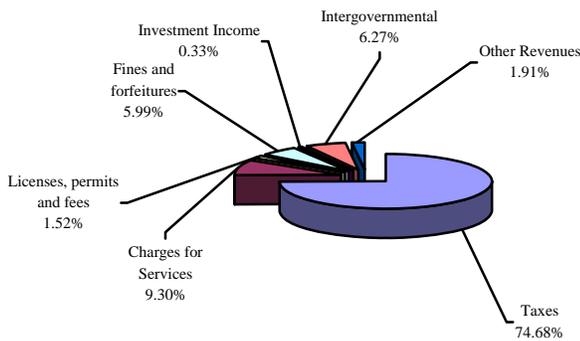
General Fund

While the City made efforts to reduce costs, a decision was made to utilize a portion of general fund reserves to cover 2013 expenditures in the general fund. The City's general fund balance decreased \$253,439. The table that follows assists in illustrating the revenues of the general fund.

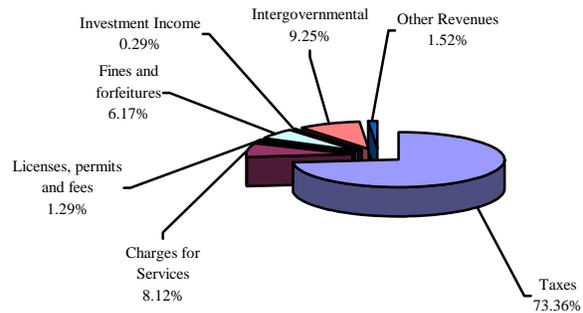
	<u>2013</u> <u>Amount</u>	<u>2012</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 6,041,456	\$ 6,061,613	\$ (20,157)	(0.33) %
Charges for services	752,713	671,046	81,667	12.17 %
Licenses, permits and fees	122,671	106,597	16,074	15.08 %
Fines and forfeitures	484,496	509,655	(25,159)	(4.94) %
Investment income	27,040	23,717	3,323	14.01 %
Intergovernmental	507,587	764,211	(256,624)	(33.58) %
Other	<u>154,146</u>	<u>125,972</u>	<u>28,174</u>	22.37 %
Total	<u>\$ 8,090,109</u>	<u>\$ 8,262,811</u>	<u>\$ (172,702)</u>	(2.09) %

Tax revenue represents 74.68% of all general fund revenue. Tax revenue was comparable to the prior year with a decrease of only \$20,157 or 0.33% from the prior year. The decrease of \$256,624 or 33.58% 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 2013. 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 - 2013



Revenues - 2012



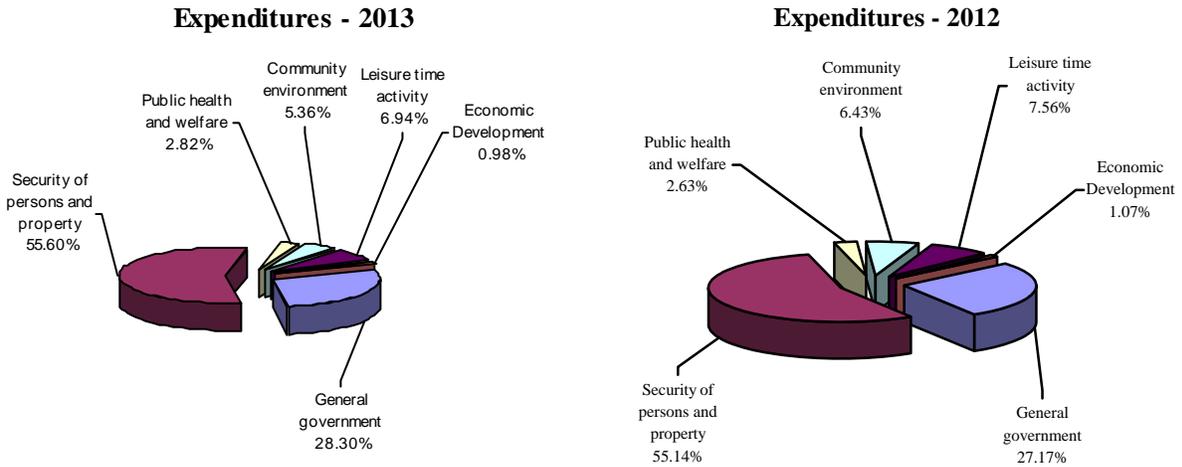
CITY OF DEFIANCE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)**

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

	<u>2013</u> <u>Amount</u>	<u>2012</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>				
General government	\$ 2,254,194	\$ 2,140,209	\$ 113,985	5.33 %
Security of persons and property	4,427,462	4,343,798	83,664	1.93 %
Public health and welfare	224,443	207,560	16,883	8.13 %
Community environment	426,724	506,585	(79,861)	(15.76) %
Leisure time activity	552,903	595,366	(42,463)	(7.13) %
Economic development	<u>77,822</u>	<u>84,095</u>	<u>(6,273)</u>	(7.46) %
Total	<u>\$ 7,963,548</u>	<u>\$ 7,877,613</u>	<u>\$ 85,935</u>	1.09 %

Expenditures of the general fund increased \$85,935 or 1.09%. The largest expenditure of the City, security of persons and property, increased \$83,664 which is only 1.93% higher than 2012. General government expenditures increased \$113,985 or 5.33% and can be attributed to the City's increased costs in its daily operations. All other expenditures remained comparable to 2012.



Capital Improvements Fund

The capital improvements fund had revenues and other financing sources of \$3,412,717 and expenditures totaling \$3,215,666 during 2013. The net increase in fund balance of \$197,051 is due to an decrease 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, 2013
(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 \$7,999,634 which was \$174,712 less than the final budgeted revenues and other financing sources of \$8,174,346. Original budgeted revenues and other financing sources were \$8,169,164 which is \$5,182 lower than the final revenues and other financing sources. Actual expenditures and other financing uses were \$8,312,676, which was \$577,289 lower than the final budgeted expenditures and other financing uses of \$8,889,965 due to conservative spending by the City. Original budgeted expenditures and other financing uses were \$8,763,908 which is \$126,057 lower than the final budgeted expenditures. Based on the rising costs of the economy conservative estimates were used in the 2013 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, 2013, the City had \$86,751,538 (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, \$20,623,265 was reported in governmental activities and \$66,128,273 was reported in business-type activities. For the 2012 business-type activities capital assets, certain capital assets have been reclassified between categories (see Note 9 to the financial statements). The following table shows December 31, 2013 capital assets compared to December 31, 2012:

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

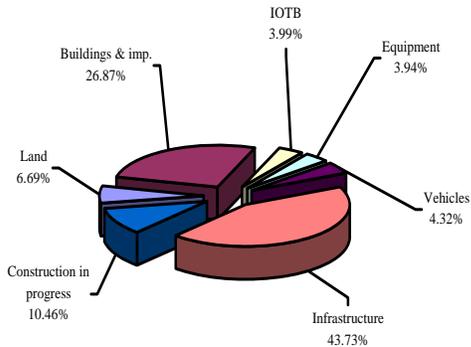
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>Restated 2012</u>	<u>2013</u>	<u>Restated 2012</u>
Land	\$ 1,378,358	\$ 1,378,358	\$ 359,741	\$ 280,171	\$ 1,738,099	\$ 1,658,529
IOTB	821,891	399,898	313,017	341,715	1,134,908	741,613
Buildings and improvements	5,542,117	5,782,006	17,634,588	18,112,481	23,176,705	23,894,487
Equipment	813,165	943,507	1,278,880	582,888	2,092,045	1,526,395
Vehicles	891,802	685,190	440,855	447,803	1,332,657	1,132,993
Infrastructure	9,017,772	8,190,281	32,930,199	18,009,497	41,947,971	26,199,778
Construction in progress	<u>2,158,160</u>	<u>2,577,251</u>	<u>13,170,993</u>	<u>27,943,122</u>	<u>15,329,153</u>	<u>30,520,373</u>
Totals	<u>\$ 20,623,265</u>	<u>\$ 19,956,491</u>	<u>\$ 66,128,273</u>	<u>\$ 65,717,677</u>	<u>\$ 86,751,538</u>	<u>\$ 85,674,168</u>

CITY OF DEFIANCE, OHIO

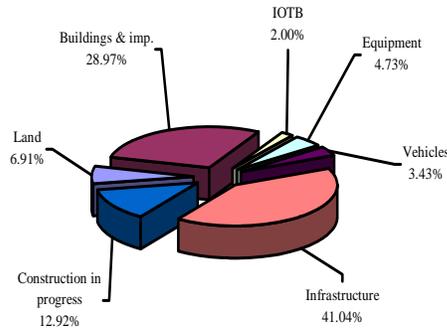
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)**

The following graphs show the breakdown of governmental capital assets by category for 2013 and 2012.

**Capital Assets - Governmental Activities
2013**



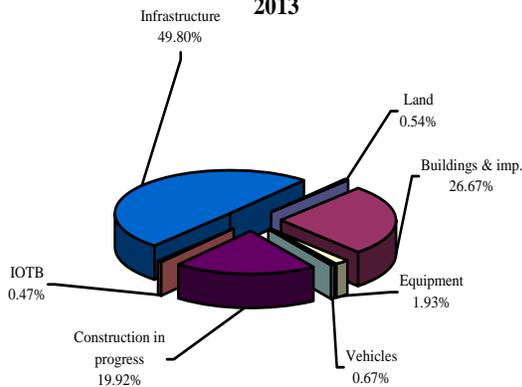
**Capital Assets - Governmental Activities
2012**



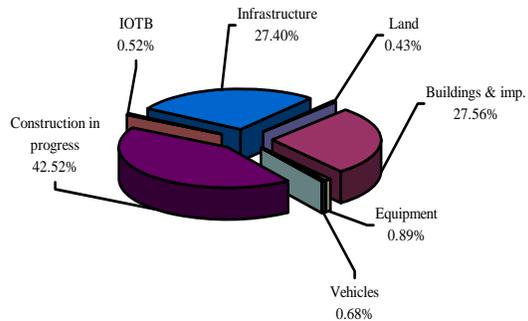
The capital asset category infrastructure includes roads, bridges, culverts, sidewalks and curbs. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 43.73% of the City's total governmental capital assets at December 31, 2013.

The following graphs show the breakdown of business-type capital assets by category for 2013 and 2012.

**Capital Assets - Business-Type Activities
2013**



**Capital Assets - Business-Type Activities
2012 (restated)**



The City's 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 49.80% of the City's total business-type capital assets at December 31, 2013.

See Note 9 for detail on capital assets.

CITY OF DEFIANCE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)**

Debt Administration

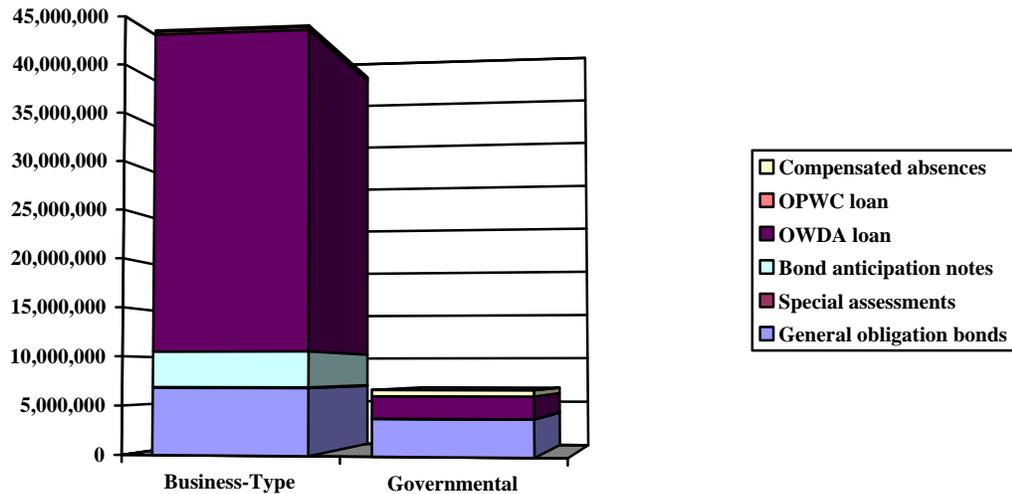
The City had the following long-term obligations outstanding at December 31, 2013 and 2012:

	Governmental Activities	
	<u>2013</u>	<u>2012</u>
Compensated absences	\$ 620,189	\$ 688,699
General obligation bonds	3,755,000	3,925,000
Special assessment bonds	13,043	27,729
OWDA loan	<u>2,220,458</u>	<u>1,112,332</u>
Total long-term obligations	<u>\$ 6,608,690</u>	<u>\$ 5,753,760</u>

	Business-type Activities	Business-type Activities
	<u>2013</u>	<u>2012</u>
General obligation bonds	\$ 6,795,000	\$ 7,425,000
Special assessment bonds	71,222	79,307
OWDA loan	32,532,365	31,610,089
OPWC loan	289,420	371,573
Bond anticipation notes	3,574,000	2,986,000
Compensated absences	<u>153,508</u>	<u>135,117</u>
Total long-term obligations	<u>\$ 43,415,515</u>	<u>\$ 42,607,086</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, 2013 (UNAUDITED)

Economic Factors and Next Year's Budget

The following economic factors currently affect the City of Defiance and were considered in developing the City's 2014 budget:

- In November, voters agreed to a city income tax rate increase from 1.5% to 1.8%. The increase will generate approximately \$1.4 million per year to be dedicated to police and fire operating budgets. It will fund six additional firefighters and three police officers, in addition to providing a measure of relief to the City's General Fund balance.
- The local unemployment rate remains steady at 7.2%, which is very close to both state and federal levels.
- Interest rates on investments remain at or near all-time lows, and projected earnings on those investments remain negligible.
- In the fourth year of a five-year rate plan, water and sewer rates will increase 4.0% in 2014.
- On the expense side, city health insurance premiums will increase 25.0% in 2014. This follows several years in which the self-insurance pool the City belongs to held rate increases to minimal levels in response to the recession of 2008-2009.
- Negotiations with the Police, Fire and AFSCME unions resulted in wage increases of 1.5% in 2014. This followed three consecutive years in which wage rates did not change. The AFSCME union also agreed to wage increases of 2.75% per year in 2015 and 2016, while contract negotiations with the Police and Fire unions will proceed later in 2014.

Like much of Ohio, the Midwest, and large portions of the nation as a whole, the economic recovery in Defiance has been slow. The drop in unemployment rates since highs set in 2009 misrepresents the lack of job growth in the area. The income tax increase approved in November was requested in response to several years of reductions in State funding and a deteriorating General Fund balance. Passage will prove beneficial to local government, but growth in the City's employment base remains one of its highest priorities.

Contacting the City's Financial Management

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

CITY OF DEFIANCE, OHIO

STATEMENT OF NET POSITION
DECEMBER 31, 2013

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 5,528,852	\$ 7,895,230	\$ 13,424,082
Cash with escrow agent	1,309	-	1,309
Investments	84,265	-	84,265
Receivables (net of allowance for uncollectibles):			
Income taxes	1,291,044	-	1,291,044
Property and other local taxes	797,853	-	797,853
Accounts	478,980	593,202	1,072,182
Loans receivable	1,357,672	-	1,357,672
Special assessments	73,108	33,547	106,655
Accrued interest	10,259	11,688	21,947
Due from other governments	669,326	-	669,326
Materials and supplies inventory	33,615	73,441	107,056
Internal balance	(21,685)	21,685	-
Restricted assets:			
Equity in pooled cash and cash equivalents	-	249,163	249,163
Cash in segregated accounts	-	74,475	74,475
Capital assets:			
Land and construction in progress	3,536,518	13,530,734	17,067,252
Depreciable capital assets, net	17,086,747	52,597,539	69,684,286
Total capital assets, net	<u>20,623,265</u>	<u>66,128,273</u>	<u>86,751,538</u>
Total assets	<u>30,927,863</u>	<u>75,080,704</u>	<u>106,008,567</u>
Deferred outflows of resources:			
Unamortized deferred charges on debt refunding	-	266,708	266,708
Liabilities:			
Accounts payable	162,859	167,512	330,371
Contracts payable	115,482	185,338	300,820
Accrued wages and benefits payable	469,144	160,301	629,445
Due to other governments	303,303	81,833	385,136
Due to claimants	28,690	-	28,690
Accrued interest payable	10,023	82,127	92,150
Matured bonds payable	1,309	-	1,309
Payable from restricted assets:			
Refundable deposits	-	249,163	249,163
Bond anticipation notes payable	-	1,275,000	1,275,000
Long-term liabilities:			
Due within one year	472,237	5,799,723	6,271,960
Due in more than one year	6,174,262	37,996,129	44,170,391
Total liabilities	<u>7,737,309</u>	<u>45,997,126</u>	<u>53,734,435</u>
Deferred inflows of resources:			
Property taxes levied for the next year	705,800	-	705,800
Net position:			
Net investment in capital assets	14,481,473	21,292,299	35,773,772
Restricted for:			
Debt service	683,737	-	683,737
Transportation projects	712,739	-	712,739
Safety projects	553,081	-	553,081
Special projects	292,143	-	292,143
Community environment projects	19,132	-	19,132
Economic development projects	2,134,556	-	2,134,556
Health projects	3,094	-	3,094
Other purposes	250,264	-	250,264
Unrestricted	3,354,535	8,057,987	11,412,522
Total net position	<u>\$ 22,484,754</u>	<u>\$ 29,350,286</u>	<u>\$ 51,835,040</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF DEFIANCE, OHIO

STATEMENT OF ACTIVITIES
DECEMBER 31, 2013

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 3,154,896	\$ 552,784	\$ 3,225	\$ -
Security of persons and property.	5,516,843	1,198,534	123,097	31,770
Public health and welfare.	259,593	69,403	-	-
Transportation	2,070,218	-	936,466	950,869
Community environment	464,158	75,598	850	-
Leisure time activity	777,604	16,729	-	-
Economic development.	681,350	20,567	357,251	-
Interest and fiscal charges	121,774	-	-	-
Total governmental activities.	<u>13,046,436</u>	<u>1,933,615</u>	<u>1,420,889</u>	<u>982,639</u>
Business-type activities:				
Sewer	4,769,476	6,252,710	-	158,860
Water	5,068,496	5,900,065	-	-
Other business-type activities:				
Refuse	787,148	885,936	-	-
Total business-type activities	<u>10,625,120</u>	<u>13,038,711</u>	<u>-</u>	<u>158,860</u>
Total primary government	<u>\$ 23,671,556</u>	<u>\$ 14,972,326</u>	<u>\$ 1,420,889</u>	<u>\$ 1,141,499</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.

Special item and transfers:

- Special item - proceeds from legal settlement
- Transfers

Total general revenues and transfers

Change in net position

Net position at beginning of year

Net position at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (2,598,887)	\$ -	\$ (2,598,887)
(4,163,442)	-	(4,163,442)
(190,190)	-	(190,190)
(182,883)	-	(182,883)
(387,710)	-	(387,710)
(760,875)	-	(760,875)
(303,532)	-	(303,532)
(121,774)	-	(121,774)
<u>(8,709,293)</u>	<u>-</u>	<u>(8,709,293)</u>
-	1,642,094	1,642,094
-	831,569	831,569
-	98,788	98,788
<u>-</u>	<u>2,572,451</u>	<u>2,572,451</u>
<u>(8,709,293)</u>	<u>2,572,451</u>	<u>(6,136,842)</u>
5,760,134	-	5,760,134
24,562	-	24,562
1,411,401	-	1,411,401
550,030	-	550,030
412,283	-	412,283
524,815	-	524,815
32,216	30,295	62,511
67,034	-	67,034
247,289	107,946	355,235
<u>9,029,764</u>	<u>138,241</u>	<u>9,168,005</u>
-	337,710	337,710
<u>(58,555)</u>	<u>58,555</u>	<u>-</u>
<u>8,971,209</u>	<u>534,506</u>	<u>9,505,715</u>
261,916	3,106,957	3,368,873
22,222,838	26,243,329	48,466,167
<u>\$ 22,484,754</u>	<u>\$ 29,350,286</u>	<u>\$ 51,835,040</u>

CITY OF DEFIANCE, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	<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.	\$ 1,117,082	\$ 1,062,384	\$ 2,916,049	\$ 5,095,515
Cash with escrow agent	1,309	-	-	1,309
Investments	84,265	-	-	84,265
Receivables (net of allowance for uncollectibles):				
Income taxes	1,028,575	258,209	4,260	1,291,044
Property and other local taxes	584,087	-	213,766	797,853
Accounts	323,846	-	81,874	405,720
Loans receivable	-	-	1,357,672	1,357,672
Special assessments	-	-	73,108	73,108
Accrued interest	8,276	-	1,331	9,607
Due from other governments.	191,033	99,200	379,093	669,326
Materials and supplies inventory.	-	-	33,615	33,615
Total assets.	<u>\$ 3,338,473</u>	<u>\$ 1,419,793</u>	<u>\$ 5,060,768</u>	<u>\$ 9,819,034</u>
Liabilities:				
Accounts payable	\$ 126,116	\$ 24,920	\$ 11,823	\$ 162,859
Contracts payable	-	115,482	-	115,482
Accrued wages and benefits payable.	418,670	-	50,474	469,144
Compensated absences payable	22,196	-	-	22,196
Due to other governments	253,082	-	50,221	303,303
Due to claimants	28,690	-	-	28,690
Matured bonds payable	1,309	-	-	1,309
Total liabilities.	<u>850,063</u>	<u>140,402</u>	<u>112,518</u>	<u>1,102,983</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year.	548,000	-	157,800	705,800
Delinquent property tax revenue not available.	35,549	-	-	35,549
Accrued interest not available	3,389	-	701	4,090
Special assessments revenue not available.	-	-	73,108	73,108
Income tax revenue not available	427,216	120,246	1,984	549,446
Intergovernmental revenue not available	132,607	-	254,813	387,420
Total deferred inflows of resources	<u>1,146,761</u>	<u>120,246</u>	<u>488,406</u>	<u>1,755,413</u>
Fund balances:				
Nonspendable	93	-	33,615	33,708
Restricted	-	-	4,372,647	4,372,647
Committed.	-	1,159,145	53,582	1,212,727
Assigned.	200,750	-	-	200,750
Unassigned	1,140,806	-	-	1,140,806
Total fund balances.	<u>1,341,649</u>	<u>1,159,145</u>	<u>4,459,844</u>	<u>6,960,638</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,338,473</u>	<u>\$ 1,419,793</u>	<u>\$ 5,060,768</u>	<u>\$ 9,819,034</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, 2013

Total governmental fund balances	\$	6,960,638
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		20,623,265
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	\$ 549,446	
Property and other taxes receivable	35,549	
Special assessments receivable	73,108	
Intergovernmental receivable	387,420	
Accrued interest receivable	4,090	
Total	1,049,613	1,049,613
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 (\$21,685), is:		485,564
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(10,023)
Unamortized premiums on bond issuances are not recognized in the funds.		(37,809)
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	(3,755,000)	
Special assessment bonds payable	(13,043)	
OWDA loans payable	(2,220,458)	
Compensated absences payable	(597,993)	
Total	(6,586,494)	(6,586,494)
Net position of governmental activities	\$	22,484,754

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF DEFIANCE, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	<u>General</u>	<u>Capital Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Income taxes.	\$ 5,486,327	\$ 1,349,771	\$ 23,555	\$ 6,859,653
Property and other local taxes.	555,129	-	412,283	967,412
Payments in lieu of taxes.	-	-	67,034	67,034
Charges for services.	752,713	-	124	752,837
Licenses, permits and fees.	122,671	-	247,172	369,843
Fines and forfeitures.	484,496	-	305,996	790,492
Intergovernmental	507,587	950,869	1,387,612	2,846,068
Special assessments	-	2,500	33,696	36,196
Investment income.	27,040	-	58,288	85,328
Donations	1,300	-	6,253	7,553
Other.	152,846	1,451	91,692	245,989
Total revenues	<u>8,090,109</u>	<u>2,304,591</u>	<u>2,633,705</u>	<u>13,028,405</u>
Expenditures:				
Current:				
General government	2,254,194	-	486,286	2,740,480
Security of persons and property.	4,427,462	-	751,772	5,179,234
Public health and welfare	224,443	-	-	224,443
Transportation	-	-	845,468	845,468
Community environment.	426,724	-	-	426,724
Leisure time activity	552,903	-	-	552,903
Economic development	77,822	-	603,528	681,350
Capital outlay	-	3,079,262	21,996	3,101,258
Debt service:				
Principal retirement	-	20,000	164,686	184,686
Interest and fiscal charges.	-	116,404	7,846	124,250
Total expenditures.	<u>7,963,548</u>	<u>3,215,666</u>	<u>2,881,582</u>	<u>14,060,796</u>
Excess (deficiency) of revenues over (under) expenditures	<u>126,561</u>	<u>(911,075)</u>	<u>(247,877)</u>	<u>(1,032,391)</u>
Other financing sources (uses):				
Transfers in	-	-	380,000	380,000
Transfers (out).	(380,000)	-	(8,085)	(388,085)
Issuance of loans	-	1,108,126	-	1,108,126
Total other financing sources (uses).	<u>(380,000)</u>	<u>1,108,126</u>	<u>371,915</u>	<u>1,100,041</u>
Net change in fund balances.	(253,439)	197,051	124,038	67,650
Fund balances at beginning of year	<u>1,595,088</u>	<u>962,094</u>	<u>4,335,806</u>	<u>6,892,988</u>
Fund balances at end of year.	<u>\$ 1,341,649</u>	<u>\$ 1,159,145</u>	<u>\$ 4,459,844</u>	<u>\$ 6,960,638</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF DEFIANCE, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2013

Net change in fund balances - total governmental funds	\$	67,650
 <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	1,957,981	
Current year depreciation	<u>(1,254,691)</u>	
Total		703,290
The net effect of various transactions involving capital assets is to decrease net position.		
		(36,516)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income tax revenue	336,444	
Property and other tax revenue	(5,099)	
Special assessment revenue	(15,753)	
Intergovernmental revenue	(14,735)	
Investment income	<u>4,090</u>	
Total		304,947
Issuance 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.		
		(1,108,126)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		184,686
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	352	
Amortization of bond premium	<u>2,124</u>	
Total		2,476
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.		
		90,706
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 (\$24,300), is allocated among the governmental activities		
		<u>52,803</u>
Change in net position of governmental activities	\$	<u>261,916</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF DEFIANCE, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 DECEMBER 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Income taxes	\$ 5,714,134	\$ 5,714,134	\$ 5,417,018	\$ (297,116)
Property and other local taxes	566,580	566,580	555,142	(11,438)
Charges for services	746,300	746,300	634,109	(112,191)
Licenses, permits and fees	90,350	95,532	150,874	55,342
Fines and forfeitures	540,250	540,250	474,632	(65,618)
Intergovernmental	385,750	385,750	619,908	234,158
Investment income	20,000	20,000	14,886	(5,114)
Donations	800	800	1,300	500
Other	95,000	95,000	130,123	35,123
Total revenues	<u>8,159,164</u>	<u>8,164,346</u>	<u>7,997,992</u>	<u>(166,354)</u>
Expenditures:				
Current:				
General government	2,561,685	2,542,351	2,348,491	193,860
Security of persons and property	4,519,509	4,600,202	4,312,164	288,038
Public health and welfare	217,073	235,624	220,871	14,753
Community environment	409,136	452,390	415,408	36,982
Leisure time activity	585,204	595,163	557,897	37,266
Economic development	91,301	84,235	77,845	6,390
Total expenditures	<u>8,383,908</u>	<u>8,509,965</u>	<u>7,932,676</u>	<u>577,289</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(224,744)</u>	<u>(345,619)</u>	<u>65,316</u>	<u>410,935</u>
Other financing sources (uses):				
Sale of capital assets	10,000	10,000	1,642	(8,358)
Transfers (out)	<u>(380,000)</u>	<u>(380,000)</u>	<u>(380,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(370,000)</u>	<u>(370,000)</u>	<u>(378,358)</u>	<u>(8,358)</u>
Net change in fund balances	(594,744)	(715,619)	(313,042)	402,577
Fund balances at beginning of year	1,052,267	1,052,267	1,052,267	-
Prior year encumbrances appropriated.	186,828	186,828	186,828	-
Fund balance at end of year	<u>\$ 644,351</u>	<u>\$ 523,476</u>	<u>\$ 926,053</u>	<u>\$ 402,577</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF DEFIANCE, OHIO

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2013

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Fund
	Sewer	Water	Nonmajor	Total	
Assets:					
Current assets:					
Equity in pooled cash and cash equivalents . . .	\$ 3,594,642	\$ 3,690,526	\$ 610,062	\$ 7,895,230	\$ 433,337
Receivables (net of allowance for uncollectibles):					
Accounts	292,916	243,084	57,202	593,202	73,260
Accrued interest	6,226	5,462	-	11,688	652
Special assessments	-	33,547	-	33,547	-
Materials and supplies inventory.	20,760	52,681	-	73,441	-
Total current assets.	<u>3,914,544</u>	<u>4,025,300</u>	<u>667,264</u>	<u>8,607,108</u>	<u>507,249</u>
Noncurrent assets:					
Restricted equity in pooled cash and cash equivalents	-	-	249,163	249,163	-
Restricted cash in segregated accounts	-	-	74,475	74,475	-
Capital assets:					
Land and construction in progress.	12,992,095	538,639	-	13,530,734	-
Depreciable capital assets, net.	30,618,918	21,978,621	-	52,597,539	-
Total capital assets, net	<u>43,611,013</u>	<u>22,517,260</u>	<u>-</u>	<u>66,128,273</u>	<u>-</u>
Total noncurrent assets	<u>43,611,013</u>	<u>22,517,260</u>	<u>323,638</u>	<u>66,451,911</u>	<u>-</u>
Total assets	<u>47,525,557</u>	<u>26,542,560</u>	<u>990,902</u>	<u>75,059,019</u>	<u>507,249</u>
Deferred outflows of resources:					
Unamortized deferred charges on refunding. . . .	-	266,708	-	266,708	-
Liabilities:					
Current liabilities:					
Accounts payable	119,518	47,994	-	167,512	-
Contracts payable	73,470	111,868	-	185,338	-
Accrued wages and benefits payable	59,744	100,557	-	160,301	-
Due to other governments	37,035	44,798	-	81,833	-
Accrued interest payable.	49,191	32,936	-	82,127	-
Payable from restricted assets:					
Refundable deposits	-	-	249,163	249,163	-
Bond anticipation notes payable	4,849,000	-	-	4,849,000	-
Compensated absences payable - current	41,444	55,946	-	97,390	-
General obligation bonds payable - current. . .	-	655,000	-	655,000	-
Special assessment bonds payable - current . .	8,550	-	-	8,550	-
OWDA loans payable - current	1,221,524	171,073	-	1,392,597	-
OPWC loans payable - current.	10,710	61,476	-	72,186	-
Total current liabilities.	<u>6,470,186</u>	<u>1,281,648</u>	<u>249,163</u>	<u>8,000,997</u>	<u>-</u>
Long-term liabilities:					
Compensated absences payable	16,978	39,140	-	56,118	-
General obligation bonds payable	-	6,520,337	-	6,520,337	-
Special assessment bonds payable	62,672	-	-	62,672	-
OWDA loans payable	24,729,811	6,409,957	-	31,139,768	-
OPWC loans payable.	58,902	158,332	-	217,234	-
Total noncurrent liabilities	<u>24,868,363</u>	<u>13,127,766</u>	<u>-</u>	<u>37,996,129</u>	<u>-</u>
Total liabilities	<u>31,338,549</u>	<u>14,409,414</u>	<u>249,163</u>	<u>45,997,126</u>	<u>-</u>
Net position:					
Net investment in capital assets	12,596,374	8,695,925	-	21,292,299	-
Unrestricted	3,590,634	3,703,929	741,739	8,036,302	507,249
Total net position	<u>\$ 16,187,008</u>	<u>\$ 12,399,854</u>	<u>\$ 741,739</u>	<u>29,328,601</u>	<u>\$ 507,249</u>
Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds.				21,685	
Net position of business-type activities.				<u>\$ 29,350,286</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF DEFIANCE, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2013

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Fund
	Sewer	Water	Nonmajor	Total	
Operating revenues:					
Charges for services	\$ 6,252,710	\$ 5,866,993	\$ 885,936	\$ 13,005,639	\$ 2,003,300
Tap-in fees	-	33,072	-	33,072	-
Other	2,397	116,036	-	118,433	-
Total operating revenues	<u>6,255,107</u>	<u>6,016,101</u>	<u>885,936</u>	<u>13,157,144</u>	<u>2,003,300</u>
Operating expenses:					
Personal services	1,769,187	1,811,738	-	3,580,925	-
Contract services	349,415	843,142	-	1,192,557	-
Materials and supplies	585,271	763,254	-	1,348,525	-
Administrative costs	18,801	11,038	-	29,839	-
Utilities	297,138	276,561	787,148	1,360,847	-
Claims	-	-	-	-	1,927,982
Depreciation	821,380	741,782	-	1,563,162	-
Other	16,036	7,037	-	23,073	-
Total operating expenses	<u>3,857,228</u>	<u>4,454,552</u>	<u>787,148</u>	<u>9,098,928</u>	<u>1,927,982</u>
Operating income	<u>2,397,879</u>	<u>1,561,549</u>	<u>98,788</u>	<u>4,058,216</u>	<u>75,318</u>
Nonoperating revenues (expenses):					
Interest revenue	15,845	14,450	-	30,295	1,785
Gain (loss) on sale of capital assets	316	(10,803)	-	(10,487)	-
Interest and fiscal charges	(849,844)	(625,618)	-	(1,475,462)	-
Intergovernmental	5,409	-	-	5,409	-
Other nonoperating expenses	(75,030)	-	-	(75,030)	-
Total nonoperating revenues (expenses)	<u>(903,304)</u>	<u>(621,971)</u>	<u>-</u>	<u>(1,525,275)</u>	<u>1,785</u>
Income before transfers, capital contributions and special items	1,494,575	939,578	98,788	2,532,941	77,103
Transfer in	8,085	-	-	8,085	-
Capital contributions	178,651	25,270	-	203,921	-
Special item - proceeds from legal settlement	-	337,710	-	337,710	-
Change in net position	1,681,311	1,302,558	98,788	3,082,657	77,103
Net position at beginning of year	<u>14,505,697</u>	<u>11,097,296</u>	<u>642,951</u>		<u>430,146</u>
Net position at end of year	<u>\$ 16,187,008</u>	<u>\$ 12,399,854</u>	<u>\$ 741,739</u>		<u>\$ 507,249</u>
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds.				24,300	
Change in net position of business-type activities.				<u>\$ 3,106,957</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF DEFIANCE, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 DECEMBER 31, 2013

	Business-type Activities - Enterprise Funds				Governmental
	Sewer	Water	Nonmajor	Total	Activities - Internal Fund
Cash flows from operating activities:					
Cash received from charges for services	\$ 6,261,432	\$ 5,856,263	\$ 921,973	\$ 13,039,668	\$ 1,939,759
Cash received from tap-in fees	-	33,072	-	33,072	-
Cash received from other operations	1,968	101,879	-	103,847	-
Cash payments for personal services	(1,737,310)	(1,741,518)	-	(3,478,828)	-
Cash payments for contractual services	(334,324)	(830,380)	-	(1,164,704)	-
Cash payments for administrative costs	(20,452)	(14,552)	-	(35,004)	-
Cash payments for materials and supplies	(580,560)	(790,620)	-	(1,371,180)	-
Cash payments for claims	-	-	-	-	(1,927,992)
Cash payments for utilities	(275,236)	(276,403)	(793,197)	(1,344,836)	-
Cash payments for other operations	(16,036)	(6,372)	-	(22,408)	-
Net cash provided by operating activities	3,299,482	2,331,369	128,776	5,759,627	11,767
Cash flows from noncapital financing activities:					
Cash received from transfers in	8,085	-	-	8,085	-
Cash received from legal settlement	-	337,710	-	337,710	-
Net cash provided by noncapital financing activities	8,085	337,710	-	345,795	-
Cash flows from capital and related financing activities:					
Cash received from sale of capital assets	316	-	-	316	-
Cash payments for the acquisition of capital assets	(1,547,494)	(365,275)	-	(1,912,769)	-
Cash received from issuance of loans	2,373,472	-	-	2,373,472	-
Cash received from issuance of notes	4,849,000	-	-	4,849,000	-
Cash payments for principal retirement	(5,641,706)	(865,728)	-	(6,507,434)	-
Cash payments for interest and fiscal charges	(826,681)	(642,336)	-	(1,469,017)	-
Cash received from intergovernmental revenues	5,409	-	-	5,409	-
Net cash used in capital and related financing activities	(787,684)	(1,873,339)	-	(2,661,023)	-
Cash flows from investing activities:					
Cash received from interest earned	10,767	9,932	-	20,699	1,277
Net cash provided by investing activities	10,767	9,932	-	20,699	1,277
Net increase (decrease) in cash and cash equivalents	2,530,650	805,672	128,776	3,465,098	13,044
Cash and cash equivalents at beginning of year	1,063,992	2,884,854	804,924	4,753,770	420,293
Cash and cash equivalents at end of year	<u>\$ 3,594,642</u>	<u>\$ 3,690,526</u>	<u>\$ 933,700</u>	<u>\$ 8,218,868</u>	<u>\$ 433,337</u>

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CITY OF DEFIANCE, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 DECEMBER 31, 2013

	<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 to net cash provided by operating activities:					
Operating income	\$ 2,397,879	\$ 1,561,549	\$ 98,788	\$ 4,058,216	\$ 75,318
Adjustments:					
Depreciation.	821,380	741,782	-	1,563,162	-
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable.	6,795	(30,194)	1,812	(21,587)	(63,541)
Decrease in special assessments receivable.	1,498	5,307	-	6,805	-
(Increase) in materials and supplies inventory.	(3,166)	(5,432)	-	(8,598)	-
Increase (decrease) in accounts payable.	44,109	(10,063)	-	34,046	(10)
Increase in accrued wages and benefits	22,507	55,275	-	77,782	-
Increase in compensated absences payable.	7,091	11,300	-	18,391	-
Increase in due to other governments	1,389	1,845	-	3,234	-
Increase in utility deposits payable.	-	-	28,176	28,176	-
Net cash provided by operating activities	<u>\$ 3,299,482</u>	<u>\$ 2,331,369</u>	<u>\$ 128,776</u>	<u>\$ 5,759,627</u>	<u>\$ 11,767</u>

Non-cash capital transactions:

At December 31, 2013 and December 31, 2012, the sewer fund purchased \$116,838 and \$225,366 in capital assets on account, respectively.
 At December 31, 2013 and December 31, 2012, the water fund purchased \$118,774 and \$67,345 in capital assets on account, respectively.
 During 2013, the sewer fund received \$178,651 in capital contributions from governmental activities.
 During 2013, the water fund received \$25,270 in capital contributions from governmental activities.
 During 2013, the sewer fund removed \$75,030 of construction in progress.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF DEFIANCE, OHIO

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
DECEMBER 31, 2013**

	<u>Agency</u>
Assets:	
Cash in segregated accounts	\$ 13,409
Total assets.	<u>\$ 13,409</u>
Liabilities:	
Due to other governments	\$ 13,409
Total liabilities.	<u>\$ 13,409</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, 2013

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

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.

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.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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

The City provides resources to the Executive Council based on a membership fee and services provided to the City. The MVPO exercises total control over the operation of MVPO including budgeting, contracting and designating management. The City has no ongoing financial interest or responsibility for the MVPO. In 2013, the City contributed \$114,477 for the MVPO's operations. Information can be obtained from Brett J. Kolb, Fulton County Auditor, 152 South Fulton Avenue, Suite 165, Wauseon, Ohio 43567.

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

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

JOINT VENTURES WITHOUT EQUITY INTEREST

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

The main source of revenue for the MANTF is from federal grants and local matching shares 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 2013, the City did not make any contributions to the MANTF. Financial statements for the MANTF can be obtained through the Defiance County Sheriff's Office located at 113 Biede Street, Defiance, Ohio 43512.

Community Improvement Corporation of Defiance County (Corporation) - The Corporation shall be exercised, conducted, and controlled by the Board of Trustees and the Board 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.

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 \$224,200 in payments to the Corporation in 2013. Information can be obtained from Jerry Hayes, Executive Director, 1300 East Second Street, Suite 201, Defiance, Ohio 43512.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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

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, Charlene Lee, 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.

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

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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

C. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance. The following are the City's major governmental funds:

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

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.

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.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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

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

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.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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

Revenues - Exchange and Nonexchange Transactions - Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On 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, 2013, but which were levied to finance fiscal year 2014 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, 2013 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.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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

F. Budgetary Data

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources and the appropriations resolution, both of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount City Council may appropriate. The appropriations resolution is City Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by City Council. The legal level of budgetary control as established in the 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.

During 2013, 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 2013. 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, 2013.

CITY OF DEFIANCE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

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

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 2013 amounted to \$27,040, which included \$20,569 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, 2013. 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.

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.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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

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.

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, if hired prior to August 1, 1998. Non-bargaining employees with a minimum of ten years of service hired after August 1, 1998 are paid one day for every two days accumulated sick time, not to exceed 120 days.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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

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, 2013

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, 2013**

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 2013, the City's Water and Sewer funds received \$25,270 and \$178,651, respectively, in capital contributions from governmental activities and outside sources.

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 a special item during the fiscal year relating to a class action lawsuit settlement for which the City was a member of the affected class. The City received \$337,710 in the Water fund as a result of the settlement.

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, 2013

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 fiscal year 2013, the City has implemented GASB Statement No. 61, "*The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*" and GASB Statement No. 66, "*Technical Corrections-2012*".

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the City.

GASB Statement No. 66 improves accounting and financial reporting by resolving conflicting guidance that resulted from the issuance of two pronouncements; GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*" and GASB Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements*". The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the City.

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;

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash on Hand

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

B. Cash in Segregated Accounts

At year end, the City had \$74,475 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 not included in “Deposits with Financial Institutions” below.

C. Cash with Escrow Agent

At year end, the City had \$1,309 maintained in a bond and coupon depository account held outside of the City’s internal investment pool. This amount is not 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, 2013, the carrying amount of all City deposits was \$13,620,477. Based on the criteria described in GASB Statement No. 40, “*Deposits and Investment Risk Disclosures*”, as of December 31, 2013, \$5,492,027 of the City’s bank balance of \$14,160,834 was exposed to custodial risk as discussed below, while \$8,668,807 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, 2013, 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	\$ 63,927	\$ 63,927	\$ -	\$ -	\$ -	\$ -
City owned bonds	84,265	-	21,593	-	9,041	53,631
Total	\$ 148,192	\$ 63,927	\$ 21,593	\$ -	\$ 9,041	\$ 53,631

The weighted average maturity of investments is 2.07 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.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

Concentration of Credit Risk: The City places no limit on the amount that may be invested in any one issuer. The percentage of each investment type held by the City at December 31, 2013 follows:

Investment type	Fair Value	% of Total
STAR Ohio	\$ 63,927	43.14
City owned bonds	84,265	56.86
Total	<u>\$ 148,192</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, 2013:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 13,620,477
Investments	148,192
Cash in segregated accounts	74,475
Cash with escrow agent	1,309
Cash on hand	2,250
Total	<u>\$ 13,846,703</u>
<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 5,614,426
Business-type activities	8,218,868
Agency fund	13,409
Total	<u>\$ 13,846,703</u>

NOTE 5 - INTERFUND TRANSFERS

For 2013, interfund transfers consisted of the following, as reported in the fund financial statements:

<u>Transfers from the general fund to:</u>	
Nonmajor governmental funds	\$ 380,000
<u>Transfers from nonmajor governmental funds to:</u>	
Sewer enterprise fund	8,085
Total transfers	<u>\$ 388,085</u>

CITY OF DEFIANCE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

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 transfer to the sewer fund from the nonmajor governmental funds was for payment of special assessment bonds.

During 2013, \$25,270 and \$25,200 in net capital assets of the governmental activities were reassigned to the Water and Sewer funds, respectively. These amounts, which are not included above, are shown as capital contributions revenue on the statement of revenues, expenses, and changes in net position - proprietary funds, and as transfers 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. 2013 public utility property taxes became a lien December 31, 2012, are levied after October 1, 2013, and are collected in 2014 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, 2013 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 2013 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, 2013

NOTE 6 - PROPERTY TAXES - (Continued)

The full tax rate for all City operations for the year ended December 31, 2013 was \$3.00 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2013 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 185,892,760
Commercial/industrial/mineral	79,016,990
 <u>Public utility</u>	
Real	49,000
Personal	34,098,730
Total assessed value	<u>\$ 299,057,480</u>

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 2013 was \$6,859,653 on the modified accrual basis of accounting.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2013, consisted of income and property 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, 2013.

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

<u>Governmental activities:</u>	
Income taxes	\$1,291,044
Property and other local taxes	797,853
Accounts	478,980
Loans	1,357,672
Special assessments	73,108
Accrued interest	10,259
Due from other governments	669,326
 <u>Business-type activities:</u>	
Accounts	593,202
Special assessments	33,547
Accrued interest	11,688

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

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 9 - CAPITAL ASSETS

The following activity occurred in the City's governmental activities capital assets during 2013:

<u>Governmental activities:</u>	Balance 12/31/12	Additions	Disposals	Balance 12/31/2013
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,378,358	\$ -	\$ -	\$ 1,378,358
Construction in progress	<u>2,577,251</u>	<u>1,044,334</u>	<u>(1,463,425)</u>	<u>2,158,160</u>
Total capital assets, not being depreciated	<u>3,955,609</u>	<u>1,044,334</u>	<u>(1,463,425)</u>	<u>3,536,518</u>
<i>Capital assets, being depreciated:</i>				
Buildings	9,711,072	10,260	-	9,721,332
Improvements other than buildings	1,230,699	471,144	(5,805)	1,696,038
Equipment	2,619,165	65,172	(317,530)	2,366,807
Vehicles	2,476,091	421,351	(119,714)	2,777,728
Infrastructure	<u>17,148,266</u>	<u>1,409,145</u>	<u>-</u>	<u>18,557,411</u>
Total capital assets, being depreciated	<u>33,185,293</u>	<u>2,377,072</u>	<u>(443,049)</u>	<u>35,119,316</u>
<i>Less: accumulated depreciation:</i>				
Buildings	(3,929,066)	(250,149)	-	(4,179,215)
Improvements other than buildings	(830,801)	(46,394)	3,048	(874,147)
Equipment	(1,675,658)	(181,172)	303,188	(1,553,642)
Vehicles	(1,790,901)	(195,322)	100,297	(1,885,926)
Infrastructure	<u>(8,957,985)</u>	<u>(581,654)</u>	<u>-</u>	<u>(9,539,639)</u>
Total accumulated depreciation	<u>(17,184,411)</u>	<u>(1,254,691)</u>	<u>406,533</u>	<u>(18,032,569)</u>
Total capital assets, being depreciated, net	<u>16,000,882</u>	<u>1,122,381</u>	<u>(36,516)</u>	<u>17,086,747</u>
Governmental activities capital assets, net	<u>\$ 19,956,491</u>	<u>\$ 2,166,715</u>	<u>\$ (1,499,941)</u>	<u>\$ 20,623,265</u>

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

<u>Governmental activities:</u>	
General government	\$ 225,590
Security of persons and property	233,667
Public health and welfare	19,354
Community environment	19,656
Leisure time activity	118,668
Transportation	<u>637,756</u>
Total depreciation expense - governmental activities	<u>\$ 1,254,691</u>

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 9 - CAPITAL ASSETS - (Continued)

For the business-type activities, the December 31, 2012 balance of the equipment, vehicles and building and improvements categories have been restated to reflect the reclassification of certain capital assets. The City has reclassified cost of \$759,929 and accumulated depreciation of \$275,641 from the equipment category to the building and improvements category and the City has reclassified cost of \$2,898 and accumulated depreciation of \$2,415 from the vehicles category to the building and improvements category. Total business-type activities capital assets, net at December 31, 2012 did not change. The following activity occurred in the City's business-type activities capital assets during 2013:

<u>Business-type activities:</u>	Restated Balance 12/31/12	Additions	Disposals	Balance 12/31/2013
<i>Capital assets, not being depreciated:</i>				
Land	\$ 280,171	\$ 79,570	\$ -	\$ 359,741
Construction in progress	<u>27,943,122</u>	<u>892,406</u>	<u>(15,664,535)</u>	<u>13,170,993</u>
Total capital assets, not being depreciated	<u>28,223,293</u>	<u>971,976</u>	<u>(15,664,535)</u>	<u>13,530,734</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	969,045	-	-	969,045
Buildings and improvements	30,350,183	198,651	-	30,548,834
Equipment	2,713,296	781,870	(108,486)	3,386,680
Vehicles	1,231,633	81,824	(60,036)	1,253,421
Infrastructure	<u>30,417,974</u>	<u>15,614,775</u>	<u>-</u>	<u>46,032,749</u>
Total capital assets, being depreciated	<u>65,682,131</u>	<u>16,677,120</u>	<u>(168,522)</u>	<u>82,190,729</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(627,330)	(28,698)	-	(656,028)
Buildings and improvements	(12,237,702)	(676,544)	-	(12,914,246)
Equipment	(2,130,408)	(82,577)	105,185	(2,107,800)
Vehicles	(783,830)	(81,270)	52,534	(812,566)
Infrastructure	<u>(12,408,477)</u>	<u>(694,073)</u>	<u>-</u>	<u>(13,102,550)</u>
Total accumulated depreciation	<u>(28,187,747)</u>	<u>(1,563,162)</u>	<u>157,719</u>	<u>(29,593,190)</u>
Total capital assets being depreciated, net	<u>37,494,384</u>	<u>15,113,958</u>	<u>(10,803)</u>	<u>52,597,539</u>
Business-type activities capital assets, net	<u>\$ 65,717,677</u>	<u>\$ 16,085,934</u>	<u>\$ (15,675,338)</u>	<u>\$ 66,128,273</u>

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

<u>Business-type activities:</u>	
Water	\$ 741,782
Sewer	<u>821,380</u>
Total depreciation expense - business-type activities	<u>\$ 1,563,162</u>

CITY OF DEFIANCE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

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 \$364,388 at December 31, 2013. 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 \$409,309 at December 31, 2013. Amounts are recorded as a fund liability and/or on the government-wide financial statements, as applicable.

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CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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 12/31/12	Additions	Reductions	Balance 12/31/13	Amount Due in One Year
General obligation bonds payable:						
Series 2011 Bonds - 2.00-4.00%	\$4,075,000	\$ 3,925,000	\$ -	\$ (170,000)	\$3,755,000	\$ 170,000
Total general obligation bonds		<u>3,925,000</u>	<u>-</u>	<u>(170,000)</u>	<u>3,755,000</u>	<u>170,000</u>
Special assessment bonds payable:						
1994 Ottawa Avenue - 5.10%	29,968	1,643	-	(1,643)	-	-
1995 Stadium Drive - 5.90%	260,849	26,086	-	(13,043)	13,043	13,043
Total special assessment bonds		<u>27,729</u>	<u>-</u>	<u>(14,686)</u>	<u>13,043</u>	<u>13,043</u>
OWDA loan payable - 0%	2,334,869	1,112,332	1,108,126	-	2,220,458	-
Compensated absences payable		<u>688,699</u>	<u>273,036</u>	<u>(341,546)</u>	<u>620,189</u>	<u>289,194</u>
Total		<u>\$ 5,753,760</u>	<u>\$ 1,381,162</u>	<u>\$ (526,232)</u>	6,608,690	<u>\$ 472,237</u>
Add: Unamortized bond premium					<u>37,809</u>	
Total on statement of net position					<u>\$6,646,499</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 capital improvements fund and the special projects fund (a nonmajor governmental fund) and interest payments on the G.O. bonds are being made from the capital improvements fund and the municipal court construction fund (a nonmajor governmental fund).

Special assessment Bonds

Special assessment bonds are secured by an unvoted property tax levy (special assessment), however, the bond indentures provide for principal and interest to be paid from use charges. Principal 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, 2013

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 \$2,220,458 at December 31, 2013. Loan payments will begin in 2014 and will continue through 2034. As of December 31, 2013, 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
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	180,000	106,075	286,075	-	-	-
2019 - 2023	975,000	437,375	1,412,375	-	-	-
2024 - 2028	1,125,000	272,725	1,397,725	-	-	-
2029 - 2031	780,000	61,245	841,245	-	-	-
Total	<u>\$ 3,755,000</u>	<u>\$1,340,120</u>	<u>\$ 5,095,120</u>	<u>\$ 13,043</u>	<u>\$ 770</u>	<u>\$ 13,813</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, 2013, the City’s total debt margin was \$28,266,687 and the unvoted debt margin was \$16,448,161.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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 2013:

<u>Business-type activities:</u>	<u>Interest Rate</u>	<u>Balance 12/31/12</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/13</u>	<u>Amount Due in One Year</u>
<u>General obligation bonds:</u>						
Waterworks - series 2005 refunding	4.00-5.00%	\$ 2,850,000	\$ -	\$ (305,000)	\$ 2,545,000	\$ 315,000
Waterworks - series 2007 refunding	4.50-5.25%	4,575,000	-	(325,000)	4,250,000	340,000
Total general obligation bonds		<u>7,425,000</u>	<u>-</u>	<u>(630,000)</u>	<u>6,795,000</u>	<u>655,000</u>
<u>Special assessment bonds</u>						
Sewer street improvements - Series 2000	5.75%	79,307	-	(8,085)	71,222	8,550
<u>Notes payable</u>						
Sewer - 2013 bond anticipation note	1.000%	-	3,574,000	-	3,574,000	3,574,000
Sewer - 2012 bond anticipation note	0.699%	2,986,000	-	(2,986,000)	-	-
Total bond anticipation notes		<u>2,986,000</u>	<u>3,574,000</u>	<u>(2,986,000)</u>	<u>3,574,000</u>	<u>3,574,000</u>
<u>Other long-term obligations</u>						
OWDA loans	2.62-7.65%	31,610,089	2,373,472	(1,451,196)	32,532,365	1,392,597
OPWC loans	0-4.00%	371,573	-	(82,153)	289,420	72,186
Compensated absences payable		135,117	102,008	(83,617)	153,508	97,390
Total other long-term obligations		<u>32,116,779</u>	<u>2,475,480</u>	<u>(1,616,966)</u>	<u>32,975,293</u>	<u>1,562,173</u>
Total business-type activities long-term liabilities		<u>\$ 42,607,086</u>	<u>\$ 6,049,480</u>	<u>\$ (5,241,051)</u>	43,415,515	<u>\$ 5,799,723</u>
Add: Unamortized bond premium					<u>380,337</u>	
Total on statement of net assets					<u>\$ 43,795,852</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 reacquisition price exceeded the net carrying amount of the old debt by \$143,106. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of new debt issued.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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 2013, the City retired \$8,085 of these bonds, leaving an outstanding balance of \$71,222 at December 31, 2013.

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
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	785,000	194,338	979,338	10,692	1,952	12,644
2019 - 2023	3,200,000	439,332	3,639,332	23,267	2,024	25,291
Total	<u>\$ 6,795,000</u>	<u>\$ 1,802,222</u>	<u>\$ 8,597,222</u>	<u>\$ 71,222</u>	<u>\$ 17,293</u>	<u>\$ 88,515</u>

Notes Payable

On April 9, 2013, the City issued a sewer improvement note payable in the amount of \$3,574,000. This note bears an interest rate of 1.000% and matures on April 9, 2014. This note is a liability of the Sewer fund. On April 8, 2014 the City retired the note payable in the amount of \$3,574,000 and issued \$3,139,000 in new bond anticipation notes as described in Note 19.

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.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

At December 31, 2013, the City had the following OWDA loans outstanding:

Purpose	Interest Rate	Maturity Date	Balance Outstanding 12/31/2013
<u>Sewer Fund:</u>			
Wastewater facility improvements	3.91%	7/1/2020	\$ 3,337,632
Group 2 express sewer	3.36%	1/1/2030	415,188
Group 4 sewer design	3.25%	1/29/2029	686,280
Group 6 sewer planning	3.25%	7/1/2029	3,649,602
Group 6 sewer design	3.25%	1/1/2030	2,073,892
Group 5 sewer planning/assessment	3.25%	1/1/2031	406,372
Group 4 sewer separation	3.53%	1/1/2031	350,736
Sewer design groups 1 & 2	3.20%	7/1/2014	5,775,012
Group 5 design	4.14%	1/1/2031	166,042
Group 31A river intrusion elimination project	4.14%	1/1/2031	447,476
Group 6 sewer separation	3.70%	1/1/2031	1,881,532
LTCP planning	3.28%	7/1/2035	478,791
CSO long term control planning	2.69%	7/1/2035	425,810
Loans "open" at year-end:			
Group 5 sewer separation	3.25%	1/1/2031	2,977,292
Group 12 and 14 sewer planning	2.62%	7/1/2031	488,630
Group 14 - 15 sewer separation	2.45%	1/1/2034	2,077,782
CSO LTCP Planning Pace	2.38%	7/1/2035	313,266
Total Sewer OWDA loans			<u>25,951,335</u>
<u>Water Fund:</u>			
Water reservoir construction	4.09%	7/1/2037	6,581,030
Total OWDA loans			<u>\$ 32,532,365</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 45.74 percent of net revenues and 20.58 percent of total revenues. The total principal and interest remaining to be paid on the loans is \$41,049,391. Principal and interest paid for the current year were \$2,525,814, total net revenues were \$5,522,590 and total revenues were \$12,271,208.

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.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Year Ending December 31,	OWDA Loans Payable		
	Principal	Interest	Total
2014	\$ 1,392,597	\$ 965,716	\$ 2,358,313
2015	1,444,325	913,988	2,358,313
2016	1,497,987	860,326	2,358,313
2017	1,553,657	804,657	2,358,314
2018	1,611,409	746,904	2,358,313
2019 - 2023	6,824,879	2,914,042	9,738,921
2024 - 2028	7,137,689	1,721,527	8,859,216
2029 - 2033	3,796,300	582,943	4,379,243
2034 - 2037	<u>1,416,552</u>	<u>118,219</u>	<u>1,534,771</u>
Total	<u>\$26,675,395</u>	<u>\$ 9,628,322</u>	<u>\$ 36,303,717</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, 2013, the City has the following four loans outstanding with OPWC:

	Interest Rate	Maturity Date	Balance Outstanding 12/31/13
<u>Water Fund</u>			
OPWC loan	4.00%	1/1/2014	\$ 11,533
OPWC loan	3.00%	7/1/2017	110,281
OPWC loan	0.00%	7/1/2019	<u>97,994</u>
Total Water OPWC loans			<u>219,808</u>
<u>Sewer Fund</u>			
OPWC loan	0.00%	7/1/2020	<u>69,612</u>
Total OPWC loans			<u>\$ 289,420</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, 2013

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
2014	\$ 72,186	\$ 3,313	\$ 75,499
2015	61,571	2,165	63,736
2016	62,516	1,220	63,736
2017	46,776	247	47,023
2018	30,309	-	30,309
2019 - 2020	<u>16,062</u>	<u>-</u>	<u>16,062</u>
Total	<u>\$ 289,420</u>	<u>\$ 6,945</u>	<u>\$ 296,365</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 matured 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, 2013 follows:

	Maturity Date	Outstanding 12/31/2012	Issued	Retired	Outstanding 12/31/2013
<u>Business-type activities:</u>					
Sewer bond anticipation notes:					
Series 2013 BAN - 1.000%	9/6/2014	\$ -	\$ 1,275,000	\$ -	\$ 1,275,000
Series 2012 BAN - 0.850%	10/3/2013	<u>1,350,000</u>	<u>-</u>	<u>(1,350,000)</u>	<u>-</u>
Total bond anticipation notes		<u>\$ 1,350,000</u>	<u>\$ 1,275,000</u>	<u>\$(1,350,000)</u>	<u>\$ 1,275,000</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, 2013

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 and Defiance. 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, 2013, the pool had cash reserves of \$246,417, which, in the opinion of management, is adequate for any claims currently pending against the pool. During 2013, the City paid \$246,965 into the pool for total premiums for the property and casualty coverage received. For the plan year that includes December 31, 2013, the amount of risk retained within the pool is \$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 is a participant in another public cost sharing 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, 2013, the pool had total reported assets of \$1,563,178. The 2013 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 division that pays the salary of the individuals covered under the plan. Employees contribute a portion of each monthly premium through payroll withholding. During 2013, the City paid \$1,909,995 into the pool for all covered benefits. The amount of risk retained by the pool in 2013 was \$200,000 per individual; coverage in excess of this amount was provided by HCC Life Insurance Co.

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, 2013**

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 Rural Water Association. 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 2013, the City paid \$185,507 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 2013, the City paid \$4,201 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, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013, member and contribution rates were consistent across all three plans. The 2013 member contribution rates were 10.00% for members. The City's contribution rate for 2013 was 14.00% of covered payroll.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 14 - PENSION PLANS - (Continued)

The City's contribution rate for pension benefits for members in the Traditional Plan for 2013 was 13.00%. The City's contribution rate for pension benefits for members in the Combined Plan for 2013 was 13.00%. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2013, 2012, and 2011 were \$517,693, \$392,605, and \$419,403, respectively; 90.61% has been contributed for 2013 and 100% has been contributed for 2012 and 2011. The remaining 2013 pension liability has been reported as due to other governments/pension obligation payable on the basic financial statements. Contributions to the member-directed plan for 2013 were \$48,808 made by the City and \$34,863 made by the plan members.

B. Ohio Police and Fire Pension Fund

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

Funding Policy - From January 1, 2013 through July 1, 2013, plan members were required to contribute 10.00% of their annual covered salary. From July 2, 2013 through December 31, 2013, plan members were required to contribute 10.75% of their annual covered salary. Throughout 2013, the City was required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute.

For 2013, the portion of the City's contributions to fund pension obligations was 14.81% for January 1, 2013 through May 31, 2013 and 16.65% for June 1, 2013 through December 31, 2013 for police officers and 19.31% for January 1, 2013 through May 31, 2013 and 21.15% for June 1, 2013 through December 31, 2013 for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$253,276 and \$227,254 for the year ended December 31, 2013, \$200,811 and \$200,587 for the year ended December 31, 2012, and \$210,059 and \$215,516, for the year ended December 31, 2011. The full amount has been contributed for 2012 and 2011. 90.95% has been contributed for police and 91.09% has been contributed for firefighters for 2013. The remaining 2013 pension liability has been reported as due to other governments/pension obligation payable on the basic financial statements.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 15 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

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

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2013, 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 2013 was 1.00%. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2013 was 1.00%.

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

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012, and 2011 were \$39,823, \$161,922, and \$172,651, respectively; 90.61% has been contributed for 2013 and 100% has been contributed for 2012 and 2011. The remaining 2013 post-employment health care benefits liability has been reported as due to other governments/pension obligation payable on the basic financial statements.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)

B. Ohio Police and Fire Pension Fund

Plan Description - The City contributes to the OP&F Pension Fund sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

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

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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

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. The portion of employer contributions allocated to health care was 4.69% of covered payroll from January 1, 2013 through May 31, 2013 and 2.85% of covered payroll from June 1, 2013 through December 31, 2013. 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.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The City’s contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$52,900 and \$37,212 for the year ended December 31, 2013, \$106,312 and \$78,490 for the year ended December 31, 2012, and \$111,208 and \$84,333, for the year ended December 31, 2011. The full amount has been contributed for 2012 and 2011. 90.95% has been contributed for police and 91.09% has been contributed for firefighters for 2013. The remaining 2013 post-employment health care benefits liability has been reported as due to other governments/pension obligation payable on the basic financial statements.

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).

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	\$ (313,042)
Net adjustment for revenue accruals	92,117
Net adjustment for expenditure accruals	(224,641)
Net adjustment for other sources/uses	(1,642)
Funds budgeted elsewhere	(39,780)
Adjustment for encumbrances	<u>233,549</u>
GAAP basis	<u>\$ (253,439)</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.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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 12/31/12	Additions	Deletions	Balance 12/31/2013
CDBG loans	\$ 1,559,674	\$ 190,000	\$ (392,002)	\$ 1,357,672

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, 2013.

B. Litigation

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

NOTE 19 - SIGNIFICANT SUBSEQUENT EVENTS

A. Bond Anticipation Notes

On April 8, 2014, the City retired \$3,574,000 in general obligation bond anticipation notes and issued \$3,139,000 in new bond anticipation notes with an interest rate of 0.409% and a maturity date of April 7, 2015. The following table summarizes the activity.

Note Issuance	Original Issue Date	Maturity Date	Retired in 2014	Issued in 2014
Bond Anticipation Notes	4/9/13	4/8/14	\$ 3,574,000	
Bond Anticipation Notes	4/8/14	4/7/15		\$ 3,139,000

B. City Income Tax Rate

Effective January 1, 2014, the income tax rate will be raised to 1.8% from the current rate of 1.5%. The 0.3% increase is to be dedicated to fund the police and fire operating budgets.

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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	\$ 200,750
Capital improvements	434,551
Nonmajor governmental	<u>72,839</u>
Total	<u>\$ 708,140</u>

NOTE 21 - CONTRACTUAL COMMITMENTS

At December 31, 2013, the City had the following outstanding contractual commitments:

<u>Vendor</u>	<u>Contract Amount</u>	<u>Amount Paid</u>	<u>Amount Outstanding</u>
Arcadis U.S., Inc.	\$ 35,000	\$ 6,327	\$ 28,673
Burgess & Niple	108,650	55,492	53,158
Helm & Sons Excavating	3,552,536	268,828	3,283,708
Mannik & Smith Group	628,827	189,466	439,361
Midwest Contracting	727,082	640,869	86,213
Oglesby Construction	38,842	36,717	2,125
Poggemeyer Design	333,680	126,098	207,582
S&S Directional Boring	375,289	98,730	276,559
Stantec Consulting Services	5,500	2,329	3,171
URS Corp-Ohio	180,800	108,670	72,130
VTF Excavation, LLC	<u>1,657,429</u>	<u>201,199</u>	<u>1,456,230</u>
Total Contractual Commitments	<u>\$ 7,643,635</u>	<u>\$ 1,734,725</u>	<u>\$ 5,908,910</u>

CITY OF DEFIANCE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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	\$ -	\$ -	\$ 33,615	\$ 33,615
Unclaimed monies	93	-	-	93
Total nonspendable	<u>93</u>	<u>-</u>	<u>33,615</u>	<u>33,708</u>
Restricted:				
General government operations	-	-	853,183	853,183
Safety and security programs	-	-	532,881	532,881
Street maintenance and improvements	-	-	520,221	520,221
Housing rehabilitation and cemetery care	-	-	22,226	22,226
Revolving loan program	-	-	1,823,484	1,823,484
Debt service	-	-	620,652	620,652
Total restricted	<u>-</u>	<u>-</u>	<u>4,372,647</u>	<u>4,372,647</u>
Committed:				
Safety and security programs	-	-	2,110	2,110
Parks and recreation	-	-	19,099	19,099
Tax redirection	-	-	32,373	32,373
Capital projects	-	1,159,145	-	1,159,145
Total committed	<u>-</u>	<u>1,159,145</u>	<u>53,582</u>	<u>1,212,727</u>
Assigned:				
General government operations	121,779	-	-	121,779
Safety and security programs	67,836	-	-	67,836
Cemetery care	1,929	-	-	1,929
Engineering and inspections	75	-	-	75
Parks and recreation	9,131	-	-	9,131
Total assigned	<u>200,750</u>	<u>-</u>	<u>-</u>	<u>200,750</u>
Unassigned	<u>1,140,806</u>	<u>-</u>	<u>-</u>	<u>1,140,806</u>
Total fund balances	<u>\$ 1,341,649</u>	<u>\$ 1,159,145</u>	<u>\$ 4,459,844</u>	<u>\$ 6,960,638</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.

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.

Museum Trust Fund

To account for donations received and expenditures incurred in the operation of the City's museum.

Cemetery Trust Fund

This fund accounts for monies received from the sale of cemetery lots, burial permits, and general 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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Income taxes	\$ 5,714,134	\$ 5,714,134	\$ 5,417,018	\$ (297,116)
Property and other local taxes	566,580	566,580	555,142	(11,438)
Charges for services	746,300	746,300	634,109	(112,191)
Licenses, permits and fees	90,350	95,532	150,874	55,342
Fines and forfeitures	540,250	540,250	474,632	(65,618)
Intergovernmental	385,750	385,750	619,908	234,158
Investment income	20,000	20,000	14,886	(5,114)
Donations.	800	800	1,300	500
Other	95,000	95,000	130,123	35,123
Total revenues	8,159,164	8,164,346	7,997,992	(166,354)
Expenditures:				
Current:				
General Government:				
City Council:				
Salaries and wages	42,825	47,066	42,165	4,901
Operating	30,159	33,520	31,421	2,099
Total city council	72,984	80,586	73,586	7,000
Municipal Court:				
Salaries and wages	657,905	673,329	631,169	42,160
Operating	100,818	89,095	83,516	5,579
Total municipal court	758,723	762,424	714,685	47,739
County Law Library:				
Operating	29,466	40,335	37,809	2,526
Total county law library	29,466	40,335	37,809	2,526
Mayor:				
Salaries and wages	96,807	106,040	96,180	9,860
Operating	12,996	7,141	6,694	447
Total mayor	109,803	113,181	102,874	10,307
City Administrator:				
Salaries and wages	60,575	68,142	60,106	8,036
Operating	64,353	54,997	51,553	3,444
Total city administrator	124,928	123,139	111,659	11,480
Finance Department:				
Salaries and wages	166,211	186,092	167,667	18,425
Operating	61,447	64,847	60,787	4,060
Total finance department.	227,658	250,939	228,454	22,485
County and State Charges:				
Operating	65,562	81,169	76,087	5,082
Total county and state charges.	65,562	81,169	76,087	5,082
Law Department:				
Salaries and wages	154,852	169,327	150,909	18,418
Operating	28,533	13,833	12,967	866
Total law department.	183,385	183,160	163,876	19,284

-- 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, 2013

	<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	\$ 7,584	\$ 7,109	\$ 475
Operating	10,980	1,592	1,492	100
Total civil service	<u>18,575</u>	<u>9,176</u>	<u>8,601</u>	<u>575</u>
Land and Buildings:				
Salaries and wages	74,795	79,060	74,110	4,950
Operating	544,886	493,188	462,307	30,881
Total land and buildings	<u>619,681</u>	<u>572,248</u>	<u>536,417</u>	<u>35,831</u>
Insurance Pool:				
Operating	79,579	102,050	85,554	16,496
Total insurance pool	<u>79,579</u>	<u>102,050</u>	<u>85,554</u>	<u>16,496</u>
Income Tax Collection and Distribution:				
Salaries and wages	60,125	61,554	57,700	3,854
Operating	211,216	162,390	151,189	11,201
Total income tax collection and distribution	<u>271,341</u>	<u>223,944</u>	<u>208,889</u>	<u>15,055</u>
Total General Government	<u>2,561,685</u>	<u>2,542,351</u>	<u>2,348,491</u>	<u>193,860</u>
Security of Persons and Property:				
Police:				
Salaries and wages	2,318,045	2,370,760	2,222,317	148,443
Operating	453,714	470,642	441,173	29,469
Total police	<u>2,771,759</u>	<u>2,841,402</u>	<u>2,663,490</u>	<u>177,912</u>
Fire:				
Salaries and wages	1,519,160	1,554,888	1,457,530	97,358
Operating	228,590	203,912	191,144	12,768
Total fire	<u>1,747,750</u>	<u>1,758,800</u>	<u>1,648,674</u>	<u>110,126</u>
Total Security of Persons and Property.	<u>4,519,509</u>	<u>4,600,202</u>	<u>4,312,164</u>	<u>288,038</u>
Public Health and Welfare:				
Cemetery:				
Salaries and wages	161,995	188,504	176,701	11,803
Operating	55,078	47,120	44,170	2,950
Total cemetery	<u>217,073</u>	<u>235,624</u>	<u>220,871</u>	<u>14,753</u>
Total Public Health and Welfare	<u>217,073</u>	<u>235,624</u>	<u>220,871</u>	<u>14,753</u>
Community Environment:				
Building Inspection:				
Salaries and wages	114,685	118,716	111,283	7,433
Operating	20,255	14,696	13,776	920
Total building inspection	<u>134,940</u>	<u>133,412</u>	<u>125,059</u>	<u>8,353</u>
Engineering:				
Salaries and wages	250,061	287,702	261,031	26,671
Operating	24,135	31,276	29,318	1,958
Total engineering	<u>274,196</u>	<u>318,978</u>	<u>290,349</u>	<u>28,629</u>
Total Community Environment	<u>409,136</u>	<u>452,390</u>	<u>415,408</u>	<u>36,982</u>

-- Continued

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2013

	<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	\$ 340,172	\$ 348,364	\$ 326,551	\$ 21,813
Operating	245,032	246,799	231,346	15,453
Total parks and recreation	<u>585,204</u>	<u>595,163</u>	<u>557,897</u>	<u>37,266</u>
Total Leisure Time Activity	<u>585,204</u>	<u>595,163</u>	<u>557,897</u>	<u>37,266</u>
Economic Development and Assistance				
Development Department:				
Salaries and wages	50,000	-	-	-
Operating	41,301	84,235	77,845	6,390
Total development department	<u>91,301</u>	<u>84,235</u>	<u>77,845</u>	<u>6,390</u>
Total Economic Development and Assistance	<u>91,301</u>	<u>84,235</u>	<u>77,845</u>	<u>6,390</u>
Total expenditures	<u>8,383,908</u>	<u>8,509,965</u>	<u>7,932,676</u>	<u>577,289</u>
Excess of expenditures over revenues	<u>(224,744)</u>	<u>(345,619)</u>	<u>65,316</u>	<u>410,935</u>
Other financing uses:				
Sale of capital assets.	10,000	10,000	1,642	(8,358)
Transfers in.	-	-	-	-
Transfers out	<u>(380,000)</u>	<u>(380,000)</u>	<u>(380,000)</u>	<u>-</u>
Total other financing uses	<u>(370,000)</u>	<u>(370,000)</u>	<u>(378,358)</u>	<u>(8,358)</u>
Net change in fund balance	(594,744)	(715,619)	(313,042)	402,577
Fund balance at beginning of year	1,052,267	1,052,267	1,052,267	-
Prior year encumbrances appropriated	186,828	186,828	186,828	-
Fund balance at end of year	<u>\$ 644,351</u>	<u>\$ 523,476</u>	<u>\$ 926,053</u>	<u>\$ 402,577</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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Income taxes	\$ 1,434,525	\$ 1,434,525	\$ 1,360,193	\$ (74,332)
Intergovernmental.	1,138,500	1,138,500	853,120	(285,380)
Special assessments.	-	-	2,500	2,500
Other	-	-	1,451	1,451
Total revenues	<u>2,573,025</u>	<u>2,573,025</u>	<u>2,217,264</u>	<u>(355,761)</u>
Expenditures:				
Current:				
Capital Outlay:				
Operating	4,496,559	4,815,348	3,840,339	975,009
Total capital outlay	<u>4,496,559</u>	<u>4,815,348</u>	<u>3,840,339</u>	<u>975,009</u>
Debt service:				
Principal retirement	23,418	25,078	20,000	5,078
Interest and fiscal charges	136,295	145,957	116,404	29,553
Total debt service.	<u>159,713</u>	<u>171,035</u>	<u>136,404</u>	<u>34,631</u>
Total expenditures.	<u>4,656,272</u>	<u>4,986,383</u>	<u>3,976,743</u>	<u>1,009,640</u>
Excess of expenditures over revenues	<u>(2,083,247)</u>	<u>(2,413,358)</u>	<u>(1,759,479)</u>	<u>653,879</u>
Other financing sources:				
Note issuance	1,560,000	1,560,000	1,445,527	(114,473)
Total other financing sources	<u>1,560,000</u>	<u>1,560,000</u>	<u>1,445,527</u>	<u>(114,473)</u>
Net change in fund balance	(523,247)	(853,358)	(313,952)	539,406
Fund balance at beginning of year	(556,124)	(556,124)	(556,124)	-
Prior year encumbrances appropriated	<u>1,453,276</u>	<u>1,453,276</u>	<u>1,453,276</u>	<u>-</u>
Fund balance at end of year	<u>\$ 373,905</u>	<u>\$ 43,794</u>	<u>\$ 583,200</u>	<u>\$ 539,406</u>

CITY OF DEFIANCE, OHIO

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
Assets:			
Equity in pooled cash and cash equivalents . . .	\$ 2,295,397	\$ 620,652	\$ 2,916,049
Receivables:			
Income taxes	4,260	-	4,260
Property and other local taxes.	213,766	-	213,766
Accounts	81,874	-	81,874
Loans	1,357,672	-	1,357,672
Special assessments.	-	73,108	73,108
Accrued interest.	1,331	-	1,331
Due from other governments	379,093	-	379,093
Materials and supplies inventory	33,615	-	33,615
Total assets	<u>\$ 4,367,008</u>	<u>\$ 693,760</u>	<u>\$ 5,060,768</u>
Liabilities:			
Accounts payable.	\$ 11,823	\$ -	\$ 11,823
Accrued wages and benefits	50,474	-	50,474
Due to other governments	50,221	-	50,221
Total liabilities	<u>112,518</u>	<u>-</u>	<u>112,518</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year.	157,800	-	157,800
Accrued interest not available.	701	-	701
Special assessments revenue not available.	-	73,108	73,108
Income tax revenue not available	1,984	-	1,984
Intergovernmental revenue not available	254,813	-	254,813
Total deferred inflows of resources.	<u>415,298</u>	<u>73,108</u>	<u>488,406</u>
Fund Balances:			
Nonspendable	33,615	-	33,615
Restricted	3,751,995	620,652	4,372,647
Committed.	53,582	-	53,582
Total fund balances.	<u>3,839,192</u>	<u>620,652</u>	<u>4,459,844</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,367,008</u>	<u>\$ 693,760</u>	<u>\$ 5,060,768</u>

CITY OF DEFIANCE, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
Revenues:				
Income taxes	\$ 23,555	\$ -	\$ -	\$ 23,555
Property and other local taxes	412,283	-	-	412,283
Payment in lieu of taxes	-	67,034	-	67,034
Charges for services	124	-	-	124
Licenses, permits and fees	247,172	-	-	247,172
Fines and forfeitures	305,996	-	-	305,996
Intergovernmental	1,387,612	-	-	1,387,612
Special assessments	-	33,696	-	33,696
Investment income	58,286	-	2	58,288
Donations	6,253	-	-	6,253
Other	91,692	-	-	91,692
Total revenues	<u>2,532,973</u>	<u>100,730</u>	<u>2</u>	<u>2,633,705</u>
Expenditures:				
Current:				
General government	485,251	1,035	-	486,286
Security of persons and property	751,772	-	-	751,772
Transportation	845,468	-	-	845,468
Economic development	381,428	222,100	-	603,528
Capital outlay	21,996	-	-	21,996
Debt service:				
Principal retirement	150,000	14,686	-	164,686
Interest and fiscal charges	-	-	7,846	7,846
Total expenditures	<u>2,635,915</u>	<u>237,821</u>	<u>7,846</u>	<u>2,881,582</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>(102,942)</u>	<u>(137,091)</u>	<u>(7,844)</u>	<u>(247,877)</u>
Other financing sources (uses):				
Transfers in	380,000	-	-	380,000
Transfers (out)	-	(8,085)	-	(8,085)
Total other financing sources (uses)	<u>380,000</u>	<u>(8,085)</u>	<u>-</u>	<u>371,915</u>
Net change in fund balances	277,058	(145,176)	(7,844)	124,038
Fund balances at beginning of year	<u>3,562,134</u>	<u>765,828</u>	<u>7,844</u>	<u>4,335,806</u>
Fund balances at end of year	<u>\$ 3,839,192</u>	<u>\$ 620,652</u>	<u>\$ -</u>	<u>\$ 4,459,844</u>

CITY OF DEFIANCE, OHIO

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2013

	State Highway Improvements	Permissive Tax	Street Construction, Maintenance and Repair	Indigent Drivers
Assets:				
Equity in pooled cash and cash equivalents . . .	\$ 156,529	\$ 41,204	\$ 291,041	\$ 10,725
Receivables:				
Income taxes	-	-	4,260	-
Property and other local taxes.	-	-	-	-
Accounts	-	-	1,532	5,425
Loans	-	-	-	-
Accrued interest.	227	-	436	-
Due from other governments	25,892	-	319,331	-
Materials and supplies inventory	-	-	33,615	-
Total assets.	<u>\$ 182,648</u>	<u>\$ 41,204</u>	<u>\$ 650,215</u>	<u>\$ 16,150</u>
Liabilities:				
Accounts payable	\$ -	\$ 595	\$ 11,092	\$ -
Accrued wages and benefits	-	-	50,474	-
Due to other governments	-	-	21,068	-
Total liabilities	<u>-</u>	<u>595</u>	<u>82,634</u>	<u>-</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year.	-	-	-	-
Accrued interest not available.	227	-	178	-
Income tax revenue not available	-	-	1,984	-
Intergovernmental revenue not available	17,597	-	217,016	-
Total deferred inflows of resources.	<u>17,824</u>	<u>-</u>	<u>219,178</u>	<u>-</u>
Fund Balances:				
Nonspendable	-	-	33,615	-
Restricted	164,824	40,609	314,788	16,150
Committed.	-	-	-	-
Total fund balances	<u>164,824</u>	<u>40,609</u>	<u>348,403</u>	<u>16,150</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 182,648</u>	<u>\$ 41,204</u>	<u>\$ 650,215</u>	<u>\$ 16,150</u>

Municipal Probation Services	Probation Grant	Court Computerization	Tree of Life	Special Project	OVI Special Project
\$ 271,336	\$ 2,581	\$ 193,129	\$ 1,214	\$ 181,278	\$ 97,302
-	-	-	-	-	-
-	-	-	-	-	-
1,441	-	6,290	-	12,753	810
-	-	-	-	-	-
-	-	-	-	-	-
-	13,670	-	-	-	-
-	-	-	-	-	-
<u>\$ 272,777</u>	<u>\$ 16,251</u>	<u>\$ 199,419</u>	<u>\$ 1,214</u>	<u>\$ 194,031</u>	<u>\$ 98,112</u>
\$ 73	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	679	-	-	-	-
<u>73</u>	<u>679</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
272,704	15,572	199,419	-	194,031	98,112
-	-	-	1,214	-	-
<u>272,704</u>	<u>15,572</u>	<u>199,419</u>	<u>1,214</u>	<u>194,031</u>	<u>98,112</u>
<u>\$ 272,777</u>	<u>\$ 16,251</u>	<u>\$ 199,419</u>	<u>\$ 1,214</u>	<u>\$ 194,031</u>	<u>\$ 98,112</u>

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CITY OF DEFIANCE, OHIO

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
DECEMBER 31, 2013

	<u>Cable TV - Franchise</u>	<u>Housing Rehabilitation Grant</u>	<u>Revolving Loan - Industrial</u>	<u>Reservoir Enhancement</u>
Assets:				
Equity in pooled cash and cash equivalents . . .	\$ -	\$ 19,132	\$ 465,440	\$ 1,086
Receivables:				
Income taxes	-	-	-	-
Property and other local taxes.	-	-	-	-
Accounts	47,623	-	-	-
Loans	-	-	1,357,672	-
Accrued interest.	-	-	668	-
Due from other governments	-	-	-	-
Materials and supplies inventory	-	-	-	-
Total assets.	<u>\$ 47,623</u>	<u>\$ 19,132</u>	<u>\$ 1,823,780</u>	<u>\$ 1,086</u>
Liabilities:				
Accounts 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	-	-	-	-
Accrued interest not available.	-	-	296	-
Income tax revenue not available.	-	-	-	-
Intergovernmental nonexchange transactions	-	-	-	-
Total deferred inflows of resources.	<u>-</u>	<u>-</u>	<u>296</u>	<u>-</u>
Fund Balances:				
Nonspendable.	-	-	-	-
Restricted.	47,623	19,132	1,823,484	-
Committed.	-	-	-	1,086
Total fund balances	<u>47,623</u>	<u>19,132</u>	<u>1,823,484</u>	<u>1,086</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 47,623</u>	<u>\$ 19,132</u>	<u>\$ 1,823,780</u>	<u>\$ 1,086</u>

Riverside Cemetery Enhancement	Hotel/Motel Tax	Museum Trust	Cemetery Trust	Police Pension	Fire Pension
\$ 2,033	\$ 283,347	\$ 3,222	\$ 1,061	\$ 24,060	\$ 44,272
-	-	-	-	-	-
-	55,966	-	-	78,900	78,900
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	10,100	10,100
-	-	-	-	-	-
<u>\$ 2,033</u>	<u>\$ 339,313</u>	<u>\$ 3,222</u>	<u>\$ 1,061</u>	<u>\$ 113,060</u>	<u>\$ 133,272</u>
\$ -	\$ 63	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	28,474	-	-	-	-
-	28,537	-	-	-	-
-	-	-	-	-	-
-	-	-	-	78,900	78,900
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	10,100	10,100
-	-	-	-	89,000	89,000
-	-	-	-	-	-
2,033	310,776	3,222	1,061	24,060	44,272
-	-	-	-	-	-
<u>2,033</u>	<u>310,776</u>	<u>3,222</u>	<u>1,061</u>	<u>24,060</u>	<u>44,272</u>
<u>\$ 2,033</u>	<u>\$ 339,313</u>	<u>\$ 3,222</u>	<u>\$ 1,061</u>	<u>\$ 113,060</u>	<u>\$ 133,272</u>

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CITY OF DEFIANCE, OHIO

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
DECEMBER 31, 2013

	<u>Tax Redirection</u>	<u>Law Enforcement Trust</u>	<u>East Side Firehouse</u>	<u>Fire and Rescue Trust</u>
Assets:				
Equity in pooled cash and cash equivalents . . .	\$ 32,373	\$ 47,915	\$ 2,110	\$ 88,108
Receivables:				
Income taxes	-	-	-	-
Property and other local taxes.	-	-	-	-
Accounts	-	-	-	-
Loans	-	-	-	-
Accrued interest.	-	-	-	-
Due from other governments	-	-	-	-
Materials and supplies inventory	-	-	-	-
Total assets.	<u>\$ 32,373</u>	<u>\$ 47,915</u>	<u>\$ 2,110</u>	<u>\$ 88,108</u>
Liabilities:				
Accounts 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	-	-	-	-
Accrued interest not available.	-	-	-	-
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.	-	47,915	-	88,108
Committed.	32,373	-	2,110	-
Total fund balances	<u>32,373</u>	<u>47,915</u>	<u>2,110</u>	<u>88,108</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 32,373</u>	<u>\$ 47,915</u>	<u>\$ 2,110</u>	<u>\$ 88,108</u>

Fire Damage Repair	Park and Recreation Trust	Total Nonmajor Special Revenue Funds
\$ 18,100	\$ 16,799	\$ 2,295,397
-	-	4,260
-	-	213,766
6,000	-	81,874
-	-	1,357,672
-	-	1,331
-	-	379,093
-	-	33,615
<u>\$ 24,100</u>	<u>\$ 16,799</u>	<u>\$ 4,367,008</u>
\$ -	\$ -	\$ 11,823
-	-	50,474
-	-	50,221
<u>-</u>	<u>-</u>	<u>112,518</u>
-	-	157,800
-	-	701
-	-	1,984
-	-	254,813
<u>-</u>	<u>-</u>	<u>415,298</u>
-	-	33,615
24,100	-	3,751,995
-	16,799	53,582
<u>24,100</u>	<u>16,799</u>	<u>3,839,192</u>
<u>\$ 24,100</u>	<u>\$ 16,799</u>	<u>\$ 4,367,008</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, 2013

	State Highway Improvements	Permissive Tax	Street Construction, Maintenance and Repair	Indigent Drivers
Revenues:				
Income taxes	\$ -	\$ -	\$ 23,555	\$ -
Property and other local taxes	-	-	-	-
Charges for services	-	-	-	-
Licenses, permits and fees	-	-	-	-
Fines and forfeitures	-	-	-	18,214
Intergovernmental	59,137	50,650	838,118	-
Investment income	413	270	722	-
Donations.	-	-	-	-
Other	-	-	16,134	-
Total revenues.	<u>59,550</u>	<u>50,920</u>	<u>878,529</u>	<u>18,214</u>
Expenditures:				
Current:				
General government	-	-	-	-
Security of persons and property.	-	-	-	48,490
Transportation	50,304	24,490	770,674	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement.	-	-	-	-
Total expenditures	<u>50,304</u>	<u>24,490</u>	<u>770,674</u>	<u>48,490</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>9,246</u>	<u>26,430</u>	<u>107,855</u>	<u>(30,276)</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	9,246	26,430	107,855	(30,276)
Fund balances at beginning of year	155,578	14,179	240,548	46,426
Fund balances at end of year	<u>\$ 164,824</u>	<u>\$ 40,609</u>	<u>\$ 348,403</u>	<u>\$ 16,150</u>

Municipal Probation Services	Probation Grant	Court Computerization	Tree of Life	Special Project	OVI Special Project
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
16,056	-	81,325	-	162,885	8,750
-	68,481	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	11,133
<u>16,056</u>	<u>68,481</u>	<u>81,325</u>	<u>-</u>	<u>162,885</u>	<u>19,883</u>
-	-	38,161	-	3,936	-
18,650	55,721	-	-	-	40
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	150,000	-
<u>18,650</u>	<u>55,721</u>	<u>38,161</u>	<u>-</u>	<u>153,936</u>	<u>40</u>
<u>(2,594)</u>	<u>12,760</u>	<u>43,164</u>	<u>-</u>	<u>8,949</u>	<u>19,843</u>
-	-	-	-	-	-
-	-	-	-	-	-
(2,594)	12,760	43,164	-	8,949	19,843
275,298	2,812	156,255	1,214	185,082	78,269
<u>\$ 272,704</u>	<u>\$ 15,572</u>	<u>\$ 199,419</u>	<u>\$ 1,214</u>	<u>\$ 194,031</u>	<u>\$ 98,112</u>

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CITY OF DEFIANCE, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2013

	Cable TV - Franchise	Housing Rehabilitation Grant	Revolving Loan - Industrial	Reservoir Enhancement
Revenues:				
Income taxes	\$ -	\$ -	\$ -	\$ -
Property and other local taxes	-	-	-	-
Charges for services	-	-	124	-
Licenses, permits and fees	247,172	-	-	-
Fines and forfeitures	-	-	-	-
Intergovernmental	-	300,083	-	-
Investment income	-	-	56,872	3
Donations.	-	-	-	-
Other	-	-	-	-
Total revenues.	<u>247,172</u>	<u>300,083</u>	<u>56,996</u>	<u>3</u>
Expenditures:				
Current:				
General government	199,549	-	-	-
Security of persons and property.	-	-	-	-
Transportation	-	-	-	-
Economic development	-	328,771	52,657	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement.	-	-	-	-
Total expenditures	<u>199,549</u>	<u>328,771</u>	<u>52,657</u>	<u>-</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>47,623</u>	<u>(28,688)</u>	<u>4,339</u>	<u>3</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	47,623	(28,688)	4,339	3
Fund balances at beginning of year	-	47,820	1,819,145	1,083
Fund balances at end of year	<u>\$ 47,623</u>	<u>\$ 19,132</u>	<u>\$ 1,823,484</u>	<u>\$ 1,086</u>

Riverside Cemetery Enhancement	Hotel/Motel Tax	Museum Trust	Cemetery Trust	Police Pension	Fire Pension
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	254,071	-	-	79,106	79,106
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	13,672	13,672
6	-	-	-	-	-
844	-	3,222	-	-	-
-	336	-	-	-	-
<u>850</u>	<u>254,407</u>	<u>3,222</u>	<u>-</u>	<u>92,778</u>	<u>92,778</u>
901	239,165	-	3,539	-	-
-	-	-	-	308,953	268,335
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>901</u>	<u>239,165</u>	<u>-</u>	<u>3,539</u>	<u>308,953</u>	<u>268,335</u>
<u>(51)</u>	<u>15,242</u>	<u>3,222</u>	<u>(3,539)</u>	<u>(216,175)</u>	<u>(175,557)</u>
-	-	-	-	206,666	173,334
-	-	-	-	206,666	173,334
(51)	15,242	3,222	(3,539)	(9,509)	(2,223)
2,084	295,534	-	4,600	33,569	46,495
<u>\$ 2,033</u>	<u>\$ 310,776</u>	<u>\$ 3,222</u>	<u>\$ 1,061</u>	<u>\$ 24,060</u>	<u>\$ 44,272</u>

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CITY OF DEFIANCE, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2013

	Tax Redirection	Law Enforcement Trust	East Side Firehouse	Fire and Rescue Trust
Revenues:				
Income taxes	\$ -	\$ -	\$ -	\$ -
Property and other local taxes	-	-	-	-
Charges for services	-	-	-	-
Licenses, permits and fees	-	-	-	-
Fines and forfeitures	-	18,766	-	-
Intergovernmental	-	-	-	43,799
Investment income	-	-	-	-
Donations.	-	1,937	-	250
Other	-	82	-	-
Total revenues.	<u>-</u>	<u>20,785</u>	<u>-</u>	<u>44,049</u>
Expenditures:				
Current:				
General government	-	-	-	-
Security of persons and property.	-	1,891	-	4,185
Transportation	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement.	-	-	-	-
Total expenditures	<u>-</u>	<u>1,891</u>	<u>-</u>	<u>4,185</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>-</u>	<u>18,894</u>	<u>-</u>	<u>39,864</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	-	18,894	-	39,864
Fund balances at beginning of year	32,373	29,021	2,110	48,244
Fund balances at end of year	<u>\$ 32,373</u>	<u>\$ 47,915</u>	<u>\$ 2,110</u>	<u>\$ 88,108</u>

<u>Fire Damage Repair</u>	<u>Park and Recreation Trust</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ -	\$ -	\$ 23,555
-	-	412,283
-	-	124
-	-	247,172
-	-	305,996
-	-	1,387,612
-	-	58,286
-	-	6,253
63,507	500	91,692
<u>63,507</u>	<u>500</u>	<u>2,532,973</u>
-	-	485,251
45,507	-	751,772
-	-	845,468
-	-	381,428
-	21,996	21,996
-	-	150,000
<u>45,507</u>	<u>21,996</u>	<u>2,635,915</u>
<u>18,000</u>	<u>(21,496)</u>	<u>(102,942)</u>
-	-	380,000
-	-	380,000
18,000	(21,496)	277,058
6,100	38,295	3,562,134
<u>\$ 24,100</u>	<u>\$ 16,799</u>	<u>\$ 3,839,192</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 54,200	\$ 54,200	\$ 59,431	\$ 5,231
Investment income	500	500	463	(37)
Total revenues	<u>54,700</u>	<u>54,700</u>	<u>59,894</u>	<u>5,194</u>
Expenditures:				
Current:				
Transportation:				
Capital Improvements:				
Operating	<u>55,626</u>	<u>58,801</u>	<u>56,322</u>	<u>2,479</u>
Total expenditures	<u>55,626</u>	<u>58,801</u>	<u>56,322</u>	<u>2,479</u>
Net change in fund balance.	(926)	(4,101)	3,572	7,673
Fund balance at beginning of year	146,783	146,783	146,783	-
Prior year encumbrances appropriated .	<u>3,626</u>	<u>3,626</u>	<u>3,626</u>	<u>-</u>
Fund balance at end of year	<u>\$ 149,483</u>	<u>\$ 146,308</u>	<u>\$ 153,981</u>	<u>\$ 7,673</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 43,932	\$ 43,932	\$ 50,650	\$ 6,718
Investment income	-	-	270	270
Total revenues.	<u>43,932</u>	<u>43,932</u>	<u>50,920</u>	<u>6,988</u>
Expenditures:				
Current:				
Transportation:				
Capital Improvements:				
Operating	-	42,060	23,895	18,165
Total expenditures	<u>-</u>	<u>42,060</u>	<u>23,895</u>	<u>18,165</u>
Net change in fund balance.	43,932	1,872	27,025	25,153
Fund balance at beginning of year	10,247	10,247	10,247	-
Prior year encumbrances appropriated .	3,932	3,932	3,932	-
Fund balance at end of year	<u>\$ 58,111</u>	<u>\$ 16,051</u>	<u>\$ 41,204</u>	<u>\$ 25,153</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Income taxes	\$ 23,910	\$ 23,910	\$ 23,752	\$ (158)
Intergovernmental	812,700	812,700	850,694	37,994
Investment income	40	40	490	450
Other	1,350	1,350	14,602	13,252
Total revenues.	<u>838,000</u>	<u>838,000</u>	<u>889,538</u>	<u>51,538</u>
Expenditures:				
Current:				
Transportation:				
Highway and Streets:				
Salaries and wages	671,416	674,378	586,714	87,664
Operating	212,524	213,462	185,713	27,749
Total expenditures.	<u>883,940</u>	<u>887,840</u>	<u>772,427</u>	<u>115,413</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(45,940)</u>	<u>(49,840)</u>	<u>117,111</u>	<u>166,951</u>
Other financing sources:				
Other financing sources.	-	-	-	-
Transfers in	30,000	30,000	30,000	-
Total other financing sources.	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Net change in fund balance.	(15,940)	(19,840)	147,111	166,951
Fund balance at beginning of year	107,829	107,829	107,829	-
Prior year encumbrances appropriated .	25,648	25,648	25,648	-
Fund balance at end of year	<u>\$ 117,537</u>	<u>\$ 113,637</u>	<u>\$ 280,588</u>	<u>\$ 166,951</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and forfeitures	\$ 25,000	\$ 25,000	\$ 17,943	\$ (7,057)
Total revenues	<u>25,000</u>	<u>25,000</u>	<u>17,943</u>	<u>(7,057)</u>
Expenditures:				
Current:				
Security of Persons and Property:				
Municipal Court:				
Operating	59,501	59,501	50,695	8,806
Total expenditures	<u>59,501</u>	<u>59,501</u>	<u>50,695</u>	<u>8,806</u>
Net change in fund balance.	(34,501)	(34,501)	(32,752)	1,749
Fund balance at beginning of year	31,772	31,772	31,772	-
Prior year encumbrances appropriated .	9,500	9,500	9,500	-
Fund balance at end of year	<u>\$ 6,771</u>	<u>\$ 6,771</u>	<u>\$ 8,520</u>	<u>\$ 1,749</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and forfeitures	\$ 25,000	\$ 25,000	\$ 15,795	\$ (9,205)
Total revenues	<u>25,000</u>	<u>25,000</u>	<u>15,795</u>	<u>(9,205)</u>
Expenditures:				
Current:				
Security of Persons and Property:				
Municipal Probation Service:				
Salaries and wages	13,335	17,593	14,466	3,127
Operating	<u>13,283</u>	<u>17,525</u>	<u>14,410</u>	<u>3,115</u>
Total expenditures	<u>26,618</u>	<u>35,118</u>	<u>28,876</u>	<u>6,242</u>
Net change in fund balance	(1,618)	(10,118)	(13,081)	(2,963)
Fund balance at beginning of year	273,400	273,400	273,400	-
Prior year encumbrances appropriated .	718	718	718	-
Fund balance at end of year	<u>\$ 272,500</u>	<u>\$ 264,000</u>	<u>\$ 261,037</u>	<u>\$ (2,963)</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 54,679	\$ 54,679	\$ 54,811	\$ 132
Total revenues	<u>54,679</u>	<u>54,679</u>	<u>54,811</u>	<u>132</u>
Expenditures:				
Current:				
Security of Persons and Property:				
Municipal Probation Service:				
Salaries and wages	27,645	55,437	55,349	88
Operating	305	611	610	1
Total expenditures	<u>27,950</u>	<u>56,048</u>	<u>55,959</u>	<u>89</u>
Net change in fund balance.	26,729	(1,369)	(1,148)	221
Fund balance at beginning of year	3,119	3,119	3,119	-
Prior year encumbrances appropriated .	610	610	610	-
Fund balance at end of year	<u>\$ 30,458</u>	<u>\$ 2,360</u>	<u>\$ 2,581</u>	<u>\$ 221</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, 2013

	<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	\$ 50,000	\$ 50,000	\$ 79,502	\$ 29,502
Total revenues	<u>50,000</u>	<u>50,000</u>	<u>79,502</u>	<u>29,502</u>
Expenditures:				
Current:				
General Government:				
Municipal Court:				
Operating	108,961	108,961	102,699	6,262
Total expenditures	<u>108,961</u>	<u>108,961</u>	<u>102,699</u>	<u>6,262</u>
Net change in fund balance.	(58,961)	(58,961)	(23,197)	35,764
Fund balance at beginning of year	132,898	132,898	132,898	-
Prior year encumbrances appropriated .	18,961	18,961	18,961	-
Fund balance at end of year	<u>\$ 92,898</u>	<u>\$ 92,898</u>	<u>\$ 128,662</u>	<u>\$ 35,764</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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other	\$ 1	\$ 1	\$ -	\$ (1)
Total revenues.	1	1	-	(1)
Expenditures:				
Current:				
Leisure Time Activities:				
Parks and Recreation:				
Operating	\$ 1,214	\$ 1,214	\$ -	\$ 1,214
Total parks and recreation	1,214	1,214	-	1,214
Net change in fund balance.	(1,213)	(1,213)	-	1,213
Fund balance at beginning of year	\$ 1,214	\$ 1,214	\$ 1,214	\$ -
Fund balance at end of year	1	1	1,214	1,213

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, 2013

	<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	\$ 150,000	\$ 150,000	\$ 159,094	\$ 9,094
Total revenues	<u>150,000</u>	<u>150,000</u>	<u>159,094</u>	<u>9,094</u>
Expenditures:				
Current:				
General Government:				
Municipal Court:				
Operating	12,491	12,491	4,757	7,734
Total municipal court	<u>12,491</u>	<u>12,491</u>	<u>4,757</u>	<u>7,734</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>162,491</u>	<u>162,491</u>	<u>154,757</u>	<u>7,734</u>
Net change in fund balance.	(12,491)	(12,491)	4,337	16,828
Fund balance at beginning of year	173,629	173,629	173,629	-
Prior year encumbrances appropriated .	2,491	2,491	2,491	-
Fund balance at end of year	<u>\$ 163,629</u>	<u>\$ 163,629</u>	<u>\$ 180,457</u>	<u>\$ 16,828</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, 2013

	<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	\$ -	\$ -	\$ 10,300	\$ 10,300
Other	-	-	11,133	11,133
Total revenues	<u>-</u>	<u>-</u>	<u>21,433</u>	<u>21,433</u>
Expenditures:				
Current:				
General Government:				
Municipal Court:				
Operating	5,355	5,355	608	4,747
Total expenditures	<u>5,355</u>	<u>5,355</u>	<u>608</u>	<u>4,747</u>
Net change in fund balance.	(5,355)	(5,355)	20,825	26,180
Fund balance at beginning of year	75,622	75,622	75,622	-
Prior year encumbrances appropriated .	355	355	355	-
Fund balance at end of year	<u>\$ 70,622</u>	<u>\$ 70,622</u>	<u>\$ 96,802</u>	<u>\$ 26,180</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, 2013

	<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	\$ 210,000	\$ 199,549	\$ 199,549	\$ -
Total revenues	<u>210,000</u>	<u>199,549</u>	<u>199,549</u>	<u>-</u>
Expenditures:				
Current:				
General Government:				
Cable TV:				
Operating	210,000	199,549	199,549	-
Total expenditures	<u>210,000</u>	<u>199,549</u>	<u>199,549</u>	<u>-</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 517,000	\$ 467,000	\$ 407,154	\$ (59,846)
Total revenues	<u>517,000</u>	<u>467,000</u>	<u>407,154</u>	<u>(59,846)</u>
Expenditures:				
Current:				
Economic Development:				
Housing Rehabilitation:				
Operating	491,995	461,995	418,630	43,365
Total expenditures	<u>491,995</u>	<u>461,995</u>	<u>418,630</u>	<u>43,365</u>
Net change in fund balance.	25,005	5,005	(11,476)	(16,481)
Fund balance at beginning of year	21,613	21,613	21,613	-
Prior year encumbrances appropriated .	8,995	8,995	8,995	-
Fund balance at end of year	<u>\$ 55,613</u>	<u>\$ 35,613</u>	<u>\$ 19,132</u>	<u>\$ (16,481)</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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 5,000	\$ 5,000
Investment income	565	565	981	416
Total revenues	<u>565</u>	<u>565</u>	<u>5,981</u>	<u>5,416</u>
Expenditures:				
Current:				
Economic Development:				
Capital Improvement:				
Operating	524,000	524,000	207,735	316,265
Total expenditures	<u>524,000</u>	<u>524,000</u>	<u>207,735</u>	<u>316,265</u>
Excess of expenditures over revenues . . .	<u>(523,435)</u>	<u>(523,435)</u>	<u>(201,754)</u>	<u>321,681</u>
Other financing sources:				
Other financing sources	307,568	307,568	408,441	100,873
Total other financing sources	<u>307,568</u>	<u>307,568</u>	<u>408,441</u>	<u>100,873</u>
Net change in fund balance.	(215,867)	(215,867)	206,687	422,554
Fund balance at beginning of year	254,753	254,753	254,753	-
Fund balance at end of year	<u><u>\$ 38,886</u></u>	<u><u>\$ 38,886</u></u>	<u><u>\$ 461,440</u></u>	<u><u>\$ 422,554</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
Current:				
Security of Persons and Property:				
Police:				
Operating	\$ 138	\$ 138	\$ 138	\$ -
Total expenditures	<u>138</u>	<u>138</u>	<u>138</u>	<u>-</u>
Net change in fund balance.	(138)	(138)	(138)	-
Fund balance at beginning of year	-	-	-	-
Prior year encumbrances appropriated .	<u>138</u>	<u>138</u>	<u>138</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Investment income	\$ 50	\$ 50	\$ 3	\$ (47)
Total revenues	<u>50</u>	<u>50</u>	<u>3</u>	<u>(47)</u>
Net change in fund balance.	50	50	3	(47)
Fund balance at beginning of year	1,083	1,083	1,083	-
Fund balance at end of year	<u>\$ 1,133</u>	<u>\$ 1,133</u>	<u>\$ 1,086</u>	<u>\$ (47)</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Investment income	\$ -	\$ -	\$ 6	\$ 6
Donations.	-	-	844	844
Total revenues	<u>-</u>	<u>-</u>	<u>850</u>	<u>850</u>
Expenditures:				
Current:				
Community Environment:				
Cemetery Enhancements:				
Operating	<u>1,000</u>	<u>1,000</u>	<u>901</u>	<u>99</u>
Total expenditures	<u>1,000</u>	<u>1,000</u>	<u>901</u>	<u>99</u>
Net change in fund balance.	(1,000)	(1,000)	(51)	949
Fund balance at beginning of year	<u>2,084</u>	<u>2,084</u>	<u>2,084</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,084</u>	<u>\$ 1,084</u>	<u>\$ 2,033</u>	<u>\$ 949</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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and other local taxes	\$ 220,000	\$ 220,000	\$ 256,353	\$ 36,353
Other	-	-	336	336
Total revenues	<u>220,000</u>	<u>220,000</u>	<u>256,689</u>	<u>36,689</u>
Expenditures:				
Current:				
General Government:				
General Operating:				
Salaries and wages	17,475	19,010	18,365	645
Operating	<u>96,996</u>	<u>105,518</u>	<u>101,936</u>	<u>3,582</u>
Total general operating	<u>114,471</u>	<u>124,528</u>	<u>120,301</u>	<u>4,227</u>
Capital Improvements:				
Operating	<u>123,861</u>	<u>134,743</u>	<u>130,168</u>	<u>4,575</u>
Total capital improvements	<u>123,861</u>	<u>134,743</u>	<u>130,168</u>	<u>4,575</u>
Total expenditures	<u>238,332</u>	<u>259,271</u>	<u>250,469</u>	<u>8,802</u>
Net change in fund balance.	(18,332)	(39,271)	6,220	45,491
Fund balance at beginning of year	240,032	240,032	240,032	-
Prior year encumbrances appropriated .	<u>25,937</u>	<u>25,937</u>	<u>25,937</u>	<u>-</u>
Fund balance at end of year	<u>\$ 247,637</u>	<u>\$ 226,698</u>	<u>\$ 272,189</u>	<u>\$ 45,491</u>

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
MUSEUM TRUST FUND
 FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Donations	\$ 2,000	\$ 2,000	\$ 3,222	\$ 1,222
Total revenues	<u>2,000</u>	<u>2,000</u>	<u>3,222</u>	<u>1,222</u>
Net change in fund balance.	2,000	2,000	3,222	1,222
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 3,222</u>	<u>\$ 1,222</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
Current:				
General Government:				
Operating	\$ 4,600	\$ 4,600	\$ 3,539	\$ 1,061
Total city council	<u>4,600</u>	<u>4,600</u>	<u>3,539</u>	<u>1,061</u>
Net change in fund balance.	(4,600)	(4,600)	(3,539)	1,061
Fund balance at beginning of year	4,600	4,600	4,600	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,061</u>	<u>\$ 1,061</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property and other local taxes	\$ 90,000	\$ 90,000	\$ 79,106	\$ (10,894)
Intergovernmental	13,732	13,732	13,672	(60)
Total revenues	<u>103,732</u>	<u>103,732</u>	<u>92,778</u>	<u>(10,954)</u>
Expenditures:				
Current:				
Security of Persons and Property:				
Police Pension:				
Salaries and wages	325,000	325,000	306,672	18,328
Operating	2,500	2,500	2,281	219
Total expenditures	<u>327,500</u>	<u>327,500</u>	<u>308,953</u>	<u>18,547</u>
Excess of expenditures over revenues . . .	<u>(223,768)</u>	<u>(223,768)</u>	<u>(216,175)</u>	<u>7,593</u>
Other financing sources:				
Transfers in	210,000	210,000	206,666	(3,334)
Total other financing sources	<u>210,000</u>	<u>210,000</u>	<u>206,666</u>	<u>(3,334)</u>
Net change in fund balance.	(13,768)	(13,768)	(9,509)	4,259
Fund balance at beginning of year	33,569	33,569	33,569	-
Fund balance at end of year	<u>\$ 19,801</u>	<u>\$ 19,801</u>	<u>\$ 24,060</u>	<u>\$ 4,259</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property and other local taxes	\$ 90,385	\$ 90,385	\$ 79,106	\$ (11,279)
Intergovernmental	13,347	13,347	13,672	325
Total revenues	<u>103,732</u>	<u>103,732</u>	<u>92,778</u>	<u>(10,954)</u>
Expenditures:				
Current:				
Security of Persons and Property:				
Fire Pension:				
Salaries and wages	290,000	290,000	266,054	23,946
Operating	2,500	2,500	2,281	219
Total expenditures	<u>292,500</u>	<u>292,500</u>	<u>268,335</u>	<u>24,165</u>
Excess of expenditures over revenues . . .	<u>(188,768)</u>	<u>(188,768)</u>	<u>(175,557)</u>	<u>13,211</u>
Other financing sources:				
Transfers in	170,000	170,000	173,334	3,334
Total other financing sources	<u>170,000</u>	<u>170,000</u>	<u>173,334</u>	<u>3,334</u>
Net change in fund balance.	(18,768)	(18,768)	(2,223)	16,545
Fund balance at beginning of year	46,495	46,495	46,495	-
Fund balance at end of year	<u>\$ 27,727</u>	<u>\$ 27,727</u>	<u>\$ 44,272</u>	<u>\$ 16,545</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, 2013

	<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, 2013

	<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	\$ 3,000	\$ 3,000	\$ 18,766	\$ 15,766
Donations	500	500	1,937	1,437
Other	-	-	82	82
Total revenues	<u>3,500</u>	<u>3,500</u>	<u>20,785</u>	<u>17,285</u>
Expenditures:				
Current:				
Security of Persons and Property:				
Police:				
Operating	<u>12,000</u>	<u>12,000</u>	<u>1,891</u>	<u>10,109</u>
Total expenditures	<u>12,000</u>	<u>12,000</u>	<u>1,891</u>	<u>10,109</u>
Net change in fund balance	(8,500)	(8,500)	18,894	27,394
Fund balance at beginning of year	<u>29,021</u>	<u>29,021</u>	<u>29,021</u>	<u>-</u>
Fund balance at end of year	<u>\$ 20,521</u>	<u>\$ 20,521</u>	<u>\$ 47,915</u>	<u>\$ 27,394</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, 2013

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

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FIRE AND RESCUE TRUST FUND
 FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 40,000	\$ 40,000	\$ 43,799	\$ 3,799
Donations.	-	-	250	250
Total revenues	<u>40,000</u>	<u>40,000</u>	<u>44,049</u>	<u>4,049</u>
Expenditures:				
Current:				
Security of Persons and Property:				
Fire:				
Operating	-	4,185	4,185	-
Total expenditures	<u>-</u>	<u>4,185</u>	<u>4,185</u>	<u>-</u>
Net change in fund balance.	40,000	35,815	39,864	4,049
Fund balance at beginning of year	<u>48,244</u>	<u>48,244</u>	<u>48,244</u>	<u>-</u>
Fund balance at end of year	<u>\$ 88,244</u>	<u>\$ 84,059</u>	<u>\$ 88,108</u>	<u>\$ 4,049</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other	\$ -	\$ 57,507	\$ 57,507	\$ -
Total revenues	<u>-</u>	<u>57,507</u>	<u>57,507</u>	<u>-</u>
Expenditures:				
Current:				
Security of Persons and Property:				
Fire:				
Operating	6,000	63,507	63,507	-
Total expenditures	<u>6,000</u>	<u>63,507</u>	<u>63,507</u>	<u>-</u>
Net change in fund balance.	(6,000)	(6,000)	(6,000)	-
Fund balance at beginning of year	100	100	100	-
Prior year encumbrances appropriated .	6,000	6,000	6,000	-
Fund balance at end of year	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ -</u>

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
PARK AND RECREATION TRUST FUND
 FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other	\$ -	\$ -	\$ 500	\$ 500
Total revenues	<u>-</u>	<u>-</u>	<u>500</u>	<u>500</u>
Expenditures:				
Current:				
Capital Outlay:				
Operating	21,000	22,000	21,996	4
Total capital outlay	<u>21,000</u>	<u>22,000</u>	<u>21,996</u>	<u>4</u>
Net change in fund balance.	(21,000)	(22,000)	(21,496)	496
Fund balance at beginning of year	\$ 38,295	\$ 38,295	\$ 38,295	\$ -
Fund balance at end of year	<u>\$ 17,295</u>	<u>\$ 16,295</u>	<u>\$ 16,799</u>	<u>\$ 496</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, 2013

	<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	\$ 28,783	\$ 28,783	\$ 28,783	\$ -
Fund balance at end of year	\$ 28,783	\$ 28,783	\$ 28,783	\$ -

CITY OF DEFIANCE, OHIO
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
DECEMBER 31, 2013

	Bond Retirement	Tax Increment Financing	Total Nonmajor Debt Service Funds
Assets:			
Equity in pooled cash and cash equivalents . . .	\$ 620,652	\$ -	\$ 620,652
Receivables:			
Special assessments.	73,108	-	73,108
Total assets	\$ 693,760	\$ -	\$ 693,760
Deferred inflows of resources:			
Special assessments revenue not available.	\$ 73,108	\$ -	\$ 73,108
Total deferred inflows of resources.	73,108	-	73,108
Fund Balances:			
Restricted	620,652	-	620,652
Total fund balances	620,652	-	620,652
Total deferred inflows of resources and fund balances	\$ 693,760	\$ -	\$ 693,760

CITY OF DEFIANCE, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Bond Retirement	Tax Increment Financing	Total Nonmajor Debt Service Funds
Revenues:			
Payment in lieu of taxes	\$ -	\$ 67,034	\$ 67,034
Special assessments	33,696	-	33,696
Total revenues.	<u>33,696</u>	<u>67,034</u>	<u>100,730</u>
Expenditures:			
Current:			
General government	1,035	-	1,035
Economic development and assistance	-	222,100	222,100
Debt service:			
Principal retirement.	14,686	-	14,686
Total expenditures	<u>15,721</u>	<u>222,100</u>	<u>237,821</u>
Excess (deficiency) of revenues over (under) expenditures	<u>17,975</u>	<u>(155,066)</u>	<u>(137,091)</u>
Other financing uses:			
Transfers (out)	(8,085)	-	(8,085)
Total other financing uses.	<u>(8,085)</u>	<u>-</u>	<u>(8,085)</u>
Net change in fund balances	9,890	(155,066)	(145,176)
Fund balances at beginning of year	<u>610,762</u>	<u>155,066</u>	<u>765,828</u>
Fund balances at end of year	<u>\$ 620,652</u>	<u>\$ -</u>	<u>\$ 620,652</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Special assessments	\$ 40,000	\$ 40,000	\$ 33,696	\$ (6,304)
Total revenues	<u>40,000</u>	<u>40,000</u>	<u>33,696</u>	<u>(6,304)</u>
Expenditures:				
Current:				
General Government:				
County and State Charges:				
Operating	33,802	33,802	1,181	32,621
Total expenditures	<u>33,802</u>	<u>33,802</u>	<u>1,181</u>	<u>32,621</u>
Net change in fund balance	6,198	6,198	32,515	26,317
Fund balance at beginning of year	610,762	610,762	610,762	-
Fund balance at end of year	<u>\$ 616,960</u>	<u>\$ 616,960</u>	<u>\$ 643,277</u>	<u>\$ 26,317</u>

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
TAX INCREMENT FINANCING FUND
 FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Payment in lieu of taxes	\$ 68,600	\$ 67,034	\$ 67,034	\$ -
Total revenues.	<u>68,600</u>	<u>67,034</u>	<u>67,034</u>	<u>-</u>
Expenditures:				
Current:				
Economic Development and Assistance:				
Operating	-	222,100	222,100	-
Total expenditures	<u>-</u>	<u>222,100</u>	<u>222,100</u>	<u>-</u>
Net change in fund balance	68,600	(155,066)	(155,066)	-
Fund balance at beginning of year	155,066	155,066	155,066	-
Fund balance at end of year	<u>\$ 223,666</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)
MUNICIPAL COURT CONSTRUCTION FUND
 FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Investment income	\$ -	\$ 5	\$ 5	\$ -
Total revenues	<u>-</u>	<u>5</u>	<u>5</u>	<u>-</u>
Expenditures:				
Debt service:				
Interest and fiscal charges	-	7,846	7,846	-
Total debt service	<u>-</u>	<u>7,846</u>	<u>7,846</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>7,846</u>	<u>7,846</u>	<u>-</u>
Excess of expenditures over revenues	<u>-</u>	<u>(7,841)</u>	<u>(7,841)</u>	<u>-</u>
Net change in fund balance	-	(7,841)	(7,841)	-
Fund balance at beginning of year	7,841	7,841	7,841	-
Fund balance at end of year	<u><u>\$ 7,841</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for services	\$ 6,107,230	\$ 6,107,230	\$ 5,856,263	\$ (250,967)
Tap-in fees	20,000	20,000	33,072	13,072
Other.	729,000	729,000	439,589	(289,411)
Total operating revenues.	6,856,230	6,856,230	6,328,924	(527,306)
Operating expenses:				
Personal services.	1,645,795	1,671,596	1,412,518	259,078
Contractual services	581,562	590,680	499,131	91,549
Materials and supplies	1,069,281	1,086,045	917,720	168,325
Administrative costs	17,113	17,381	14,687	2,694
Utilities	420,091	426,677	360,547	66,130
Other.	9,597	9,748	8,237	1,511
Capital outlay	1,443,802	1,466,437	1,239,156	227,281
Total operating expenses.	5,187,241	5,268,564	4,451,996	816,568
Operating income	1,668,989	1,587,666	1,876,928	289,262
Nonoperating revenues (expenses):				
Interest revenue	6,000	6,000	9,932	3,932
Debt service:				
Principal retirement.	(1,008,703)	(1,024,517)	(865,728)	158,789
Interest and fiscal charges	(748,417)	(760,151)	(642,336)	117,815
Total nonoperating revenues (expenses)	(1,751,120)	(1,778,668)	(1,498,132)	280,536
Net income (loss) before transfers.	(82,131)	(191,002)	378,796	569,798
Transfers in	244,000	244,000	244,000	-
Transfers out.	(639,667)	(649,696)	(549,000)	100,696
Net change in fund equity.	(477,798)	(596,698)	73,796	670,494
Fund equity at beginning of year.	2,590,925	2,590,925	2,590,925	-
Prior year encumbrances appropriated	293,929	293,929	293,929	-
Fund equity at end of year	\$ 2,407,056	\$ 2,288,156	\$ 2,958,650	\$ 670,494

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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for services	\$ 7,115,549	\$ 6,385,279	\$ 6,261,432	\$ (123,847)
Other	-	-	1,968	1,968
Total operating revenues	7,115,549	6,385,279	6,263,400	(121,879)
Operating expenses:				
Personal services	1,537,944	1,484,277	1,331,672	152,605
Contract services	417,241	402,681	365,801	36,880
Materials and supplies	846,677	817,132	776,962	40,170
Administrative costs	32,625	31,487	23,941	7,546
Utilities	426,638	411,751	371,832	39,919
Capital outlay	3,331,757	3,215,493	2,308,594	906,899
Other	16,940	16,348	16,036	312
Total operating expenses	6,609,822	6,379,169	5,194,838	1,184,331
Operating income (loss)	505,727	6,110	1,068,562	1,062,452
Nonoperating revenues (expenses):				
Interest revenue	10,029	9,000	10,767	1,767
Sale of capital assets	55,718	50,000	316	(49,684)
Premium on notes	-	-	22,495	22,495
Note issuance	5,403,569	4,849,000	4,849,000	-
Loan issuance	2,993,414	2,686,200	2,682,721	(3,479)
Debt service:				
Principal retirement	(5,995,857)	(5,786,628)	(5,628,459)	158,169
Interest and fiscal charges	(1,006,357)	(971,239)	(849,176)	122,063
Total nonoperating revenues (expenses)	1,460,516	836,333	1,087,664	251,331
Net income before transfers	1,966,243	842,443	2,156,226	1,313,783
Transfers in	244,000	244,000	244,000	-
Transfers out	(630,800)	(630,800)	(630,800)	-
Net change in fund equity	1,579,443	455,643	1,769,426	1,313,783
Fund equity at beginning of year	117,990	117,990	117,990	-
Prior year encumbrances appropriated	946,002	946,002	946,002	-
Fund equity at end of year	\$ 2,643,435	\$ 1,519,635	\$ 2,833,418	\$ 1,313,783

CITY OF DEFIANCE, OHIO

COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
 DECEMBER 31, 2013

	<u>Refuse</u>	<u>Utility Deposit</u>	<u>Totals</u>
Assets:			
Current assets:			
Equity in pooled cash and cash equivalents.	\$ 610,062	\$ -	\$ 610,062
Receivables (net of allowance for uncollectibles):			
Accounts	57,202	-	57,202
Total current assets	<u>667,264</u>	<u>-</u>	<u>667,264</u>
Noncurrent assets:			
Restricted assets:			
Equity in pooled cash and cash equivalents.	-	249,163	249,163
Cash in segregated accounts	74,475	-	74,475
Total noncurrent assets	<u>74,475</u>	<u>249,163</u>	<u>323,638</u>
Total assets	<u>741,739</u>	<u>249,163</u>	<u>990,902</u>
Liabilities:			
Current liabilities:			
Current liabilities payable from restricted assets:			
Refundable deposit	-	249,163	249,163
Total liabilities	<u>-</u>	<u>249,163</u>	<u>249,163</u>
Net position:			
Unrestricted.	741,739	-	741,739
Total net position	<u>\$ 741,739</u>	<u>\$ -</u>	<u>\$ 741,739</u>

CITY OF DEFIANCE, OHIO

COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Refuse</u>	<u>Utility Deposit</u>	<u>Totals</u>
Operating revenues:			
Charges for services.	\$ 885,936	\$ -	\$ 885,936
Total operating revenues.	<u>885,936</u>	<u>-</u>	<u>885,936</u>
Operating expenses:			
Utilities	<u>787,148</u>	<u>-</u>	<u>787,148</u>
Total operating expenses.	<u>787,148</u>	<u>-</u>	<u>787,148</u>
Operating income/change in net assets.	98,788	-	98,788
Net position at beginning of year.	<u>642,951</u>	<u>-</u>	<u>642,951</u>
Net position at end of year	<u>\$ 741,739</u>	<u>\$ -</u>	<u>\$ 741,739</u>

CITY OF DEFIANCE, OHIO

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Refuse</u>	<u>Utility Deposit</u>	<u>Totals</u>
Cash flows from operating activities:			
Cash received from charges for services	\$ 887,748	\$ 34,225	\$ 921,973
Cash payments for utilities	<u>(787,148)</u>	<u>(6,049)</u>	<u>(793,197)</u>
Net cash provided by (used in) operating activities . . .	<u>100,600</u>	<u>28,176</u>	<u>128,776</u>
 Net increase (decrease) in cash and cash equivalents	100,600	28,176	128,776
 Cash and cash equivalents at beginning of year.	<u>583,937</u>	<u>220,987</u>	<u>804,924</u>
 Cash and cash equivalents at end of year	<u>\$ 684,537</u>	<u>\$ 249,163</u>	<u>\$ 933,700</u>
 Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income.	\$ 98,788	\$ -	\$ 98,788
 Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
 Changes in assets and liabilities:			
Decrease in accounts receivable.	1,812	-	1,812
Increase in utility deposits payable.	-	28,176	28,176
Net cash provided by (used in) operating activities . . .	<u>\$ 100,600</u>	<u>\$ 28,176</u>	<u>\$ 128,776</u>

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN
 FUND EQUITY - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
REFUSE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2013

	<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	\$ 859,000	\$ 867,000	\$ 887,748	\$ 20,748
Total operating revenues	<u>859,000</u>	<u>867,000</u>	<u>887,748</u>	<u>20,748</u>
Operating expenses:				
Utilities	<u>811,000</u>	<u>819,000</u>	<u>813,623</u>	<u>5,377</u>
Total operating expenses	<u>811,000</u>	<u>819,000</u>	<u>813,623</u>	<u>5,377</u>
Operating income (loss)	<u>48,000</u>	<u>48,000</u>	<u>74,125</u>	<u>26,125</u>
Nonoperating expenses:				
Transfers out	<u>(48,000)</u>	<u>(48,000)</u>	<u>(48,000)</u>	<u>-</u>
Total nonoperating expenses	<u>(48,000)</u>	<u>(48,000)</u>	<u>(48,000)</u>	<u>-</u>
Net change in fund equity	-	-	26,125	26,125
Fund equity at beginning of year	<u>583,937</u>	<u>583,937</u>	<u>583,937</u>	<u>-</u>
Fund equity at end of year	<u>\$ 583,937</u>	<u>\$ 583,937</u>	<u>\$ 610,062</u>	<u>\$ 26,125</u>

CITY OF DEFIANCE, OHIO

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN
 FUND EQUITY - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
UTILITY DEPOSIT FUND
 FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for services	\$ 30,000	\$ 30,000	\$ 34,225	\$ 4,225
Total operating revenues	30,000	30,000	34,225	4,225
Operating expenses:				
Utilities	30,000	30,000	6,049	23,951
Total operating expenses	30,000	30,000	6,049	23,951
Net change in fund equity	-	-	28,176	28,176
Fund equity at beginning of year.	220,987	220,987	220,987	-
Fund equity at end of year	\$ 220,987	\$ 220,987	\$ 249,163	\$ 28,176

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, 2013

	<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	\$ 1,980,000	\$ 1,980,000	\$ 1,939,759	\$ (40,241)
Total operating revenues.	<u>1,980,000</u>	<u>1,980,000</u>	<u>1,939,759</u>	<u>(40,241)</u>
Operating expenses:				
Claims	<u>1,991,314</u>	<u>1,991,314</u>	<u>1,943,049</u>	<u>48,265</u>
Total operating expenses.	<u>1,991,314</u>	<u>1,991,314</u>	<u>1,943,049</u>	<u>48,265</u>
Operating loss	<u>(11,314)</u>	<u>(11,314)</u>	<u>(3,290)</u>	<u>8,024</u>
Other financing sources:				
Interest revenue	<u>1,120</u>	<u>1,120</u>	<u>1,277</u>	<u>157</u>
Total other financing sources.	<u>1,120</u>	<u>1,120</u>	<u>1,277</u>	<u>157</u>
Net change in fund equity.	(10,194)	(10,194)	(2,013)	8,181
Fund equity at beginning of year	408,979	408,979	408,979	-
Prior year encumbrances appropriated. .	11,314	11,314	11,314	-
Fund equity at end of year.	<u>\$ 410,099</u>	<u>\$ 410,099</u>	<u>\$ 418,280</u>	<u>\$ 8,181</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, 2013

Municipal Court Fund	Beginning Balance 12/31/2012	Additions	Reductions	Ending Balance 12/31/2013
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.

Table of Contents

Page

Schedules 1-4 reflect financial trends data to help the reader understand how the City's financial performance and well-being have changed over time.	133-142
Schedules 5-6 reflect revenue capacity and help the reader assess the City's most significant local revenue source, the income tax.	143-146
Schedules 7-11 reflect debt capacity and help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	147-155
Schedules 12-13 offer demographic and economic information to help the reader understand the environment within which the City's financial activities take place and to provide information that facilitates comparisons of financial information over time and among governments.	156-157
Schedules 14-16 contain operating information to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	158-162

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>2013</u>	<u>2012</u>	<u>2011 (2)</u>	<u>2010</u>
Governmental Activities				
Net investment in capital assets	\$ 14,481,473	\$ 14,851,497	\$ 14,739,970	\$ 13,848,663
Restricted for:				
Capital projects	-	7,844	7,820	-
Debt service	683,737	844,314	1,085,623	1,237,297
Economic development projects	2,134,556	2,114,679	1,909,300	2,031,638
Transportation projects	712,739	581,289	497,741	541,136
Safety projects	553,081	498,201	618,436	625,783
Special projects	292,143	263,351	234,068	333,266
Community environment projects	19,132	47,820	4,804	23,804
Health projects	3,094	6,684	5,861	5,367
Parks and recreation projects	-	-	-	-
Other purposes	250,264	156,255	247,085	154,865
Unrestricted	3,354,535	2,850,904	4,013,245	3,667,142
Total governmental activities net position	<u>22,484,754</u>	<u>22,222,838</u>	<u>23,363,953</u>	<u>22,468,961</u>
Business-type Activities				
Net investment in capital assets	21,292,299	21,768,542	18,422,430	15,279,312
Unrestricted	8,057,987	4,474,787	5,003,212	5,493,597
Total business-type activities net position	<u>29,350,286</u>	<u>26,243,329</u>	<u>23,425,642</u>	<u>20,772,909</u>
Total Primary Government				
Net investment in capital assets	35,773,772	36,620,039	33,162,400	29,127,975
Restricted	4,648,746	4,520,437	4,610,738	4,953,156
Unrestricted	11,412,522	7,325,691	9,016,457	9,160,739
Total primary government net position	<u>\$ 51,835,040</u>	<u>\$ 48,466,167</u>	<u>\$ 46,789,595</u>	<u>\$ 43,241,870</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>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$	14,665,319	\$ 14,021,819	\$ 13,799,408	\$ 13,549,449	\$ 12,348,500	\$ 2,968,656
	1,180,352	1,392,724	967,504	836,427	535,747	633,866
	1,188,099	1,212,716	1,194,515	1,210,403	1,188,950	1,221,999
	1,950,777	1,921,779	1,826,439	1,575,853	-	-
	632,776	745,459	706,547	601,417	-	-
	583,247	492,417	400,250	-	-	-
	498,582	621,966	551,384	-	-	-
	27,686	125,358	130,221	-	-	-
	6,169	7,718	19,564	-	-	-
	34,995	34,995	34,995	-	-	-
	245,406	195,598	166,967	1,885,332	2,803,022	2,500,772
	2,597,515	3,940,429	4,826,514	3,938,352	4,259,774	4,259,704
	<u>23,610,923</u>	<u>24,712,978</u>	<u>24,624,308</u>	<u>23,597,233</u>	<u>21,135,993</u>	<u>11,584,997</u>
	15,197,096	12,651,704	11,696,962	9,780,309	7,214,254	14,168,848
	2,742,655	3,787,353	3,571,350	4,651,099	5,131,920	3,095,331
	<u>17,939,751</u>	<u>16,439,057</u>	<u>15,268,312</u>	<u>14,431,408</u>	<u>12,346,174</u>	<u>17,264,179</u>
	29,862,415	26,673,523	25,496,370	23,329,758	19,562,754	17,137,504
	6,348,089	6,750,730	5,998,386	6,109,432	4,527,719	4,356,637
	5,340,170	7,727,782	8,397,864	8,589,451	9,391,694	7,355,035
\$	<u>41,550,674</u>	<u>41,152,035</u>	<u>39,892,620</u>	<u>38,028,641</u>	<u>33,482,167</u>	<u>28,849,176</u>

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Program Revenues:				
Governmental activities				
Charges for services:				
General government	\$ 552,784	\$ 391,824	\$ 367,422	\$ 289,696
Security of persons and property	1,198,534	1,130,824	1,191,219	1,343,214
Public health and welfare	69,403	68,467	68,689	72,449
Community environment	75,598	109,874	73,168	103,689
Leisure time activities	16,729	25,780	23,133	25,835
Economic Development	20,567	21,715	573	290
Operating grants and contributions	1,420,889	1,752,458	1,863,347	1,685,214
Capital grants and contributions	982,639	489,168	1,056,917	497,525
Total governmental activities program revenues	<u>4,337,143</u>	<u>3,990,110</u>	<u>4,644,468</u>	<u>4,017,912</u>
Business-type activities:				
Charges for services:				
Water	5,900,065	6,031,392	5,415,327	4,842,869
Sewer	6,252,710	6,388,276	6,113,369	5,279,085
Refuse	885,936	876,007	819,619	766,697
Operating grants and contributions	-	-	-	-
Capital grants and contributions	158,860	-	-	2,228,539
Total business-type activities program revenues	<u>13,197,571</u>	<u>13,295,675</u>	<u>12,348,315</u>	<u>13,117,190</u>
Total primary government	<u><u>17,534,714</u></u>	<u><u>17,285,785</u></u>	<u><u>16,992,783</u></u>	<u><u>17,135,102</u></u>
Expenses:				
Governmental Activities				
General government	3,154,896	3,065,260	2,817,789	3,429,558
Security of persons and property	5,516,843	5,725,571	5,429,001	6,043,793
Public health and welfare	259,593	237,991	244,943	224,256
Transportation	2,070,218	2,257,425	1,746,391	2,533,251
Community environment	464,158	600,805	475,458	556,280
Leisure time activities	777,604	820,217	650,516	740,699
Economic development	681,350	888,011	903,603	381,070
Utility services	-	-	5,335	-
Other	-	-	-	-
Interest and fiscal charges	121,774	124,912	83,200	77,825
Total governmental activities expenses	<u>13,046,436</u>	<u>13,720,192</u>	<u>12,356,236</u>	<u>13,986,732</u>
Business-type activities:				
Water	5,068,496	4,746,280	4,406,534	4,224,602
Sewer	4,769,476	5,313,868	4,691,866	6,192,897
Refuse	787,148	828,551	785,210	725,206
Total business-type activities expenses	<u>10,625,120</u>	<u>10,888,699</u>	<u>9,883,610</u>	<u>11,142,705</u>
Total primary government program expenses	<u><u>\$ 23,671,556</u></u>	<u><u>\$ 24,608,891</u></u>	<u><u>\$ 22,239,846</u></u>	<u><u>\$ 25,129,437</u></u>
Net (Expense) Revenue				
Governmental activities	\$ (8,709,293)	\$ (9,730,082)	\$ (7,711,768)	\$ (9,968,820)
Business-type activities	<u>2,572,451</u>	<u>2,406,976</u>	<u>2,464,705</u>	<u>1,974,485</u>
Total primary government net expense	<u><u>(6,136,842)</u></u>	<u><u>(7,323,106)</u></u>	<u><u>(5,247,063)</u></u>	<u><u>(7,994,335)</u></u>

	2009	2008	2007	2006	2005	2004
\$	378,315	\$ 395,715	\$ 464,448	\$ 619,931	\$ 561,760	\$ 516,566
	1,171,103	1,247,379	1,180,003	1,186,602	1,082,726	927,719
	41,521	58,774	66,705	53,899	65,541	68,991
	95,422	175,633	179,334	233,028	318,884	129,380
	21,246	25,162	37,141	32,086	26,613	16,645
	253	493	290	65,886	4,683	29,929
	1,644,771	1,331,141	1,409,456	1,697,228	1,276,237	1,193,356
	322,650	171,030	201,996	-	-	-
	<u>3,675,281</u>	<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>
	4,194,197	4,090,704	4,020,403	3,600,821	3,523,194	3,586,124
	4,690,081	4,301,484	4,158,792	3,731,030	3,381,425	3,413,778
	726,603	764,881	671,841	661,607	610,256	593,051
	-	-	23,077	326,154	454,589	255,064
	14,354	313,087	-	-	-	-
	<u>9,625,235</u>	<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>13,300,516</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>
	3,405,877	2,700,947	3,438,927	2,493,160	3,000,979	2,490,843
	5,727,001	5,718,266	5,559,839	5,118,991	4,576,342	4,993,929
	207,391	288,007	253,008	213,337	243,875	316,518
	1,798,226	2,463,188	2,149,203	1,556,748	2,122,467	1,087,018
	522,191	586,847	523,893	424,583	403,071	440,540
	697,284	995,983	961,329	897,522	825,764	1,020,436
	834,468	84,009	275,686	274,914	423,379	112,177
	-	-	-	-	-	-
	15,700	4,913	4,908	4,732	6,460	60,101
	41,344	29,296	48,348	79,072	127,845	76,890
	<u>13,249,482</u>	<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>
	4,196,427	4,282,755	3,827,063	3,830,920	3,700,775	3,486,248
	3,971,144	3,993,639	4,193,689	3,178,453	3,482,750	4,112,246
	680,242	726,933	630,422	608,056	543,180	543,170
	<u>8,847,813</u>	<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>22,097,295</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>
\$	(9,574,201)	\$ (9,466,129)	\$ (9,675,768)	\$ (7,174,399)	\$ (8,393,738)	\$ (7,715,866)
	777,422	466,829	222,939	702,183	242,759	(293,647)
	<u>(8,796,779)</u>	<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>

-- Continued

CITY OF DEFIANCE, OHIO

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
General Revenues and Other Changes in Net Position				
Governmental activities				
Income taxes levied for:				
General purposes	5,760,134	5,540,859	5,209,705	5,458,481
Special purposes	24,562	23,028	21,871	23,236
Capital purposes	1,411,401	1,381,685	1,312,258	1,394,167
Property taxes levied for:				
General purposes	550,030	523,667	521,650	543,275
Special purposes	412,283	403,551	365,707	334,523
Grants and entitlements not restricted to specific programs	524,815	768,909	1,096,255	1,024,894
Investment earnings	32,216	25,118	19,885	13,353
Payment in lieu of taxes	67,034	66,732	82,256	82,943
Miscellaneous	247,289	201,507	101,646	540,547
Transfers	(58,555)	(346,089)	(50,409)	(588,561)
Special item: gain on sale of capital assets	-	-	-	-
Extraordinary item: reimb. of insurance claims	-	-	-	-
Total governmental activities	<u>8,971,209</u>	<u>8,588,967</u>	<u>8,680,824</u>	<u>8,826,858</u>
Business-type activities				
Investment earnings	30,295	19,942	14,382	5,659
Miscellaneous	107,946	44,680	263,944	264,453
Transfers	58,555	346,089	50,409	588,561
Special items	337,710	-	-	-
Total business-type activities	<u>534,506</u>	<u>410,711</u>	<u>328,735</u>	<u>858,673</u>
Total primary government	<u>9,505,715</u>	<u>8,999,678</u>	<u>9,009,559</u>	<u>9,685,531</u>
Change in Net Position				
Governmental activities	261,916	(1,141,115)	969,056	(1,141,962)
Business-type activities	3,106,957	2,817,687	2,793,440	2,833,158
Total primary government	<u>\$ 3,368,873</u>	<u>\$ 1,676,572</u>	<u>\$ 3,762,496</u>	<u>\$ 1,691,196</u>

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
5,227,106	5,933,088	6,502,751	5,924,313	4,890,763	4,634,548
21,395	25,248	27,315	25,099	23,490	21,007
1,283,680	1,514,902	1,638,902	1,505,961	1,409,361	1,397,350
525,405	602,325	664,808	585,649	580,184	560,638
305,992	340,946	363,825	349,160	274,958	316,772
909,503	1,089,930	949,213	1,124,495	761,789	846,451
22,217	155,049	404,382	346,052	190,327	85,767
83,895	-	-	-	-	-
99,418	231,871	208,359	380,086	615,868	353,772
(6,465)	(338,560)	(56,712)	(605,176)	-	(1,026,313)
-	-	-	-	-	1,983,137
-	-	-	-	-	260,683
<u>8,472,146</u>	<u>9,554,799</u>	<u>10,702,843</u>	<u>9,635,639</u>	<u>8,746,740</u>	<u>9,433,812</u>
9,888	69,086	229,311	196,364	107,930	34,491
269,208	296,270	327,942	31,901	46,875	65,821
6,465	338,560	56,712	605,176	-	1,026,313
437,711	-	-	-	-	-
<u>723,272</u>	<u>703,916</u>	<u>613,965</u>	<u>833,441</u>	<u>154,805</u>	<u>1,126,625</u>
<u>9,195,418</u>	<u>10,258,715</u>	<u>11,316,808</u>	<u>10,469,080</u>	<u>8,901,545</u>	<u>10,560,437</u>
(1,102,055)	88,670	1,027,075	2,461,240	353,002	1,717,946
1,500,694	1,170,745	836,904	1,535,624	397,564	832,978
<u>\$ 398,639</u>	<u>\$ 1,259,415</u>	<u>\$ 1,863,979</u>	<u>\$ 3,996,864</u>	<u>\$ 750,566</u>	<u>\$ 2,550,924</u>

CITY OF DEFIANCE, OHIO

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
General Fund				
Nonspendable	\$ 93	\$ 93	\$ 87	\$ -
Committed	-	8,165	-	-
Assigned	200,750	535,956	364,029	-
Unassigned	1,140,806	1,050,874	1,255,774	-
Reserved	-	-	-	190,796
Unreserved	-	-	-	1,573,664
Total general fund	<u>1,341,649</u>	<u>1,595,088</u>	<u>1,619,890</u>	<u>1,764,460</u>
All Other Governmental Funds				
Nonspendable	33,615	37,124	23,882	-
Restricted	4,372,647	4,223,607	4,345,580	-
Committed	1,212,727	1,037,169	2,073,285	-
Reserved	-	-	-	2,959,329
Unreserved (deficit), reported in:				
Special revenue funds	-	-	-	1,917,162
Capital projects funds	-	-	-	(3,128,520)
Total all other governmental funds	<u>5,618,989</u>	<u>5,297,900</u>	<u>6,442,747</u>	<u>1,747,971</u>
Total governmental funds	<u>\$ 6,960,638</u>	<u>\$ 6,892,988</u>	<u>\$ 8,062,637</u>	<u>\$ 3,512,431</u>

The City implemented GASB 54 in 2011.

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
298,434	571,452	524,398	523,571	469,007	600,870
<u>2,044,712</u>	<u>3,019,128</u>	<u>3,871,519</u>	<u>3,315,057</u>	<u>2,355,690</u>	<u>1,325,598</u>
<u>2,343,146</u>	<u>3,590,580</u>	<u>4,395,917</u>	<u>3,838,628</u>	<u>2,824,697</u>	<u>1,926,468</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
5,866,656	3,707,457	3,003,392	2,533,157	2,076,762	1,990,605
2,133,103	2,012,299	2,174,078	2,437,600	1,793,615	1,226,565
<u>(3,148,530)</u>	<u>442,761</u>	<u>326,347</u>	<u>515,373</u>	<u>43,225</u>	<u>381,076</u>
<u>4,851,229</u>	<u>6,162,517</u>	<u>5,503,817</u>	<u>5,486,130</u>	<u>3,913,602</u>	<u>3,598,246</u>
<u>\$ 7,194,375</u>	<u>\$ 9,753,097</u>	<u>\$ 9,899,734</u>	<u>\$ 9,324,758</u>	<u>\$ 6,738,299</u>	<u>\$ 5,524,714</u>

CITY OF DEFIANCE, OHIO

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Revenues				
Income taxes	\$ 6,859,653	\$ 6,934,078	\$ 6,645,815	\$ 6,709,254
Property and other local taxes	967,412	937,902	907,400	882,023
Payments in lieu of taxes	67,034	66,732	82,256	82,943
Charges for services	752,837	671,448	664,054	695,129
Licenses, permits and fees	369,843	259,187	280,571	307,950
Fines and forfeitures	790,492	796,536	795,442	838,380
Intergovernmental	2,846,068	2,943,779	3,932,905	2,969,152
Special assessments	36,196	40,992	41,695	88,403
Investment earnings	85,328	88,827	78,555	76,653
Donations	7,553	6,480	40,284	31,167
Other	245,989	198,445	99,346	518,328
Total revenues	<u>13,028,405</u>	<u>12,944,406</u>	<u>13,568,323</u>	<u>13,199,382</u>
Expenditures				
Current:				
General government	2,740,480	2,624,218	2,729,651	3,204,581
Security of persons and property	5,179,234	5,223,915	5,162,340	5,633,172
Public health and welfare	224,443	207,560	215,876	209,367
Transportation	845,468	1,003,738	1,090,575	1,286,092
Community environment	426,724	506,585	527,416	530,248
Leisure time activities	552,903	595,366	543,357	542,834
Economic development	681,350	888,011	903,603	381,070
Other	-	-	-	-
Intergovernmental	-	-	-	-
Capital outlay	3,101,258	3,775,372	1,721,528	4,904,016
Debt service				
Principal retirement	184,686	164,543	106,308	104,703
Interest and fiscal charges	124,250	147,398	52,821	78,407
Bond issuance costs	-	-	75,000	-
Total expenditures	<u>14,060,796</u>	<u>15,136,706</u>	<u>13,128,475</u>	<u>16,874,490</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>(1,032,391)</u>	<u>(2,192,300)</u>	<u>439,848</u>	<u>(3,675,108)</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	380,000	410,000	1,459,967	671,356
Transfers out	(388,085)	(499,681)	(1,467,197)	(678,192)
Loan proceeds	1,108,126	1,112,332	-	-
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>1,100,041</u>	<u>1,022,651</u>	<u>4,110,358</u>	<u>(6,836)</u>
Extraordinary item:				
Reimbursement of insurance claims	-	-	-	-
Net change in fund balances	<u>\$ 67,650</u>	<u>\$ (1,169,649)</u>	<u>\$ 4,550,206</u>	<u>\$ (3,681,944)</u>
Capital expenditures	\$ 1,957,981	\$ 2,299,108	\$ 1,781,679	\$ 3,863,981
Debt service as a percentage of noncapital expenditures	2.55%	2.43%	1.40%	1.41%

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$	6,574,354	\$ 7,392,483	\$ 8,144,681	\$ 7,514,929	\$ 6,428,760	\$ 5,944,049
	833,037	941,651	990,413	973,459	826,498	878,004
	83,895	-	-	-	-	-
	571,591	583,007	610,410	814,599	839,657	643,479
	283,514	362,524	411,195	530,437	463,353	271,463
	857,055	957,625	906,316	846,396	757,197	738,594
	2,835,054	2,306,703	2,331,185	2,689,369	1,942,831	2,111,344
	111,684	128,763	128,306	128,820	146,712	137,942
	86,723	223,765	463,182	329,191	178,880	84,064
	12,050	22,504	92,831	-	-	-
	99,418	231,871	209,200	380,086	615,868	353,772
	<u>12,348,375</u>	<u>13,150,896</u>	<u>14,287,719</u>	<u>14,207,286</u>	<u>12,199,756</u>	<u>11,162,711</u>
	3,326,526	2,608,253	3,310,360	2,402,010	2,899,234	2,266,688
	5,494,652	5,565,046	5,168,495	4,796,241	4,192,094	4,543,285
	195,960	256,613	237,907	159,148	148,132	136,487
	944,909	924,908	925,825	742,619	766,292	769,930
	501,339	577,079	489,268	392,490	352,314	338,152
	565,067	744,411	783,809	647,025	556,414	509,370
	834,468	84,009	275,686	274,914	423,379	112,177
	15,700	4,913	4,908	4,732	6,460	55,125
	-	-	-	-	-	6,129
	2,885,875	2,363,794	1,914,186	2,475,899	2,128,733	2,518,693
	107,723	132,368	551,951	836,795	862,967	861,967
	41,913	30,026	49,224	91,505	122,152	77,494
	-	-	-	-	-	-
	<u>14,914,132</u>	<u>13,291,420</u>	<u>13,711,619</u>	<u>12,823,378</u>	<u>12,458,171</u>	<u>12,195,497</u>
	<u>(2,565,757)</u>	<u>(140,524)</u>	<u>576,100</u>	<u>1,383,908</u>	<u>(258,415)</u>	<u>(1,032,786)</u>
	-	-	-	435,000	722,000	760,000
	-	-	186	122	-	1,153
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	4,471	17,429	-	-
	456,000	1,108,237	395,000	494,000	409,765	418,694
	(462,465)	(1,114,350)	(400,781)	(494,000)	(409,765)	(418,694)
	-	-	-	-	-	-
	13,500	-	-	750,000	750,000	690,014
	<u>7,035</u>	<u>(6,113)</u>	<u>(1,124)</u>	<u>1,202,551</u>	<u>1,472,000</u>	<u>1,451,167</u>
	-	-	-	-	-	260,683
\$	<u>(2,558,722)</u>	<u>(146,637)</u>	<u>574,976</u>	<u>2,586,459</u>	<u>1,213,585</u>	<u>679,064</u>
\$	2,570,136	\$ 1,123,330	\$ 942,062	\$ 1,183,018	\$ 788,101	\$ 93,105
	1.21%	1.33%	4.71%	7.97%	8.44%	7.76%

CITY OF DEFIANCE, OHIO

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Income Tax Rate	1.50%	1.50%	1.50%	1.50%
Income Tax Receipts				
Employee Withholding	\$ 5,425,774	\$ 5,792,726	\$ 5,533,044	\$ 5,374,407
% of total	79.8%	83.2%	82.6%	80.8%
Corporate	706,863	744,150	701,004	825,523
% of total	10.4%	10.7%	10.5%	12.4%
Individuals	668,325	427,740	461,777	451,815
% of total	9.8%	6.1%	6.9%	6.8%
Total income tax receipts	<u>\$ 6,800,962</u>	<u>\$ 6,964,616</u>	<u>\$ 6,695,825</u>	<u>\$ 6,651,745</u>

Source: City of Defiance Income Tax Division

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
	1.50%	1.50%	1.50%	1.50%	1.50%	1.30%
\$	5,245,899	\$ 5,861,752	\$ 6,356,243	\$ 6,475,804	\$ 4,980,724	\$ 4,640,931
	79.6%	78.1%	76.2%	80.3%	79.0%	79.6%
	880,991	1,163,740	1,457,108	1,130,513	934,303	786,767
	13.4%	15.5%	17.5%	14.0%	14.8%	13.5%
	462,826	476,250	529,900	457,548	386,924	401,586
	7.0%	6.3%	6.4%	5.7%	6.1%	6.9%
<u>\$</u>	<u>6,589,716</u>	<u>\$ 7,501,742</u>	<u>\$ 8,343,251</u>	<u>\$ 8,063,865</u>	<u>\$ 6,301,951</u>	<u>\$ 5,829,284</u>

CITY OF DEFIANCE, OHIO

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</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	\$ 5,417,017	\$ 5,548,478	\$ 5,334,329	\$ 5,298,498
% of total	79.7%	79.7%	79.7%	79.7%
Capital Fund	1,360,193	1,392,923	1,339,176	1,331,064
% of total	20.0%	20.0%	20.0%	20.0%
SCMR Fund (Streets)	23,752	23,215	22,320	22,184
% of total	0.3%	0.3%	0.3%	0.3%
Total income tax allocated	<u>\$ 6,800,962</u>	<u>\$ 6,964,616</u>	<u>\$ 6,695,825</u>	<u>\$ 6,651,745</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

2009	2008	2007	2006	2005	2004
1.195%	1.195%	1.195%	1.195%	1.195%	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%	1.50%	1.30%
\$ 5,249,652	\$ 5,976,388	\$ 6,646,790	\$ 6,424,212	\$ 5,020,554	\$ 4,461,645
79.7%	79.7%	79.7%	79.7%	79.7%	76.5%
1,318,096	1,500,348	1,668,650	1,612,773	1,260,390	1,345,219
20.0%	20.0%	20.0%	20.0%	20.0%	23.1%
21,968	25,006	27,811	26,880	21,007	22,420
0.3%	0.3%	0.3%	0.3%	0.3%	0.4%
<u>\$ 6,589,716</u>	<u>\$ 7,501,742</u>	<u>\$ 8,343,251</u>	<u>\$ 8,063,865</u>	<u>\$ 6,301,951</u>	<u>\$ 5,829,284</u>

CITY OF DEFIANCE, OHIO

SCHEDULE 7
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN YEARS

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Governmental Activities				
General obligation bonds payable ⁴	\$ 3,792,809	\$ 3,964,933	\$ 4,117,057	\$ 40,000
Special assessment bonds payable	13,043	27,729	42,272	106,815
Bond anticipation notes	-	-	-	4,650,000
OWDA loans payable	2,220,458	1,112,332	-	-
Capital lease obligation	-	-	-	1,765
Business-type Activities				
General obligation bonds payable ⁴	7,175,337	7,848,578	8,486,820	9,105,062
Special assessment bonds payable	71,222	79,307	86,952	94,182
Bond anticipation notes	4,849,000	4,336,000	4,918,000	5,420,000
OWDA loans payable	32,532,365	31,610,089	32,816,389	32,714,041
OWPC loans payable	289,420	371,573	451,992	530,737
Capital lease obligation	-	-	-	-
Total primary government	<u>\$ 50,943,654</u>	<u>\$ 49,350,541</u>	<u>\$ 50,919,482</u>	<u>\$ 52,662,602</u>
Debt per capita				
City Population ¹	16,836	16,956	17,079	16,494
Outstanding debt per capita	\$ 3,026	\$ 2,911	\$ 2,981	\$ 3,193
Debt as percentage of personal income				
Personal income ²	\$ 595,809,204	\$ 600,055,884	\$ 569,123,517	\$ 516,245,706
Percentage of personal income	8.55%	8.22%	8.95%	10.20%
Business-type debt per customer				
# of customers ³	6,669	6,619	6,641	6,607
Outstanding debt per utility customer	\$ 6,735	\$ 6,685	\$ 7,041	\$ 7,244

Sources:

¹U.S. Census Bureau

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

³City of Defiance Utility Billing Office

⁴Includes unamortized bond premium. Applicable amounts for 2005-12 have been revised to include the unamortized premiums.

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$ 80,000	\$ 120,000	\$ 160,000	\$ 195,000	\$ 230,000	\$ 260,000
166,358	229,316	317,284	395,252	473,220	546,187
4,800,000	-	225,000	435,000	1,357,000	1,595,000
-	-	-	-	-	-
6,925	11,690	16,090	15,602	-	-
9,688,303	10,256,545	10,794,786	10,974,874	11,446,033	11,625,000
101,018	107,483	113,596	119,377	124,844	130,013
4,347,000	4,774,000	4,819,000	3,850,000	4,101,100	1,465,000
29,051,352	22,892,250	16,026,896	10,094,686	11,372,326	12,145,142
607,863	683,429	757,486	830,084	918,595	988,105
3,041	9,257	14,996	20,296	25,189	-
<u>\$ 48,851,860</u>	<u>\$ 39,083,970</u>	<u>\$ 33,245,134</u>	<u>\$ 26,930,171</u>	<u>\$ 30,048,307</u>	<u>\$ 28,754,447</u>
16,012	16,046	16,039	16,062	15,597	16,101
\$ 3,051	\$ 2,436	\$ 2,073	\$ 1,677	\$ 1,927	\$ 1,786
\$ 493,057,516	\$ 513,921,288	\$ 505,228,500	\$ 487,658,382	\$ 451,798,299	\$ 461,631,771
9.91%	7.61%	6.58%	5.52%	6.65%	6.23%
6,679	6,669	6,672	6,663	6,574	6,547
\$ 6,558	\$ 5,806	\$ 4,875	\$ 3,886	\$ 4,257	\$ 4,025

CITY OF DEFIANCE, OHIO

SCHEDULE 8
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN YEARS

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Population¹	16,836	16,956	17,079	16,494
Assessed Value²	\$ 299,057,480	\$ 300,457,400	\$ 276,385,000	\$ 277,919,920
General Bonded Debt				
General Obligation Bonds ³	\$ 10,968,146	\$ 11,813,511	\$ 12,603,877	\$ 9,145,062
Ratio of Net Bonded Debt to Assessed Value	3.67%	3.93%	4.56%	3.29%
Net Bonded Debt per Capita	\$ 651	\$ 697	\$ 738	\$ 554

Sources:

¹U.S. Census Bureau. Amounts for 2012 and 2011 revised to reflect actual population.

²Defiance County Auditor

³Includes unamortized bond premium. Applicable amounts for 2005-12 have been revised to include the unamortized premiums.

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
16,012	16,046	16,039	16,062	15,597	16,101
\$ 280,455,300	\$ 286,340,580	\$ 292,134,140	\$ 298,927,420	\$ 300,607,160	\$ 272,590,000
\$ 9,768,303	\$ 10,376,545	\$ 10,954,786	\$ 11,169,874	\$ 11,676,033	\$ 11,885,000
3.48%	3.62%	3.75%	3.74%	3.88%	4.36%
\$ 610	\$ 647	\$ 683	\$ 695	\$ 749	\$ 738

CITY OF DEFIANCE, OHIO

SCHEDULE 9
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 AS OF DECEMBER 31, 2013

<u>Jurisdiction</u>	<u>Governmental Activities Debt Outstanding</u>	<u>Percentage Applicable to City</u>	<u>Amount Applicable to City</u>
Direct - City of Defiance	\$ 5,988,501	100.00%	\$ 5,988,501
Overlapping debt:			
Defiance County	4,940,500	39.11%	1,932,230
Defiance City School District	9,215,000	84.06%	7,746,129
Four County Career Center Joint Vocational School District	2,810,000	10.43%	293,083
Northeastern Local School District	4,281,419	32.34%	1,384,611
Total overlapping debt	<u>21,246,919</u>		<u>11,356,053</u>
Total direct and overlapping debt	<u>\$ 27,235,420</u>		<u>\$ 17,344,554</u>

Source: Ohio Municipal Advisory Council.

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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Total Assessed Property Value	\$ 299,057,480	\$ 300,457,400	\$ 276,385,000	\$ 277,919,920
Overall Legal Debt Limit (10 1/2 % of assessed valuation)	<u>31,401,035</u>	<u>31,548,027</u>	<u>29,020,425</u>	<u>29,181,592</u>
Debt outstanding				
General obligation bonds payable ³	10,550,000	11,350,000	12,095,000	8,635,000
Special assessment bonds payable	84,265	107,036	129,224	200,997
Bond anticipation notes	4,849,000	4,336,000	4,918,000	10,070,000
OWDA loans payable	34,752,823	31,610,089	32,816,389	32,714,041
OWPC loans payable	289,420	371,573	451,992	530,737
Total gross indebtedness	<u>50,525,508</u>	<u>47,774,698</u>	<u>50,410,605</u>	<u>52,150,775</u>
Less ¹ :				
General obligation bonds payable ³	6,795,000	7,425,000	8,020,000	8,595,000
Special assessment bonds payable	84,265	107,036	129,224	200,997
Bond anticipation notes	4,849,000	4,336,000	4,918,000	10,070,000
OWDA loans payable	34,752,823	31,610,089	32,816,389	32,714,041
OWPC loans payable	289,420	371,573	451,992	530,737
Total net debt applicable to debt limit	<u>3,755,000</u>	<u>3,925,000</u>	<u>4,075,000</u>	<u>40,000</u>
Add: debt service fund equity ²	<u>620,652</u>	<u>765,828</u>	<u>1,007,820</u>	<u>1,003,362</u>
Legal debt margin within 10 1/2 % limitation ⁴	<u>\$ 28,266,687</u>	<u>\$ 28,388,855</u>	<u>\$ 25,953,245</u>	<u>\$ 30,144,954</u>
Legal debt margin as a percentage of the debt limit	90.02%	89.99%	89.43%	103.30%
Unvoted Debt Limitation	<u>16,448,161</u>	<u>16,525,157</u>	<u>15,201,175</u>	<u>15,285,596</u>
Unvoted legal debt margin within 5 1/2 % limitation	<u>\$ 16,448,161</u>	<u>\$ 16,525,157</u>	<u>\$ 15,201,175</u>	<u>\$ 15,285,596</u>
Unvoted legal debt margin as a percentage of the unvoted debt limitation	100.00%	100.00%	100.00%	100.00%

Note:

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

²Debt service fund equity was unavailable prior to 2009.

³Excludes unamortized bond premium.

⁴Years 2012-2009 were revised to include debt service fund equity.

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$ 280,455,300	\$ 286,340,580	\$ 292,134,140	\$ 298,927,420	\$ 300,607,160	\$ 272,590,000
29,447,807	30,065,761	30,674,085	31,387,379	31,563,752	28,621,950
9,215,000	9,780,000	10,315,000	10,945,000	11,435,000	11,885,000
267,376	336,799	430,880	514,629	598,064	676,200
9,147,000	4,774,000	5,044,000	4,285,000	5,458,100	3,060,000
29,051,352	22,892,250	16,026,896	10,094,686	11,372,326	12,145,142
607,863	683,429	757,486	830,084	918,595	988,105
<u>48,288,591</u>	<u>38,466,478</u>	<u>32,574,262</u>	<u>26,669,399</u>	<u>29,782,085</u>	<u>28,754,447</u>
9,135,000	9,660,000	10,155,000	10,750,000	11,205,000	11,625,000
267,376	336,799	430,880	514,629	598,064	676,200
9,147,000	4,774,000	5,044,000	4,285,000	5,458,100	3,060,000
29,051,352	22,892,250	16,026,896	10,094,686	11,372,326	12,145,142
607,863	683,429	757,486	830,084	918,595	988,105
<u>80,000</u>	<u>120,000</u>	<u>160,000</u>	<u>195,000</u>	<u>230,000</u>	<u>260,000</u>
<u>954,176</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 30,321,983</u>	<u>\$ 29,945,761</u>	<u>\$ 30,514,085</u>	<u>\$ 31,192,379</u>	<u>\$ 31,333,752</u>	<u>\$ 28,361,950</u>
102.97%	99.60%	99.48%	99.38%	99.27%	99.09%
<u>15,425,042</u>	<u>15,748,732</u>	<u>16,067,378</u>	<u>16,441,008</u>	<u>16,533,394</u>	<u>14,992,450</u>
<u>\$ 15,425,042</u>	<u>\$ 15,748,732</u>	<u>\$ 16,067,378</u>	<u>\$ 16,441,008</u>	<u>\$ 16,533,394</u>	<u>\$ 14,992,450</u>
100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

CITY OF DEFIANCE, OHIO

SCHEDULE 11
 PLEDGED REVENUE COVERAGE
 LAST TEN YEARS

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
OWDA Loans - Sewer System¹				
Gross Revenues ²	\$ 6,255,107	\$ 6,045,464	\$ 6,364,585	\$ 5,528,935
Direct Operating Expenses ³	<u>3,857,228</u>	<u>4,743,646</u>	<u>2,954,268</u>	<u>4,941,769</u>
Net Revenue Available for Debt Service	2,397,879	1,301,818	3,410,317	587,166
Annual Debt Service Requirement ⁴	2,087,309	2,905,438	3,061,015	2,035,828
Coverage	1.15	0.45	1.11	0.29
OWDA Loans - Water Reservoir				
Gross Revenues ²	\$ 6,016,101	\$ 6,437,330	\$ 5,442,437	\$ 4,863,131
Direct Operating Expenses ³	<u>4,454,552</u>	<u>4,329,125</u>	<u>2,885,831</u>	<u>2,692,862</u>
Net Revenue Available for Debt Service	1,561,549	2,108,205	2,556,606	2,170,269
Annual Debt Service Requirement ⁴	438,505	438,506	431,761	444,610
Coverage	3.56	4.81	5.92	4.88

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>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$ 4,950,558	\$ 4,548,972	\$ 4,575,143	\$ 3,879,471	\$ 3,452,204	\$ 3,432,128
2,884,596	2,908,124	2,903,426	1,888,438	2,049,144	2,026,409
<u>2,065,962</u>	<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>
1,407,607	817,363	813,857	810,601	807,576	1,205,843
1.47	2.01	2.05	2.46	1.74	1.17
\$ 4,196,841	\$ 4,110,023	n/a	n/a	n/a	n/a
2,702,414	2,815,298	n/a	n/a	n/a	n/a
<u>1,494,427</u>	<u>1,294,725</u>	n/a	n/a	n/a	n/a
444,610	393,034	n/a	n/a	n/a	n/a
3.36	3.29	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
2013	16,836	\$ 595,809,204	\$ 35,389	2,723	7.2%	7.4%	7.4%
2012	16,956	600,055,884	35,389	2,657	7.4%	7.4%	8.1%
2011	17,079	569,123,517	33,323	2,654	9.2%	8.7%	8.9%
2010	16,494	516,245,706	31,299	2,723	11.8%	10.0%	9.6%
2009	16,012	493,057,516	30,793	2,685	13.8%	10.2%	9.3%
2008	16,046	513,921,288	32,028	2,556	7.5%	6.6%	5.8%
2007	16,039	505,228,500	31,500	2,392	5.6%	5.6%	4.6%
2006	16,062	487,658,382	30,361	2,348	5.5%	5.4%	4.6%
2005	15,597	451,798,299	28,967	2,360	6.0%	5.9%	5.1%
2004	16,101	461,631,771	28,671	2,376	6.0%	6.1%	5.5%

Sources:

¹U.S. Census Bureau. Amounts for 2012 and 2011 revised to reflect actual population.

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 2013 and will use the 2012 as an estimate

CITY OF DEFIANCE, OHIO

SCHEDULE 13
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

<u>Employer</u>	<u>Tax Year 2012</u>			<u>Tax Year 2003</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	853	1	4.46%	609	3	2.77%
Johns Manville Corporation (MFG)	701	2	3.66%	934	1	4.25%
General Motors Company (MFG) ²	621	3	3.24%	807	2	3.67%
Defiance City Schools	521	4	2.72%	513	5	2.33%
Defiance Metal Products (MFG)	381	5	1.99%	414	8	1.88%
Wal Mart (RETAIL)	374	6	1.95%			
Defiance County	358	7	1.87%	495	6	2.25%
Defiance Regional Medical Center	352	8	1.84%	451	7	2.05%
Mercy Medical Partners	335	9				
Meijer (RETAIL)	329	10	1.72%	560	4	2.55%
K-Mart (RETAIL)			0.00%	396	9	1.80%
Fauster-Cameron (HLTH)			0.00%	338	10	1.54%
	<u>4,825</u>		<u>23.45%</u>	<u>5,517</u>		<u>25.09%</u>
Total Employment within the City	19,143			21,997		

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	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Government										
Council*	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Municipal Court	12.5	13.5	13.8	13.3	13.2	12.6	12.3	12.0	12.0	13.2
Mayor	2.0	2.0	2.0	2.0	2.0	2.3	2.1	2.1	2.0	2.0
Administrator	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Finance	3.8	3.7	3.8	3.8	3.9	4.0	4.0	4.0	3.0	3.0
Law	3.0	3.3	3.8	3.8	3.8	3.5	3.3	3.0	3.1	4.1
Civil Service*	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Income Tax	1.0	1.0	1.7	2.0	2.0	2.0	1.1	2.0	2.0	2.0
Buildings and Land	1.6	1.6	1.6	1.6	1.6	2.1	2.1	2.0	1.8	1.0
Engineer	5.7	6.5	5.6	6.2	5.5	4.7	3.2	2.1	2.1	2.1
	<u>35.6</u>	<u>37.6</u>	<u>38.3</u>	<u>38.7</u>	<u>38.0</u>	<u>37.2</u>	<u>34.1</u>	<u>33.2</u>	<u>32.0</u>	<u>33.4</u>
Security of Persons and Property										
Police	31.3	31.1	31.7	32.8	32.9	32.9	33.1	31.8	29.8	35.0
Fire	29.7	28.7	30.6	32.7	35.1	36.3	35.2	33.0	32.1	34.1
	<u>61.0</u>	<u>59.8</u>	<u>62.3</u>	<u>65.5</u>	<u>68.0</u>	<u>69.2</u>	<u>68.3</u>	<u>64.8</u>	<u>61.9</u>	<u>69.1</u>
Leisure Time Activities										
Parks & Recreation	7.7	7.8	7.2	7.1	6.8	10.6	11.7	10.9	8.9	8.2
Cemetery	3.8	3.0	2.9	2.8	2.8	4.5	3.4	2.9	2.7	1.6
Cultural/Historian*	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
	<u>12.0</u>	<u>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>
Community Development										
Building Inspections	2.5	2.1	1.6	1.4	1.3	1.4	2.0	1.9	1.7	1.9
Transportation										
Streets	9.6	10.1	11.1	11.2	12.0	10.9	12.5	10.8	11.2	11.3
Utility Services										
Utility Billing	6.8	6.1	6.1	6.1	6.1	5.7	7.0	6.9	6.0	7.0
Water Treatment/Distribution	19.7	20.1	19.9	22.4	22.6	26.3	22.7	20.9	19.7	19.6
Wastewater Treatment/Collection	18.0	18.3	18.9	18.2	18.4	15.4	14.9	16.7	15.4	18.3
	<u>44.5</u>	<u>44.5</u>	<u>44.9</u>	<u>46.7</u>	<u>47.1</u>	<u>47.4</u>	<u>44.6</u>	<u>44.5</u>	<u>41.1</u>	<u>44.9</u>
Total	<u><u>165.2</u></u>	<u><u>165.3</u></u>	<u><u>168.8</u></u>	<u><u>173.9</u></u>	<u><u>176.5</u></u>	<u><u>181.7</u></u>	<u><u>177.1</u></u>	<u><u>169.5</u></u>	<u><u>160.0</u></u>	<u><u>170.9</u></u>

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

<u>Function/Program</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
General Government				
General Fund begin balance (cash)	\$1,239,095	\$1,376,242	\$1,511,693	\$1,970,107
General Fund receipts (cash)	8,709,434	8,831,048	8,901,881	8,358,947
General Fund expenditures (cash)	8,788,927	8,968,195	9,037,332	8,817,361
General Fund end balance (cash)	<u>\$1,159,602</u>	<u>\$1,239,095</u>	<u>\$1,376,242</u>	<u>\$1,511,693</u>
Municipal Court				
Cases heard and closed	9,832	9,688	9,572	9,998
Police				
Total calls for services	18,353	21,030	23,194	25,834
Traffic violations	1,983	1,485	1,590	1,710
Motor vehicle accidents	805	846	826	821
Criminal arrests	2,045	2,031	2,164	2,185
Fire/Emergency Medical Services				
Fire calls	603	629	474	574
EMS calls	1,439	1,477	1,609	1,475
Fire safety inspections	1,142	1,296	848	35
Building Inspections				
Construction permits issued	925	1,007	937	1,161
Estimated value of construction	\$5,902,162	\$6,253,697	\$4,913,011	\$7,161,765
Recreation				
Swimming pool memberships	50	55	40	41
Shelter house rentals	45	57	54	64
Streets				
Salt usage (tons)	600	570	275	1,051
Cost of salt purchased	\$27,702	\$38,741	\$18,755	\$71,442
Water				
Monthly avg. water treated (mil. Gal.)	98.4	106.8	97.9	112.2
Water customers	6,669	6,619	6,641	6,607
Water main breaks repaired	50	0	49	74
Water Pollution Control				
Sewer lines cleaned/repaired (ft)	76,000	86,440	32,304	17,640
Sewer customers	6,523	6,422	6,438	6,426

Source: Various City of Defiance Divisions

*Data not available.

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$2,840,494	\$3,866,343	\$3,184,285	\$1,670,830	\$879,949	\$524,064
8,546,209	9,377,084	10,217,683	10,745,595	9,573,150	8,803,907
9,416,596	10,402,933	9,535,625	9,232,140	8,782,269	8,448,022
<u>\$1,970,107</u>	<u>\$2,840,494</u>	<u>\$3,866,343</u>	<u>\$3,184,285</u>	<u>\$1,670,830</u>	<u>\$879,949</u>
9,651	11,593	11,134	10,399	10,243	9,997
28,655	26,285	26,657	22,042	20,843	22,866
2,003	2,195	2,349	1,921	1,614	1,668
900	1,116	956	809	935	908
2,669	2,266	2,509	2,045	1,586	1,900
579	617	581	363	421	412
1,348	1,478	1,425	1,582	1,641	1,557
12	2	158	76	40	124
1,208	929	1,032	1,252	1,355	1,190
\$6,800,582	\$17,494,447	\$28,849,492	\$34,485,181	\$43,958,755	\$12,013,021
31	57	57	50	21	9
66	105	103	78	87	73
1,016	1,113	1,628	306	1,787	857
\$77,887	\$66,354	\$68,897	\$38,964	\$40,267	\$41,653
108.4	118.7	126.6	123.4	119.3	112.9
6,679	6,669	6,672	6,663	6,574	6,547
36	61	50	64	72	*
19,480	20,350	24,600	19,000	23,750	18,700
6,480	6,466	6,478	6,465	6,372	6,326

CITY OF DEFIANCE, OHIO

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

Function/Program	2013	2012	2011	2010
Police				
Stations	1	1	1	1
Vehicles	13	12	12	12
Fire/EMS				
Stations	1	1	1	1
Vehicles - Fire	10	9	9	9
Vehicles - EMS	3	3	3	3
Parks & Recreation				
Parks	1	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	14
Park shelter houses	13	13	13	13
Streets				
Streets (miles)	142.00	142.00	110.12	103.66
Vehicles	18	18	17	18
Water				
Water lines (miles)	151.80	126.37	125.62	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

2009	2008	2007	2006	2005	2004
1	1	1	1	1	1
12	11	11	12	12	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
1	2	2	2	2	1
8	7	9	9	9	9
2	2	0	0	0	0
4	4	4	4	4	4
13	12	12	12	12	12
13	13	13	14	14	14
99.78	99.22	98.97	98.85	97.89	96.69
17	17	17	17	18	16
123.54	121.06	116.50	118.39	113.84	112.69
3	3	3	3	3	3
1.6 mg					
350 mg	350 mg	na	na	na	na

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**CITY OF DEFIANCE
DEFIANCE COUNTY, OHIO**

SUPPLEMENTAL REPORTS

FOR THE YEAR ENDED
DECEMBER 31, 2013

JOHN LEHNER, FINANCE DIRECTOR

**CITY OF DEFIANCE
DEFIANCE COUNTY, OHIO**

TABLE OF CONTENTS

	<u>PAGES</u>
Schedule of Expenditures of Federal Awards	1
Notes to the Schedule of Expenditures of Federal Awards	2
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	3 - 4
Independent Auditor’s Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by <i>OMB Circular A-133</i> and the Schedule of Expenditures of Federal Awards	5 - 7
Schedule of Findings <i>OMB Circular A-133 § .505</i>	8
Status of Prior Audit Findings <i>OMB Circular A-133 § .505</i>	9

**CITY OF DEFIANCE
DEFIANCE COUNTY, OHIO**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

FEDERAL GRANTOR			
<i>Pass Through Grantor</i>	Pass Through	Federal	(A)
Program Title	Grant Number	CFDA Number	Disbursements
U.S. DEPARTMENT OF JUSTICE			
Bulletproof Vest Partnership Program	N/A	16.607	\$ 2,521
Total U. S. Department of Justice			<u>2,521</u>
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed Through Ohio Department of Transportation</i>			
Highway Planning and Construction	92338	20.205	<u>527,729</u>
Total U. S. Department of Transportation			<u>527,729</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY			
<i>Passed Through Ohio Environmental Protection Agency</i>			
Congressionally Mandated Projects	00E01011-0	66.202	<u>291,000</u>
Total U. S. Environmental Protection Agency			<u>291,000</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>Passed Through Ohio Emergency Management Agency</i>			
Hazard Mitigation Grant	FEMA-DR-4002.13-R	97.039	<u>248,972</u>
Total U. S. Department of Homeland Security			<u>248,972</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-2	14.239	<u>354,056</u>
Community Development Block Grants (CHIP)	A-C-11-2BD-1	14.228	64,506
Community Development Block Grants (Formula)	A-F-12-2BD-1	14.228	20,404
Community Development Block Grants (Economic Development)	A-E-11-2BD-1	14.228	5,000
(B) Community Development Block Grants (Revolving Loans)	N/A	14.228	<u>8,485</u>
Total Community Development Block Grants			<u>98,395</u>
Total U. S. Department of Housing and Urban Development			<u>452,451</u>
TOTAL			<u>\$ 1,522,673</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, 2013**

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

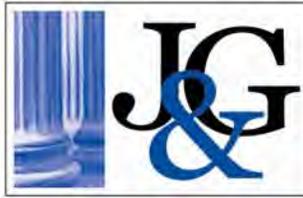
Activity in the CDBG revolving loan fund during 2013 is as follows:

Beginning loans receivable balance as of January 1, 2013	\$	1,562,464
Loans made		190,000
Loan principal repaid		(352,470)
Loans defaulted		(42,322)
Ending loans receivable balance as of December 31, 2013	<u>\$</u>	<u>1,357,672</u>
Cash balance on hand in the revolving loan fund as of December 31, 2013	\$	465,440
Administrative costs expended during 2013	\$	8,485

The above reports gross loans receivable. Of the loans receivable as of December 31, 2013, the City estimates \$0 to be uncollectible.

Note C - Matching Requirements

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



Julian & Grube, Inc.

Serving Ohio Local Governments

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

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

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

To the Members of Council and Mayor:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Defiance, Defiance County, Ohio, as of and for the year ended December 31, 2013, 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 23, 2014.

Internal Control Over Financial Reporting

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

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

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

Members of Council and Mayor
City of Defiance

Compliance and Other Matters

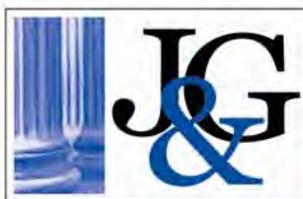
As part of reasonably assuring whether the City of Defiance's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc." The signature is written in black ink on a white background.

Julian & Grube, Inc.
June 23, 2014



Julian & Grube, Inc.
Serving Ohio Local Governments

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

**Independent Auditor's Report on Compliance With Requirements Applicable
to 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 each of the City of Defiance's major federal programs for the year ended December 31, 2013. The *Summary of Audit Results* in the accompanying schedule of findings and responses identifies the City of Defiance's major federal programs.

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 programs. 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 Each 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 each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control over Compliance

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

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

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

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

Members of Council and Mayor
City of Defiance

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

We have also audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Defiance as of and for the year ended December 31, 2013, 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 23, 2014. 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 23, 2014

**CITY OF DEFIANCE
DEFIANCE COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2013**

1. SUMMARY OF AUDITORS' RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs:</i>	Congressionally Mandated Projects, CFDA #66.202 and Hazard Mitigation Grant, CFDA #97.039
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS AND QUESTIONED COSTS
--

None

**CITY OF DEFIANCE
DEFIANCE COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2012-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.	Yes	N/A

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Dave Yost • Auditor of State

CITY OF DEFIANCE

DEFIANCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 29, 2014**