

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS***  
**(Audited)**

For The Year Ended  
December 31, 2013

**GWYNN REINHART, DIRECTOR OF FINANCE**

**CITY OF TIFFIN**  
**SENECA COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013

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**Julian & Grube, Inc.**  
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Independent Auditor's Report

City of Tiffin  
Seneca County  
51 East Market Street  
Tiffin, Ohio 44883

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 Tiffin, Seneca 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 Tiffin'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 Tiffin'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 Tiffin'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 Tiffin, Seneca 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.

***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.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2014, on our consideration of the City of Tiffin'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 Tiffin's internal control over financial reporting and compliance.

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

Julian & Grube, Inc.  
June 12, 2014

## CITY OF TIFFIN, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013

The management's discussion and analysis of the City of Tiffin'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 look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

#### **Financial Highlights**

Key financial highlights for 2013 are as follows:

- The total net position of the City increased \$3,512,831. Net position of governmental activities increased \$1,707,484 or 6.08% from 2012 and net position of business-type activities increased \$1,805,347 or 9.92% from 2012.
- General revenues accounted for \$10,035,461 or 80.08% of total governmental activities revenue. Program specific revenues accounted for \$2,496,339 or 19.92% of total governmental activities revenue.
- The City had \$10,824,316 in expenses related to governmental activities; \$2,496,339 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$8,327,977 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$10,035,461.
- The City's major governmental fund is the general fund. The general fund, the City's only major fund, had revenues of \$10,529,298 in 2013. This represents an increase of \$406,838 from 2012 revenues. The expenditures and other financing uses of the general fund, which totaled \$9,152,402 in 2013, decreased \$607,743 from 2012. The net increase in fund balance for the general fund was \$1,376,896 or 79.11%.
- Net position for the business-type activities, which is made up of the sewer enterprise fund, increased in 2013 by \$1,805,347. This increase in net position was due primarily to charges for services and other operating income being sufficient to cover expenses.
- In the general fund, the actual revenues were \$251,875 more than in the final budget and actual expenditures and other financing uses were \$498,722 less than the amount in the final budget. These variances are the result of the City's conservative budgeting. Budgeted revenues increased \$535,870 from the original to the final budget. Budgeted expenditures and other financing uses increased \$383,424 from the original to the final budget due primarily to an increase in transfers out other financing uses.

#### **Using this Annual Financial Report**

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 TIFFIN, OHIO**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013**

#### **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 that 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, street maintenance, capital improvements and general administration. These services are funded primarily by property and income taxes and intergovernmental revenues including federal and State grants and other shared revenues.

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

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013**

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 fund is the general 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 18-22 of this report.

#### ***Proprietary Fund***

The City maintains one proprietary fund to account for sewer operations. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for sewer operations. The City's enterprise fund is considered a major fund. The basic proprietary fund financial statements can be found on pages 23-26 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 types. The basic fiduciary fund financial statement can be found on page 27 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 28-61 of this report.

## CITY OF TIFFIN, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013

#### 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 Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Assets</b>						
Current and other assets	\$ 11,326,957	\$ 10,021,553	\$ 8,252,481	\$ 6,399,618	\$ 19,579,438	\$ 16,421,171
Capital assets, net	<u>23,435,260</u>	<u>23,225,199</u>	<u>22,992,927</u>	<u>23,065,479</u>	<u>46,428,187</u>	<u>46,290,678</u>
Total assets	<u>34,762,217</u>	<u>33,246,752</u>	<u>31,245,408</u>	<u>29,465,097</u>	<u>66,007,625</u>	<u>62,711,849</u>
<b>Liabilities</b>						
Long-term liabilities outstanding	3,338,215	3,507,699	10,615,072	11,142,120	13,953,287	14,649,819
Other liabilities	<u>624,200</u>	<u>637,113</u>	<u>634,927</u>	<u>132,915</u>	<u>1,259,127</u>	<u>770,028</u>
Total liabilities	<u>3,962,415</u>	<u>4,144,812</u>	<u>11,249,999</u>	<u>11,275,035</u>	<u>15,212,414</u>	<u>15,419,847</u>
Deferred inflows	<u>998,040</u>	<u>1,007,662</u>	-	-	<u>998,040</u>	<u>1,007,662</u>
<b>Net Position</b>						
Net investment in capital assets	20,910,866	20,698,296	12,195,903	12,233,240	33,106,769	32,931,536
Restricted	2,470,276	2,705,928	-	-	2,470,276	2,705,928
Unrestricted	<u>6,420,620</u>	<u>4,690,054</u>	<u>7,799,506</u>	<u>5,956,822</u>	<u>14,220,126</u>	<u>10,646,876</u>
Total net position	<u>\$ 29,801,762</u>	<u>\$ 28,094,278</u>	<u>\$ 19,995,409</u>	<u>\$ 18,190,062</u>	<u>\$ 49,797,171</u>	<u>\$ 46,284,340</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 exceeded liabilities and deferred inflows by \$49,797,171. At year-end, net positions were \$29,801,762 and \$19,995,409 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 year-end, capital assets represented 70.34% of total assets. Capital assets include land, construction in progress, buildings and improvements, machinery and equipment, furniture and fixtures, vehicles and infrastructure. Net investment in capital assets at December 31, 2013, was \$20,910,866 and \$12,195,903 in the governmental 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.

In the governmental activities, a portion of the City's net position, \$2,470,276 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 \$6,420,620 may be used to meet the government's ongoing obligations to citizens and creditors.



**CITY OF TIFFIN, OHIO**

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

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

	<b>Change in Net Position</b>					
	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 1,217,146	\$ 1,384,928	\$ 4,977,812	\$ 4,768,563	\$ 6,194,958	\$ 6,153,491
Operating grants and contributions	974,932	1,381,970	-	-	974,932	1,381,970
Capital grants and contributions	<u>304,261</u>	<u>509,455</u>	<u>-</u>	<u>-</u>	<u>304,261</u>	<u>509,455</u>
Total program revenues	<u>2,496,339</u>	<u>3,276,353</u>	<u>4,977,812</u>	<u>4,768,563</u>	<u>7,474,151</u>	<u>8,044,916</u>
General revenues:						
Property taxes	981,072	883,266	-	-	981,072	883,266
Income taxes	7,912,327	7,142,827	-	-	7,912,327	7,142,827
Payments in lieu of taxes	65,493	58,613	-	-	65,493	58,613
Unrestricted grants and entitlements	542,630	843,583	-	-	542,630	843,583
Contributions and donations	5,821	22,520	-	-	5,821	22,520
Investment earnings	12,187	9,089	17,170	11,575	29,357	20,664
Gain on sale of capital assets	105,191	-	-	-	105,191	-
Miscellaneous	<u>410,740</u>	<u>286,045</u>	<u>30,647</u>	<u>49,671</u>	<u>441,387</u>	<u>335,716</u>
Total general revenues	<u>10,035,461</u>	<u>9,245,943</u>	<u>47,817</u>	<u>61,246</u>	<u>10,083,278</u>	<u>9,307,189</u>
Total revenues	<u>12,531,800</u>	<u>12,522,296</u>	<u>5,025,629</u>	<u>4,829,809</u>	<u>17,557,429</u>	<u>17,352,105</u>
<b>Expenses</b>						
General government	2,395,293	2,574,774	-	-	2,395,293	2,574,774
Security of persons and property	6,173,332	6,631,690	-	-	6,173,332	6,631,690
Transportation	1,461,741	1,843,871	-	-	1,461,741	1,843,871
Community environment	227,748	354,604	-	-	227,748	354,604
Leisure time activity	395,267	451,065	-	-	395,267	451,065
Economic development	11,292	4,169	-	-	11,292	4,169
Urban redevelopment and housing	41,603	333,825	-	-	41,603	333,825
Interest and fiscal charges	118,040	121,389	-	-	118,040	121,389
Sewer	<u>-</u>	<u>-</u>	<u>3,220,282</u>	<u>3,040,061</u>	<u>3,220,282</u>	<u>3,040,061</u>
Total expenses	<u>10,824,316</u>	<u>12,315,387</u>	<u>3,220,282</u>	<u>3,040,061</u>	<u>14,044,598</u>	<u>15,355,448</u>
Change in net position	1,707,484	206,909	1,805,347	1,789,748	3,512,831	1,996,657
Net position at beginning						
of year	<u>28,094,278</u>	<u>27,887,369</u>	<u>18,190,062</u>	<u>16,400,314</u>	<u>46,284,340</u>	<u>44,287,683</u>
Net position at end of year	<u>\$ 29,801,762</u>	<u>\$ 28,094,278</u>	<u>\$ 19,995,409</u>	<u>\$ 18,190,062</u>	<u>\$ 49,797,171</u>	<u>\$ 46,284,340</u>

## CITY OF TIFFIN, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013

#### Governmental Activities

Governmental activities net position increased \$1,707,484 in 2013.

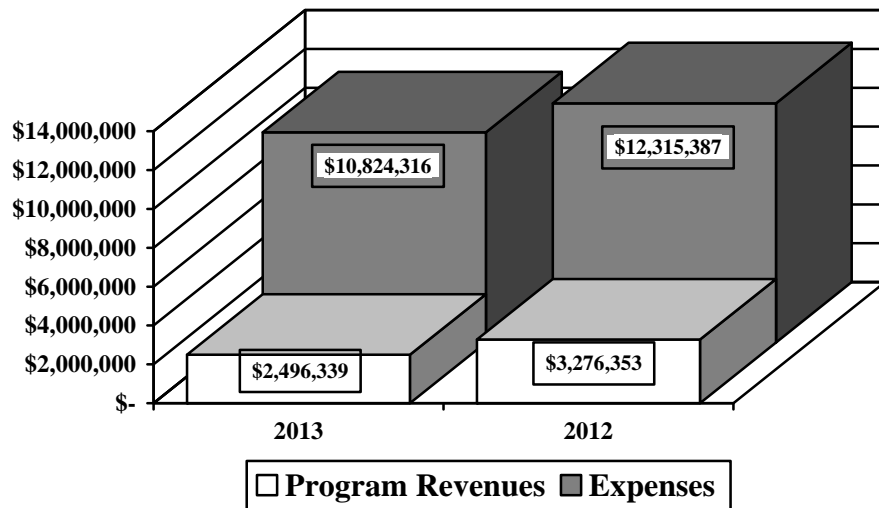
Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$6,173,332 of the total expenses of the City. These expenses were partially funded by \$568,769 in direct charges to users of the services and \$223,660 in capital grants and contributions. Transportation expenses totaled \$1,461,741. Transportation expenses were funded by \$21,318 in direct charges to users of the services, \$783,143 in operating grants and contributions and \$80,601 in capital grants and contributions.

The State and federal government contributed to the City a total of \$974,932 in operating grants and contributions and \$304,261 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$783,143 subsidized transportation programs, \$59,669 subsidized community environment programs, \$92,140 subsidized leisure-time activities programs and \$39,358 subsidized urban development and housing programs.

General revenues totaled \$10,035,461 and amounted to 80.08% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$8,893,399. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government revenue, making up \$542,630. The City also recorded \$105,191 in gain on sale of capital assets for the sale of a parcel of land that was a part of the Eagle Rock industrial park.

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**



**CITY OF TIFFIN, OHIO**

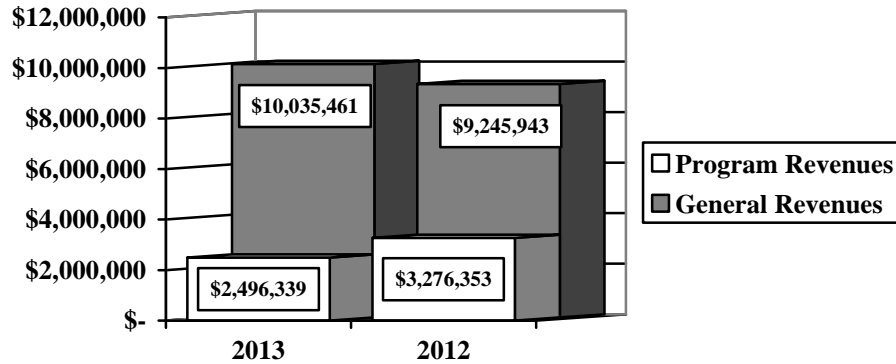
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**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>
<b>Program expenses:</b>				
General government	\$ 2,395,293	\$ 1,808,423	\$ 2,574,774	\$ 1,973,884
Security of persons and property	6,173,332	5,380,903	6,631,690	5,852,220
Transportation	1,461,741	576,679	1,843,871	474,738
Community environment	227,748	141,072	354,604	235,573
Leisure time activity	395,267	289,945	451,065	371,113
Economic development	11,292	10,670	4,169	3,173
Urban redevelopment and housing	41,603	2,245	333,825	6,944
Interest and fiscal charges	<u>118,040</u>	<u>118,040</u>	<u>121,389</u>	<u>121,389</u>
<b>Total</b>	<b><u>\$ 10,824,316</u></b>	<b><u>\$ 8,327,977</u></b>	<b><u>\$ 12,315,387</u></b>	<b><u>\$ 9,039,034</u></b>

The dependence upon general revenues for governmental activities is apparent, with 76.94% of expenses supported through taxes and other general revenues.

**Governmental Activities - General and Program Revenues**



**Business-type Activities**

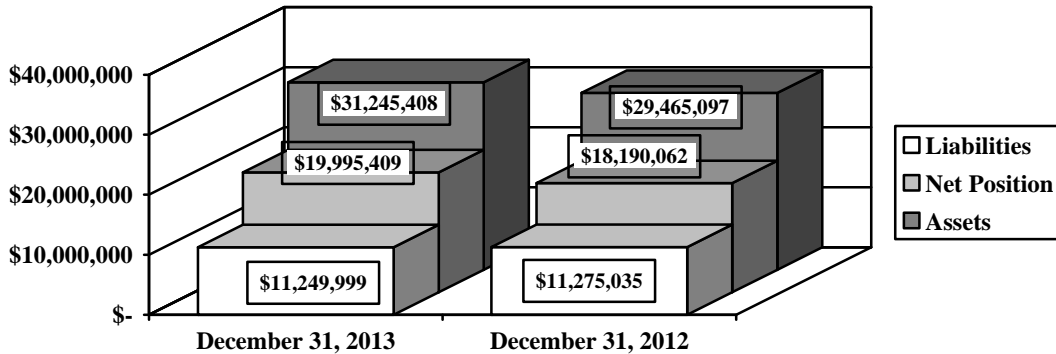
Business-type activities include the sewer enterprise fund. This program had program revenues of \$4,977,812, general revenues of \$47,817, and expenses of \$3,220,282 for 2013.

**CITY OF TIFFIN, OHIO**

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

The graph below illustrates the City's business-type assets, liabilities, and net position at December 31, 2013 and December 31, 2012.

**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. In particular, unrestricted fund balance may serve as a useful measure of the City's net resources available for spending at year-end.

The City's governmental funds (as presented on the balance sheet on page 18) reported a combined fund balance of \$6,118,498 which is \$1,304,341 more than last year's total of \$4,814,157. 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 <u>12/31/13</u>	Fund Balances <u>12/31/12</u>	Increase (Decrease)
Major fund:			
General	\$ 3,120,081	\$ 1,740,521	\$ 1,379,560
Other nonmajor governmental funds	<u>2,998,417</u>	<u>3,073,636</u>	<u>(75,219)</u>
Total	<u>\$ 6,118,498</u>	<u>\$ 4,814,157</u>	<u>\$ 1,304,341</u>

**CITY OF TIFFIN, OHIO**

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

**General Fund**

The City's general fund balance increased \$1,376,896. 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>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 8,518,845	\$ 8,060,564	5.69 %
Charges for services	516,012	569,178	(9.34) %
Licenses and permits	56,622	41,151	37.60 %
Fines and forfeitures	283,098	280,334	0.99 %
Investment income	12,098	9,030	33.98 %
Intergovernmental	789,668	876,144	(9.87) %
Other	<u>352,955</u>	<u>286,059</u>	23.39 %
Total	<u>\$ 10,529,298</u>	<u>\$ 10,122,460</u>	4.02 %

Tax revenue represents 80.91% of all general fund revenue. Tax revenue increased due to an increase in income tax revenue due to lower unemployment. Licenses and permits increased 37.60% due primarily to an increase in sweepstake terminal café licenses. Investment income increased 33.98% due primarily to an increase in the amount of the City's investments. Other revenues increased 23.39% due primarily to an increase in refunds and reimbursements received by the City in 2013. All other revenue remained comparable to 2012.

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>Percentage</u> <u>Change</u>
<b><u>Expenditures</u></b>			
General government	\$ 2,168,676	\$ 2,325,249	(6.73) %
Security of persons and property	5,573,777	6,181,379	(9.83) %
Community environment	167,536	167,811	(0.16) %
Debt service	<u>-</u>	<u>15,902</u>	(100.00) %
Total	<u>\$ 7,909,989</u>	<u>\$ 8,690,341</u>	(8.98) %

Security of persons and property decreased 9.83% in 2013. This decrease was a result of lower full time wages, Ohio Police and Fire Pension liability going to monthly from quarterly, and no payouts to known retirees in 2013. Debt service expenditures decreased due to the fulfillment of the capital lease obligation in 2012. All other expenditures remained comparable to 2012.

**CITY OF TIFFIN, OHIO**

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

***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. In the general fund, the actual revenues were \$251,875 more than in the final budget and actual expenditures and other financing uses were \$498,722 less than the amount in the final budget. These variances are the result of the City's conservative budgeting. Budgeted revenues increased \$535,870 from the original to the final budget. Budgeted expenditures and other financing uses increased \$383,424 from the original to the final budget due primarily to an increase in transfers out other financing uses.

***Proprietary Fund***

The City's proprietary fund provides the same type of information found in the government-wide financial statements for business-type activities, except in more detail.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of 2013, the City had \$46,428,187 (net of accumulated depreciation) invested in land, construction in progress, buildings and improvements, machinery and equipment, furniture and fixtures, vehicles and infrastructure. Of this total, \$23,435,260 was reported in governmental activities and \$22,992,927 was reported in business-type activities. The following table shows 2013 balances compared to 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>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 3,313,492	\$ 3,133,105	\$ 241,940	\$ 241,940	\$ 3,555,432	\$ 3,375,045
Buildings and improvements	2,278,882	2,344,351	2,772,359	2,916,828	5,051,241	5,261,179
Machinery & equipment	928,789	662,899	174,246	179,079	1,103,035	841,978
Furniture & fixtures	102,024	56,217	6,976	8,177	109,000	64,394
Vehicles	800,994	909,204	157,683	189,481	958,677	1,098,685
Infrastructure	15,820,956	16,119,423	18,984,241	19,529,974	34,805,197	35,649,397
Construction in progress	<u>190,123</u>	<u>-</u>	<u>655,482</u>	<u>-</u>	<u>845,605</u>	<u>-</u>
Totals	<u>\$ 23,435,260</u>	<u>\$ 23,225,199</u>	<u>\$ 22,992,927</u>	<u>\$ 23,065,479</u>	<u>\$ 46,428,187</u>	<u>\$ 46,290,678</u>

The City's largest governmental capital asset category is infrastructure which includes roads, bridges, culverts, sidewalks and curb lines. 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 67.51% of the City's total governmental capital assets.

## CITY OF TIFFIN, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013

The City's largest business-type capital asset category is infrastructure that primarily includes sewer lines and drains. 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 82.57% of the City's total business-type capital assets. See Note 10 to the financial statements for more detail.

#### ***Debt Administration***

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

	<b>Governmental Activities</b>	
	<u>2013</u>	<u>2012</u>
General obligation bonds	\$ 2,160,106	\$ 2,256,903
Special assessment bonds	<u>230,000</u>	<u>270,000</u>
Total long-term obligations	<u>\$ 2,390,106</u>	<u>\$ 2,526,903</u>

	<b>Business-type Activities</b>	
	<u>2013</u>	<u>2012</u>
General obligation bonds	\$ 8,955,827	\$ 9,410,835
OWDA loan	<u>1,367,804</u>	<u>1,421,404</u>
Total long-term obligations	<u>\$ 10,323,631</u>	<u>\$ 10,832,239</u>

See Note 12 to the financial statements for more detail on the City's long-term obligations.

#### **Economic Outlook**

In March of 2014 it was announced that Tiffin placed in the top 10 nationally on Site Selection Magazine's rankings for large, private economic development projects. The rankings place Tiffin 10<sup>th</sup> on the list of 576 micropolitans, or counties with a central city between 10,000 and 50,000 in population. Tiffin and Seneca County usually rank in the top 100 and were ranked 30<sup>th</sup> last year. Tiffin and Seneca County reached the top 10 by registering seven major projects in 2013, involving the creation of 210 new jobs and \$27 million in new investment. The new or expanded facilities must be in manufacturing, distribution, office, R&D, headquarters, or call centers.

Projects announced under construction or completed last year included:

- American Fine Sinter, \$14,000,000 investment
- Ameriwood Industries, 73 new jobs, \$2,000,000 investment
- Arnold Machine, 10 new jobs, \$1,700,000 investment
- Jacobson Manufacturing, 21 new jobs, \$2,000,000 investment
- Laminate Technologies, 10 new jobs, \$2,000,000 investment
- Tiffin Metal Projects, 20 new jobs, \$2,000,000 investment
- Webster Industries, 76 new jobs, \$3,000,000 investment

Tiffin is very fortunate to have Heidelberg University and Tiffin University within the City. They are tremendous assets for Tiffin and in 2014 have several projects being completed on their campuses. Heidelberg is investing over \$3.8 million in a new Athletic Stadium and Alumni Center. Tiffin University is adding a \$1.2 million addition to its Library and renovating a manufacturing office into an educational office with parking spots.

## CITY OF TIFFIN, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013

Tiffin Mercy Hospital was founded in 1913 by the Sisters of Mercy. In 2008 they opened a new hospital with state of the art equipment and facilities. Since then a new Dialysis Center was added and a new park was formed on the property. They plan to build a new VOA Nursing Home Facility at a potential cost of \$7 million in proximity to their existing campus.

At the west end of Tiffin is the major shopping district for the city. Several new businesses have opened in 2013: Neumeister's Candy Shoppe, JEM Networking an IT consulting company, Label Shopper a discount clothing store, Superior Auto a used car dealership, and AG Credit a member owned agricultural lending cooperative moved within the city limits and invested over \$2 million in renovations of an older building. Also plans are being developed for the opening of a 27,000 square foot Pat Catan's Craft Center, a full service craft retail business and a 3,000 square foot Mickey Mart Convenience Store, gas station and Dunkin Donuts restaurant and drive thru that will add an additional investment of over \$600,000, and a new O'Reilly Auto supply parts store with an investment of over \$500,000.

At the North side of Tiffin a new dog park is currently under construction at Highland Park. This project has been spearheaded by the Friends of the Tiffin Bark Park who have raised all of the funds for the new park. This new feature will add another destination location and attract customers to use restaurants and shops within the city.

Tiffin contracts with Seneca Industrial and Economic Development Corporation for economic development and marketing. SIEDC is making downtown development a priority by hiring a new Downtown Development Coordinator. Downtown Tiffin's 200 businesses include historic theatres and museums, unique restaurants, cafes and pubs, and eclectic antique gift and destination shops. Recently the downtown has added to its array of businesses Anya's Antiquities & Oddities Store, Z Pulse Fitness Studio, Dr. Gregory Theis DDS Dentistry, and two new restaurants are in the works for the Laird Arcade an inside mall located in the heart of downtown. The Laird Arcade was recently purchased by the Tiffin Community Reinvestment Group a for profit organization of community minded share holders whose purpose is to encourage and promote downtown business.

Tiffin has many organizations and businesses to thank for the momentum of growth in the Tiffin community. All of them should be proud of the accomplishments over the past and current year.

#### **Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Gwynn Reinhart, Finance Director, City of Tiffin, 53 East Market Street, Tiffin, Ohio 44883 or e-mail at greinhart@tiffinohio.gov or telephone at (419) 448-5403.



**CITY OF TIFFIN, OHIO**

STATEMENT OF NET POSITION  
DECEMBER 31, 2013

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 5,585,545	\$ 6,889,137	\$ 12,474,682
Receivables:			
Income taxes . . . . .	1,805,926	-	1,805,926
Real and other taxes . . . . .	1,009,761	-	1,009,761
Payment in lieu of taxes . . . . .	65,493	-	65,493
Accounts . . . . .	192,974	1,303,025	1,495,999
Special assessments . . . . .	295,564	-	295,564
Accrued interest . . . . .	1,821	-	1,821
Due from other governments . . . . .	709,317	-	709,317
Loans receivable . . . . .	94,506	-	94,506
Materials and supplies inventory . . . . .	133,528	37,758	171,286
Prepayments . . . . .	67,231	22,561	89,792
Investment in joint venture . . . . .	1,365,291	-	1,365,291
Capital assets:			
Land and construction in progress . . . . .	3,503,615	897,422	4,401,037
Depreciable capital assets, net . . . . .	19,931,645	22,095,505	42,027,150
Total capital assets, net . . . . .	23,435,260	22,992,927	46,428,187
Total assets . . . . .	34,762,217	31,245,408	66,007,625
<b>Liabilities:</b>			
Accounts payable . . . . .	122,480	73,546	196,026
Contracts payable . . . . .	134,288	473,393	607,681
Accrued wages and benefits payable . . . . .	142,798	25,292	168,090
Due to other governments . . . . .	216,233	32,514	248,747
Accrued interest payable . . . . .	8,401	30,182	38,583
Long-term liabilities:			
Due within one year . . . . .	511,369	617,304	1,128,673
Due in more than one year . . . . .	2,826,846	9,997,768	12,824,614
Total liabilities . . . . .	3,962,415	11,249,999	15,212,414
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year . . . . .	932,547	-	932,547
Payment in lieu of taxes levied for the next year . . . . .	65,493	-	65,493
Total deferred inflows of resources . . . . .	998,040	-	998,040
<b>Net position:</b>			
Net investment in capital assets . . . . .	20,910,866	12,195,903	33,106,769
Restricted for:			
Debt service . . . . .	270,624	-	270,624
Capital projects . . . . .	242,915	-	242,915
Transportation projects . . . . .	776,990	-	776,990
Municipal court . . . . .	761,962	-	761,962
Security of persons and property . . . . .	204,644	-	204,644
Community environment . . . . .	45,888	-	45,888
Economic development and assistance . . . . .	70,249	-	70,249
Urban redevelopment . . . . .	49,125	-	49,125
Permanent fund: expendable . . . . .	6,474	-	6,474
Permanent fund: nonexpendable . . . . .	25,000	-	25,000
Other purposes . . . . .	16,405	-	16,405
Unrestricted . . . . .	6,420,620	7,799,506	14,220,126
Total net position . . . . .	\$ 29,801,762	\$ 19,995,409	\$ 49,797,171

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF TIFFIN, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Governmental activities:</b>				
General government . . . . .	\$ 2,395,293	\$ 586,870	\$ -	\$ -
Security of persons and property . . . . .	6,173,332	568,769	-	223,660
Transportation . . . . .	1,461,741	21,318	783,143	80,601
Community environment . . . . .	227,748	27,007	59,669	-
Leisure time activity . . . . .	395,267	13,182	92,140	-
Economic development and assistance . . . . .	11,292	-	622	-
Urban development and housing . . . . .	41,603	-	39,358	-
Interest and fiscal charges . . . . .	118,040	-	-	-
Total governmental activities . . . . .	<u>10,824,316</u>	<u>1,217,146</u>	<u>974,932</u>	<u>304,261</u>
<b>Business-type activities:</b>				
Sewer . . . . .	3,220,282	4,977,812	-	-
Total business-type activities . . . . .	<u>3,220,282</u>	<u>4,977,812</u>	<u>-</u>	<u>-</u>
Total primary government . . . . .	<u>\$ 14,044,598</u>	<u>\$ 6,194,958</u>	<u>\$ 974,932</u>	<u>\$ 304,261</u>

**General revenues:**

Property taxes levied for:

- General purposes . . . . .
- Police pension . . . . .
- Fire pension . . . . .

Income taxes levied for:

- General purposes . . . . .

Payments in lieu of taxes . . . . .

Grants and entitlements not restricted to specific programs . . . . .

Contributions and donations . . . . .

Refunds and reimbursements . . . . .

Investment earnings . . . . .

Gain on sale of capital assets . . . . .

Miscellaneous . . . . .

Total general revenues . . . . .

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**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (1,808,423)	\$ -	\$ (1,808,423)
(5,380,903)	-	(5,380,903)
(576,679)	-	(576,679)
(141,072)	-	(141,072)
(289,945)	-	(289,945)
(10,670)	-	(10,670)
(2,245)	-	(2,245)
(118,040)	-	(118,040)
<u>(8,327,977)</u>	<u>-</u>	<u>(8,327,977)</u>
-	1,757,530	1,757,530
-	1,757,530	1,757,530
<u>(8,327,977)</u>	<u>1,757,530</u>	<u>(6,570,447)</u>
842,322	-	842,322
69,375	-	69,375
69,375	-	69,375
7,912,327	-	7,912,327
65,493	-	65,493
542,630	-	542,630
5,821	-	5,821
350,559	-	350,559
12,187	17,170	29,357
105,191	-	105,191
60,181	30,647	90,828
<u>10,035,461</u>	<u>47,817</u>	<u>10,083,278</u>
1,707,484	1,805,347	3,512,831
<u>28,094,278</u>	<u>18,190,062</u>	<u>46,284,340</u>
<u>\$ 29,801,762</u>	<u>\$ 19,995,409</u>	<u>\$ 49,797,171</u>

**CITY OF TIFFIN, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2013

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . .	\$ 2,685,856	\$ 2,899,689	\$ 5,585,545
Receivables:			
Income taxes. . . . .	1,805,926	-	1,805,926
Real and other taxes . . . . .	862,407	147,354	1,009,761
Payment in lieu of taxes . . . . .	-	65,493	65,493
Accounts. . . . .	171,732	21,242	192,974
Accrued interest . . . . .	1,821	-	1,821
Special assessments . . . . .	-	295,564	295,564
Due from other governments. . . . .	344,983	364,334	709,317
Loans receivable. . . . .	-	94,506	94,506
Prepayments . . . . .	53,084	14,147	67,231
Materials and supplies inventory. . . . .	8,388	125,140	133,528
Total assets . . . . .	<u>\$ 5,934,197</u>	<u>\$ 4,027,469</u>	<u>\$ 9,961,666</u>
<b>Liabilities:</b>			
Accounts payable. . . . .	\$ 68,513	\$ 53,967	\$ 122,480
Contracts payable. . . . .	-	134,288	134,288
Accrued wages and benefits payable . . . . .	127,766	15,032	142,798
Compensated absences payable . . . . .	28,382	-	28,382
Due to other governments . . . . .	186,500	29,733	216,233
Total liabilities . . . . .	<u>411,161</u>	<u>233,020</u>	<u>644,181</u>
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year. . .	795,139	137,408	932,547
Delinquent property tax revenue not available. .	48,442	8,374	56,816
Accrued interest not available . . . . .	1,140	-	1,140
Special assessments revenue not available. . . .	-	295,564	295,564
Miscellaneous revenue not available. . . . .	275,143	465	275,608
Income tax revenue not available . . . . .	1,094,694	-	1,094,694
Nonexchange transactions . . . . .	188,397	288,728	477,125
Payment in lieu of taxes levied for the next year .	-	65,493	65,493
Total deferred inflows of resources . . . . .	<u>2,402,955</u>	<u>796,032</u>	<u>3,198,987</u>
<b>Fund balances:</b>			
Nonspendable . . . . .	61,472	139,287	200,759
Restricted. . . . .	-	1,872,370	1,872,370
Committed . . . . .	157,897	1,001,256	1,159,153
Assigned . . . . .	217,966	-	217,966
Unassigned (deficit) . . . . .	2,682,746	(14,496)	2,668,250
Total fund balances. . . . .	<u>3,120,081</u>	<u>2,998,417</u>	<u>6,118,498</u>
Total liabilities, deferred inflows of resources and fund balances . . . . .	<u>\$ 5,934,197</u>	<u>\$ 4,027,469</u>	<u>\$ 9,961,666</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF TIFFIN, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2013

<b>Total governmental fund balances</b>	\$	6,118,498
<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.		23,435,260
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Real and other taxes receivable	\$ 56,816	
Income taxes receivable	1,094,694	
Accounts receivable	275,608	
Intergovernmental receivable	477,125	
Special assessments receivable	295,564	
Accrued interest receivable	1,140	
Total	2,200,947	2,200,947
The City has an equity interest in a joint venture. This investment is not a current financial resource and therefore is not reported in the governmental funds.		1,365,291
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(8,401)
Unamortized premiums on bond issuance are not recognized in governmental funds.		(40,106)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities are as follows:		
Compensated absences	(919,727)	
General obligation bonds payable	(2,120,000)	
Special assessment bonds	(230,000)	
Total	(3,269,727)	(3,269,727)
<b>Net position of governmental activities</b>	<b>\$</b>	<b>29,801,762</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF TIFFIN, OHIO**

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

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>			
Municipal income taxes . . . . .	\$ 7,684,214	\$ -	\$ 7,684,214
Real and other taxes. . . . .	834,631	137,414	972,045
Charges for services. . . . .	516,012	13,832	529,844
Licenses and permits . . . . .	56,622	-	56,622
Fines and forfeitures . . . . .	283,098	221,379	504,477
Intergovernmental. . . . .	789,668	1,077,203	1,866,871
Special assessments . . . . .	-	90,820	90,820
Investment income. . . . .	12,098	1,411	13,509
Refunds and reimbursements . . . . .	237,002	35,803	272,805
Contributions and donations. . . . .	5,821	44,849	50,670
Payments in lieu of taxes . . . . .	-	65,493	65,493
Other . . . . .	110,132	39,346	149,478
<b>Total revenues . . . . .</b>	<b>10,529,298</b>	<b>1,727,550</b>	<b>12,256,848</b>
<b>Expenditures:</b>			
Current:			
General government . . . . .	2,168,676	161,025	2,329,701
Security of persons and property . . . . .	5,573,777	177,333	5,751,110
Transportation . . . . .	-	885,844	885,844
Community environment . . . . .	167,536	212,107	379,643
Leisure time activity . . . . .	-	325,831	325,831
Economic development and assistance . . . . .	-	11,292	11,292
Urban redevelopment . . . . .	-	41,603	41,603
Capital outlay . . . . .	-	1,104,226	1,104,226
Debt service:			
Principal retirement. . . . .	-	135,000	135,000
Interest and fiscal charges . . . . .	-	120,417	120,417
<b>Total expenditures . . . . .</b>	<b>7,909,989</b>	<b>3,174,678</b>	<b>11,084,667</b>
Excess (deficiency) of revenues over (under) expenditures. . . . .	2,619,309	(1,447,128)	1,172,181
<b>Other financing sources (uses):</b>			
Sale of capital assets. . . . .	-	122,938	122,938
Transfers in . . . . .	-	1,476,115	1,476,115
Transfers (out). . . . .	(1,242,413)	(233,702)	(1,476,115)
<b>Total other financing sources (uses) . . . . .</b>	<b>(1,242,413)</b>	<b>1,365,351</b>	<b>122,938</b>
Net change in fund balances . . . . .	1,376,896	(81,777)	1,295,119
<b>Fund balances at beginning of year . . . . .</b>	<b>1,740,521</b>	<b>3,073,636</b>	<b>4,814,157</b>
<b>Increase in reserve for inventory . . . . .</b>	<b>2,664</b>	<b>6,558</b>	<b>9,222</b>
<b>Fund balances at end of year . . . . .</b>	<b>\$ 3,120,081</b>	<b>\$ 2,998,417</b>	<b>\$ 6,118,498</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF TIFFIN, OHIO**

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

<b>Net change in fund balances - total governmental funds</b>	\$	1,295,119
 <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.		
Capital asset additions	\$ 1,479,169	
Current year depreciation	<u>(1,212,625)</u>	
Total		266,544
The net effect of various miscellaneous transactions involving capital assets is to decrease net position. The City recorded (\$56,483) related to disposals.		
		(56,483)
Governmental funds report expenditures for inventory when purchased. However in the statement of activities, they are reported as an expense when consumed.		
		9,222
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Municipal income taxes	228,113	
Real and other taxes	18,021	
Charges for services	48,404	
Licenses and permits	(1,868)	
Intergovernmental	(89,151)	
Special assessments	(70,972)	
Investment income	(607)	
Refunds and reimbursements	(768)	
Other	<u>465</u>	
Total		131,637
An increase in the City's equity interest in a joint venture does not provide current financial resources and is not reported in the governmental funds.		
		20,377
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		135,000
Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the following:		
Decrease in accrued interest payable	580	
Amortization of bond premiums	<u>1,797</u>	
Total		2,377
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.		
		<u>(96,309)</u>
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u><u>1,707,484</u></u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF TIFFIN, OHIO**

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Municipal income taxes . . . . .	\$ 7,200,000	\$ 7,300,000	\$ 7,688,624	\$ 388,624
Real and other taxes. . . . .	835,452	840,202	825,541	(14,661)
Charges for services. . . . .	559,500	564,500	514,389	(50,111)
Licenses and permits . . . . .	65,100	60,300	56,404	(3,896)
Fines and forfeitures . . . . .	348,500	350,894	279,964	(70,930)
Intergovernmental. . . . .	556,822	910,398	915,249	4,851
Investment income. . . . .	10,000	10,000	12,662	2,662
Refunds and reimbursements . . . . .	169,396	241,488	237,002	(4,486)
Contributions and donations . . . . .	4,160	5,931	5,821	(110)
Other . . . . .	2,554	3,641	3,573	(68)
Total revenues . . . . .	<u>9,751,484</u>	<u>10,287,354</u>	<u>10,539,229</u>	<u>251,875</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	2,318,458	2,308,802	2,128,437	180,365
Security of persons and property . . . . .	6,183,937	6,206,457	5,990,624	215,833
Community environment . . . . .	170,050	196,950	167,673	29,277
Total expenditures . . . . .	<u>8,672,445</u>	<u>8,712,209</u>	<u>8,286,734</u>	<u>425,475</u>
Excess of revenues over expenditures . . . . .	<u>1,079,039</u>	<u>1,575,145</u>	<u>2,252,495</u>	<u>677,350</u>
<b>Other financing uses:</b>				
Transfers (out). . . . .	(972,000)	(1,315,660)	(1,242,413)	73,247
Total other financing uses . . . . .	<u>(972,000)</u>	<u>(1,315,660)</u>	<u>(1,242,413)</u>	<u>73,247</u>
Net change in fund balances . . . . .	107,039	259,485	1,010,082	750,597
<b>Fund balances at beginning of year . . . . .</b>	1,070,984	1,070,984	1,070,984	-
<b>Prior year encumbrances appropriated . . . . .</b>	312,634	312,634	312,634	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 1,490,657</u>	<u>\$ 1,643,103</u>	<u>\$ 2,393,700</u>	<u>\$ 750,597</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**CITY OF TIFFIN, OHIO**

STATEMENT OF NET POSITION  
 PROPRIETARY FUND  
 DECEMBER 31, 2013

	<b>Business-type Activities</b>	
	<b>Enterprise Fund</b>	
	<b>Sewer</b>	
	<hr/>	
<b>Assets:</b>		
Current assets:		
Equity in pooled cash and cash equivalents . . . . .	\$	6,889,137
Receivables:		
Accounts . . . . .		1,303,025
Prepayments . . . . .		22,561
Materials and supplies inventory . . . . .		37,758
		<hr/>
Total current assets . . . . .		8,252,481
Noncurrent assets:		
Capital assets:		
Land and construction in progress . . . . .		897,422
Depreciable capital assets, net . . . . .		22,095,505
		<hr/>
Total capital assets, net . . . . .		22,992,927
		<hr/>
Total noncurrent assets . . . . .		22,992,927
		<hr/>
Total assets . . . . .		31,245,408
		<hr/>
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable . . . . .		73,546
Contracts payable . . . . .		473,393
Accrued wages and benefits payable . . . . .		25,292
Due to other governments . . . . .		32,514
Accrued interest payable . . . . .		30,182
Compensated absences payable - current . . . . .		92,165
General obligation bonds payable . . . . .		470,000
OWDA loans payable . . . . .		55,139
		<hr/>
Total current liabilities . . . . .		1,252,231
Long-term liabilities:		
Compensated absences payable . . . . .		199,276
Unamortized premium on bonds . . . . .		105,827
General obligation bonds payable . . . . .		8,380,000
OWDA loans payable . . . . .		1,312,665
		<hr/>
Total long-term liabilities . . . . .		9,997,768
		<hr/>
Total liabilities . . . . .		11,249,999
		<hr/>
<b>Net position:</b>		
Net investment in capital assets . . . . .		12,195,903
Unrestricted . . . . .		7,799,506
		<hr/>
Total net position . . . . .	\$	19,995,409
		<hr/> <hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF TIFFIN, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013

	<b>Business-type Activities Enterprise Fund</b>	
	<b>Sewer</b>	
<b>Operating revenues:</b>		
Tap-in fees . . . . .	\$	300
Charges for services . . . . .		4,977,512
Other operating revenues . . . . .		20,786
Total operating revenues. . . . .		<u>4,998,598</u>
<b>Operating expenses:</b>		
Personal services . . . . .		1,311,825
Contract services. . . . .		369,031
Materials and supplies. . . . .		87,092
Utilities . . . . .		226,245
Depreciation. . . . .		764,036
Other . . . . .		51,927
Total operating expenses. . . . .		<u>2,810,156</u>
Operating income . . . . .		<u>2,188,442</u>
<b>Nonoperating revenues (expenses):</b>		
Interest and fiscal charges . . . . .		(410,126)
Special assessments . . . . .		9,861
Interest income. . . . .		17,170
Total nonoperating revenues (expenses). . . . .		<u>(383,095)</u>
Change in net position . . . . .		1,805,347
<b>Net position at beginning of year . . . . .</b>		<u>18,190,062</u>
<b>Net position at end of year . . . . .</b>	\$	<u><u>19,995,409</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF TIFFIN, OHIO**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2013

	<b>Business-type Activities</b>	
	<b>Enterprise Fund</b>	
	<b>Sewer</b>	
	<hr/>	
<b>Cash flows from operating activities:</b>		
Cash received from tap in fees . . . . .	\$	300
Cash received from sales/charges for services. . . . .		4,904,472
Cash received from other operations . . . . .		20,786
Cash payments for personal services. . . . .		(1,324,959)
Cash payments for contractual services . . . . .		(369,968)
Cash payments for materials and supplies . . . . .		(48,156)
Cash payments for utilities . . . . .		(230,286)
Cash payments for other expenses . . . . .		(52,007)
		<hr/>
Net cash provided by operating activities . . . . .		2,900,182
		<hr/>
<b>Cash flows from noncapital financing activities:</b>		
Cash received from special assessments . . . . .		9,861
		<hr/>
Net cash provided by noncapital financing activities . . . . .		9,861
		<hr/>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition of capital assets . . . . .		(225,584)
Principal retirement on OWDA loans . . . . .		(53,600)
Principal retirement on general obligation bonds. . . . .		(450,000)
Interest paid on bonds . . . . .		(416,816)
		<hr/>
Net cash used in capital and related financing activities. . . . .		(1,146,000)
		<hr/>
<b>Cash flows from investing activities:</b>		
Interest received . . . . .		17,169
		<hr/>
Net cash provided by investing activities . . . . .		17,169
		<hr/>
Net increase in cash and cash equivalents . . . . .		1,781,212
<b>Cash and cash equivalents at beginning of year . . . . .</b>		5,107,925
<b>Cash and cash equivalents at end of year . . . . .</b>	\$	<u><u>6,889,137</u></u>

**CITY OF TIFFIN, OHIO**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2013

	<b>Business-type Activities</b>	
	<b>Enterprise Fund</b>	
	<b>Sewer</b>	
	<hr/>	
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income . . . . .	\$	2,188,442
Adjustments:		
Depreciation. . . . .		764,036
Changes in assets and liabilities:		
Decrease in materials and supplies inventory . . . . .		77
(Increase) in accounts receivable . . . . .		(73,040)
Decrease in prepayments . . . . .		1,313
Increase in accounts payable . . . . .		33,267
Increase in accrued wages and benefits . . . . .		2,313
Increase in intergovernmental payable . . . . .		2,214
(Decrease) in compensated absences payable . . . . .		(18,440)
		<hr/>
Net cash provided by operating activities . . . . .	\$	<u>2,900,182</u>

**Noncash transactions:**

At December 31, 2013 and 2012, the sewer fund purchased \$473,393 and \$7,493, respectively, on account.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF TIFFIN, OHIO**

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

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 2,842
Cash and cash equivalents in segregated accounts . . . . .	117,948
Receivables:	
Accounts . . . . .	<u>1,310</u>
Total assets . . . . .	<u>\$ 122,100</u>
<b>Liabilities:</b>	
Undistributed monies . . . . .	<u>\$ 122,100</u>
Total liabilities . . . . .	<u>\$ 122,100</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

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

**NOTE 1 - DESCRIPTION OF THE ENTITY AND REPORTING ENTITY**

The City of Tiffin (the “City”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The City was incorporated as a village in 1835 and became a City under the laws of the State of Ohio in 1850. In 1977, a voter-approved Charter became effective. The Mayor, Members of Council, the Law Director and the Municipal Judge are elected by separate ballot from the municipality at large for four-year terms. The Mayor is not a member of council and can only approve or veto council ordinances and resolutions. The Mayor appoints the City Administrator and the Director of Finance. The Director of Finance is appointed with the approval of City Council. The City Administrator appoints the remaining department managers of the City with the approval of the Mayor.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards, and agencies that are not legally separate from the City. The City provides police and fire protection within its boundaries, and ambulance protection and fire assistance to adjacent townships by mutual agreement contracts. The City provides basic utilities in the form of wastewater treatment. The City constructs and maintains streets and sidewalks within the City. The City also operates and maintains a park and recreation system.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization’s governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; (2) the City is legally entitled to or can otherwise access the organization’s resources; (3) the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves their budget, the issuance of their debt or the levying of their taxes. The City has no component units.

The City is associated with a certain organization which is defined as a joint venture with equity interest:

Sandusky County - Seneca County - City of Tiffin Port Authority (the “Port Authority”)

The Port Authority, a joint venture between Sandusky and Seneca Counties and the City of Tiffin, was established in 1989 under the authority of Section 4582.21 of the Ohio Revised Code, with territorial limits co-terminus with the boundaries of the counties, with Tiffin being within the boundaries of Seneca County. Its purpose was created following an enactment by the Ohio Legislature of the Ohio Port Authority Act which permits the Port Authority to administer railroad services to area businesses that ship goods within the State of Ohio. The Port Authority is governed by a seven member Board of Directors, consisting of two members from each of the counties and the City, with the seventh member being rotated between the three entities every four years. The members are appointed by the County Commissioners in the counties, and by the Mayor of Tiffin in the City. Appointed members may hold no other public office or public employment except Notary Public, member of the State Militia, or member of a reserve component of the United States Armed Forces. Initial funding for organizational expenses, including purchase of real or personal property by the Port Authority, was contributed by each subdivision with no obligation of future contributions or financial support. The contributions were equal and simultaneous. The Port Authority may be dissolved at any time upon the enactment of an ordinance by the City and resolutions by the counties. Any real or personal property will be returned to the subdivision from which it was received.

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

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

**NOTE 1 - DESCRIPTION OF THE ENTITY AND REPORTING ENTITY - (Continued)**

Upon dissolution of the Port Authority, any balance remaining in the Port Authority's funds or any real or personal property belonging to the Port Authority will be distributed equally to the City and the counties after paying all expenses and debts. The City's equity interest in the Port Authority is \$1,365,291 at December 31, 2013. Financial information can be obtained from the Sandusky County - Seneca County - City of Tiffin Port Authority, James Supance, Chairman, P.O. Box 767, Tiffin, Ohio 44883.

The City is also associated with a certain organization which is defined as a joint venture without equity interest:

North Central Ohio Regional Council of Governments (the "Council")

The Council is established as a regional council of governments under Chapter 167, Ohio Revised Code and is a non-profit corporation under Chapter 1702, Ohio Revised Code. The Council is a regional source for shared services. Cost savings achieved are designed to not only maintain existing essential services, but to enhance them as well. The Council fosters regional progress through networks of public and private partnerships. The Council serves as a forum for assessing and acting on regional issues and problems through cooperative efforts by formulating policies, plans, and programs, and facilitating actions that are common and regional; that are cost effective and efficient for the region; and that contribute to the effectiveness of local government and the quality of life enjoyed by citizens of the region.

Membership in the Council shall be open to any governing body of any county, municipal corporation, township, special district, school district, educational service center or other political subdivision permitted to become a Member of the Council under Chapter 167, Ohio Revised Code. Currently, eight governing bodies make up the Council. Each political subdivision that is a member of the Council shall be entitled to one vote exercised by a duly authorized representative of the Member. Any Member may withdraw from membership in the Council by formal action of the political subdivision and upon sixty days' notice to the Council after such action.

The number of directors of the Council is established at not less than three or more than eight. The directors shall be divided into three classes. Directors shall be elected by receiving the highest number of votes cast on the ballot. Three directors shall be elected for a term of three years, three directors for a term of years, and two directors for a term of one year, respectively, and shall remain as directors until their term has expired and their respective successors are elected and qualified.

The fiscal year of the Council shall commence on July 1 and shall terminate on June 30 of the following calendar year.

The initial office of the Council shall be located at 928 W. Market Street, Suite A, Tiffin, Ohio 44883. At all times, the location of the principal office of the Council shall be determined by formal action of the Board of Directors of the Council.

The City has not included the Tiffin City School District, the Tiffin-Seneca Public Library, the Conner Memorial Commission, and the Weller Memorial Commission as it has no control over these operations and they are autonomous entities.

Management believes the financial statements included in this report represent all of the funds of the City over which the City has the ability to exercise direct operating control.

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

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

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except the fiduciary funds. 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 segment of the business-type activities of the City and for each program of the City's governmental activities. 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 and grants and contributions that are restricted to meeting the operational or capital requirements of 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 function is self-financing or draws from the general revenues of the City.

Fund Financial Statements

During the year, the City segregates transactions related to certain City programs 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 a more detail level. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**B. Fund Accounting**

The City uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary and fiduciary.



**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

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

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

Governmental Funds

Governmental funds focus 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 be or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities and deferred inflows is reported as fund balance. The following is the City's major governmental fund:

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.

Other governmental funds of the City are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Proprietary Funds

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds focus on the determination of the changes in net position, financial position and cash flows and are classified as either enterprise or internal service. The City presently does not have an internal service fund. The City's sewer fund is a major fund:

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

Sewer fund - This fund accounts for the financial transactions related to the wastewater treatment service operations of the City.

Fiduciary Funds

Fiduciary funds 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. The City has no trust funds which are considered fiduciary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for funds maintained by the Municipal Court, State Patrol transfer account, fire claims escrow and payroll income tax.

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

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

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

**C. Measurement Focus**

Government-wide Financial Statements

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

Fund Financial Statements

All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current deferred outflows, current liabilities and current deferred inflows, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and others 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 statements for governmental funds.

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

The proprietary fund distinguishes operating revenues and expenses from non-operating 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 fund is charges for sales and services. Operating expenses for the proprietary fund includes personnel and other expenses related to the sewer operations. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

The agency funds do not report a measurement focus as they do not report operations.

**D. 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 fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows and in the presentation of expenses versus expenditures.

**CITY OF TIFFIN  
SENECA COUNTY, 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, revenues are 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 thirty days of year end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, 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 taxes, property taxes available as an advance, State-levied locally shared taxes (including gasoline tax, local government funds and permissive tax), fines and forfeitures, interest, grants and rentals.

Deferred Inflows and Outflows

A deferred inflow of resources is an acquisition of net assets by the City that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net assets by the City that is applicable to a future reporting period.

Property taxes and payments in lieu of taxes for which there is an enforceable legal claim as of December 31, 2013, but which were levied to finance 2014 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows. Income taxes, special assessments and grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2013, are recorded as deferred inflows on the governmental fund financial statements.

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 TIFFIN  
SENECA COUNTY, OHIO**

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

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

**E. Budgetary Data**

An annual appropriated budget is legally required to be prepared for all funds of the City other than agency funds. Council passes appropriations at the fund, department, and object level. Line item appropriations may be transferred between the accounts with the approval of the City Administrator, Finance Director and respective department head. Council must approve any revisions in the budget that alter total fund, department and object level appropriations.

The following are the procedures used by the City in establishing the budgetary data reported in the basic financial statements:

Tax Budget

A budget of estimated revenue and expenditures is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. On or prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate of estimated resources may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statements reflect the amounts in the original and final amended official certificate of estimated resources issued during 2013.

Appropriations

A temporary appropriation resolution to control expenditures may be passed on or about January 1 of each year for the period of January 1 to March 31. An annual appropriation resolution must be passed by April 1 of each year for the period January 1 to December 31. The appropriation resolution fixes spending authority at the fund, department, and object level for all funds. The appropriation resolution may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. Council legally enacted several supplemental appropriation ordinances during the year. The budget figures which appear in the statement of budgetary comparisons present the original and final appropriation amounts including all amendments and modifications.

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

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

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

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year-end are reported as committed or assigned fund balance for subsequent-year expenditures.

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding year and need not be re-appropriated.

**F. Cash and Investments**

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund balance 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" on the basic financial statements.

During 2013, investments were limited to a repurchase agreement and nonnegotiable certificates of deposit. Nonparticipating investment contracts, such as repurchase agreements and nonnegotiable certificates of deposit, are reported at cost.

The City has a segregated bank account for Municipal Court monies separate from the City's central bank account. These interest bearing depository accounts are presented on the financial statements as "cash and cash equivalents in segregated accounts" since it is not required to be deposited into the City treasury.

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2013 amounted to \$12,098, which included \$6,562 assigned from other funds of the City.

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

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

**G. 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.

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

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

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

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

**H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2013, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which it was consumed.

**I. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary fund. 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 fund are reported both in the business-type activities column of the government-wide statement of net position and in the fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$500. Public domain ("infrastructure") general capital assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, sewer lines and lighting systems have been capitalized. 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.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful life of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method (with a salvage value of ten percent) over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Buildings and Improvements	10 - 102 years	15 - 50 years
Machinery & Equipment	5-20 years	5 - 40 years
Furniture & Fixtures	5-15 years	8 - 10 years
Vehicles	5 - 40 years	5 - 15 years
Infrastructure	10 - 50 years	40 - 50 years

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

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

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

**J. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances. At December 31, 2013, there were no internal balances.

**K. 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 attributed to services already rendered and are not contingent on a specific event that is outside the control of the City.

The City reports compensated absences in accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to payment are attributable to services already rendered; and it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. These amounts are recorded in the account “compensated absences” in the fund from which the employees are paid.

Sick leave benefits are accrued using the vesting method. The liability includes the employees who are currently eligible to receive termination (severance) benefits and those that the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year end taking into consideration any limits specified in the City’s termination policy. The City records a liability for all accumulated unused vacation time when earned for all employees. The City records a liability for unused sick leave that is expected to be paid out as severance for all employees who are age 50 or older or who have at least 15 years of City or local government employment service.

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

**L. 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 the proprietary fund are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases and compensated absences that will be paid from governmental funds are reported as a liability in the fund statements only to the extent they will be paid with current, expendable, available resources. In general, payments made within thirty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

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

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

**M. Premiums and Bond Discounts**

Premium or bond discounts are (1) shown as additions to, or deductions from, the account of the bond liability, (2) amortized using the straight-line method, and (3) reflected as interest income or expense in the proprietary fund. On the governmental fund financial statements, issuance costs and bond premiums and discounts are recognized in the current period. The reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 12.

**N. 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.

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

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

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

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

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



**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

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

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

**O. Net Position**

Net position represents the difference between assets plus deferred outflows, less liabilities, plus deferred inflows. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represent amounts restricted for D.A.R.E funds.

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

**P. Interfund Activity**

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

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 non-operating revenues/expense in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of City Council and that are either unusual in nature or infrequent in occurrence. No extraordinary transactions or special items occurred during 2013.

**R. Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. 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.

**B. Deficit Fund Balances**

Fund balances at December 31, 2013 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Block grant	\$ 902
2010 South Shaffer Park Drive bond	13,594

These funds complied with Ohio State law, which does not permit a cash deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

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

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

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

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

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 Finance Director or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**CITY OF TIFFIN  
SENECA COUNTY, 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 \$640 on hand in the form of drawer change and petty cash. This amount is included on the basic financial statements as “equity in pooled cash and cash equivalents”, but is not considered part of the City’s carrying amount of deposits at year end.

**B. Cash in Segregated Accounts**

At year end, the City had \$117,948 deposited with a financial institution for monies related to the Municipal Court which are reported in an agency fund. These amounts were covered by the FDIC and are not included in the City’s depository balance detailed in Note 4.C.

**C. Deposits with Financial Institutions**

At December 31, 2013, the carrying amount of all City deposits was \$3,027,214, exclusive of the \$9,449,670 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2013, \$2,814,482 of the City’s bank balance of \$3,356,157 was exposed to custodial risk as discussed below, while \$541,675 was covered by the FDIC.

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

**D. Investments**

As of December 31, 2013, the City had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>6 months or less</u>
Repurchase agreement	<u>\$ 9,449,670</u>	<u>\$ 9,449,670</u>

*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.

*Credit Risk:* The federal agency securities that underlie the City’s repurchase agreement were rated AA+ and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively. The City’s investment policy does not specifically address credit risk beyond requiring the City to only invest in securities authorized by State statute.

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

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

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

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. For the City's \$9,449,670 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the City. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Director of Finance or qualified trustee.

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

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase agreement	<u>\$ 9,449,670</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2013:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 3,027,214
Investments	9,449,670
Cash on hand	640
Cash in segregated accounts	<u>117,948</u>
Total	<u>\$ 12,595,472</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 5,585,545
Business-type activities	6,889,137
Agency funds	<u>120,790</u>
Total	<u>\$ 12,595,472</u>

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

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

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund transfers for the year ended December 31, 2013, consisted of the following, as reported on the fund financial statements:

<u>Transfers to nonmajor governmental funds from:</u>	
General fund	\$ 1,242,413
Nonmajor governmental funds	<u>233,702</u>
Total	<u>\$ 1,476,115</u>

Transfers are used (1) move revenues from the fund that statute or budget required to collect them to the fund that state or budget requires to expend them, (2) move \$133,781 of receipts restricted to debt service from funds collecting the receipts to the debt service fund as debt service payments become due, (3) use unassigned revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, (4) move \$17,000 out of the CHIP HOME program fund (a nonmajor governmental fund) into the CHIP revolving loan fund (a nonmajor governmental fund), (5) move \$40,000 out of the DUI indigent drivers alcohol treatment fund (a nonmajor governmental fund) into the municipal court probation services fund (a nonmajor governmental fund), and (6) move \$42,921 out of the revolving loan fund (a nonmajor governmental fund) into the block grant fund (a nonmajor governmental fund).

Transfers between governmental funds are eliminated on the government-wide financial statements. All transfers were in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**NOTE 6 - PROPERTY TAXES**

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 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.

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

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

**NOTE 6 - PROPERTY TAXES - (Continued)**

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Tiffin. 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, the current portion receivable has been offset by a deferred inflow since the current taxes were not levied to finance 2013 operations and the collection of delinquent taxes has been offset by a deferred inflow 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 considered a deferred inflow.

The full tax rate for all City operations for the year ended December 31, 2013 was \$4.10 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2013 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$183,147,100
Commercial/industrial/mineral	62,820,870
<u>Public utility</u>	
Real	41,340
Personal property	<u>17,383,950</u>
Total assessed value	<u><u>\$263,393,260</u></u>

**NOTE 7 - LOCAL INCOME TAX**

The City levies a 1.75 percent income tax on substantially all income earned within the City. In addition, City residents employed in municipalities having an income tax less than 1.75 percent must pay the difference to the City. Additional increases in the income tax rate require voter approval.

Employers within the City withhold income tax on employee compensation and remit at least quarterly. Corporations and other individual taxpayers pay estimated taxes quarterly and file an annual declaration.

The City's income tax ordinance requires a portion of the income tax revenues to be used to finance governmental type capital improvements. As a result, this portion of the revenue is transferred into a capital improvement fund (a nonmajor governmental fund) each year. The remaining income tax proceeds are to be used to pay the cost of administering the tax, general fund operations, capital improvements, debt service and other governmental functions when needed, as determined by Council.

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

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

**NOTE 8 - RECEIVABLES**

Receivables at December 31, 2013, consisted of taxes, payments in lieu of taxes, accounts (billings for user charged services), special assessments, accrued interest, loans and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as "due from other governments" on the basic financial statements. Receivables have been recorded to the extent that they are both measurable and available at December 31, 2013.

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

**Governmental activities:**

Income taxes	\$ 1,805,926
Real and other taxes	1,009,761
Payments in lieu of taxes	65,493
Accounts	192,974
Accrued interest	1,821
Special assessments	295,564
Due from other governments	709,317
Loans	94,506

**Business-type activities:**

Accounts	1,303,025
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Receivables have been disaggregated on the face of the financial statements. The only receivables not expected to be collected within the subsequent year are the special assessments and loans which are collected over the life of the assessment or loan.



**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

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

**NOTE 9 - INSURANCE**

The City is exposed to various risks of loss related to torts; theft, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2013, the City contracted through Huntington Insurance Service and Ohio Plan Co. for property, fleet, crime and liability insurance.

Below is a description detailing the City's insurance coverage by type:

	<u>Per Occurrence</u>	<u>Deductibles</u>	<u>Annual Aggregate</u>
Commercial Property (Blanket):			
Building and Contents - Replacement Cost	\$ -	\$ 1,000	\$ 36,660,694
Workers' Compensation	6,000,000	-	-
General Liability	6,000,000	-	8,000,000
Law Enforcement	6,000,000	2,500	8,000,000
Public Officials	6,000,000	2,500	8,000,000
Products/Completed Ops	6,000,000	-	8,000,000
Personal and Advertising Injury	6,000,000	-	8,000,000
Fire Damage	-	-	1,000,000
Automobile	-	-	6,000,000
Comprehensive (all others) and Collision	-	500	-
Comprehensive (only fire truck) and Collision	-	1,000	-
Medical Payments	-	-	5,000
Employee Benefits Liability	6,000,000	-	8,000,000
Ambulance	-	Various	410,343
Fire Vehicles	-	Various	1,997,725
Electronic Data Processing	-	1,000	640,000
Crime-Employee Dishonesty	100,000	-	-

Real property and contents are 90 percent coinsured. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in insurance coverage from 2012.

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

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

**NOTE 10 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2013, was as follows:

	Balance 12/31/12	Additions	Disposals	Balance 12/31/13
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 3,133,105	\$ 197,015	\$ (16,628)	\$ 3,313,492
Construction in progress	<u>-</u>	<u>190,123</u>	<u>-</u>	<u>190,123</u>
Total capital assets, not being depreciated	<u>3,133,105</u>	<u>387,138</u>	<u>(16,628)</u>	<u>3,503,615</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	7,661,434	47,261	-	7,708,695
Machinery & equipment	3,236,936	422,982	(125,225)	3,534,693
Furniture & fixtures	340,239	58,229	(7,717)	390,751
Vehicles	3,252,145	62,811	(99,285)	3,215,671
Infrastructure	<u>24,966,667</u>	<u>500,748</u>	<u>(16,000)</u>	<u>25,451,415</u>
Total capital assets, being depreciated	<u>39,457,421</u>	<u>1,092,031</u>	<u>(248,227)</u>	<u>40,301,225</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(5,317,083)	(112,730)	-	(5,429,813)
Machinery & equipment	(2,574,037)	(135,290)	103,423	(2,605,904)
Furniture & fixtures	(284,022)	(11,936)	7,231	(288,727)
Vehicles	(2,342,941)	(156,867)	85,131	(2,414,677)
Infrastructure	<u>(8,847,244)</u>	<u>(795,802)</u>	<u>12,587</u>	<u>(9,630,459)</u>
Total accumulated depreciation	<u>(19,365,327)</u>	<u>(1,212,625)</u>	<u>208,372</u>	<u>(20,369,580)</u>
Total capital assets, being depreciated, net	<u>20,092,094</u>	<u>(120,594)</u>	<u>(39,855)</u>	<u>19,931,645</u>
Governmental activities capital assets, net	<u>\$ 23,225,199</u>	<u>\$ 266,544</u>	<u>\$ (56,483)</u>	<u>\$ 23,435,260</u>

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

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

**NOTE 10 - CAPITAL ASSETS - (Continued)**

	Balance 12/31/12	Additions	Disposals	Balance 12/31/13
<b>Business-type activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 241,940	\$ -	\$ -	\$ 241,940
Construction in progress	<u>-</u>	<u>655,482</u>	<u>-</u>	<u>655,482</u>
Total capital assets, not being depreciated	<u>241,940</u>	<u>655,482</u>	<u>-</u>	<u>897,422</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	10,933,816	-	-	10,933,816
Machinery & equipment	754,332	36,002	(3,500)	786,834
Furniture & fixtures	57,696	-	-	57,696
Vehicles	1,068,361	-	-	1,068,361
Infrastructure	<u>25,345,537</u>	<u>-</u>	<u>-</u>	<u>25,345,537</u>
Total capital assets, being depreciated	<u>38,159,742</u>	<u>36,002</u>	<u>(3,500)</u>	<u>38,192,244</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(8,016,988)	(144,469)	-	(8,161,457)
Machinery & equipment	(575,253)	(40,835)	3,500	(612,588)
Furniture & fixtures	(49,519)	(1,201)	-	(50,720)
Vehicles	(878,880)	(31,798)	-	(910,678)
Infrastructure	<u>(5,815,563)</u>	<u>(545,733)</u>	<u>-</u>	<u>(6,361,296)</u>
Total accumulated depreciation	<u>(15,336,203)</u>	<u>(764,036)</u>	<u>3,500</u>	<u>(16,096,739)</u>
Total capital assets, being depreciated, net	<u>22,823,539</u>	<u>(728,034)</u>	<u>-</u>	<u>22,095,505</u>
Business-type activities capital assets, net	<u>\$23,065,479</u>	<u>\$ (72,552)</u>	<u>\$ -</u>	<u>\$22,992,927</u>

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

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

**NOTE 10 - CAPITAL ASSETS - (Continued)**

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

**Governmental activities:**

General government	\$ 66,452
Security of persons and property	251,333
Transportation	827,325
Community environment	658
Leisure time activity	<u>66,857</u>
Total depreciation expense - governmental activities	<u>\$ 1,212,625</u>

**Business-type activities:**

Sewer	\$ <u>764,036</u>
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**NOTE 11 - COMPENSATED ABSENCES**

The City accrues unpaid vacation as it is earned and a certain portion of sick leave pay becomes vested as payment becomes probable.

Sick leave accumulates for non-union employees at the rate of 4.6 hours of sick leave each eighty hours of work completed. Upon retirement, death, or resignation with fifteen minimum years of continuous service, non-union employees receive 2/3 of sick leave accumulated not to exceed 120 days. Employees hired after July 1, 2013 receive 1/4 of sick leave accumulated not to exceed 30 days.

Sick leave accumulates for AFSCME union employees at the rate of 4.6 hours of sick leave for each eighty hours of work completed. Upon retirement or death, AFSCME union employees receive two-thirds of sick leave accumulated not to exceed 180 days.

Sick leave accumulates for fire union employees at the rate of 14 hours of sick leave per month of service in pay status. Upon retirement, death or resignation with 15 or more years of service fire union employees receive two-thirds of sick leave accumulated not to exceed 1,248 hours.

Sick leave accumulates for police union employees at the rate of 10 hours for each month of service in pay status. Upon retirement, death or resignation with 15 or more years of service police union employees receive two-thirds of sick leave accumulated not to exceed 1,440 hours.

The accumulated sick leave balance is eliminated after payout. If there is no payout to the employee the accumulated sick leave balance can be transferred to another governmental job. A liability has been recognized in the accompanying financial statements for the portion of sick leave expected to be paid as severance for employees according to the union contracts or City Codified Ordinance.

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

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

**NOTE 11 - COMPENSATED ABSENCES - (Continued)**

A liability for accrued vacation for \$170,719 has been recognized. Vacation is accumulated based upon length of service as follows:

<u>Employee Service</u>	<b>Non-Union &amp; Dispatchers Credit</b>	<b>Employee Service</b>	<b>AFSCME Credit</b>
1 to 4 years	10 days	1 to 4 years	10 days
After 5 years	11 days	After 5 years	11 days
After 6 years	12 days	After 6 years	12 days
After 7 years	13 days	After 7 years	13 days
After 8 years	14 days	After 8 years	14 days
After 9-12 years	15 days	After 9-10 years	15 days
After 13 years	16 days	After 11-13 years	16 days
After 14 years	17 days	After 14 years	17 days
After 15 years	18 days	After 15 years	18 days
After 16 years	19 days	After 16-19 years	20 days
<b>Non-Union</b>			
After 17-19 years	20 days	20-24 years	21 days
20 years and over	21 days	25 or more years	25 days
<b>Dispatchers</b>			
17-19 years	20 days		
20-24 years	21 days		
25 years	25 days		
<u>Employee Service</u>	<b>Fire Credit</b>	<b>Employee Service</b>	<b>Police Credit</b>
1 to 6 years	5 days	1 to 4 years	10 days
After 7-14 years	8 days	After 5 years	11 days
After 15-20 years	10 days	After 6 years	12 days
After 21-24 years	11 days	After 7 years	13 days
25 or more years	12 days	After 8 years	14 days
		After 9-12 years	15 days
		After 13 years	16 days
		After 14 years	17 days
		After 15 years	18 days
		After 16 years	19 days
		After 17-19 years	20 days
		20-24 years	21 days
		25 or more years	25 days

In the case of death, termination, or retirement, an employee (or his estate) is paid for the unused vacation. Vacation leave to an employee's credit which is in excess of the accrual for the last two years of employment shall be considered excess vacation. Employees shall forfeit their right to take or to be paid for excess vacation and such excess vacation is eliminated from the employee's vacation leave balance on each anniversary of employment.

Upon retirement or death of an employee, the employee or his estate is entitled to compensation at his current rate of pay for all lawfully accrued and unused vacation leave to his credit at the time of retirement or death.

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

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

**NOTE 12 - LONG-TERM OBLIGATIONS**

A. During 2013, the following changes occurred in the City's long-term obligations:

	<u>Balance 12/31/12</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/13</u>	<u>Amounts Due in One Year</u>
<b><u>Governmental activities:</u></b>					
<b><u>General obligation bonds:</u></b>					
S. Shaffer Park Drive bond - series 2010, 1.00% - 5.25%	\$ 1,170,000	\$ -	\$ (50,000)	\$ 1,120,000	\$ 50,000
Riverfront improvement bond - series 2010, 1.00% - 5.25%	<u>1,045,000</u>	<u>-</u>	<u>(45,000)</u>	<u>1,000,000</u>	<u>45,000</u>
Total general obligation bonds	<u>2,215,000</u>	<u>-</u>	<u>(95,000)</u>	<u>2,120,000</u>	<u>95,000</u>
<b><u>Special assessment bonds payable with government commitment:</u></b>					
Miami Street storm water drainage improvement bonds 4.00% - 5.60%	<u>270,000</u>	<u>-</u>	<u>(40,000)</u>	<u>230,000</u>	<u>40,000</u>
<b><u>Other obligations:</u></b>					
Compensated absences	<u>980,796</u>	<u>528,587</u>	<u>(561,274)</u>	<u>948,109</u>	<u>376,369</u>
Total governmental activities	<u>\$ 3,465,796</u>	<u>\$ 528,587</u>	<u>\$ (696,274)</u>	<u>3,298,109</u>	<u>\$ 511,369</u>
			Add: unamortized premium on bonds	<u>40,106</u>	
			Total on statement of net position	<u>\$ 3,338,215</u>	
	<u>Balance 12/31/12</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/13</u>	<u>Amounts Due in One Year</u>
<b><u>Business-type activities:</u></b>					
<b><u>General obligation bonds:</u></b>					
Sewer separation bonds - series 2007, 3.80% - 5.00%	\$ 5,100,000	\$ -	\$ (275,000)	\$ 4,825,000	\$ 290,000
Sewer Phase III bond - series 2010, 1.00% - 5.25%	<u>4,200,000</u>	<u>-</u>	<u>(175,000)</u>	<u>4,025,000</u>	<u>180,000</u>
Total general obligation bonds	<u>9,300,000</u>	<u>-</u>	<u>(450,000)</u>	<u>8,850,000</u>	<u>470,000</u>
<b><u>OWDA loan:</u></b>					
Rock Creek Interceptor #5991	<u>1,421,404</u>	<u>-</u>	<u>(53,600)</u>	<u>1,367,804</u>	<u>55,139</u>
<b><u>Other obligations:</u></b>					
Compensated absences	<u>309,881</u>	<u>85,786</u>	<u>(104,226)</u>	<u>291,441</u>	<u>92,165</u>
Total business-type activities	<u>\$ 11,031,285</u>	<u>\$ 85,786</u>	<u>\$ (607,826)</u>	<u>10,509,245</u>	<u>\$ 617,304</u>
			Add: unamortized premium on bonds	<u>105,827</u>	
			Total on statement of net position	<u>\$ 10,615,072</u>	

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

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

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

Special assessment bonds - The special assessment bonds are for the Miami Street storm water drainage improvements. The special assessment bond issues are backed by the full faith and credit of the City. In the event that an assessed property owner fails to make payments, the City will be required to pay the related debt. Principal and interest payments are made from the Miami Street drainage assessment fund (a nonmajor governmental fund). The bonds bear an interest rate of 4.00% to 5.60% and mature on December 1, 2018.

Landfill post-closure liability - In January, 2001, based upon EPA Findings and Orders, the landfill which was closed in 1972, would need monitoring until 2013. In 2001, an estimate was made by engineers of the total monitoring costs and post landfill debt was established. Each year actual costs made from the capital improvement fund (a nonmajor governmental fund) are reclassified against the debt established until it is complete or until a new estimate is made or if the EPA determines, based on their testing, that the City is no longer required to monitor the landfill.

During 2010, the City fulfilled their post-closure obligation and a new estimate has not been developed by the EPA. Therefore, this liability is not included within the financial statements or the schedule at Note 12.A. However, the City continues to monitor the landfill as required.

General obligation bonds - Outstanding general obligation bonds consist of S. Shaffer Park Drive, Riverfront improvement, Sewer Phase III and Sewer separation bonds issues. General obligation bonds are direct obligations of the City for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the City. The majority of the business-type activity debt is general obligation debt, but it is anticipated that user charges will pay-off all the outstanding bonds.

On February 28, 2007, the City issued \$6,500,000 sewer separation bonds - series 2007 for the phase II CS separation project. The bonds bear interest rates ranging from 3.80% to 5.00%. Principal and interest payments are made from the sewer fund. The bonds mature on December 1, 2026.

On November 30, 2010, the City issued \$6,940,000 capital improvement bonds - series 2010. \$1,130,000 and \$1,265,000 of the bonds was for the Riverfront improvement project and the S. Shaffer Park Drive improvement project, respectfully. The remaining \$4,545,000 was for the Sewer Phase III project. All three bonds bear interest rates ranging from 1.00% to 5.25%. Principal and interest payments for the Riverfront and S. Shaffer Park bonds are made from debt service funds (nonmajor governmental funds) created for these projects. Principal and interest payments for the Sewer Phase III bond are made from the sewer fund. All the bonds mature on December 1, 2030.

OWDA Loans - The City has entered into debt financing arrangements through the Ohio Water Development Authority (OWDA) to fund construction projects. The amounts due to OWDA are intended to be paid primarily from sewer revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 2013, the City had outstanding borrowings of \$1,367,804.

The City has pledged future sewer revenues to repay OWDA loans. The loans are payable solely from sewer fund revenues and are payable through December 2032. Annual principal and interest payments on the loans are estimated to be 3.16 percent of net revenues and 1.88 percent of total revenues. The total principal and interest remaining to be paid on the loans is \$1,780,889. Principal and interest paid for the current year were \$93,731, total net revenues were \$2,969,648 and total revenues were \$4,998,598.

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

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

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

Compensated absences - Compensated absences will be paid from the fund from which the employee is paid, which for the City, is primarily the general, street construction, maintenance & repair, park & recreation, municipal court probation services, sidewalk improvement and sewer funds.

- B.** The future annual debt service requirements to maturity for the City's debt outstanding as of December 31, 2013 are as follows:

Governmental Activities				Governmental Activities			
Year Ended	General Obligations Principal	General Obligations Interest	Total	Year Ended	Special Assessment Principal	Special Assessment Interest	Total
2014	\$ 95,000	\$ 87,932	\$ 182,932	2014	\$ 40,000	\$ 12,880	\$ 52,880
2015	95,000	86,033	181,033	2015	45,000	10,640	55,640
2016	95,000	83,895	178,895	2016	45,000	8,120	53,120
2017	105,000	81,520	186,520	2017	50,000	5,600	55,600
2018	105,000	78,370	183,370	2018	50,000	2,800	52,800
2019 - 2023	575,000	337,100	912,100				
2024 - 2028	715,000	200,937	915,937	Totals	\$ 230,000	\$ 40,040	\$ 270,040
2029 - 2030	335,000	26,512	361,512				
Totals	\$ 2,120,000	\$ 982,299	\$ 3,102,299				

Business-Type Activities				Business-Type Activities			
Year Ended	OWDA Principal	OWDA Interest	Total	Year Ended	General Obligation Principal	General Obligation Interest	Total
2014	\$ 55,139	\$ 38,592	\$ 93,731	2014	\$ 470,000	\$ 362,185	\$ 832,185
2015	56,721	37,010	93,731	2015	485,000	346,985	831,985
2016	58,349	35,382	93,731	2016	495,000	330,823	825,823
2017	60,024	33,707	93,731	2017	515,000	310,697	825,697
2018	61,747	31,984	93,731	2018	540,000	291,998	831,998
2019 - 2023	336,360	132,295	468,655	2019 - 2023	3,015,000	1,142,302	4,157,302
2024 - 2028	387,484	81,171	468,655	2024 - 2028	2,690,000	489,088	3,179,088
2029 - 2032	351,980	22,944	374,924	2029 - 2030	640,000	50,925	690,925
Totals	\$ 1,367,804	\$ 413,085	\$ 1,780,889	Totals	\$ 8,850,000	\$ 3,325,003	\$ 12,175,003



**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

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

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

- C. 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 \$25,544,358 and the unvoted debt margin was \$14,486,629.

**NOTE 13 - 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 TIFFIN  
SENECA COUNTY, OHIO**

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

**NOTE 13 - 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 \$342,077, \$226,896, and \$231,690, respectively; 91.80% 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 on the basic financial statements. Contributions to the member-directed plan for 2013 were \$16,146 made by the City and \$11,533 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](http://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 \$241,806 and \$377,554 for the year ended December 31, 2013, \$196,894 and \$355,925 for the year ended December 31, 2012, and \$205,579 and \$375,264, for the year ended December 31, 2011. The full amount has been contributed for 2012 and 2011. 92.20% has been contributed for police and 92.05% has been contributed for firefighters for 2013. The remaining 2013 pension liability has been reported as due to other governments on the basic financial statements.

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

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

**NOTE 14 - 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 \$26,314, \$172,670, and \$176,317, respectively; 91.80% 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 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 TIFFIN  
SENECA COUNTY, OHIO**

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

**NOTE 14 - 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](http://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 for both police and fire. 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 TIFFIN  
SENECA COUNTY, OHIO**

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

**NOTE 14 - 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 \$55,218 and \$67,071 for the year ended December 31, 2013, \$104,238 and \$139,275 for the year ended December 31, 2012, and \$108,836 and \$146,842, for the year ended December 31, 2011. The full amount has been contributed for 2012 and 2011. 92.20% has been contributed for police and 92.05% has been contributed for firefighters for 2013. The remaining 2013 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of accounting principles generally accepted in the United States of America, 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 revenues, 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	\$ 1,010,082
Net adjustment for revenue accruals	(117,040)
Net adjustment for expenditure accruals	223,331
Funds budgeted elsewhere	(145)
Adjustment for encumbrances	260,668
GAAP basis	\$ 1,376,896

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

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

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

Certain funds that are legally budgeted in a separate fund are considered part of the general fund on a GAAP basis. This includes the flexible spending plan fund.

**NOTE 16 - 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	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
Materials and supplies inventory	\$ 8,388	\$ 125,140	\$ 133,528
Prepays	<u>53,084</u>	<u>14,147</u>	<u>67,231</u>
Total nonspendable	<u>61,472</u>	<u>139,287</u>	<u>200,759</u>
Restricted:			
Debt service	-	21,660	21,660
Capital improvements	-	242,915	242,915
Transportation projects	-	438,473	438,473
Municipal court	-	761,065	761,065
Security of persons and property	-	195,116	195,116
Community environment	-	45,888	45,888
Economic development and assistance	-	70,249	70,249
Urban redevelopment	-	49,125	49,125
Permanent fund	-	31,474	31,474
Other purposes	-	<u>16,405</u>	<u>16,405</u>
Total restricted	<u>-</u>	<u>1,872,370</u>	<u>1,872,370</u>
Committed:			
Capital improvements	-	653,648	653,648
General government	73,588	-	73,588
Public safety	54,370	-	54,370
Flexible spending plan	29,939	-	29,939
Leisure-time activities	-	84,704	84,704
Security of persons and property	-	188,733	188,733
Economic development and assistance	-	<u>74,171</u>	<u>74,171</u>
Total committed	<u>157,897</u>	<u>1,001,256</u>	<u>1,159,153</u>
Assigned:			
Subsequent year appropriation	<u>217,966</u>	-	<u>217,966</u>
Total assigned	<u>217,966</u>	-	<u>217,966</u>
Unassigned (deficit)	<u>2,682,746</u>	<u>(14,496)</u>	<u>2,668,250</u>
Total fund balances	<u>\$ 3,120,081</u>	<u>\$ 2,998,417</u>	<u>\$ 6,118,498</u>

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

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

**NOTE 17 - CONTINGENT LIABILITIES**

**A. Federal and State Grants**

The City participates in several federally assisted programs. These programs are subject to financial and compliance audits by grantor agencies or their representative. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

**B. Litigation**

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the law director the resolution of these matters will not have a material adverse effect on the financial condition of the government.

**NOTE 18 - 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>	
General fund	\$ 194,495
Other governmental	<u>201,439</u>
Total	<u><u>\$ 395,934</u></u>



**Julian & Grube, Inc.**  
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**Independent Auditor's Report on Internal Control Over Financial Reporting and  
on Compliance and Other Matters Required by *Government Auditing Standards***

City of Tiffin  
Seneca County  
51 East Market Street  
Tiffin, Ohio 44883

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 Tiffin, Seneca County, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City of Tiffin's basic financial statements and have issued our report thereon dated June 12, 2014.

***Internal Control Over Financial Reporting***

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

***Compliance and Other Matters***

As part of reasonably assuring whether the City of Tiffin'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 Tiffin'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 Tiffin's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.  
June 12, 2014