



Dave Yost • Auditor of State

**CITY OF TIFFIN
SENECA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

City of Tiffin
Seneca County
53 East Market Street
Tiffin, Ohio 44883-2807

To the City Council:

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 (the City), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City'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'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'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,

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and the aggregate remaining fund information of the City of Tiffin, Seneca County, Ohio, as of December 31, 2015, 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.

Emphasis of Matter

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

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2016, on our consideration of the City'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's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

December 22, 2016

**CITY OF TIFFIN
SENECA COUNTY**

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

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, 2015. 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 2015 are as follows:

- The total net position of the City increased \$3,468,983. Net position of governmental activities increased \$1,127,167 or 5.21% from 2014 and net position of business-type activities increased \$2,341,816 or 11.02% from 2014.
- General revenues accounted for \$10,309,855 or 76.65% of total governmental activities revenue. Program specific revenues accounted for \$3,141,192 or 23.35% of total governmental activities revenue.
- The City had \$12,323,880 in expenses related to governmental activities; \$3,141,192 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$9,182,688 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$10,309,855.
- The City's major governmental funds are the general fund and the general capital improvement fund. The general fund had revenues of \$10,293,896. This represents a decrease of \$593,788 from 2014 revenues. The expenditures and other financing uses of the general fund, which totaled \$10,178,495 in 2015, increased \$205,564 from 2014. The net increase in fund balance for the general fund was \$110,604 or 2.73%.
- The general capital improvement fund had revenues and other financing sources of \$1,770,255 in 2015. This represents an increase of \$571,829 from 2014 revenues. The expenditures and other financing uses of the general capital improvement fund, which totaled \$1,713,739 in 2015, increased \$611,723 from 2014. The net increase in fund balance for the general capital improvement fund was \$56,516 or 16.66%.
- Net position for the business-type activities, which is made up of the sewer enterprise fund, increased in 2015 by \$2,341,816. 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 and other financing sources were \$134,152 less than in the final budget and actual expenditures and other financing uses were \$526,796 less than the amount in the final budget. These variances are the result of the City's conservative budgeting. Budgeted revenues increased \$861,938 from the original to the final budget. Budgeted expenditures and other financing uses increased \$566,087 from the original to the final budget due primarily to an increase in the cost of general government expenditures and transfers out.

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
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financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?" 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.

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
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
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Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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.

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.

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.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability.

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, 2015 and December 31, 2014. The net position at December 31, 2014 has been restated as described in Note 3.A.

**CITY OF TIFFIN
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
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	Net Position					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2015	Restated 2014	2015	Restated 2014	2015	Restated 2014
<u>Assets</u>						
Current and other assets	\$ 13,052,349	\$ 13,029,027	\$ 7,560,283	\$ 7,913,652	\$ 20,612,632	\$ 20,942,679
Capital assets, net	<u>24,679,766</u>	<u>23,682,088</u>	<u>26,639,873</u>	<u>24,672,502</u>	<u>51,319,639</u>	<u>48,354,590</u>
Total assets	<u>37,732,115</u>	<u>36,711,115</u>	<u>34,200,156</u>	<u>32,586,154</u>	<u>71,932,271</u>	<u>69,297,269</u>
<u>Deferred outflows of resources</u>						
Pension	<u>1,638,369</u>	<u>1,038,680</u>	<u>162,170</u>	<u>108,279</u>	<u>1,800,539</u>	<u>1,146,959</u>
<u>Liabilities</u>						
Other liabilities	577,441	629,358	337,225	394,034	914,666	1,023,392
Long-term liabilities:						
Due within one year	574,023	547,988	666,869	671,648	1,240,892	1,219,636
Net pension liability	11,798,403	11,159,983	882,680	862,744	12,681,083	12,022,727
Other amounts	<u>2,665,259</u>	<u>2,807,156</u>	<u>8,874,646</u>	<u>9,522,424</u>	<u>11,539,905</u>	<u>12,329,580</u>
Total liabilities	<u>15,615,126</u>	<u>15,144,485</u>	<u>10,761,420</u>	<u>11,450,850</u>	<u>26,376,546</u>	<u>26,595,335</u>
<u>Deferred Inflows of Resources</u>						
Property taxes and PILOTS	981,351	990,445	-	-	981,351	990,445
Pension	<u>31,975</u>	<u>-</u>	<u>15,507</u>	<u>-</u>	<u>47,482</u>	<u>-</u>
Total deferred inflows of resources	<u>1,013,326</u>	<u>990,445</u>	<u>15,507</u>	<u>-</u>	<u>1,028,833</u>	<u>990,445</u>
<u>Net Position</u>						
Net investment in capital assets	22,495,497	21,321,146	17,320,890	14,771,570	39,816,387	36,092,716
Restricted	2,637,393	2,454,105	-	-	2,637,393	2,454,105
Unrestricted (deficit)	<u>(2,390,858)</u>	<u>(2,160,386)</u>	<u>6,264,509</u>	<u>6,472,013</u>	<u>3,873,651</u>	<u>4,311,627</u>
Total net position	<u>\$ 22,742,032</u>	<u>\$ 21,614,865</u>	<u>\$ 23,585,399</u>	<u>\$ 21,243,583</u>	<u>\$ 46,327,431</u>	<u>\$ 42,858,448</u>

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

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

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

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

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

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

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

As a result of implementing GASB 68, the City is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, for governmental activities from \$31,736,168 to \$21,614,865 and business-type activities from \$21,998,048 to \$21,243,583.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2015, the City's assets and deferred outflows exceeded liabilities and deferred inflows by \$46,327,431. At year-end, net positions were \$22,742,032 and \$23,585,399 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 65.41% 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, 2015, was \$22,495,497 and \$17,320,890 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.

A portion of the City's net position, \$2,637,393 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 is a deficit of \$2,390,858.

**CITY OF TIFFIN
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
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The table below shows the changes in net position for 2015 and 2014. The net position at December 31, 2014 has been restated as described in Note 3.A.

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues:						
Charges for services	\$ 1,600,899	\$ 1,552,695	\$ 5,545,438	\$ 5,213,674	\$ 7,146,337	\$ 6,766,369
Operating grants and contributions	1,193,993	1,545,781	-	-	1,193,993	1,545,781
Capital grants and contributions	346,300	194,699	-	-	346,300	194,699
Total program revenues	<u>3,141,192</u>	<u>3,293,175</u>	<u>5,545,438</u>	<u>5,213,674</u>	<u>8,686,630</u>	<u>8,506,849</u>
General revenues:						
Property taxes	963,151	961,136	-	-	963,151	961,136
Income taxes	8,489,241	8,501,453	-	-	8,489,241	8,501,453
Payments in lieu of taxes	65,838	67,276	-	-	65,838	67,276
Unrestricted grants and entitlements	480,620	535,690	-	-	480,620	535,690
Contributions and donations	14,635	23,221	-	-	14,635	23,221
Investment earnings	18,496	15,841	16,877	17,576	35,373	33,417
Miscellaneous	277,874	367,563	40,280	43,723	318,154	411,286
Total general revenues	<u>10,309,855</u>	<u>10,472,180</u>	<u>57,157</u>	<u>61,299</u>	<u>10,367,012</u>	<u>10,533,479</u>
Total revenues	<u>13,451,047</u>	<u>13,765,355</u>	<u>5,602,595</u>	<u>5,274,973</u>	<u>19,053,642</u>	<u>19,040,328</u>
Expenses						
General government	2,752,764	2,557,926	-	-	2,752,764	2,557,926
Security of persons and property	7,251,042	6,707,083	-	-	7,251,042	6,707,083
Transportation	1,485,619	1,500,383	-	-	1,485,619	1,500,383
Community environment	194,861	349,989	-	-	194,861	349,989
Leisure time activity	474,649	415,049	-	-	474,649	415,049
Economic development	46,657	17,025	-	-	46,657	17,025
Urban redevelopment and housing	-	174,540	-	-	-	174,540
Other	2,600	1,267	-	-	2,600	1,267
Interest and fiscal charges	115,688	114,924	-	-	115,688	114,924
Sewer	-	-	3,260,779	3,265,097	3,260,779	3,265,097
Total expenses	<u>12,323,880</u>	<u>11,838,186</u>	<u>3,260,779</u>	<u>3,265,097</u>	<u>15,584,659</u>	<u>15,103,283</u>
Increase in net assets before transfers	1,127,167	1,927,169	2,341,816	2,009,876	3,468,983	3,937,045
Transfers	-	7,237	-	(7,237)	-	-
Change in net position	1,127,167	1,934,406	2,341,816	2,002,639	3,468,983	3,937,045
Net position at beginning of year (restated)	<u>21,614,865</u>	N/A	<u>21,243,583</u>	N/A	<u>42,858,448</u>	N/A
Net position at end of year	<u>\$ 22,742,032</u>	<u>\$ 21,614,865</u>	<u>\$ 23,585,399</u>	<u>\$ 21,243,583</u>	<u>\$ 46,327,431</u>	<u>\$ 42,858,448</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,146,959 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$1,269,790. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	Governmental Activities	Business-Type Activities
Total 2015 program expenses under GASB 68	\$ 12,323,880	\$ 3,260,779
Pension expense under GASB 68	(1,173,583)	(96,207)
2015 contractually required contributions	1,102,877	114,655
Adjusted 2015 program expenses	12,253,174	3,279,227
Total 2014 program expenses under GASB 27	11,838,186	3,265,097
Increase (decrease) in program expenses not related to pension	\$ 414,988	\$ 14,130

Governmental Activities

Governmental activities net position increased \$1,127,167 in 2015.

Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$7,251,042 of the total expenses of the City. These expenses were partially funded by \$630,827 in direct charges to users of the services and \$294,783 in operating grants and contributions. Transportation expenses totaled \$1,485,619. Transportation expenses were funded by \$48,421 in direct charges to users of the services, \$809,551 in operating grants and contributions and \$346,300 in capital grants and contributions.

The State and federal government contributed to the City a total of \$1,193,993 in operating grants and contributions and \$346,300 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$809,551 subsidized transportation programs, \$294,783 subsidized security of persons and property programs and \$42,747 subsidized general government programs.

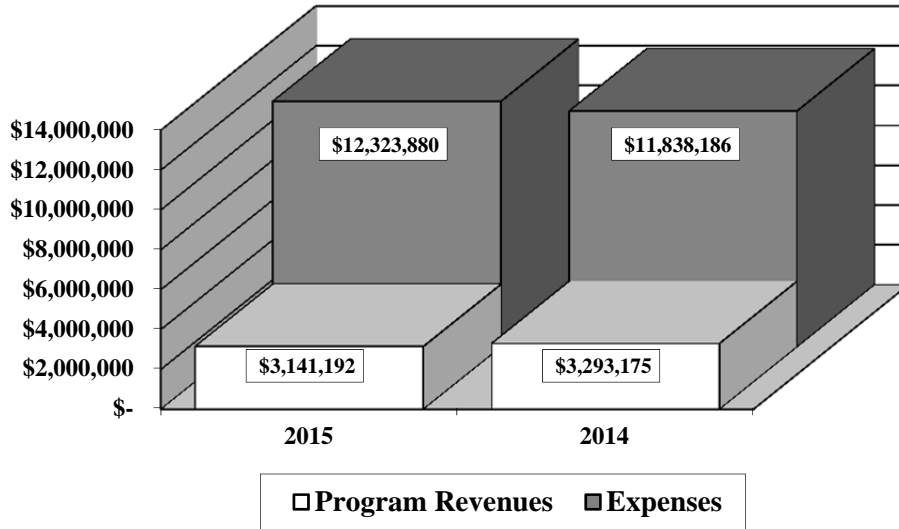
General revenues totaled \$10,309,855 and amounted to 76.65% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$9,452,392. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government revenue, making up \$480,620.

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.

**CITY OF TIFFIN
SENECA COUNTY**

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

Governmental Activities - Program Revenues vs. Total Expenses



Governmental Activities

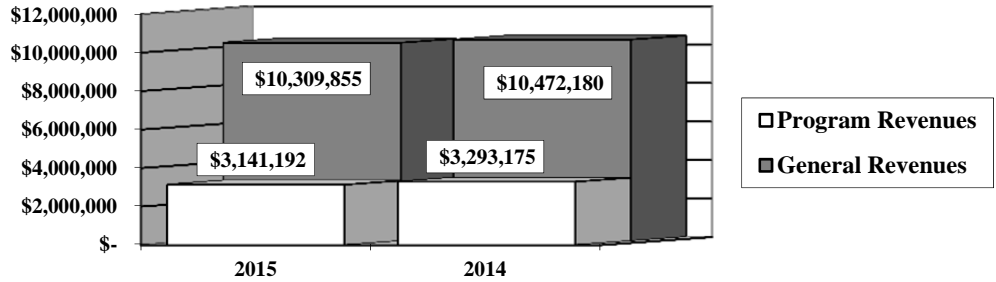
	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>	Total Cost of Services <u>2014</u>	Net Cost of Services <u>2014</u>
Program expenses:				
General government	\$ 2,752,764	\$ 1,831,357	\$ 2,557,926	\$ 1,720,040
Security of persons and property	7,251,042	6,325,432	6,707,083	5,927,269
Transportation	1,485,619	281,347	1,500,383	422,799
Community environment	194,861	171,941	349,989	6,409
Leisure time activity	474,649	407,969	415,049	339,430
Economic development	46,657	46,354	17,025	16,662
Urban redevelopment and housing	-	-	174,540	(3,789)
Other	2,600	2,600	1,267	1,267
Interest and fiscal charges	<u>115,688</u>	<u>115,688</u>	<u>114,924</u>	<u>114,924</u>
Total	<u>\$ 12,323,880</u>	<u>\$ 9,182,688</u>	<u>\$ 11,838,186</u>	<u>\$ 8,545,011</u>

The dependence upon general revenues for governmental activities is apparent, with 74.51% of expenses supported through taxes and other general revenues.

**CITY OF TIFFIN
SENECA COUNTY**

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

Governmental Activities - General and Program Revenues

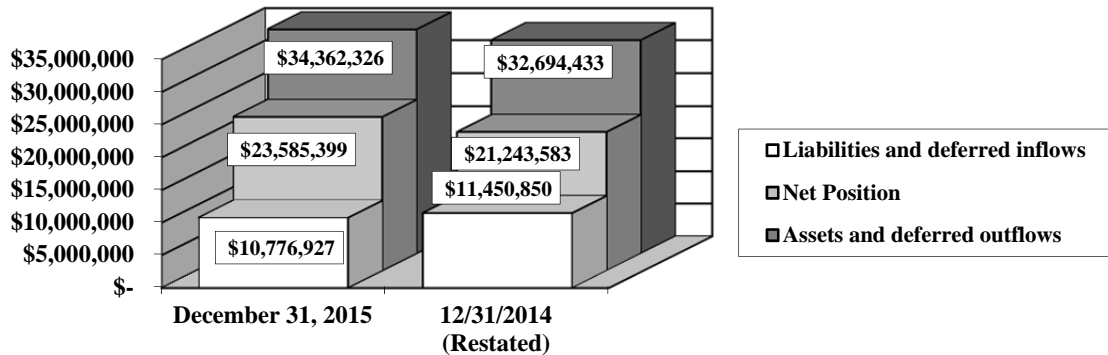


Business-type Activities

Business-type activities include the sewer enterprise fund. This program had program revenues of \$5,545,438, general revenues of \$57,157, and expenses of \$3,260,779 for 2015.

The graph below illustrates the City's business-type assets, liabilities, and net position at December 31, 2015 and December 31, 2014.

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,

**CITY OF TIFFIN
SENECA COUNTY**

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

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 reported a combined fund balance of \$7,944,449 which is \$600,202 more than last year's total of \$7,344,247. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2015 for all major and nonmajor governmental funds.

	<u>Fund Balances</u> <u>12/31/15</u>	<u>Fund Balances</u> <u>12/31/14</u>	<u>Increase</u>
Major fund:			
General	\$ 4,159,220	\$ 4,048,616	\$ 110,604
General capital improvement	395,841	339,325	56,516
Other nonmajor governmental funds	<u>3,389,388</u>	<u>2,956,306</u>	<u>433,082</u>
Total	<u>\$ 7,944,449</u>	<u>\$ 7,344,247</u>	<u>\$ 600,202</u>

General Fund

The City's general fund balance increased \$110,604. The table that follows assists in illustrating the revenues of the general fund.

	<u>2015</u> <u>Amount</u>	<u>2014</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 8,407,048	\$ 8,987,793	(6.46) %
Charges for services	524,751	520,263	0.86 %
Licenses and permits	42,594	43,738	(2.62) %
Fines and forfeitures	542,663	499,238	8.70 %
Investment income	18,058	15,135	19.31 %
Intergovernmental	495,473	477,468	3.77 %
Other	<u>263,309</u>	<u>344,039</u>	(23.47) %
Total	<u>\$ 10,293,896</u>	<u>\$ 10,887,674</u>	(5.45) %

Tax revenue represents 81.67% of all general fund revenue. Fines and forfeitures increased 8.70% due primarily to an increase in revenues from court costs. Other revenues decreased 23.47% primarily due to a decrease in refunds and reimbursements received during 2014. All other revenue remained comparable to 2014.

During 2015, 10% of the net income tax revenues are posted in the General Capital Improvement Fund and 4.5% in the Park Fund; in the amounts of \$932,013 and \$375,655, respectively; making a total of \$8,886,962 of total income tax revenues. Tax revenue increased from 2014 by \$722,722 due to lower unemployment.

**CITY OF TIFFIN
SENECA COUNTY**

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

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

	<u>2015</u> <u>Amount</u>	<u>2014</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
General government	\$ 2,428,562	\$ 2,289,723	6.06 %
Security of persons and property	6,382,847	6,017,069	6.08 %
Community environment	<u>176,790</u>	<u>160,100</u>	10.42 %
Total	<u>\$ 8,988,199</u>	<u>\$ 8,466,892</u>	6.16 %

General government expenditures increased 6.06% due to increased costs associated with the City's Downtown Façade Grant. Security of persons and property increased 6.08% in 2014. This increase was primarily due to an increase in full time wages and benefits for police and police dispatchers. All other expenditures remained comparable to 2014.

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 and other financing sources were \$134,152 less than in the final budget and actual expenditures and other financing uses were \$526,796 less than the amount in the final budget. These variances are the result of the City's conservative budgeting. Budgeted revenues and other financing sources increased \$861,938 from the original to the final budget. Budgeted expenditures and other financing uses increased \$566,087 from the original to the final budget due primarily to an increase in general government expenditures.

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 2015, the City had \$51,319,639 (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, \$24,679,766 was reported in governmental activities and \$26,639,873 was reported in business-type activities. The following table shows 2015 balances compared to 2014:

**CITY OF TIFFIN
SENECA COUNTY**

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

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 3,310,858	\$ 3,313,492	\$ 241,940	\$ 241,940	\$ 3,552,798	\$ 3,555,432
Buildings and improvements	2,307,583	2,315,992	5,132,715	2,673,761	7,440,298	4,989,753
Machinery & equipment	1,226,788	1,168,219	170,281	191,412	1,397,069	1,359,631
Furniture & fixtures	164,264	156,798	4,814	5,895	169,078	162,693
Vehicles	1,108,472	923,430	336,997	385,219	1,445,469	1,308,649
Infrastructure	16,084,200	15,478,004	20,469,355	21,005,135	36,553,555	36,483,139
Construction in progress	<u>477,601</u>	<u>326,153</u>	<u>283,771</u>	<u>169,140</u>	<u>761,372</u>	<u>495,293</u>
Totals	<u>\$ 24,679,766</u>	<u>\$ 23,682,088</u>	<u>\$ 26,639,873</u>	<u>\$ 24,672,502</u>	<u>\$ 51,319,639</u>	<u>\$ 48,354,590</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 65.17% of the City's total governmental capital assets.

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 76.84% of the City's total business-type capital assets.

Debt Administration

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

Governmental Activities		
	<u>2015</u>	<u>2014</u>
General obligation bonds	\$ 1,966,511	\$ 2,063,308
Capital lease payable	72,758	107,634
Special assessment bonds	<u>145,000</u>	<u>190,000</u>
Total long-term obligations	<u>\$ 2,184,269</u>	<u>\$ 2,360,942</u>
Business-type Activities		
	<u>2015</u>	<u>2014</u>
General obligation bonds	\$ 7,990,280	\$ 8,480,633
Capital lease payable	72,759	107,634
OWDA loan	<u>1,255,944</u>	<u>1,312,665</u>
Total long-term obligations	<u>\$ 9,318,983</u>	<u>\$ 9,900,932</u>

**CITY OF TIFFIN
SENECA COUNTY**

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

Economic Outlook

The economic outlook for the City of Tiffin continues to be very strong, and the larger high-level historic trends for the Tiffin micropolitan statistical area (msa) continue to be very positive. For the fifth year in a row, the Tiffin msa has made the top 100 (out of 600 nationally) for large economic development projects, according to Site Selection. Four of those years, including 2015, have Tiffin in the top ten percent. Unemployment, which was at a peak of 12.7 percent in 2009 (annual average), declined to 5.5 percent in 2014 and 4.8 percent last year – the second lowest rate in the last 40 years (4.5 percent in 2000). The labor force also increased in size for the first time in more than ten years, another good sign. There has only been one mass layoff (PCCW, 128 employees, 2012) reported in the city since the closing of American Standard in 2007.

The economy continues to be diverse, stable and growing. Manufacturing continues to be the largest single sector in the area, with 25 percent of the employment, which is 2.4 times the national average. Half of that employment is made up by two subsectors – industrial machinery and equipment, and transportation equipment. Cold forging equipment producer National Machinery (#1 with 493 employees) and industrial conveyor chain maker Webster Industries (#5 with 275 employees) are two of the top ten for profit employers, and both either celebrated or will be shortly celebrating their 140th year anniversary. National Machinery expanded in 2014 with a \$7 million investment, and Webster Industries announced expansions in 2012 and 2015, with total investment of \$11 million. More than 100 new jobs were created and both companies continue to be strong. In the transportation segment, plastic parts maker Toledo Molding & Die (#2 with 460 employees), bearing and bushing manufacturer Taiho Corporation (#7 with 177 employees), and valve seat and engine part producer American Fine Sinter (#9 with 153 employees) are in the list of top ten for profit employers, and over the last four years, they have invested more than \$54 million and hired more than 220 additional workers. Taiho's \$8 million expansion in 2015 was the most recent project.

Education continues also to demonstrate growth. Tiffin is one of about three cities in the U.S. under 20,000 in population with two colleges, and the traditional liberal arts focused Heidelberg University and professionally focused Tiffin University (TU) continue to perform well and rank in the top ten public/non profit employers (more than 500 employees total). In 2015, Heidelberg was named in the Top Tier (25%) of Midwestern universities by U.S. News & World Report, and TU was ranked one of the ten best small town colleges in the country. Within the last five years, both have invested more than \$50 million, with Heidelberg cutting the ribbon on a new animal laboratory in 2015, following on the heels of a new \$5.1 million stadium the year before. TU dedicated a \$2.6 million academic support center in 2015 and is about to open its new \$3 million Marion Center with performing arts space, new bookstore and restaurant, as well as office space before the end of the month. Both universities continue to see solid numbers, with more than 4,000 enrolled between them. Tiffin is also home to a regional educational service center serving more than 20 Ohio districts with special education, gifted, technology and distance learning services and which continues to employ more than 300. Lastly, the Tiffin City School District serves more than 2,800 students, continues to win national and state awards, and boasts a 90 percent four-year graduation rate, higher than the 82 percent state average. Tiffin City Schools are also renovating a vacant elementary school with plans to reoccupy it.

Healthcare is also a strong industry, and skilled nursing and assisted living is a particularly stable and growing subsector, with about 7.9 percent of the employment in the micropolitan area. Mercy Health, the largest health system in Ohio with \$6 billion in assets and 31,000 employees, built a new \$60 million hospital in 2007 and medical office building in 2008 that continues to enjoy strong activity (4,000 surgeries and 17,000 patients per year). Last year, a new \$9 million rehabilitation and memory care facility was dedicated on the campus, creating 55 new jobs. St. Francis Senior Ministries, a 60-acre complex with long-term care, assisted, and independent living, also remains a top-ten public/nonprofit employer with 250 associates.

Distribution also made its mark last year as Seneca Medical, a regional distributor of medical supplies with operations around the country, merged with two other Midwestern companies to create Concordance Healthcare Solutions, a \$1.1 billion distribution giant. Not only will they maintain their Tiffin presence (220 employees) Seneca

**CITY OF TIFFIN
SENECA COUNTY**

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

Medical's president and chief executive officer will be one of the co-presidents, and many of the headquarter functions will be located here.

Strong commercial development also continues to play an important role in Tiffin's growth. Since the beginning of 2014, several local, regional, and national brands have either opened their doors or announced their intentions to come to Tiffin. These include Chipotle, Buffalo Wild Wings, Dunkin' Donuts, Domino's Pizza, Jimmy John's, O'Reilly Auto Parts, Mr. Hero, Pat Catan's, Mickey Mart, and Superior Auto; altogether more than 50 new retail businesses have opened in Tiffin in the past two years. In addition, a new \$1.1 million strip center will be completed this year, with room for two additional tenants, and another center in front of the Tiffin Mall is also under construction, with additional space for another tenant.

The current pipeline of future economic development projects is robust and diverse, and there is no signs that growth will subside and/or the very positive economic climate will weaken.

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 44883-2807 or e-mail at greinhart@tiffinohio.gov or telephone at (419) 448-5403.

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 7,131,265	\$ 5,884,758	\$ 13,016,023
Receivables:			
Income taxes	2,006,476	-	2,006,476
Real and other taxes	983,590	-	983,590
Payment in lieu of taxes	68,592	-	68,592
Accounts	185,563	1,610,926	1,796,489
Special assessments	215,384	-	215,384
Accrued interest	2,738	-	2,738
Due from other governments	717,467	-	717,467
Loans receivable	94,035	-	94,035
Materials and supplies inventory	131,136	37,070	168,206
Prepayments	82,729	27,529	110,258
Investment in joint venture	1,433,374	-	1,433,374
Capital assets:			
Land and construction in progress	3,788,459	525,711	4,314,170
Depreciable capital assets, net	20,891,307	26,114,162	47,005,469
Total capital assets, net	<u>24,679,766</u>	<u>26,639,873</u>	<u>51,319,639</u>
Total assets	<u>37,732,115</u>	<u>34,200,156</u>	<u>71,932,271</u>
Deferred outflows of resources:			
Pension OP&F	1,303,972	-	1,303,972
Pension OPERS.	334,397	162,170	496,567
Total deferred outflows of resources	<u>1,638,369</u>	<u>162,170</u>	<u>1,800,539</u>
Total assets and deferred outflows of resources	<u>39,370,484</u>	<u>34,362,326</u>	<u>73,732,810</u>
Liabilities:			
Accounts payable	140,028	85,493	225,521
Contracts payable	-	165,059	165,059
Accrued wages and benefits payable	210,330	34,529	244,859
Due to other governments	219,415	24,575	243,990
Accrued interest payable	7,668	27,569	35,237
Long-term liabilities:			
Due within one year	574,023	666,869	1,240,892
Due in more than one year:			
Net pension liability	11,798,403	882,680	12,681,083
Other amounts due in more than one year	2,665,259	8,874,646	11,539,905
Total liabilities	<u>15,615,126</u>	<u>10,761,420</u>	<u>26,376,546</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year	912,759	-	912,759
Pension OPERS.	31,975	15,507	47,482
Payment in lieu of taxes levied for the next year	68,592	-	68,592
Total deferred inflows of resources	<u>1,013,326</u>	<u>15,507</u>	<u>1,028,833</u>
Total liabilities and deferred inflows of resources.	<u>16,628,452</u>	<u>10,776,927</u>	<u>27,405,379</u>
Net position:			
Net investment in capital assets	22,495,497	17,320,890	39,816,387
Restricted for:			
Debt service	160,452	-	160,452
Capital projects	395,841	-	395,841
Transportation projects	492,366	-	492,366
Municipal court	942,268	-	942,268
Security of persons and property	285,346	-	285,346
Community environment	166,968	-	166,968
Economic development and assistance	98,611	-	98,611
Urban redevelopment	51,370	-	51,370
Permanent fund: expendable	2,766	-	2,766
Permanent fund: nonexpendable	25,000	-	25,000
Other purposes	16,405	-	16,405
Unrestricted (deficit)	<u>(2,390,858)</u>	<u>6,264,509</u>	<u>3,873,651</u>
Total net position	<u>\$ 22,742,032</u>	<u>\$ 23,585,399</u>	<u>\$ 46,327,431</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<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>
Governmental activities:				
General government	\$ 2,752,764	\$ 878,660	\$ 42,747	\$ -
Security of persons and property	7,251,042	630,827	294,783	-
Transportation	1,485,619	48,421	809,551	346,300
Community environment	194,861	9,802	13,118	-
Leisure time activity	474,649	33,189	33,491	-
Economic development and assistance	46,657	-	303	-
Other	2,600	-	-	-
Interest and fiscal charges	115,688	-	-	-
Total governmental activities	<u>12,323,880</u>	<u>1,600,899</u>	<u>1,193,993</u>	<u>346,300</u>
Business-type activities:				
Sewer	<u>3,260,779</u>	<u>5,545,438</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 15,584,659</u>	<u>\$ 7,146,337</u>	<u>\$ 1,193,993</u>	<u>\$ 346,300</u>

General revenues:

Property taxes levied for:

- General purposes
 - Police pension
 - Fire pension
- Income taxes levied for:
- General purposes
 - Capital Improvements
 - Payments in lieu of taxes
 - Grants and entitlements not restricted to specific programs
 - Contributions and donations
 - Refunds and reimbursements
 - Investment earnings
 - Miscellaneous

Total general revenues

Change in net position

Net position at beginning of year (restated)

Net position at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Governmental Activities	Business-type Activities	Total
\$ (1,831,357)	\$ -	\$ (1,831,357)
(6,325,432)	-	(6,325,432)
(281,347)	-	(281,347)
(171,941)	-	(171,941)
(407,969)	-	(407,969)
(46,354)	-	(46,354)
(2,600)	-	(2,600)
(115,688)	-	(115,688)
<u>(9,182,688)</u>	<u>-</u>	<u>(9,182,688)</u>
-	2,284,659	2,284,659
<u>(9,182,688)</u>	<u>2,284,659</u>	<u>(6,898,029)</u>
828,963	-	828,963
67,094	-	67,094
67,094	-	67,094
7,597,000	-	7,597,000
892,241	-	892,241
65,838	-	65,838
480,620	-	480,620
14,635	-	14,635
236,681	-	236,681
18,496	16,877	35,373
41,193	40,280	81,473
<u>10,309,855</u>	<u>57,157</u>	<u>10,367,012</u>
1,127,167	2,341,816	3,468,983
<u>21,614,865</u>	<u>21,243,583</u>	<u>42,858,448</u>
<u>\$ 22,742,032</u>	<u>\$ 23,585,399</u>	<u>\$ 46,327,431</u>

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	<u>General</u>	<u>General Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents . . .	\$ 3,545,355	\$ 298,610	\$ 3,287,300	\$ 7,131,265
Receivables:				
Income taxes	1,805,828	200,648	-	2,006,476
Real and other taxes	840,064	-	143,526	983,590
Payment in lieu of taxes	-	-	68,592	68,592
Accounts	164,390	-	21,173	185,563
Accrued interest	2,738	-	-	2,738
Special assessments	-	-	215,384	215,384
Due from other governments	319,052	-	398,415	717,467
Interfund loans	49,900	-	-	49,900
Loans receivable	-	-	94,035	94,035
Prepayments	64,650	1,589	16,490	82,729
Materials and supplies inventory	17,383	-	113,753	131,136
Total assets	<u>\$ 6,809,360</u>	<u>\$ 500,847</u>	<u>\$ 4,358,668</u>	<u>\$ 11,668,875</u>
Liabilities:				
Accounts payable	\$ 59,951	\$ 1,582	\$ 78,495	\$ 140,028
Accrued wages and benefits payable	180,512	-	29,818	210,330
Compensated absences payable	53,624	-	-	53,624
Interfund loans payable	-	-	49,900	49,900
Due to other governments	168,369	-	51,046	219,415
Total liabilities	<u>462,456</u>	<u>1,582</u>	<u>209,259</u>	<u>673,297</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year . .	778,233	-	134,526	912,759
Delinquent property tax revenue not available . .	52,068	-	9,000	61,068
Accrued interest not available	1,557	-	-	1,557
Special assessments revenue not available	-	-	215,384	215,384
Miscellaneous revenue not available	242,591	-	15,446	258,037
Income tax revenue not available	930,812	103,424	-	1,034,236
Nonexchange transactions	182,423	-	317,073	499,496
Payment in lieu of taxes levied for the next year	-	-	68,592	68,592
Total deferred inflows of resources	<u>2,187,684</u>	<u>103,424</u>	<u>760,021</u>	<u>3,051,129</u>
Total liabilities and deferred inflows of resources.	<u>2,650,140</u>	<u>105,006</u>	<u>969,280</u>	<u>3,724,426</u>
Fund balances:				
Nonspendable	82,033	1,589	130,243	213,865
Restricted	-	394,252	2,211,349	2,605,601
Committed	456,907	-	1,134,631	1,591,538
Assigned	2,398,701	-	-	2,398,701
Unassigned (deficit)	1,221,579	-	(86,835)	1,134,744
Total fund balances	<u>4,159,220</u>	<u>395,841</u>	<u>3,389,388</u>	<u>7,944,449</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,809,360</u>	<u>\$ 500,847</u>	<u>\$ 4,358,668</u>	<u>\$ 11,668,875</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2015

Total governmental fund balances	\$	7,944,449
<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.		24,679,766
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	\$ 61,068	
Income taxes receivable	1,034,236	
Accounts receivable	148,321	
Intergovernmental receivable	609,212	
Special assessments receivable	215,384	
Accrued interest receivable	1,557	
Total	2,069,778	2,069,778
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.		1,433,374
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(7,668)
Unamortized premiums on bond issuance are not recognized in governmental funds.		(36,511)
The net pension liability is not available to pay for current period expenditures and is not due and payable in the current period, respectively; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		
Deferred outflows of resources	1,638,369	
Deferred inflows of resources	(31,975)	
Net pension liability	(11,798,403)	
Total	(10,192,009)	(10,192,009)
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	(1,001,389)	
Capital lease payable	(72,758)	
General obligation bonds payable	(1,930,000)	
Special assessment bonds	(145,000)	
Total	(3,149,147)	(3,149,147)
Net position of governmental activities	\$	22,742,032

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

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

	<u>General</u>	<u>General Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Municipal income taxes	\$ 7,579,294	\$ 932,013	\$ 375,655	\$ 8,886,962
Real and other taxes.	827,754	-	133,978	961,732
Charges for services.	524,751	-	34,444	559,195
Licenses and permits	42,594	-	-	42,594
Fines and forfeitures	542,663	-	315,328	857,991
Intergovernmental.	495,473	-	1,326,007	1,821,480
Special assessments	-	-	72,033	72,033
Investment income.	18,058	-	1,602	19,660
Refunds and reimbursements	148,876	-	32,433	181,309
Contributions and donations.	14,635	274,069	27,007	315,711
Payments in lieu of taxes	-	-	65,759	65,759
Other	99,798	8,491	65,882	174,171
Total revenues	<u>10,293,896</u>	<u>1,214,573</u>	<u>2,450,128</u>	<u>13,958,597</u>
Expenditures:				
Current:				
General government	2,428,562	-	297,860	2,726,422
Security of persons and property	6,382,847	(37,940)	533,923	6,878,830
Transportation	-	-	988,059	988,059
Community environment	176,790	-	17,218	194,008
Leisure time activity	-	-	414,886	414,886
Economic development and assistance	-	-	46,657	46,657
Other	-	-	2,600	2,600
Capital outlay	-	1,581,528	258,285	1,839,813
Debt service:				
Principal retirement.	-	34,876	140,000	174,876
Interest and fiscal charges	-	3,064	114,809	117,873
Total expenditures	<u>8,988,199</u>	<u>1,581,528</u>	<u>2,814,297</u>	<u>13,384,024</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>1,305,697</u>	<u>(366,955)</u>	<u>(364,169)</u>	<u>574,573</u>
Other financing sources (uses):				
Sale of capital assets.	-	15,682	515	16,197
Transfers in	-	540,000	863,810	1,403,810
Transfers (out).	(1,190,296)	(132,211)	(81,303)	(1,403,810)
Total other financing sources (uses)	<u>(1,190,296)</u>	<u>423,471</u>	<u>783,022</u>	<u>16,197</u>
Net change in fund balances	115,401	56,516	418,853	590,770
Fund balances at beginning of year	4,048,616	339,325	2,956,306	7,344,247
Increase in reserve for inventory	(4,797)	-	14,229	9,432
Fund balances at end of year	<u>\$ 4,159,220</u>	<u>\$ 395,841</u>	<u>\$ 3,389,388</u>	<u>\$ 7,944,449</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF TIFFIN
SENECA COUNTY, 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, 2015

Net change in fund balances - total governmental funds	\$	590,770
<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	\$ 2,158,119	
Current year depreciation	<u>(1,109,940)</u>	
Total		1,048,179
The net effect of various miscellaneous transactions involving capital assets is to decrease net position. The City recorded (\$50,501) related to disposals		
		(50,501)
Governmental funds report expenditures for inventory when purchased. However in the statement of activities, they are reported as an expense when consumed.		
		9,432
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Municipal income taxes	(397,721)	
Real and other taxes	1,419	
Charges for services	8,513	
Intergovernmental	(134,572)	
Special assessments	(32,292)	
Investment income	438	
Other	<u>(2,032)</u>	
Total		(556,247)
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.		
		32,500
Repayment of bond principal and capital lease obligations are an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		174,876
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	388	
Amortization of bond premiums	<u>1,797</u>	
Total		2,185
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amount as deferred outflows.		
		1,102,877
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities		
		(1,173,583)
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>(53,321)</u>
Change in net position of governmental activities	\$	<u>1,127,167</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF TIFFIN
SENECA COUNTY, 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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Municipal income taxes	\$ 6,720,556	\$ 7,399,556	\$ 7,276,875	\$ (122,681)
Real and other taxes.	828,695	818,695	817,991	(704)
Charges for services.	548,300	529,300	524,734	(4,566)
Licenses and permits	42,850	42,850	42,759	(91)
Fines and forfeitures	432,600	556,600	556,032	(568)
Intergovernmental.	464,575	497,013	506,475	9,462
Investment income.	12,000	18,000	18,059	59
Refunds and reimbursements	153,050	151,550	148,876	(2,674)
Contributions and donations	9,000	26,000	14,635	(11,365)
Other	7,400	1,400	376	(1,024)
Total revenues	<u>9,219,026</u>	<u>10,040,964</u>	<u>9,906,812</u>	<u>(134,152)</u>
Expenditures:				
Current:				
General government	3,007,097	2,859,906	2,641,994	217,912
Security of persons and property	6,832,960	6,848,042	6,606,558	241,484
Community environment	245,257	198,257	185,408	12,849
Total expenditures	<u>10,085,314</u>	<u>9,906,205</u>	<u>9,433,960</u>	<u>472,245</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(866,288)</u>	<u>134,759</u>	<u>472,852</u>	<u>338,093</u>
Other financing sources (uses):				
Advances in and not repaid	-	40,000	40,000	-
Advances (out) and not repaid	-	(49,900)	(49,900)	-
Transfers (out).	(549,551)	(1,244,847)	(1,190,296)	54,551
Total other financing sources (uses)	<u>(549,551)</u>	<u>(1,254,747)</u>	<u>(1,200,196)</u>	<u>54,551</u>
Net change in fund balance	(1,415,839)	(1,119,988)	(727,344)	392,644
Fund balance at beginning of year	3,274,887	3,274,887	3,274,887	-
Prior year encumbrances appropriated	479,922	479,922	479,922	-
Fund balance at end of year	<u>\$ 2,338,970</u>	<u>\$ 2,634,821</u>	<u>\$ 3,027,465</u>	<u>\$ 392,644</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2015

	<u>Business-type Activities Enterprise Fund</u>
	<u>Sewer</u>
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents . . .	\$ 5,884,758
Receivables:	
Accounts	1,610,926
Prepayments	27,529
Materials and supplies inventory	37,070
Total current assets	<u>7,560,283</u>
Noncurrent assets:	
Capital assets:	
Land and construction in progress	525,711
Depreciable capital assets, net.	26,114,162
Total capital assets, net.	<u>26,639,873</u>
Total noncurrent assets	<u>26,639,873</u>
Total assets	<u>34,200,156</u>
Deferred outflows of resources:	
Pension OPERS.	<u>162,170</u>
Total assets and deferred outflows of resources .	<u>34,362,326</u>
Liabilities:	
Current liabilities:	
Accounts payable	85,493
Contracts payable	165,059
Accrued wages and benefits payable	34,529
Due to other governments	24,575
Accrued interest payable	27,569
Compensated absences payable - current.	77,651
General obligation bonds payable	495,000
OWDA loans payable	58,349
Capital lease obligations payable	35,869
Total current liabilities	<u>1,004,094</u>
Long-term liabilities:	
Compensated absences payable	144,881
Unamortized premium on bonds.	95,280
General obligation bonds payable	7,400,000
OWDA loans payable	1,197,595
Capital lease obligations payable	36,890
Net pension liability	882,680
Total long-term liabilities	<u>9,757,326</u>
Total liabilities	<u>10,761,420</u>
Deferred inflows of resources:	
Pension OPERS.	<u>15,507</u>
Total liabilities and deferred inflows of resources.	<u>10,776,927</u>
Net position:	
Net investment in capital assets.	17,320,890
Unrestricted	6,264,509
Total net position.	<u>\$ 23,585,399</u>

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-type Activities Enterprise Fund
	Sewer
Operating revenues:	
Tap-in fees.	\$ 650
Charges for services	5,544,788
Other operating revenues	12,627
Total operating revenues.	5,558,065
 Operating expenses:	
Personal services	1,296,078
Contract services.	440,414
Materials and supplies.	140,402
Utilities	208,818
Depreciation.	754,648
Other	39,417
Total operating expenses.	2,879,777
 Operating income	2,678,288
 Nonoperating revenues (expenses):	
Interest and fiscal charges	(380,360)
Loss on sale of capital assets	(642)
Special assessments	27,653
Interest income.	16,877
Total nonoperating revenues (expenses).	(336,472)
 Change in net position	2,341,816
 Net position at beginning of year (restated) .	21,243,583
 Net position at end of year	\$ 23,585,399

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-type Activities Enterprise Fund
	Sewer
Cash flows from operating activities:	
Cash received from tap in fees	\$ 650
Cash received from charges for services.	5,343,559
Cash received from other operations	12,656
Cash payments for personal services.	(1,390,625)
Cash payments for contractual services	(417,053)
Cash payments for materials and supplies	(147,471)
Cash payments for utilities.	(213,916)
Cash payments for other expenses	(40,318)
	3,147,482
 Cash flows from noncapital financing activities:	
Cash received from special assessments	27,653
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(2,797,551)
Principal retirement on OWDA loans	(56,721)
Principal retirement on capital lease	(34,875)
Principal retirement on general obligation bonds.	(485,000)
Interest paid	(387,060)
	(3,761,207)
 Cash flows from investing activities:	
Interest received	16,878
Net decrease in cash and cash equivalents	(569,194)
 Cash and cash equivalents at beginning of year	6,453,952
Cash and cash equivalents at end of year	\$ 5,884,758

- (Continued)

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-type Activities Enterprise Fund
	Sewer
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 2,678,288
Adjustments:	
Depreciation.	754,648
Changes in assets and liabilities:	
(Increase) in materials and supplies inventory	(10,513)
(Increase) in accounts receivable	(201,199)
(Increase) in prepayments	(4,113)
(Increase) in deferred outflows-pension-OPERS	(53,891)
Increase in accounts payable	25,169
(Decrease) in contracts payable.	(53,208)
Increase in accrued wages and benefits	3,928
(Decrease) in intergovernmental payable	(9,669)
(Decrease) in compensated absences payable	(17,401)
Increase in net pension liability	19,936
Increase in deferred inflows-pension-OPERS	15,507
	15,507
Net cash provided by operating activities	\$ 3,147,482

Noncash transactions:

At December 31, 2015 and 2014, the sewer fund purchased \$165,059 and \$239,949, respectively, on account.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

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

	Agency
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 2,842
Cash and cash equivalents in segregated accounts . . .	280,443
Receivables:	
Accounts	2,080
Total assets	\$ 285,365
 Liabilities:	
Intergovernmental payable.	\$ 2,080
Undistributed monies	283,285
Total liabilities	\$ 285,365

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF TIFFIN
SENECA COUNTY**

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

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**

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

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 \$1,433,374 at December 31, 2015. 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**

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

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 detailed 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**

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

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 are the City's major governmental funds:

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

General capital improvement fund - This fund is used to account for the acquisition and construction of major capital improvements and facilities other than those financed by proprietary fund types.

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, unclaimed money, fire claims escrow, payroll income tax and employee withholding for health insurance.

**CITY OF TIFFIN
SENECA COUNTY**

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

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**

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

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 Outflows of Resources and Deferred Inflows of Resources

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

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

**CITY OF TIFFIN
SENECA COUNTY**

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

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

For the City unavailable revenue includes, but is not limited to, delinquent property taxes, accrued interest, special assessments, income taxes, miscellaneous revenue, and nonexchange transactions. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

The City also reports deferred inflow of resources for the following item related to the City's net pension liability: differences between expected and actual experience. These deferred inflows of resources are only reported on the government-wide statement of net position.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

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 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 2015.

**CITY OF TIFFIN
SENECA COUNTY**

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

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

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.

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 2015, investments were limited to nonnegotiable certificates of deposit. Nonparticipating investment contracts, such as 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 2015 amounted to \$18,058, which included \$8,171 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.

**CITY OF TIFFIN
SENECA COUNTY**

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

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

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.

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, 2015, 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	20 - 40 years	20 - 80 years
Machinery & Equipment	5-20 years	5 - 20 years
Furniture & Fixtures	5-15 years	8 - 10 years
Vehicles	3 - 30 years	5 - 15 years
Infrastructure	10 - 50 years	40 - 60 years

**CITY OF TIFFIN
SENECA COUNTY**

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

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, 2015, 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**

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

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**

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

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 government-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 2015.

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.

S. Pensions

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

**CITY OF TIFFIN
SENECA COUNTY**

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Net Position

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

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the City's pension plan disclosures, as presented in Note 14 to the financial statements, and added required supplementary information which is presented after the notes to the basic financial statements.

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

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

	Governmental Activities	Business-Type Activities
Net position as previously reported	\$ 31,736,168	\$ 21,998,048
Deferred outflows - payments subsequent to measurement date	1,038,680	108,279
Net pension liability	(11,159,983)	(862,744)
Restated net position at January 1, 2015	\$ 21,614,865	\$ 21,243,583

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

B. Deficit Fund Balances

Fund balances at December 31, 2015 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
CDBG discretionary fund	\$ 13,118
Traffic enhancement grant	900
Fire SAFER grant	58,466
2010 South Shaffer Park Drive bond	14,351

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

**CITY OF TIFFIN
SENECA COUNTY**

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

**CITY OF TIFFIN
SENECA COUNTY**

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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.

A. Cash on Hand

At year end, the City had \$1,090 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

The City has deposits with financial institutions for monies related to the Municipal Court which are reported in an agency fund. The carrying amount of these deposits was \$280,443, which is not included in the City's depository balance detailed in Note 4.C. However, these deposits are included in the City's calculation of custodial risk.

C. Deposits with Financial Institutions

At December 31, 2015, the carrying amount of all City deposits was \$13,017,775. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2015, \$12,801,197 of the City's bank balance of \$13,582,642 was exposed to custodial risk as discussed below, while \$781,445 was covered by the FDIC.

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

**CITY OF TIFFIN
SENECA COUNTY**

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Reconciliation of Cash to the Statement of Net Position

The following is a reconciliation of cash as reported in the note above to cash as reported on the statement of net position as of December 31, 2015:

<u>Cash per note</u>	
Carrying amount of deposits	\$ 13,017,775
Cash on hand	1,090
Cash in segregated accounts	<u>280,443</u>
Total	<u>\$ 13,299,308</u>
 <u>Cash per statement of net position</u>	
Governmental activities	\$ 7,131,265
Business-type activities	5,884,758
Agency funds	<u>283,285</u>
Total	<u>\$ 13,299,308</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund transfers for the year ended December 31, 2015, consisted of the following, as reported on the fund financial statements:

<u>Transfers to general capital improvement fund from:</u>	
General fund	\$ 540,000
<u>Transfers to nonmajor governmental funds from:</u>	
General fund	650,296
General capital improvement fund	132,211
Nonmajor governmental funds	<u>81,303</u>
Total	<u>\$ 1,403,810</u>

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.

- B.** Interfund loans consisted of the following at December 31, 2015, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 49,900</u>

The interfund loan balances result from resources provided by the receivable fund to the payable fund to provide cash flow resources until anticipated revenues are received. Interfund loans payable/receivable between governmental funds are eliminated on the government-wide financial statements.

**CITY OF TIFFIN
SENECA COUNTY**

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

NOTE 6 - PROPERTY TAXES

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2015 public utility property taxes became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of 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, 2015 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 2015 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, 2015 was \$4.10 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2015 property tax receipts were based are as follows:

Real property

Residential/agricultural	\$ 177,596,590
Commercial/industrial/mineral	58,722,200

Public utility

Real	42,570
Personal property	<u>18,607,200</u>

Total assessed value	<u><u>\$ 254,968,560</u></u>
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**CITY OF TIFFIN
SENECA COUNTY**

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

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 allocates ten percent of the income tax revenues (net of refunds) to be used to finance governmental type capital improvements and 4.5 percent to be used for parks. As a result, these portions of the revenue are shown as income tax revenues in the capital improvement fund and park fund. 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.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2015, 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, 2015.

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

Governmental activities:

Income taxes	\$ 2,006,476
Real and other taxes	983,590
Payments in lieu of taxes	68,592
Accounts	185,563
Accrued interest	2,738
Special assessments	215,384
Due from other governments	717,467
Loans	94,035

Business-type activities:

Accounts	1,610,926
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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**

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

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 2015, the City contracted through Huntington Insurance Service and Ohio Plan Co. for property, fleet, crime and liability insurance and Travelers Casualty Insurance for cyber and employee theft 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	\$ 37,515,203
Workers' Compensation	6,000,000	-	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	1,263,000
Fire Vehicles	-	Various	4,767,725
Electronic Data Processing	-	1,000	649,600
Crime-Employee Dishonesty	100,000	1,000	-
Crime-Employee Theft	1,000,000	5,000	-
Cyber Liability	250,000	25,000	-

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 2014.

**CITY OF TIFFIN
SENECA COUNTY**

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

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015, was as follows:

	Balance 12/31/14	Additions	Disposals	Balance 12/31/15
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 3,313,492	\$ -	\$ (2,634)	\$ 3,310,858
Construction in progress	<u>326,153</u>	<u>853,529</u>	<u>(702,081)</u>	<u>477,601</u>
Total capital assets, not being depreciated	<u>3,639,645</u>	<u>853,529</u>	<u>(704,715)</u>	<u>3,788,459</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	7,854,941	103,146	-	7,958,087
Machinery & equipment	3,641,854	274,689	(89,698)	3,826,845
Furniture & fixtures	458,784	25,707	(741)	483,750
Vehicles	3,411,102	326,643	(74,803)	3,662,942
Infrastructure	<u>25,812,070</u>	<u>1,276,486</u>	<u>-</u>	<u>27,088,556</u>
Total capital assets, being depreciated	<u>41,178,751</u>	<u>2,006,671</u>	<u>(165,242)</u>	<u>43,020,180</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(5,538,949)	(111,555)	-	(5,650,504)
Machinery & equipment	(2,473,635)	(178,853)	52,431	(2,600,057)
Furniture & fixtures	(301,986)	(18,087)	587	(319,486)
Vehicles	(2,487,672)	(131,155)	64,357	(2,554,470)
Infrastructure	<u>(10,334,066)</u>	<u>(670,290)</u>	<u>-</u>	<u>(11,004,356)</u>
Total accumulated depreciation	<u>(21,136,308)</u>	<u>(1,109,940)</u>	<u>117,375</u>	<u>(22,128,873)</u>
Total capital assets, being depreciated, net	<u>20,042,443</u>	<u>896,731</u>	<u>(47,867)</u>	<u>20,891,307</u>
Governmental activities capital assets, net	<u>\$ 23,682,088</u>	<u>\$ 1,750,260</u>	<u>\$ (752,582)</u>	<u>\$ 24,679,766</u>

**CITY OF TIFFIN
SENECA COUNTY**

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

NOTE 10 - CAPITAL ASSETS - (Continued)

	Balance 12/31/14	Additions	Disposals	Balance 12/31/15
Business-type activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 241,940	\$ -	\$ -	\$ 241,940
Construction in progress	169,140	2,670,229	(2,555,598)	283,771
Total capital assets, not being depreciated	411,080	2,670,229	(2,555,598)	525,711
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	10,934,891	2,587,765	-	13,522,656
Machinery & equipment	832,063	20,265	(3,595)	848,733
Furniture & fixtures	57,696	-	-	57,696
Vehicles	1,210,848	-	(18,745)	1,192,103
Infrastructure	27,879,570	-	-	27,879,570
Total capital assets, being depreciated	40,915,068	2,608,030	(22,340)	43,500,758
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(8,261,130)	(128,811)	-	(8,389,941)
Machinery & equipment	(640,651)	(40,939)	3,138	(678,452)
Furniture & fixtures	(51,801)	(1,081)	-	(52,882)
Vehicles	(825,629)	(48,037)	18,560	(855,106)
Infrastructure	(6,874,435)	(535,780)	-	(7,410,215)
Total accumulated depreciation	(16,653,646)	(754,648)	21,698	(17,386,596)
Total capital assets, being depreciated, net	24,261,422	1,853,382	(642)	26,114,162
Business-type activities capital assets, net	\$ 24,672,502	\$ 4,523,611	\$ (2,556,240)	\$ 26,639,873

**CITY OF TIFFIN
SENECA COUNTY**

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

NOTE 10 - CAPITAL ASSETS - (Continued)

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

Governmental activities:

General government	\$ 67,300
Security of persons and property	249,702
Transportation	706,279
Community environment	10,850
Leisure time activity	<u>75,809</u>
Total depreciation expense - governmental activities	<u>\$ 1,109,940</u>

Business-type activities:

Sewer	<u>\$ 754,648</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, 2015 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**

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

NOTE 11 - COMPENSATED ABSENCES - (Continued)

A liability for accrued vacation for \$165,522 has been recognized. Vacation is accumulated based upon length of service as follows:

<u>Employee Service</u>	Non-Union & Dispatchers Credit	Employee Service	AFSCME Credit
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
Non-Union			
After 17-19 years	20 days	20-24 years	21 days
20 years and over	21 days	25 or more years	25 days
Dispatchers			
17-19 years	20 days		
20-24 years	21 days		
25 years	25 days		
<u>Employee Service</u>	Fire Credit	Employee Service	Police Credit
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**

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

NOTE 12 - LONG-TERM OBLIGATIONS

A. The governmental long-term obligation have been restated as described in Note 3. During 2015, the following changes occurred in the City's long-term obligations:

	Restated Balance <u>12/31/14</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>12/31/15</u>	Amounts Due in <u>One Year</u>
<u>Governmental activities:</u>					
<u>General obligation bonds:</u>					
S. Shaffer Park Drive bond - series 2010, 1.00% - 5.25%	\$ 1,070,000	\$ -	\$ (50,000)	\$ 1,020,000	\$ 50,000
Riverfront improvement bond - series 2010, 1.00% - 5.25%	<u>955,000</u>	<u>-</u>	<u>(45,000)</u>	<u>910,000</u>	<u>45,000</u>
Total general obligation bonds	<u>2,025,000</u>	<u>-</u>	<u>(95,000)</u>	<u>1,930,000</u>	<u>95,000</u>
<u>Special assessment bonds payable with government commitment:</u>					
Miami Street storm water drainage improvement bonds 4.00% - 5.60%	<u>190,000</u>	<u>-</u>	<u>(45,000)</u>	<u>145,000</u>	<u>45,000</u>
<u>Other obligations:</u>					
Compensated absences	994,202	433,923	(373,112)	1,055,013	398,155
Net pension liability	11,159,983	638,420	-	11,798,403	-
Capital lease	<u>107,634</u>	<u>-</u>	<u>(34,876)</u>	<u>72,758</u>	<u>35,868</u>
Total governmental activities	<u>\$ 14,476,819</u>	<u>\$ 1,072,343</u>	<u>\$ (547,988)</u>	<u>\$ 15,001,174</u>	<u>\$ 574,023</u>
			Add: unamortized premium on bonds	<u>36,511</u>	
			Total on statement of net position	<u>\$ 15,037,685</u>	
	Balance <u>12/31/14</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>12/31/15</u>	Amounts Due in <u>One Year</u>
<u>Business-type activities:</u>					
<u>General obligation bonds:</u>					
Sewer separation bonds - series 2007, 3.80% - 5.00%	\$ 4,535,000	\$ -	\$ (300,000)	\$ 4,235,000	\$ 310,000
Sewer Phase III bond - series 2010, 1.00% - 5.25%	<u>3,845,000</u>	<u>-</u>	<u>(185,000)</u>	<u>3,660,000</u>	<u>185,000</u>
Total general obligation bonds	<u>8,380,000</u>	<u>-</u>	<u>(485,000)</u>	<u>7,895,000</u>	<u>495,000</u>
<u>OWDA loan:</u>					
Rock Creek Interceptor #5991	<u>1,312,665</u>	<u>-</u>	<u>(56,721)</u>	<u>1,255,944</u>	<u>58,349</u>
<u>Other obligations:</u>					
Compensated absences	293,140	24,444	(95,052)	222,532	77,651
Net pension liability	862,744	19,936	-	882,680	-
Capital lease	<u>107,634</u>	<u>-</u>	<u>(34,875)</u>	<u>72,759</u>	<u>35,869</u>
Total business-type activities	<u>\$ 10,956,183</u>	<u>\$ 44,380</u>	<u>\$ (671,648)</u>	<u>\$ 10,328,915</u>	<u>\$ 666,869</u>
			Add: unamortized premium on bonds	<u>95,280</u>	
			Total on statement of net position	<u>\$ 10,424,195</u>	

**CITY OF TIFFIN
SENECA COUNTY**

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

(Continued)

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 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, 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, 2015, the City had outstanding borrowings of \$1,255,944.

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 2.72 percent of net revenues and 1.69 percent of total revenues. The total principal and interest remaining to be paid on the loans is \$1,593,427. Principal and interest paid for the current year were \$93,731, total net revenues were \$3,449,813 and total revenues were \$5,558,065.

**CITY OF TIFFIN
SENECA COUNTY**

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

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.

Net pension liability: See Note 14 for more details.

- B.** The future annual debt service requirements to maturity for the City's debt outstanding as of December 31, 2015 are as follows:

<u>Year Ended</u>	Governmental Activities			<u>Year Ended</u>	Governmental Activities		
	General	General	Total		Special	Special	Total
	Obligations Principal	Obligations Interest			Assessment Principal	Assessment Interest	
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	<u>50,000</u>	<u>2,800</u>	<u>52,800</u>
2019	105,000	75,220	180,220				
2020	110,000	71,755	181,755	Totals	<u>\$ 145,000</u>	<u>\$ 16,520</u>	<u>\$ 161,520</u>
2021 - 2025	625,000	291,100	916,100				
2026 - 2030	<u>785,000</u>	<u>126,474</u>	<u>911,474</u>				
Totals	<u>\$ 1,930,000</u>	<u>\$ 808,334</u>	<u>\$ 2,738,334</u>				

<u>Year Ended</u>	Business-Type Activities			<u>Year Ended</u>	Business-Type Activities		
	OWDA	OWDA	Total		General	General	Total
	Principal	Interest			Obligation Principal	Obligation Interest	
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	63,519	30,212	93,731	2019	560,000	272,397	832,397
2020	65,343	28,388	93,731	2020	580,000	252,143	832,143
2021 - 2025	355,946	112,709	468,655	2021 - 2025	3,255,000	899,187	4,154,187
2026 - 2030	410,047	58,608	468,655	2026 - 2030	<u>1,950,000</u>	<u>258,588</u>	<u>2,208,588</u>
2031 - 2033	<u>180,969</u>	<u>6,493</u>	<u>187,462</u>				
Totals	<u>\$ 1,255,944</u>	<u>\$ 337,483</u>	<u>\$ 1,593,427</u>	Totals	<u>\$ 7,895,000</u>	<u>\$ 2,615,833</u>	<u>\$ 10,510,833</u>

**CITY OF TIFFIN
SENECA COUNTY**

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

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, 2015, the City's total debt margin was \$24,851,178 and the unvoted debt margin was \$14,023,271.

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE

During 2014, the City entered into a capital lease agreement for a street sweeper. Capital assets consisting of equipment have been capitalized in the amount of \$240,268. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2015 was \$36,491, leaving a current book value of \$203,777. A corresponding liability was recorded in the statement of net position. Principal payments in 2015 totaled \$34,876 from the general capital improvement fund and \$34,875 from the sewer fund.

Such agreements provide for minimum, annual lease payments as follows:

<u>Year Ended</u>	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
2016	\$ 37,940	\$ 37,940	\$ 75,880
2017	<u>37,940</u>	<u>37,940</u>	<u>75,880</u>
Total minimum lease payments	75,880	75,880	151,760
Less: Amounts representing interest	<u>(3,122)</u>	<u>(3,121)</u>	<u>(6,243)</u>
Present value of minimum lease payments	<u>\$ 72,758</u>	<u>\$ 72,759</u>	<u>\$ 145,517</u>

NOTE 14 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

**CITY OF TIFFIN
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

**CITY OF TIFFIN
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
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NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

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

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS's Board of Trustees. Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS CAFR.

**CITY OF TIFFIN
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

The City's contractually required contribution for the Traditional Pension Plan was \$351,074 for 2015. Of this amount, \$45,077 is reported as due to other governments.

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

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

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

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

**CITY OF TIFFIN
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

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

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$866,458 for 2015. Of this amount \$104,840 is reported as due to other governments.

**CITY OF TIFFIN
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 2,702,776	\$ 9,978,307	\$ 12,681,083
Proportion of the net pension liability	0.02240900%	0.19261590%	
Pension expense	\$ 294,587	\$ 975,203	\$ 1,269,790

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

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred outflows of resources			
Net difference between projected and actual earnings on pension plan investments	\$ 144,212	\$ 430,055	\$ 574,267
Difference between employer contributions and proportionate share of contributions	1,281	7,459	8,740
City contributions subsequent to the measurement date	<u>351,074</u>	<u>866,458</u>	<u>1,217,532</u>
Total deferred outflows of resources	<u>\$ 496,567</u>	<u>\$ 1,303,972</u>	<u>\$ 1,800,539</u>
Deferred inflows of resources			
Differences between expected and actual experience	<u>\$ 47,482</u>	<u>\$ -</u>	<u>\$ 47,482</u>
Total deferred inflows of resources	<u>\$ 47,482</u>	<u>\$ -</u>	<u>\$ 47,482</u>

\$1,217,532 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016.

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

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Year Ending December 31:	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
2016	\$ 14,736	\$ 109,379	\$ 124,115
2017	14,736	109,379	124,115
2018	32,486	109,379	141,865
2019	36,053	109,377	145,430
Total	<u>\$ 98,011</u>	<u>\$ 437,514</u>	<u>\$ 535,525</u>

Actuarial Assumptions - OPERS

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

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

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

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

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

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

**CITY OF TIFFIN
SENECA COUNTY**

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

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

**CITY OF TIFFIN
SENECA COUNTY**

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

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability:			
Traditional Pension Plan	\$ 4,972,333	\$ 2,702,776	\$ 791,262

Actuarial Assumptions – OP&F

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

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

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

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

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

**CITY OF TIFFIN
SENECA COUNTY**

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

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

* levered 2x

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

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

**CITY OF TIFFIN
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$ 13,801,508	\$ 9,978,307	\$ 6,741,218

NOTE 15 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

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

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2015, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2015 was 2.00%.

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

**CITY OF TIFFIN
SENECA COUNTY**

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

NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2015, 2014, and 2013 were \$58,512, \$54,667, and \$26,314, respectively; 88.99% has been contributed for 2015 and 100% has been contributed for 2014 and 2013. The remaining 2015 post-employment health care benefits liability has been reported as 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 4.00% of the employer contributions toward the health care fund after the end of the transition period.

B. Ohio Police and Fire Pension Fund

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

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

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

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

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

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

**CITY OF TIFFIN
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2015, the portion of employer contributions allocated to health care was 0.50% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$8,971 and \$11,373 for the year ended December 31, 2015, \$8,200 and \$10,538 for the year ended December 31, 2014, and \$55,218 and \$67,071, for the year ended December 31, 2013. 100% has been contributed for 2014 and 2013. 87.73% has been contributed for police and 88.46% has been contributed for firefighters for 2015. The remaining 2015 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of 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);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

**CITY OF TIFFIN
SENECA COUNTY**

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

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for all governmental funds for which a budgetary basis statement is presented:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (727,344)
Net adjustment for revenue accruals	286,926
Net adjustment for expenditure accruals	61,046
Net adjustment for other financing uses	9,900
Funds budgeted elsewhere	4,873
Adjustment for encumbrances	<u>480,000</u>
GAAP basis	<u><u>\$ 115,401</u></u>

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.

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**CITY OF TIFFIN
SENECA COUNTY**

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

NOTE 17 - 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	General Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Materials and supplies inventory	\$ 17,383	\$ -	\$ 113,753	\$ 131,136
Prepays	<u>64,650</u>	<u>1,589</u>	<u>16,490</u>	<u>82,729</u>
Total nonspendable	<u>82,033</u>	<u>1,589</u>	<u>130,243</u>	<u>213,865</u>
Restricted:				
Debt service	-	-	23,830	23,830
Capital improvements	-	394,252	-	394,252
Transportation projects	-	-	439,955	439,955
Municipal court	-	-	995,531	995,531
Security of persons and property	-	-	390,913	390,913
Community environment	-	-	166,968	166,968
Economic development and assistance	-	-	98,611	98,611
Urban redevelopment	-	-	51,370	51,370
Permanent fund	-	-	27,766	27,766
Other purposes	<u>-</u>	<u>-</u>	<u>16,405</u>	<u>16,405</u>
Total restricted	<u>-</u>	<u>394,252</u>	<u>2,211,349</u>	<u>2,605,601</u>
Committed:				
Capital improvements	-	-	925,027	925,027
General government	275,774	-	-	275,774
Public safety	135,474	-	-	135,474
Community environment	7,769	-	-	7,769
Flexible spending plan	37,890	-	-	37,890
Leisure-time activities	-	-	181,808	181,808
Economic development and assistance	<u>-</u>	<u>-</u>	<u>27,796</u>	<u>27,796</u>
Total committed	<u>456,907</u>	<u>-</u>	<u>1,134,631</u>	<u>1,591,538</u>
Assigned:				
Subsequent year appropriation	<u>2,398,701</u>	<u>-</u>	<u>-</u>	<u>2,398,701</u>
Unassigned (deficit)	<u>1,221,579</u>	<u>-</u>	<u>(86,835)</u>	<u>1,134,744</u>
Total fund balances	<u>\$ 4,159,220</u>	<u>\$ 395,841</u>	<u>\$ 3,389,388</u>	<u>\$ 7,944,449</u>

**CITY OF TIFFIN
SENECA COUNTY**

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

NOTE 18 - 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

There are currently no matters in litigation with the City as defendant.

NOTE 19 - 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	\$ 419,017
General capital improvement	212,202
Other governmental	<u>649,170</u>
Total	<u><u>\$ 1,280,389</u></u>

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**CITY OF TIFFIN
SENECA COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO YEARS

	2014	2013
<i>Traditional Plan:</i>		
City's proportion of the net pension liability	0.022409%	0.022409%
City's proportionate share of the net pension liability	\$ 2,702,776	\$ 2,641,729
City's covered-employee payroll	\$ 2,762,925	\$ 2,631,362
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	97.82%	100.39%
Plan fiduciary net position as a percentage of the total pension liability	86.45%	86.36%

Note: Information prior to 2013 was unavailable.

**CITY OF TIFFIN
SENECA COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO YEARS

	<u>2014</u>	<u>2013</u>
City's proportion of the net pension liability	0.19261590%	0.19261590%
City's proportionate share of the net pension liability	\$ 9,978,307	\$ 9,380,998
City's covered-employee payroll	\$ 3,786,299	\$ 3,374,607
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	263.54%	277.99%
Plan fiduciary net position as a percentage of the total pension liability	72.20%	73.00%

Note: Information prior to 2013 was unavailable.

**CITY OF TIFFIN
SENECA COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 351,074	\$ 331,551	\$ 342,077	\$ 226,896
Contributions in relation to the contractually required contribution	<u>(351,074)</u>	<u>(331,551)</u>	<u>(342,077)</u>	<u>(226,896)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 2,925,617	\$ 2,762,925	\$ 2,631,362	\$ 2,268,960
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%	10.00%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 231,690	\$ 273,998	\$ 254,424	\$ 235,389	\$ 268,027	\$ 282,372
<u>(231,690)</u>	<u>(273,998)</u>	<u>(254,424)</u>	<u>(235,389)</u>	<u>(268,027)</u>	<u>(282,372)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,316,900	\$ 3,072,875	\$ 3,131,372	\$ 3,362,700	\$ 3,209,904	\$ 3,069,261
10.00%	8.92%	8.13%	7.00%	8.35%	9.20%

**CITY OF TIFFIN
SENECA COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<i>Police:</i>				
Contractually required contribution	\$ 331,911	\$ 314,016	\$ 241,806	\$ 196,894
Contributions in relation to the contractually required contribution	<u>(331,911)</u>	<u>(314,016)</u>	<u>(241,806)</u>	<u>(196,894)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,746,900	\$ 1,652,716	\$ 1,522,388	\$ 1,544,267
Contributions as a percentage of covered-employee payroll	19.00%	19.00%	15.88%	12.75%
<i>Fire:</i>				
Contractually required contribution	\$ 534,547	\$ 501,392	\$ 377,544	\$ 355,925
Contributions in relation to the contractually required contribution	<u>(534,547)</u>	<u>(501,392)</u>	<u>(377,544)</u>	<u>(355,925)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 2,274,668	\$ 2,133,583	\$ 1,852,219	\$ 2,063,333
Contributions as a percentage of covered-employee payroll	23.50%	23.50%	20.38%	17.25%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 205,579	\$ 213,580	\$ 219,228	\$ 229,973	\$ 216,466	\$ 183,222
<u>(205,579)</u>	<u>(213,580)</u>	<u>(219,228)</u>	<u>(229,973)</u>	<u>(216,466)</u>	<u>(183,222)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,612,384	\$ 1,675,137	\$ 1,719,435	\$ 1,803,710	\$ 1,697,773	\$ 1,559,336
12.75%	12.75%	12.75%	12.75%	12.75%	11.75%
\$ 375,264	\$ 352,641	\$ 361,554	\$ 369,195	\$ 348,655	\$ 317,859
<u>(375,264)</u>	<u>(352,641)</u>	<u>(361,554)</u>	<u>(369,195)</u>	<u>(348,655)</u>	<u>(317,859)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,175,443	\$ 2,044,296	\$ 2,095,965	\$ 2,140,261	\$ 2,021,188	\$ 1,897,666
17.25%	17.25%	17.25%	17.25%	17.25%	16.75%

**CITY OF TIFFIN
SENECA COUNTY**

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

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

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

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

OHIO POLICE AND FIRE (OP&F) PENSION FUND

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

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

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Dave Yost • Auditor of State

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
53 East Market Street
Tiffin, Ohio 44883-2807

To the City Council:

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, Ohio (the City) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 22, 2016, wherein we noted the City adopted Governmental Accounting Standards Board Statement 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27 and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of reasonably assuring whether the City'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's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

December 22, 2016

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Dave Yost • Auditor of State

CITY OF TIFFIN

SENECA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 10, 2017**