

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

***Financial Statements*
(Audited)**

For The Year Ended
December 31, 2014

GWYNN REINHART, FINANCE DIRECTOR



Dave Yost • Auditor of State

Members of Council
City of Tiffin
51 East Market Street
Tiffin, Ohio 44883

We have reviewed the *Independent Auditor's Report* of the City of Tiffin, Seneca County, prepared by Julian & Grube, Inc., for the audit period January 1, 2014 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Tiffin is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 17, 2015

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**CITY OF TIFFIN
SENECA COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

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

To the Members of Council and Mayor:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tiffin, Seneca County, Ohio, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City of Tiffin's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tiffin, Seneca County, Ohio, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

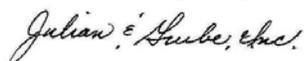
Our audit was conducted to opine on the City of Tiffin's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards (the "Schedule") presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2015, on our consideration of the City of Tiffin's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Tiffin's internal control over financial reporting and compliance.



Julian & Grube, Inc.
June 4, 2015

CITY OF TIFFIN, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014

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, 2014. 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 2014 are as follows:

- The total net position of the City increased \$3,937,045. Net position of governmental activities increased \$1,934,406 or 6.49% from 2013 and net position of business-type activities increased \$2,002,639 or 10.02% from 2013.
- General revenues accounted for \$10,472,180 or 76.08% of total governmental activities revenue. Program specific revenues accounted for \$3,293,175 or 23.92% of total governmental activities revenue.
- The City had \$11,838,186 in expenses related to governmental activities; \$3,293,175 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$8,545,011 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$10,472,180.
- The City's major governmental fund is the general fund. The general fund, the City's only major fund, had revenues of \$10,887,674 in 2014. This represents an increase of \$358,376 from 2013 revenues. The expenditures and other financing uses of the general fund, which totaled \$9,972,931 in 2014, increased \$820,529 from 2013. The net increase in fund balance for the general fund was \$914,743 or 29.32%.
- Net position for the business-type activities, which is made up of the sewer enterprise fund, increased in 2014 by \$2,002,639. This increase in net position was due primarily to charges for services and other operating income being sufficient to cover expenses.
- In the general fund, the actual revenues were \$256,030 more than in the final budget and actual expenditures and other financing uses were \$670,780 less than the amount in the final budget. These variances are the result of the City's conservative budgeting. Budgeted revenues increased \$732,414 from the original to the final budget. Budgeted expenditures and other financing uses increased \$560,071 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 financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

CITY OF TIFFIN, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014

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 2014?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focuses on the City's most significant funds. The analysis of the City's major governmental and proprietary funds begins on page 10.

Governmental Funds

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

CITY OF TIFFIN, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014

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

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental fund is the general fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 18-22 of this report.

Proprietary Fund

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

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency funds are the City's only fiduciary fund types. The basic fiduciary fund financial statement can be found on page 27 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 28-61 of this report.

CITY OF TIFFIN, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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, 2014 and December 31, 2013.

	Net Position					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<u>Assets</u>						
Current and other assets	\$ 13,029,027	\$ 11,326,957	\$ 7,913,652	\$ 8,252,481	\$ 20,942,679	\$ 19,579,438
Capital assets, net	<u>23,682,088</u>	<u>23,435,260</u>	<u>24,672,502</u>	<u>22,992,927</u>	<u>48,354,590</u>	<u>46,428,187</u>
Total assets	<u>36,711,115</u>	<u>34,762,217</u>	<u>32,586,154</u>	<u>31,245,408</u>	<u>69,297,269</u>	<u>66,007,625</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	3,355,144	3,338,215	10,194,072	10,615,072	13,549,216	13,953,287
Other liabilities	<u>629,358</u>	<u>624,200</u>	<u>394,034</u>	<u>634,927</u>	<u>1,023,392</u>	<u>1,259,127</u>
Total liabilities	<u>3,984,502</u>	<u>3,962,415</u>	<u>10,588,106</u>	<u>11,249,999</u>	<u>14,572,608</u>	<u>15,212,414</u>
Deferred inflows	<u>990,445</u>	<u>998,040</u>	<u>-</u>	<u>-</u>	<u>990,445</u>	<u>998,040</u>
<u>Net Position</u>						
Net investment in capital assets	21,321,146	20,910,866	14,771,570	12,195,903	36,092,716	33,106,769
Restricted	2,692,019	2,470,276	-	-	2,692,019	2,470,276
Unrestricted	<u>7,723,003</u>	<u>6,420,620</u>	<u>7,226,478</u>	<u>7,799,506</u>	<u>14,949,481</u>	<u>14,220,126</u>
Total net position	<u>\$ 31,736,168</u>	<u>\$ 29,801,762</u>	<u>\$ 21,998,048</u>	<u>\$ 19,995,409</u>	<u>\$ 53,734,216</u>	<u>\$ 49,797,171</u>

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2014, the City's assets exceeded liabilities and deferred inflows by \$53,734,216. At year-end, net positions were \$31,736,168 and \$21,998,048 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 69.78% 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, 2014, was \$21,321,146 and \$14,771,570 in the governmental and business-type activities respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of December 31, 2014, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the City's net position, \$2,692,019 represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net position of \$7,723,003 may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF TIFFIN, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014

The table below shows the changes in net position for 2014 and 2013.

	Change in Net Position					
	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues:						
Charges for services	\$ 1,552,695	\$ 1,217,146	\$ 5,213,674	\$ 4,977,812	\$ 6,766,369	\$ 6,194,958
Operating grants and contributions	1,545,781	974,932	-	-	1,545,781	974,932
Capital grants and contributions	194,699	304,261	-	-	194,699	304,261
Total program revenues	3,293,175	2,496,339	5,213,674	4,977,812	8,506,849	7,474,151
General revenues:						
Property taxes	961,136	981,072	-	-	961,136	981,072
Income taxes	8,501,453	7,912,327	-	-	8,501,453	7,912,327
Payments in lieu of taxes	67,276	65,493	-	-	67,276	65,493
Unrestricted grants and entitlements	535,690	542,630	-	-	535,690	542,630
Contributions and donations	23,221	5,821	-	-	23,221	5,821
Investment earnings	15,841	12,187	17,576	17,170	33,417	29,357
Gain on sale of capital assets	-	105,191	-	-	-	105,191
Miscellaneous	367,563	410,740	43,723	30,647	411,286	441,387
Total general revenues	10,472,180	10,035,461	61,299	47,817	10,533,479	10,083,278
Total revenues	13,765,355	12,531,800	5,274,973	5,025,629	19,040,328	17,557,429
Expenses						
General government	2,557,926	2,395,293	-	-	2,557,926	2,395,293
Security of persons and property	6,707,083	6,173,332	-	-	6,707,083	6,173,332
Transportation	1,500,383	1,461,741	-	-	1,500,383	1,461,741
Community environment	349,989	227,748	-	-	349,989	227,748
Leisure time activity	415,049	395,267	-	-	415,049	395,267
Economic development	17,025	11,292	-	-	17,025	11,292
Urban redevelopment and housing	174,540	41,603	-	-	174,540	41,603
Other	1,267	-	-	-	1,267	-
Interest and fiscal charges	114,924	118,040	-	-	114,924	118,040
Sewer	-	-	3,265,097	3,220,282	3,265,097	3,220,282
Total expenses	11,838,186	10,824,316	3,265,097	3,220,282	15,103,283	14,044,598
Increase in net assets before transfers	1,927,169	1,707,484	2,009,876	1,805,347	3,937,045	3,512,831
Transfers	7,237	-	(7,237)	-	-	-
Change in net position	1,934,406	1,707,484	2,002,639	1,805,347	3,937,045	3,512,831
Net position at beginning of year	29,801,762	28,094,278	19,995,409	18,190,062	49,797,171	46,284,340
Net position at end of year	\$ 31,736,168	\$ 29,801,762	\$ 21,998,048	\$ 19,995,409	\$ 53,734,216	\$ 49,797,171

CITY OF TIFFIN, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014

Governmental Activities

Governmental activities net position increased \$1,934,406 in 2014.

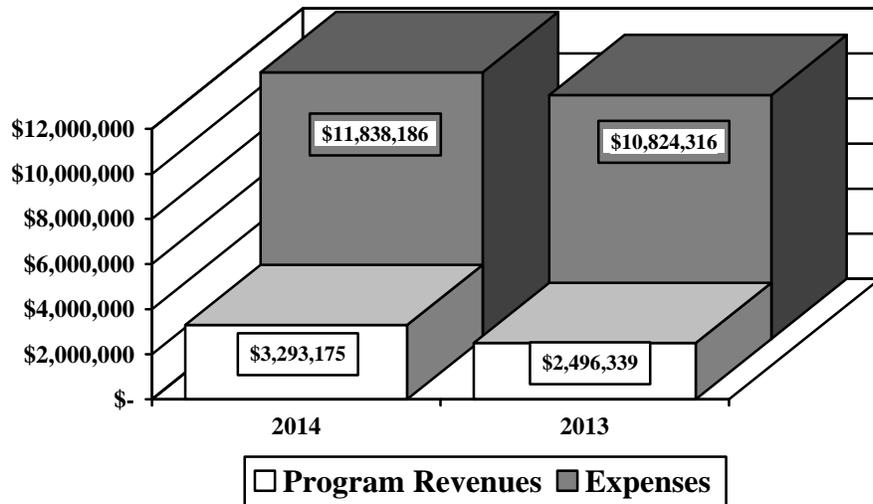
Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$6,707,083 of the total expenses of the City. These expenses were partially funded by \$621,349 in direct charges to users of the services and \$158,465 in operating grants and contributions. Transportation expenses totaled \$1,500,383. Transportation expenses were funded by \$70,248 in direct charges to users of the services, \$812,637 in operating grants and contributions and \$194,699 in capital grants and contributions.

The State and federal government contributed to the City a total of \$1,545,781 in operating grants and contributions and \$194,699 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$812,637 subsidized transportation programs, \$335,432 subsidized community environment programs, \$60,555 subsidized leisure-time activities programs and \$178,329 subsidized urban development and housing programs.

General revenues totaled \$10,472,180 and amounted to 76.08% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$9,462,589. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government revenue, making up \$535,690.

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

Governmental Activities - Program Revenues vs. Total Expenses



CITY OF TIFFIN, OHIO

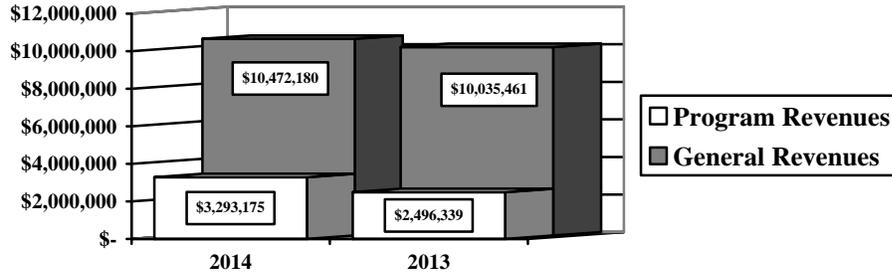
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Governmental Activities

	Total Cost of Services <u>2014</u>	Net Cost of Services <u>2014</u>	Total Cost of Services <u>2013</u>	Net Cost of Services <u>2013</u>
Program expenses:				
General government	\$ 2,557,926	\$ 1,720,040	\$ 2,395,293	\$ 1,808,423
Security of persons and property	6,707,083	5,927,269	6,173,332	5,380,903
Transportation	1,500,383	422,799	1,461,741	576,679
Community environment	349,989	6,409	227,748	141,072
Leisure time activity	415,049	339,430	395,267	289,945
Economic development	17,025	16,662	11,292	10,670
Urban redevelopment and housing	174,540	(3,789)	41,603	2,245
Other	1,267	1,267	-	-
Interest and fiscal charges	114,924	114,924	118,040	118,040
Total	\$ 11,838,186	\$ 8,545,011	\$ 10,824,316	\$ 8,327,977

The dependence upon general revenues for governmental activities is apparent, with 72.18% of expenses supported through taxes and other general revenues.

Governmental Activities - General and Program Revenues



Business-type Activities

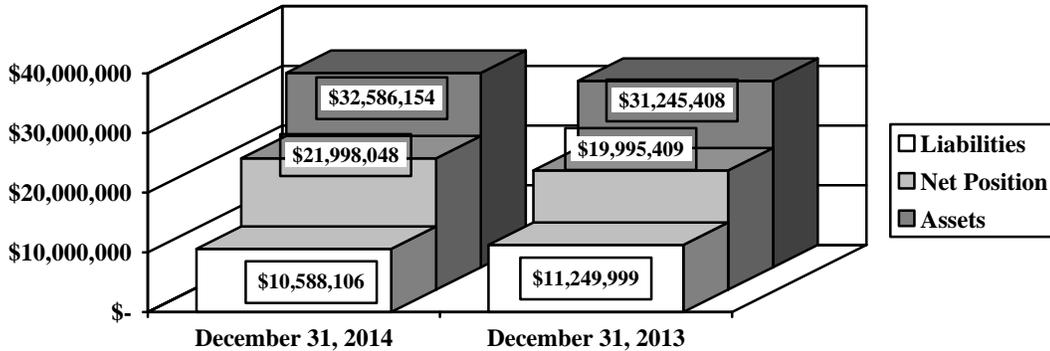
Business-type activities include the sewer enterprise fund. This program had program revenues of \$5,213,674, general revenues of \$61,299, and expenses of \$3,265,097 for 2014.

CITY OF TIFFIN, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014

The graph below illustrates the City's business-type assets, liabilities, and net position at December 31, 2014 and December 31, 2013.

Net Position in Business-type Activities



Financial Analysis of the Government's Funds

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

Governmental Funds

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

The City's governmental funds (as presented on the balance sheet on page 18) reported a combined fund balance of \$7,344,247 which is \$1,225,749 more than last year's total of \$6,118,498. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2014 for all major and nonmajor governmental funds.

	Fund Balances <u>12/31/14</u>	Fund Balances <u>12/31/13</u>	<u>Increase</u>
Major fund:			
General	\$ 4,048,616	\$ 3,120,081	\$ 928,535
Other nonmajor governmental funds	<u>3,295,631</u>	<u>2,998,417</u>	<u>297,214</u>
Total	<u>\$ 7,344,247</u>	<u>\$ 6,118,498</u>	<u>\$ 1,225,749</u>

CITY OF TIFFIN, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014

General Fund

The City's general fund balance increased \$928,535. The table that follows assists in illustrating the revenues of the general fund.

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 8,987,793	\$ 8,518,845	5.50 %
Charges for services	520,263	516,012	0.82 %
Licenses and permits	43,738	56,622	(22.75) %
Fines and forfeitures	499,238	283,098	76.35 %
Investment income	15,135	12,098	25.10 %
Intergovernmental	477,468	789,668	(39.54) %
Other	<u>344,039</u>	<u>352,955</u>	(2.53) %
Total	<u>\$ 10,887,674</u>	<u>\$ 10,529,298</u>	3.40 %

Tax revenue represents 82.55% of all general fund revenue. Tax revenue increased due to an increase in income tax revenue due to lower unemployment. Licenses and permits decreased 22.75% due primarily to a decrease in sweepstake terminal café licenses. Fines and forfeitures increased 76.35% due primarily to an increase in revenues from court costs related to the City's agreement to merge with the City of Fostoria's municipal court. Investment income increased 25.10% due primarily to an increase in the amount of the City's investments. Intergovernmental revenue decreased 39.54% due primarily to a decrease in inheritance and estate taxes received by the City in 2014 and a FEMA grant the City received in 2013. All other revenue remained comparable to 2013.

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

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
General government	\$ 2,289,723	\$ 2,168,676	5.58 %
Security of persons and property	6,017,069	5,573,777	7.95 %
Community environment	<u>160,100</u>	<u>167,536</u>	(4.44) %
Total	<u>\$ 8,466,892</u>	<u>\$ 7,909,989</u>	7.04 %

General government expenditures increased 5.58% due to increased costs associated with the City's agreement to merge with the City of Fostoria's municipal court. Security of persons and property increased 7.95% in 2013. 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 2013.

CITY OF TIFFIN, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 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 were \$256,030 more than in the final budget and actual expenditures and other financing uses were \$670,780 less than the amount in the final budget. These variances are the result of the City's conservative budgeting. Budgeted revenues increased \$732,414 from the original to the final budget. Budgeted expenditures and other financing uses increased \$560,071 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 2014, the City had \$48,354,590 (net of accumulated depreciation) invested in land, construction in progress, buildings and improvements, machinery and equipment, furniture and fixtures, vehicles and infrastructure. Of this total, \$23,682,088 was reported in governmental activities and \$24,672,502 was reported in business-type activities. The following table shows 2014 balances compared to 2013:

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 3,313,492	\$ 3,313,492	\$ 241,940	\$ 241,940	\$ 3,555,432	\$ 3,555,432
Buildings and improvements	2,315,992	2,278,882	2,673,761	2,772,359	4,989,753	5,051,241
Machinery & equipment	1,168,219	928,789	191,412	174,246	1,359,631	1,103,035
Furniture & fixtures	156,798	102,024	5,895	6,976	162,693	109,000
Vehicles	923,430	800,994	385,219	157,683	1,308,649	958,677
Infrastructure	15,478,004	15,820,956	21,005,135	18,984,241	36,483,139	34,805,197
Construction in progress	<u>326,153</u>	<u>190,123</u>	<u>169,140</u>	<u>655,482</u>	<u>495,293</u>	<u>845,605</u>
Totals	<u>\$ 23,682,088</u>	<u>\$ 23,435,260</u>	<u>\$ 24,672,502</u>	<u>\$ 22,992,927</u>	<u>\$ 48,354,590</u>	<u>\$ 46,428,187</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 65.36% 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 85.14% of the City's total business-type capital assets. See Note 10 to the financial statements for more detail.

CITY OF TIFFIN, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2014 and 2013:

	Governmental Activities	
	<u>2014</u>	<u>2013</u>
General obligation bonds	\$ 2,063,308	\$ 2,160,106
Capital lease payable	107,634	-
Special assessment bonds	<u>190,000</u>	<u>230,000</u>
Total long-term obligations	<u>\$ 2,360,942</u>	<u>\$ 2,390,106</u>

	Business-type Activities	
	<u>2014</u>	<u>2013</u>
General obligation bonds	\$ 8,480,633	\$ 8,955,827
Capital lease payable	107,634	-
OWDA loan	<u>1,312,665</u>	<u>1,367,804</u>
Total long-term obligations	<u>\$ 9,900,932</u>	<u>\$ 10,323,631</u>

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

Economic Outlook

The economic outlook for the City of Tiffin is very good. The higher level historic trends are all generally positive. Unemployment has consistently been on the decline over the past couple of years, with an average rate in 2010 of 11.5 percent, declining to 5.5 percent on average last year. This January's number (6.5 percent) is a percent lower than last year at the same time and strengthens the notion that strong economic growth will continue. Manufacturing continues to be the largest single sector, with a total economic activity level in the \$1.3 billion range and an increase in employment of 17 percent over the past four years, representing 600 new jobs. Transportation and trade (both wholesale and retail) also remain strong with a 9 percent growth over the past four years in employment and representing a combined \$1.6 billion in economic output. Anchored by Heidelberg and Tiffin Universities, the education sector also continues to do well, with 200 more people working than a few years ago. Both manufacturing and education also continue to be particularly concentrated in Tiffin, with the portion of workers employed as part of that sector almost two times the national average, and the portion of education workers being almost three times more concentrated than the national average.

In addition to strong trends in realized economic development, a number of announcements over the past three and in particular during last year provide a solid foundation for strong optimism about the direction of the local economy. More than 400 new jobs were announced by companies in 2014, with \$60 million in associated investment. Over the last three years, more than 1,000 new jobs have been announced and \$120 million in new investment committed. The community was again for the fourth straight year ranked by Site Selection magazine among the best micropolitans (counties with a county seat with between 10,000 and 50,000 in population) in the country, and Tiffin earned a top ten percent showing last year for large private investment projects by Japanese-owned automotive parts manufacturer Webster Industries (\$8 million, 65 new jobs); industrial machinery producer National Machinery (\$6 million, 20+ new jobs); and concrete pump truck fabricator Irving Equipment (\$1.2 million, 18 new jobs). In addition, Japanese-owned automotive parts manufacturer American Fine Sinter announced a \$16 million expansion and the hiring of 24 new employees. Several other companies, like the Taiho Corporation of North America, are holding job fairs, and the employer-based services arm of the Seneca County Department of Job and Family Services, is planning to hold manufacturing specific job fairs to help meet increasing demand for employees by most medium- and large-sized manufacturers in the community.

CITY OF TIFFIN, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014

Retail and trade also experienced a large number of project announcements, which will, in conjunction with growth in other sectors, lay a foundation for increased jobs, investment, and local tax revenue. The Mastro Group announced they would be developing a new stadium-concept Buffalo Wild Wings, Dunkin Donuts began construction on their new Tiffin location, Impact Federal Credit Union renovated a vacant Market Street building, O'Reilly Auto Parts and Superior Auto opened, Mr. Hero announced a new north side store, and a number of local retail and service businesses opened. Such local retailers included new restaurants, automotive repair and detailing operations, computing and IT services, baked goods, crafts, photography. Tiffin's strong entrepreneurial climate was also recognized in the media, where it was ranked 7th out of more than 800 Midwest cities as a place to start a business. More than 15 businesses started up, were acquired or found a new location in Tiffin last year is a testament to that fact. In addition, outside investors from New York moved into Tiffin and purchased an older hotel and have invested more than \$1 million to acquire the property, renovate, and upgrade it to a Days Inn.

In the education sector, Heidelberg University just completed the \$5.1 million Hoernemann Stadium and Fox Den Alumni Center, and Tiffin University cut the ribbon on a new joint \$1.4 million football stadium. In the last ten to twelve years, both universities have invested more than \$50 million and increased enrollment both on campus and around the world. Both continue to innovate, which bodes well for their continued success and future prosperity. Heidelberg University launched a one-of-a-kind 4 Plus 1 Master's program, which allows all students who complete a four-year degree the option of pursuing a free MBA at the school. Tiffin University just completed hiring its newest President, Dr. Curtis Charles, who received his PhD from MIT, has experience in both academia and the private sector, and was a very successful and visionary leader at Fayetteville State University. Endowment for both universities continues to increase. In addition, the North Central Ohio Educational Service Center, a regional K12 educational nonprofit, just landed a \$2.8 million contract to provide services. Across the board, things look great in education.

It's also noteworthy that healthcare continues to develop as an industry, and the \$9 million Sojourn at Seneca project on the Mercy Tiffin hospital campus as well as the attraction of new physicians and medical specialists to the hospital itself reveal additional long-term strength at play. 55 new jobs will be created as a result of the Sojourn project, and local physicians are seeking new office locations because of a desire to increase space.

In addition to larger macroeconomic trends for the city and specific projects, other contributing factors to a positive business climate and high quality of life include the elimination, for all intents and purposes, of population decline in the area, and over the last four years, there has been a three percent increase in the population, with some years up, some down, some even. The overall trend, though, is good, given the fact that since 1970, the peak year for Tiffin's population, there was not, before 2009, an increase. The median age for Tiffin (35) also continues to be younger than the national (37) and state (40) averages. Crime was cut a year earlier by 60 percent, and last year it continued to decrease, with a 7% decline. The cost of living is still 15 percent below the national average, impacting both individual consumer spending power and the cost of doing business. Meanwhile, per capita income, although currently lower than the state average, continues to climb.

From a community development standpoint, key strategic investments are being made which will continue the momentum, including significant roadway and streetscape improvements (largest street budget in city's history), water and sewer infrastructure investments, brownfield redevelopment, park and trail development, increased police and fire staffs, among other initiatives. The City also continues to increase its investment into downtown and economic development planning as well as services, and as capacity and talent has increased, so also has the momentum and ability to service companies interested in growing and investing in Tiffin.

Contacting the City's Financial Management

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

CITY OF TIFFIN, OHIO

STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 6,976,707	\$ 6,453,952	\$ 13,430,659
Receivables:			
Income taxes	2,004,554	-	2,004,554
Real and other taxes	993,940	-	993,940
Payment in lieu of taxes	65,759	-	65,759
Accounts	198,623	1,409,727	1,608,350
Special assessments	247,676	-	247,676
Accrued interest	2,301	-	2,301
Due from other governments	853,414	-	853,414
Loans receivable	94,035	-	94,035
Materials and supplies inventory	121,704	26,557	148,261
Prepayments	69,440	23,416	92,856
Investment in joint venture	1,400,874	-	1,400,874
Capital assets:			
Land and construction in progress	3,639,645	411,080	4,050,725
Depreciable capital assets, net	20,042,443	24,261,422	44,303,865
Total capital assets, net	23,682,088	24,672,502	48,354,590
Total assets	36,711,115	32,586,154	69,297,269
Liabilities:			
Accounts payable	110,317	60,324	170,641
Contracts payable	36,400	239,949	276,349
Accrued wages and benefits payable	194,880	30,601	225,481
Due to other governments	279,705	34,244	313,949
Accrued interest payable	8,056	28,916	36,972
Long-term liabilities:			
Due within one year	547,988	671,648	1,219,636
Due in more than one year	2,807,156	9,522,424	12,329,580
Total liabilities	3,984,502	10,588,106	14,572,608
Deferred inflows of resources:			
Property taxes levied for the next fiscal year	924,686	-	924,686
Payment in lieu of taxes levied for the next year	65,759	-	65,759
Total deferred inflows of resources	990,445	-	990,445
Net position:			
Net investment in capital assets	21,321,146	14,771,570	36,092,716
Restricted for:			
Debt service	216,903	-	216,903
Capital projects	339,575	-	339,575
Transportation projects	800,092	-	800,092
Municipal court	804,832	-	804,832
Security of persons and property	193,259	-	193,259
Community environment	157,770	-	157,770
Economic development and assistance	84,670	-	84,670
Urban redevelopment	48,226	-	48,226
Permanent fund: expendable	5,287	-	5,287
Permanent fund: nonexpendable	25,000	-	25,000
Other purposes	16,405	-	16,405
Unrestricted	7,723,003	7,226,478	14,949,481
Total net position	\$ 31,736,168	\$ 21,998,048	\$ 53,734,216

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF TIFFIN, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

	<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	\$ 2,557,926	\$ 837,886	\$ -	\$ -
Security of persons and property	6,707,083	621,349	158,465	-
Transportation	1,500,383	70,248	812,637	194,699
Community environment	349,989	8,148	335,432	-
Leisure time activity	415,049	15,064	60,555	-
Economic development and assistance	17,025	-	363	-
Urban development and housing	174,540	-	178,329	-
Other	1,267	-	-	-
Interest and fiscal charges	114,924	-	-	-
Total governmental activities	<u>11,838,186</u>	<u>1,552,695</u>	<u>1,545,781</u>	<u>194,699</u>
Business-type activities:				
Sewer	<u>3,265,097</u>	<u>5,213,674</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>3,265,097</u>	<u>5,213,674</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 15,103,283</u>	<u>\$ 6,766,369</u>	<u>\$ 1,545,781</u>	<u>\$ 194,699</u>

General revenues:

Property taxes levied for:	
General purposes	
Police pension	
Fire pension	
Income taxes levied for:	
General purposes	
Payments in lieu of taxes	
Grants and entitlements not restricted to specific programs	
Contributions and donations	
Refunds and reimbursements	
Investment earnings	
Miscellaneous	
Total general revenues	
Transfers	
Total general revenues and transfers	
Change in net position	
Net position at beginning of year	
Net position at end of year	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Governmental Activities	Business-type Activities	Total
\$ (1,720,040)	\$ -	\$ (1,720,040)
(5,927,269)	-	(5,927,269)
(422,799)	-	(422,799)
(6,409)	-	(6,409)
(339,430)	-	(339,430)
(16,662)	-	(16,662)
3,789	-	3,789
(1,267)	-	(1,267)
(114,924)	-	(114,924)
<u>(8,545,011)</u>	<u>-</u>	<u>(8,545,011)</u>
-	1,948,577	1,948,577
-	1,948,577	1,948,577
<u>(8,545,011)</u>	<u>1,948,577</u>	<u>(6,596,434)</u>
826,020	-	826,020
67,558	-	67,558
67,558	-	67,558
8,501,453	-	8,501,453
67,276	-	67,276
535,690	-	535,690
23,221	-	23,221
299,776	-	299,776
15,841	17,576	33,417
67,787	43,723	111,510
<u>10,472,180</u>	<u>61,299</u>	<u>10,533,479</u>
<u>7,237</u>	<u>(7,237)</u>	<u>-</u>
<u>10,479,417</u>	<u>54,062</u>	<u>10,533,479</u>
1,934,406	2,002,639	3,937,045
<u>29,801,762</u>	<u>19,995,409</u>	<u>49,797,171</u>
<u>\$ 31,736,168</u>	<u>\$ 21,998,048</u>	<u>\$ 53,734,216</u>

CITY OF TIFFIN, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and cash equivalents . . .	\$ 3,787,957	\$ 3,188,750	\$ 6,976,707
Receivables:			
Income taxes.	2,004,554	-	2,004,554
Real and other taxes	848,880	145,060	993,940
Payment in lieu of taxes	-	65,759	65,759
Accounts.	171,057	27,566	198,623
Accrued interest	2,301	-	2,301
Special assessments	-	247,676	247,676
Due from other governments.	389,790	463,624	853,414
Interfund loans.	40,000	-	40,000
Loans receivable.	-	94,035	94,035
Prepayments	55,430	14,010	69,440
Materials and supplies inventory.	22,180	99,524	121,704
Total assets	<u>\$ 7,322,149</u>	<u>\$ 4,346,004</u>	<u>\$ 11,668,153</u>
Liabilities:			
Accounts payable.	\$ 68,710	\$ 41,607	\$ 110,317
Contracts payable.	-	36,400	36,400
Accrued wages and benefits payable	169,332	25,548	194,880
Compensated absences payable	46,134	-	46,134
Interfund loans payable.	-	40,000	40,000
Due to other governments	230,237	49,468	279,705
Total liabilities	<u>514,413</u>	<u>193,023</u>	<u>707,436</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year. . .	788,416	136,270	924,686
Delinquent property tax revenue not available. . .	50,859	8,790	59,649
Accrued interest not available	1,119	-	1,119
Special assessments revenue not available.	-	247,676	247,676
Miscellaneous revenue not available.	267,631	1,609	269,240
Income tax revenue not available	1,431,957	-	1,431,957
Nonexchange transactions	219,138	397,246	616,384
Payment in lieu of taxes levied for the next year . . .	-	65,759	65,759
Total deferred inflows of resources	<u>2,759,120</u>	<u>857,350</u>	<u>3,616,470</u>
Fund balances:			
Nonspendable	77,610	113,534	191,144
Restricted.	-	2,088,444	2,088,444
Committed	431,660	1,158,899	1,590,559
Assigned	935,917	-	935,917
Unassigned (deficit)	<u>2,603,429</u>	<u>(65,246)</u>	<u>2,538,183</u>
Total fund balances.	<u>4,048,616</u>	<u>3,295,631</u>	<u>7,344,247</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,322,149</u>	<u>\$ 4,346,004</u>	<u>\$ 11,668,153</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF TIFFIN, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2014

Total governmental fund balances	\$	7,344,247
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		23,682,088
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	\$ 59,649	
Income taxes receivable	1,431,957	
Accounts receivable	269,240	
Intergovernmental receivable	616,384	
Special assessments receivable	247,676	
Accrued interest receivable	1,119	
Total	2,626,025	2,626,025
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.		1,400,874
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(8,056)
Unamortized premiums on bond issuance are not recognized in governmental funds.		(38,308)
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	(948,068)	
Capital lease payable	(107,634)	
General obligation bonds payable	(2,025,000)	
Special assessment bonds	(190,000)	
Total	(3,270,702)	<u>(3,270,702)</u>
Net position of governmental activities	\$	31,736,168

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF TIFFIN, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Municipal income taxes	\$ 8,164,190	\$ -	\$ 8,164,190
Real and other taxes	823,603	134,700	958,303
Charges for services	520,263	15,214	535,477
Licenses and permits	43,738	-	43,738
Fines and forfeitures	499,238	306,454	805,692
Intergovernmental	477,468	1,605,065	2,082,533
Special assessments	-	111,686	111,686
Investment income	15,135	1,170	16,305
Refunds and reimbursements	215,995	55,671	271,666
Contributions and donations	22,637	47,140	69,777
Payments in lieu of taxes	-	67,276	67,276
Other	105,407	52,710	158,117
Total revenues	<u>10,887,674</u>	<u>2,397,086</u>	<u>13,284,760</u>
Expenditures:			
Current:			
General government	2,289,723	192,885	2,482,608
Security of persons and property	6,017,069	443,590	6,460,659
Transportation	-	951,129	951,129
Community environment	160,100	217,437	377,537
Leisure time activity	-	393,560	393,560
Economic development and assistance	-	17,025	17,025
Urban redevelopment	-	174,540	174,540
Other	-	1,267	1,267
Capital outlay	-	1,060,233	1,060,233
Debt service:			
Principal retirement	-	135,000	135,000
Interest and fiscal charges	-	117,067	117,067
Total expenditures	<u>8,466,892</u>	<u>3,703,733</u>	<u>12,170,625</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,420,782</u>	<u>(1,306,647)</u>	<u>1,114,135</u>
Other financing sources (uses):			
Sale of capital assets	-	15,804	15,804
Capital lease transaction	-	107,634	107,634
Transfers in	-	1,646,685	1,646,685
Transfers (out)	(1,506,039)	(140,646)	(1,646,685)
Total other financing sources (uses)	<u>(1,506,039)</u>	<u>1,629,477</u>	<u>123,438</u>
Net change in fund balances	914,743	322,830	1,237,573
Fund balances at beginning of year	3,120,081	2,998,417	6,118,498
Increase (Decrease) in reserve for inventory	13,792	(25,616)	(11,824)
Fund balances at end of year	<u>\$ 4,048,616</u>	<u>\$ 3,295,631</u>	<u>\$ 7,344,247</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF TIFFIN, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

Net change in fund balances - total governmental funds \$ 1,237,573

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital asset additions	\$ 1,373,901	
Current year depreciation	(1,110,759)	
Total	263,142	263,142

The net effect of various miscellaneous transactions involving capital assets is to decrease net position. The City recorded (\$23,551) related to disposals and recorded \$7,237 in capital asset transfers from proprietary funds (16,314)

Governmental funds report expenditures for inventory when purchased. However in the statement of activities, they are reported as an expense when consumed. (11,824)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Municipal income taxes	337,263	
Real and other taxes	(6,161)	
Charges for services	(20,453)	
Intergovernmental	159,927	
Special assessments	(47,888)	
Investment income	(21)	
Refunds and reimbursements	250	
Other	2,161	
Total	425,078	425,078

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. 35,583

Issuances of capital leases are recorded as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net position. (107,634)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. 135,000

Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the following:

Decrease in accrued interest payable	345	
Amortization of bond premiums	1,798	
Total	2,143	2,143

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. (28,341)

Change in net position of governmental activities \$ 1,934,406

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF TIFFIN, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Municipal income taxes	\$ 7,488,000	\$ 8,000,000	\$ 8,302,825	\$ 302,825
Real and other taxes.	836,252	844,932	832,693	(12,239)
Charges for services.	551,200	548,200	520,795	(27,405)
Licenses and permits	43,100	43,100	43,816	716
Fines and forfeitures	387,000	485,200	479,384	(5,816)
Intergovernmental.	436,840	476,624	475,207	(1,417)
Investment income.	10,000	13,500	14,634	1,134
Refunds and reimbursements	152,050	218,650	217,490	(1,160)
Contributions and donations	9,000	23,100	23,137	37
Other	8,250	800	155	(645)
Total revenues	9,921,692	10,654,106	10,910,136	256,030
Expenditures:				
Current:				
General government	2,611,207	2,774,126	2,489,573	284,553
Security of persons and property	6,295,809	6,393,961	6,084,262	309,699
Community environment	196,242	207,242	169,743	37,499
Total expenditures	9,103,258	9,375,329	8,743,578	631,751
Excess of revenues over expenditures	818,434	1,278,777	2,166,558	887,781
Other financing uses:				
Advances (out) and not repaid	-	-	(40,000)	(40,000)
Transfers (out).	(1,297,068)	(1,585,068)	(1,506,039)	79,029
Total other financing uses	(1,297,068)	(1,585,068)	(1,546,039)	39,029
Net change in fund balances	(478,634)	(306,291)	620,519	926,810
Fund balances at beginning of year	2,393,700	2,393,700	2,393,700	-
Prior year encumbrances appropriated	260,668	260,668	260,668	-
Fund balance at end of year	\$ 2,175,734	\$ 2,348,077	\$ 3,274,887	\$ 926,810

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF TIFFIN, OHIO

STATEMENT OF NET POSITION
 PROPRIETARY FUND
 DECEMBER 31, 2014

	Business-type Activities	
	Enterprise Fund	
	Sewer	
	<hr/>	
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents . . .	\$	6,453,952
Receivables:		
Accounts		1,409,727
Prepayments		23,416
Materials and supplies inventory.		26,557
		<hr/>
Total current assets		7,913,652
		<hr/>
Noncurrent assets:		
Capital assets:		
Land and construction in progress.		411,080
Depreciable capital assets, net.		24,261,422
		<hr/>
Total capital assets, net.		24,672,502
		<hr/>
Total noncurrent assets		24,672,502
		<hr/>
Total assets		32,586,154
		<hr/>
Liabilities:		
Current liabilities:		
Accounts payable.		60,324
Contracts payable.		239,949
Accrued wages and benefits payable		30,601
Due to other governments		34,244
Accrued interest payable		28,916
Compensated absences payable - current.		95,052
General obligation bonds payable		485,000
OWDA loans payable		56,721
Capital lease obligations payable		34,875
		<hr/>
Total current liabilities		1,065,682
		<hr/>
Long-term liabilities:		
Compensated absences payable		198,088
Unamortized premium on bonds.		100,633
General obligation bonds payable		7,895,000
OWDA loans payable		1,255,944
Capital lease obligations payable		72,759
		<hr/>
Total long-term liabilities		9,522,424
		<hr/>
Total liabilities		10,588,106
		<hr/>
Net position:		
Net investment in capital assets.		14,771,570
Unrestricted		7,226,478
		<hr/>
Total net position.	\$	21,998,048
		<hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF TIFFIN, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-type Activities	
	Enterprise Fund	
	Sewer	
Operating revenues:		
Tap-in fees.	\$	375
Charges for services		5,213,299
Other operating revenues		31,608
Total operating revenues.		<u>5,245,282</u>
Operating expenses:		
Personal services		1,302,042
Contract services.		483,485
Materials and supplies.		112,276
Utilities		249,491
Depreciation.		686,820
Other		31,607
Total operating expenses.		<u>2,865,721</u>
Operating income		<u>2,379,561</u>
Nonoperating revenues (expenses):		
Interest and fiscal charges		(394,313)
Loss on sale of capital assets		(5,063)
Special assessments		12,115
Interest income.		17,576
Total nonoperating revenues (expenses).		<u>(369,685)</u>
Income before transfers		2,009,876
Transfer out		<u>(7,237)</u>
Change in net position		2,002,639
Net position at beginning of year		<u>19,995,409</u>
Net position at end of year	\$	<u><u>21,998,048</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF TIFFIN, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-type Activities	
	Enterprise Fund	
	Sewer	
Cash flows from operating activities:		
Cash received from tap in fees	\$	375
Cash received from charges for services.		5,106,963
Cash received from other operations		31,608
Cash payments for personal services.		(1,294,398)
Cash payments for contractual services		(485,589)
Cash payments for materials and supplies		(73,847)
Cash payments for utilities		(247,213)
Cash payments for other expenses		(31,126)
		<hr/>
Net cash provided by operating activities		3,006,773
		<hr/>
Cash flows from noncapital financing activities:		
Cash received from special assessments		12,115
		<hr/>
Net cash provided by noncapital financing activities.		12,115
		<hr/>
Cash flows from capital and related financing activities:		
Acquisition of capital assets		(2,545,736)
Principal retirement on OWDA loans		(55,139)
Principal retirement on general obligation bonds.		(470,000)
Interest paid on bonds		(400,777)
		<hr/>
Net cash used in capital and related financing activities.		(3,471,652)
		<hr/>
Cash flows from investing activities:		
Interest received		17,579
		<hr/>
Net cash provided by investing activities		17,579
		<hr/>
Net decrease in cash and cash equivalents		(435,185)
		<hr/>
Cash and cash equivalents at beginning of year		6,889,137
Cash and cash equivalents at end of year	\$	<u>6,453,952</u>

CITY OF TIFFIN, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-type Activities	
	Enterprise Fund	
	Sewer	
	<hr/>	
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$	2,379,561
Adjustments:		
Depreciation.		686,820
Changes in assets and liabilities:		
Decrease in materials and supplies inventory		11,201
(Increase) in accounts receivable		(106,702)
(Increase) in prepayments		(855)
Increase in accounts payable		28,010
Increase in accrued wages and benefits		5,309
Increase in intergovernmental payable		1,730
Increase in compensated absences payable		1,699
		<hr/>
Net cash provided by operating activities	\$	<u>3,006,773</u>

Noncash transactions:

At December 31, 2014 and 2013, the sewer fund purchased \$239,949 and \$514,624, respectively, in capital assets on account.

The sewer fund entered into a capital lease obligation in the amount of \$107,634 during 2014.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF TIFFIN, OHIO

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
DECEMBER 31, 2014**

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 2,842
Cash and cash equivalents in segregated accounts . . .	315,886
Receivables:	
Accounts	<u>2,203</u>
Total assets	<u>\$ 320,931</u>
Liabilities:	
Undistributed monies	<u>\$ 320,931</u>
Total liabilities	<u>\$ 320,931</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 1 - DESCRIPTION OF THE ENTITY AND REPORTING ENTITY

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

Reporting Entity

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

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

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

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

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

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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 \$1,400,874 at December 31, 2014. Financial information can be obtained from the Sandusky County - Seneca County - City of Tiffin Port Authority, James Supance, Chairman, P.O. Box 767, Tiffin, Ohio 44883.

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

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

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

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

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

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

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

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

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

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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

Governmental Funds

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

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

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

Proprietary Funds

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

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

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

Fiduciary Funds

Fiduciary funds reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City has no trust funds which are considered fiduciary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for funds maintained by the Municipal Court, State Patrol transfer account, unclaimed money, fire claims escrow and payroll income tax.

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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

C. Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

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

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

The proprietary fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the City's proprietary fund is charges for sales and services. Operating expenses for the proprietary fund includes personnel and other expenses related to the sewer operations. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows and in the presentation of expenses versus expenditures.

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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

Revenues - Exchange and Nonexchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within thirty days of year end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (See Note 7). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: income taxes, property taxes available as an advance, State-levied locally shared taxes (including gasoline tax, local government funds and permissive tax), fines and forfeitures, interest, grants and rentals.

Deferred Inflows and Outflows

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

Property taxes and payments in lieu of taxes for which there is an enforceable legal claim as of December 31, 2014, but which were levied to finance 2015 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows. Income taxes, special assessments, accrued interest and grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2014, are recorded as deferred inflows on the governmental fund financial statements.

Expenses/Expenditures

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

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

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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

E. Budgetary Data

An annual appropriated budget is legally required to be prepared for all funds of the City other than agency funds. Council passes appropriations at the fund, department, and object level. Line item appropriations may be transferred between the accounts with the approval of the 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 2014.

Appropriations

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

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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

Encumbrances

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

Lapsing of Appropriations

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

F. Cash and Investments

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund balance integrity is maintained through the City's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During 2014, investments were limited to a repurchase agreement and nonnegotiable certificates of deposit. Nonparticipating investment contracts, such as repurchase agreements and nonnegotiable certificates of deposit, are reported at cost.

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

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2014 amounted to \$15,135, which included \$6,898 assigned from other funds of the City.

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

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

G. Inventories of Materials and Supplies

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

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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

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

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2014, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which it was consumed.

I. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. Capital assets utilized by the proprietary fund are reported both in the business-type activities column of the government-wide statement of net position and in the fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$500. Public domain ("infrastructure") general capital assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, sewer lines and lighting systems have been capitalized. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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, 2014, there were no internal balances.

K. Compensated Absences

Compensated absences of the City consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributed to services already rendered and are not contingent on a specific event that is outside the control of the City.

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

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

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

L. Accrued Liabilities and Long-Term Obligations

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

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

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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

M. Premiums and Bond Discounts

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

N. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

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

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

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

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

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

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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 2014.

R. Estimates

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

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2014, the City has implemented GASB Statement No. 69, "Government Combinations and Disposals of Government Operations" and GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the City.

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the City.

B. Deficit Fund Balances

Fund balances at December 31, 2014 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Fire SAFER grant	\$ 49,783
2010 South Shaffer Park Drive bond	15,463

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items 1 or 2 above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash on Hand

At year end, the City had \$740 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 \$315,886, 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, 2014, the carrying amount of all City deposits was \$3,511,255, exclusive of the \$9,921,506 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2014, \$3,618,458 of the City’s bank balance of \$4,147,821 was exposed to custodial risk as discussed below, while \$529,363 was covered by the FDIC.

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

D. Investments

As of December 31, 2014, the City had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	Investment Maturity 6 months or <u>less</u>
Repurchase agreement	<u>\$ 9,921,506</u>	<u>\$ 9,921,506</u>

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the City’s investment policy limits investment portfolio maturities to five years or less.

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. For the City's \$9,921,506 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the City. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Director of Finance or qualified trustee.

Concentration of Credit Risk: The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2014:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase agreement	<u>\$ 9,921,506</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2014:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 3,511,255
Investments	9,921,506
Cash on hand	740
Cash in segregated accounts	<u>315,886</u>
Total	<u>\$ 13,749,387</u>
<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 6,976,707
Business-type activities	6,453,952
Agency funds	<u>318,728</u>
Total	<u>\$ 13,749,387</u>

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund transfers for the year ended December 31, 2014, consisted of the following, as reported on the fund financial statements:

<u>Transfers to nonmajor governmental funds from:</u>	
General fund	\$ 1,506,039
Nonmajor governmental funds	<u>140,646</u>
Total	<u>\$ 1,646,685</u>

Transfers are used (1) move revenues from the fund that statute or budget required to collect them to the fund that state or budget requires to expend them, (2) move \$130,725 of receipts restricted to debt service from funds collecting the receipts to the debt service fund (a nonmajor governmental fund) as debt service payments become due, (3) use unassigned revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (4) move \$9,921 out of the block grant fund (a nonmajor governmental fund) into the revolving loan fund (a nonmajor governmental fund).

The governmental activities received a transfer from the sewer enterprise fund in the amount of \$7,237 (net of accumulated depreciation) in order to transfer capital assets that were improperly recorded in a prior year.

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, 2014, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 40,000</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.

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.

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 6 - PROPERTY TAXES - (Continued)

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. 2014 public utility property taxes became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 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, 2014 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 2014 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, 2014 was \$4.10 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2014 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 182,248,330
Commercial/industrial/mineral	58,630,850
 <u>Public utility</u>	
Real	41,450
Personal property	17,264,090
Total assessed value	<u><u>\$ 258,184,720</u></u>

NOTE 7 - LOCAL INCOME TAX

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

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

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

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 8 - RECEIVABLES

Receivables at December 31, 2014, 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, 2014.

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

Governmental activities:

Income taxes	\$ 2,004,554
Real and other taxes	993,940
Payments in lieu of taxes	65,759
Accounts	198,623
Accrued interest	2,301
Special assessments	247,676
Due from other governments	853,414
Loans	94,035

Business-type activities:

Accounts	1,409,727
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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.

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**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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 2014, the City contracted through Huntington Insurance Service and Ohio Plan Co. for property, fleet, crime and liability insurance.

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

	<u>Per Occurrence</u>	<u>Deductibles</u>	<u>Annual Aggregate</u>
Commercial Property (Blanket):			
Building and Contents - Replacement Cost	\$ -	\$ 1,000	\$ 36,902,040
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	1,048,000
Fire Vehicles	-	Various	4,767,725
Electronic Data Processing	-	1,000	640,000
Crime-Employee Dishonesty	100,000	-	-

Real property and contents are 90 percent coinsured. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in insurance coverage from 2013.

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014, was as follows:

	Balance 12/31/13	Additions	Disposals	Balance 12/31/14
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 3,313,492	\$ -	\$ -	\$ 3,313,492
Construction in progress	<u>190,123</u>	<u>315,386</u>	<u>(179,356)</u>	<u>326,153</u>
Total capital assets, not being depreciated	<u>3,503,615</u>	<u>315,386</u>	<u>(179,356)</u>	<u>3,639,645</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	7,708,695	146,246	-	7,854,941
Machinery & equipment	3,534,693	417,710	(310,549)	3,641,854
Furniture & fixtures	390,751	70,667	(2,634)	458,784
Vehicles	3,215,671	253,064	(57,633)	3,411,102
Infrastructure	<u>25,451,415</u>	<u>360,655</u>	<u>-</u>	<u>25,812,070</u>
Total capital assets, being depreciated	<u>40,301,225</u>	<u>1,248,342</u>	<u>(370,816)</u>	<u>41,178,751</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(5,429,813)	(109,136)	-	(5,538,949)
Machinery & equipment	(2,605,904)	(155,546)	287,815	(2,473,635)
Furniture & fixtures	(288,727)	(15,571)	2,312	(301,986)
Vehicles	(2,414,677)	(130,133)	57,138	(2,487,672)
Infrastructure	<u>(9,630,459)</u>	<u>(703,607)</u>	<u>-</u>	<u>(10,334,066)</u>
Total accumulated depreciation	<u>(20,369,580)</u>	<u>(1,113,993)</u>	<u>347,265</u>	<u>(21,136,308)</u>
Total capital assets, being depreciated, net	<u>19,931,645</u>	<u>134,349</u>	<u>(23,551)</u>	<u>20,042,443</u>
Governmental activities capital assets, net	<u>\$ 23,435,260</u>	<u>\$ 449,735</u>	<u>\$ (202,907)</u>	<u>\$ 23,682,088</u>

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 10 - CAPITAL ASSETS - (Continued)

	Balance 12/31/13	Additions	Disposals	Balance 12/31/14
Business-type activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 241,940	\$ -	\$ -	\$ 241,940
Construction in progress	<u>655,482</u>	<u>2,026,202</u>	<u>(2,512,544)</u>	<u>169,140</u>
Total capital assets, not being depreciated	<u>897,422</u>	<u>2,026,202</u>	<u>(2,512,544)</u>	<u>411,080</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	10,933,816	1,075	-	10,934,891
Machinery & equipment	786,834	62,169	(16,940)	832,063
Furniture & fixtures	57,696	-	-	57,696
Vehicles	1,068,361	267,760	(125,273)	1,210,848
Infrastructure	<u>25,345,537</u>	<u>2,534,033</u>	<u>-</u>	<u>27,879,570</u>
Total capital assets, being depreciated	<u>38,192,244</u>	<u>2,865,037</u>	<u>(142,213)</u>	<u>40,915,068</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(8,161,457)	(99,673)	-	(8,261,130)
Machinery & equipment	(612,588)	(37,703)	9,640	(640,651)
Furniture & fixtures	(50,720)	(1,081)	-	(51,801)
Vehicles	(910,678)	(35,224)	120,273	(825,629)
Infrastructure	<u>(6,361,296)</u>	<u>(513,139)</u>	<u>-</u>	<u>(6,874,435)</u>
Total accumulated depreciation	<u>(16,096,739)</u>	<u>(686,820)</u>	<u>129,913</u>	<u>(16,653,646)</u>
Total capital assets, being depreciated, net	<u>22,095,505</u>	<u>2,178,217</u>	<u>(12,300)</u>	<u>24,261,422</u>
Business-type activities capital assets, net	<u>\$ 22,992,927</u>	<u>\$ 4,204,419</u>	<u>\$ (2,524,844)</u>	<u>\$ 24,672,502</u>

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 10 - CAPITAL ASSETS - (Continued)

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

Governmental activities:

General government	\$ 64,504
Security of persons and property	240,644
Transportation	734,243
Community environment	5,884
Leisure time activity	<u>65,484</u>
Total depreciation expense - governmental activities	<u>\$ 1,110,759</u> *

Business-type activities:

Sewer	\$ <u>686,820</u>
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* The governmental funds received a transfer of assets from the sewer enterprise fund with accumulated depreciation of \$3,234 during 2014.

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, 2014 receive 1/4 of sick leave accumulated not to exceed 30 days.

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

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

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

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

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 11 - COMPENSATED ABSENCES - (Continued)

A liability for accrued vacation for \$167,169 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, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 12 - LONG-TERM OBLIGATIONS

A. During 2014, the following changes occurred in the City's long-term obligations:

	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>	<u>Amounts</u>
	<u>12/31/13</u>			<u>12/31/14</u>	<u>Due in</u>
					<u>One Year</u>
<u>Governmental activities:</u>					
<u>General obligation bonds:</u>					
S. Shaffer Park Drive bond - series 2010, 1.00% - 5.25%	\$ 1,120,000	\$ -	\$ (50,000)	\$ 1,070,000	\$ 50,000
Riverfront improvement bond - series 2010, 1.00% - 5.25%	<u>1,000,000</u>	<u>-</u>	<u>(45,000)</u>	<u>955,000</u>	<u>45,000</u>
Total general obligation bonds	<u>2,120,000</u>	<u>-</u>	<u>(95,000)</u>	<u>2,025,000</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>230,000</u>	<u>-</u>	<u>(40,000)</u>	<u>190,000</u>	<u>45,000</u>
<u>Other obligations:</u>					
Compensated absences	948,109	422,462	(376,369)	994,202	373,112
Capital lease	<u>-</u>	<u>107,634</u>	<u>-</u>	<u>107,634</u>	<u>34,876</u>
Total governmental activities	<u>\$ 3,298,109</u>	<u>\$ 530,096</u>	<u>\$ (511,369)</u>	<u>\$ 3,316,836</u>	<u>\$ 547,988</u>
				Add: unamortized premium on bonds	<u>38,308</u>
				Total on statement of net position	<u>\$ 3,355,144</u>
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>	<u>Amounts</u>
	<u>12/31/13</u>			<u>12/31/14</u>	<u>Due in</u>
					<u>One Year</u>
<u>Business-type activities:</u>					
<u>General obligation bonds:</u>					
Sewer separation bonds - series 2007, 3.80% - 5.00%	\$ 4,825,000	\$ -	\$ (290,000)	\$ 4,535,000	\$ 300,000
Sewer Phase III bond - series 2010, 1.00% - 5.25%	<u>4,025,000</u>	<u>-</u>	<u>(180,000)</u>	<u>3,845,000</u>	<u>185,000</u>
Total general obligation bonds	<u>8,850,000</u>	<u>-</u>	<u>(470,000)</u>	<u>8,380,000</u>	<u>485,000</u>
<u>OWDA loan:</u>					
Rock Creek Interceptor #5991	<u>1,367,804</u>	<u>-</u>	<u>(55,139)</u>	<u>1,312,665</u>	<u>56,721</u>
<u>Other obligations:</u>					
Compensated absences	291,441	93,864	(92,165)	293,140	95,052
Capital lease	<u>-</u>	<u>107,634</u>	<u>-</u>	<u>107,634</u>	<u>34,875</u>
Total business-type activities	<u>\$ 10,509,245</u>	<u>\$ 201,498</u>	<u>\$ (617,304)</u>	<u>\$ 10,093,439</u>	<u>\$ 671,648</u>
				Add: unamortized premium on bonds	<u>100,633</u>
				Total on statement of net position	<u>\$ 10,194,072</u>

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 12 - LONG TERM OBLIGATIONS - (Continued)

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

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

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

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

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

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

OWDA Loans - The City has entered into debt financing arrangements through the Ohio Water Development Authority (OWDA) to fund construction projects. The amounts due to OWDA are intended to be paid primarily from sewer revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 2014, the City had outstanding borrowings of \$1,312,665.

The City has pledged future sewer revenues to repay OWDA loans. The loans are payable solely from sewer fund revenues and are payable through December 2032. Annual principal and interest payments on the loans are estimated to be 3.04 percent of net revenues and 1.79 percent of total revenues. The total principal and interest remaining to be paid on the loans is \$1,687,158. Principal and interest paid for the current year were \$93,731, total net revenues were \$3,083,957 and total revenues were \$5,245,282.

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 12 - LONG TERM OBLIGATIONS - (Continued)

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

- B.** The future annual debt service requirements to maturity for the City's debt outstanding as of December 31, 2014 are as follows:

Year Ended	Governmental Activities			Year Ended	Governmental Activities		
	General Obligations	General Obligations	Total		Special Assessment	Special Assessment	Total
	Principal	Interest			Principal	Interest	
2015	\$ 95,000	\$ 86,033	\$ 181,033	2015	\$ 45,000	\$ 10,640	\$ 55,640
2016	95,000	83,895	178,895	2016	45,000	8,120	53,120
2017	105,000	81,520	186,520	2017	50,000	5,600	55,600
2018	105,000	78,370	183,370	2018	50,000	2,800	52,800
2019	105,000	75,220	180,220				
2020 - 2024	600,000	315,617	915,617	Totals	\$ 190,000	\$ 27,160	\$ 217,160
2025 - 2029	750,000	164,787	914,787				
2030	170,000	8,925	178,925				
Totals	\$ 2,025,000	\$ 894,367	\$ 2,919,367				

Year Ended	Business-Type Activities			Year Ended	Business-Type Activities		
	OWDA	OWDA	Total		General Obligation	General Obligation	Total
	Principal	Interest			Principal	Interest	
2015	\$ 56,721	\$ 37,010	\$ 93,731	2015	\$ 485,000	\$ 346,985	\$ 831,985
2016	58,349	35,382	93,731	2016	495,000	330,823	825,823
2017	60,024	33,707	93,731	2017	515,000	310,697	825,697
2018	61,747	31,984	93,731	2018	540,000	291,998	831,998
2019	63,519	30,212	93,731	2019	560,000	272,397	832,397
2020 - 2024	346,015	122,640	468,655	2020 - 2024	3,130,000	1,025,343	4,155,343
2025 - 2029	398,606	70,049	468,655	2025 - 2029	2,325,000	367,250	2,692,250
2030 - 2032	267,684	13,509	281,193	2030	330,000	17,325	347,325
Totals	\$ 1,312,665	\$ 374,493	\$ 1,687,158	Totals	\$ 8,380,000	\$ 2,962,818	\$ 11,342,818

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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, 2014, the City's total debt margin was \$25,092,623 and the unvoted debt margin was \$14,200,160.

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, 2014 was \$12,806, leaving a current book value of \$227,462. A corresponding liability was recorded in the statement of net position. Principal payments will be paid by the City from the general capital improvement fund and the sewer fund.

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

<u>Year Ended</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
2015	\$ 37,940	\$ 37,940	\$ 75,880
2016	37,940	37,940	75,880
2017	<u>37,940</u>	<u>37,940</u>	<u>75,880</u>
Total minimum lease payments	113,820	113,820	227,640
Less: Amounts representing interest	<u>(6,186)</u>	<u>(6,186)</u>	<u>(12,372)</u>
Present value of minimum lease payments	<u>\$ 107,634</u>	<u>\$ 107,634</u>	<u>\$ 215,268</u>

NOTE 14 - PENSION PLANS

A. Ohio Public Employees Retirement System

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

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 14 - PENSION PLANS - (Continued)

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

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014, member and employer contribution rates were consistent across all three plans. The 2014 member contribution rates were 10.00% for members. The City's contribution rate for 2014 was 14.00% of covered payroll.

The City's contribution rate for pension benefits for members in the Traditional Plan and Combined Plan for 2014 was 12.00%. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2014, 2013, and 2012 were \$327,887, \$342,077, and \$226,896, respectively; 91.63% has been contributed for 2014 and 100% has been contributed for 2013 and 2012. The remaining 2014 pension liability has been reported as due to other governments on the basic financial statements. Contributions to the Member-Directed Plan for 2014 were \$17,121 made by the City and \$12,299 made by the plan members.

B. Ohio Police and Fire Pension Fund

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

Funding Policy - From January 1, 2014 through July 1, 2014, plan members were required to contribute 10.75% of their annual covered salary. From July 2, 2014 through December 31, 2014, plan members were required to contribute 11.50% of their annual covered salary. Throughout 2014, the City was required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute.

For 2014, the portion of the City's contributions to fund pension obligations was 19.00% for police officers and 23.50% for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$311,610 and \$495,269 for the year ended December 31, 2014, \$241,806 and \$377,544 for the year ended December 31, 2013, and \$196,894 and \$355,925, for the year ended December 31, 2012. 100% has been contributed for 2014, 2013 and 2012.

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 15 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

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

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2014, 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 and Combined Plan for 2014 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.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2014, 2013, and 2012 were \$54,667, \$26,314, and \$172,670, respectively; 91.63% has been contributed for 2014 and 100% has been contributed for 2013 and 2012. The remaining 2014 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.

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)

B. Ohio Police and Fire Pension Fund

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

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

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2014, 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 \$8,200 and \$10,538 for the year ended December 31, 2014, \$55,218 and \$67,071 for the year ended December 31, 2013, and \$104,238 and \$139,275, for the year ended December 31, 2012. 100% has been contributed for 2014, 2013 and 2012.

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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).

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	\$ 620,519
Net adjustment for revenue accruals	(126,452)
Net adjustment for expenditure accruals	(102,324)
Net adjustment for other financing uses	40,000
Funds budgeted elsewhere	3,078
Adjustment for encumbrances	479,922
GAAP basis	\$ 914,743

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.

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
Materials and supplies inventory	\$ 22,180	\$ 99,524	\$ 121,704
Prepays	<u>55,430</u>	<u>14,010</u>	<u>69,440</u>
Total nonspendable	<u>77,610</u>	<u>113,534</u>	<u>191,144</u>
Restricted:			
Debt service	-	23,690	23,690
Capital improvements	-	339,325	339,325
Transportation projects	-	479,081	479,081
Municipal court	-	804,739	804,739
Security of persons and property	-	183,939	183,939
Community environment	-	78,082	78,082
Economic development and assistance	-	84,670	84,670
Urban redevelopment	-	48,226	48,226
Permanent fund	-	30,287	30,287
Other purposes	<u>-</u>	<u>16,405</u>	<u>16,405</u>
Total restricted	<u>-</u>	<u>2,088,444</u>	<u>2,088,444</u>
Committed:			
Capital improvements	-	779,322	779,322
General government	243,189	-	243,189
Public safety	151,144	-	151,144
Community environment	4,310	-	4,310
Flexible spending plan	33,017	154,444	187,461
Leisure-time activities	-	198,583	198,583
Security of persons and property	<u>-</u>	<u>26,550</u>	<u>26,550</u>
Total committed	<u>431,660</u>	<u>1,158,899</u>	<u>1,590,559</u>
Assigned:			
Subsequent year appropriation	<u>935,917</u>	<u>-</u>	<u>935,917</u>
Total assigned	<u>935,917</u>	<u>-</u>	<u>935,917</u>
Unassigned (deficit)	<u>2,603,429</u>	<u>(65,246)</u>	<u>2,538,183</u>
Total fund balances	<u>\$ 4,048,616</u>	<u>\$ 3,295,631</u>	<u>\$ 7,344,247</u>

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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

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

NOTE 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	\$ 397,528
Other governmental	<u>352,781</u>
Total	<u><u>\$ 750,309</u></u>

SUPPLEMENTARY DATA

**CITY OF TIFFIN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH / GRANT NUMBER	(A) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PASSED THROUGH THE OHIO DEPARTMENT OF DEVELOPMENT			
(B)(D) Community Development Block Grants/State's Program	14.228	A-F-12-2DX-1	\$ 166,000
(B) Community Development Block Grants/State's Program	14.228	A-F-13-2DX-1	37,600
(B) Community Development Block Grants/State's Program	14.228	A-C-12-2DX-1	110,826
Total Community Development Block Grants/State's Program			314,426
(C) HOME Investment Partnerships Program	14.239	A-C-12-2DX-2	176,785
Total U.S. Department of Housing and Urban Development			491,211
U.S. DEPARTMENT OF TRANSPORTATION PASSED THROUGH THE OHIO DEPARTMENT OF TRANSPORTATION			
Highway Planning and Construction	20.205	80526	177,191
Total U.S. Department of Transportation			177,191
EXECUTIVE OFFICE OF THE PRESIDENT PASSED THROUGH THE CITY OF SHAKER HEIGHTS, OHIO			
(E) High Intensity Drug Trafficking Areas Program	95.001	N/A	1,129
Total Executive Office of the President			1,129
U.S. DEPARTMENT OF HOMELAND SECURITY PASSED THROUGH THE N/A			
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2013-FH-00521	193,460
Assistance to Firefighters Grant	97.044	EMW-2012-FO-04340	17,203
Total U.S. Department of Homeland Security			210,663
Total Federal Financial Assistance			\$ 880,194

(A) The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes activity of the City's federal award programs. The Schedule has been prepared on the cash basis of accounting.

(B) The City has established a revolving loan program to provide low-interest loans to businesses that are creating jobs and meet the other program requirements. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Expenditures of Federal Awards (the Schedule). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule. At December 31, 2014, the City had no loans outstanding under this program and did not issue any loans. During 2013, the City transferred \$42,921 from the revolving loan program to one of the City's Community Development Block Grant programs as required per the grant agreement. During 2014, the unused portion of \$9,921 was transferred back to the revolving loan program. At December 31, 2014, the City also received \$15 of interest.

Cash balance on hand as of 12/31/14: \$15,908
Delinquent amounts due as of 12/31/14: \$0

(C) The City has established a program to provide down payment and rehabilitation assistance to low-income individuals and/or families. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Expenditures of Federal Awards (the Schedule). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule. At December 31, 2014, the City did not have loans outstanding under this program. The City did not issue any loans during the year ended December 31, 2014 and had \$8,580 in loans repaid. The City also incurred administrative expenses of \$566 and received \$167 of interest.

Cash balance on hand as of 12/31/14: \$68,987
Delinquent amounts due as of 12/31/14: \$0

(D) The City spent Revolving Loan Funds under the guidance from the Ohio Department of Development to fund Community Development Block Grant activities during the year ended December 31, 2014.

(E) A pass-through grant number was not available.

Note: Certain Federal programs require that the City contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has complied with the matching requirements. The expenditures of non-Federal matching funds are not included on the Schedule.



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

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

To the Members of Council and Mayor:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tiffin, Seneca County, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City of Tiffin's basic financial statements and have issued our report thereon dated June 4, 2015.

Internal Control Over Financial Reporting

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

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

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

Members of Council and Mayor
City of Tiffin

Compliance and Other Matters

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

Purpose of this Report

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



Julian & Grube, Inc.
June 4, 2015



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Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

To the Members of Council and Mayor:

Report on Compliance for Each Major Federal Program

We have audited the City of Tiffin's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the City of Tiffin's major federal programs for the year ended December 31, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the City of Tiffin's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Tiffin complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2014.

Members of Council and Mayor
City of Tiffin

Report on Internal Control Over Compliance

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

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

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

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



Julian & Grube, Inc.
June 4, 2015

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2014**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weakness reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness reported for the major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Program's Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs:	Community Development Block Grants/State's Program - CFDA #14.228; HOME Investment Partnerships Program - CFDA #14.239
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None



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
JULY 30, 2015**