

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS
(Audited)

For The Year Ended
December 31, 2007

DEBORA J. PINE, DIRECTOR OF FINANCE



Mary Taylor, CPA
Auditor of State

Board of Trustees
City of Tiffin
P.O. Box 455
51 East Market St.
Tiffin, Ohio 44883-0455

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, 2007 through December 31, 2007. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 27, 2008

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**CITY OF TIFFIN
SENECA COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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

Independent Auditor's Report

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

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, 2007, which collectively comprise the City of Tiffin's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Tiffin's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 3B, the City of Tiffin has reported a prior period adjustment in net assets reported at December 31, 2006 in relation to an equity interest in a joint venture.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2008, on our consideration of the City of Tiffin's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Members of Council and Mayor
City of Tiffin
Page Two

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tiffin's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and is not a required part of the basic financial statements of the City. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Julian & Grube, Inc.

May 14, 2008, except for Note 18, which is dated June 5, 2008.

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007**

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, 2007. 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 2007 are as follows:

- The total net assets of the City increased \$827,868. Net assets of governmental activities increased \$278,278 or 1.11% over 2006 and net assets of business-type activities increased \$549,590 or 4.86% over 2006.
- General revenues accounted for \$10,072,425 or 79.38% of total governmental activities revenue. Program specific revenues accounted for \$2,616,722 or 20.62% of total governmental activities revenue.
- The City had \$12,367,560 in expenses related to governmental activities; \$2,616,722 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$9,750,838 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$10,072,425.
- The general fund had revenues and other financing sources of \$10,613,575 in 2007. This represents an increase of \$174,032 from 2006 revenues. The expenditures and other financing uses of the general fund, which totaled \$10,557,697 in 2007, increased \$346,047 from 2006. The net increase in fund balance for the general fund was \$51,046 or 3.24%.
- Net assets for the business-type activities, which is made up of the Sewer enterprise fund, increased in 2007 by \$549,590. This increase in net assets was due primarily to charges for services and other operating income being sufficient to cover expenses.
- In the general fund, the actual revenues and other financing sources were \$1,680,445 less than in the final budget and actual expenditures and other financing uses were \$1,586,144 less than the amount in the final budget. These variances are the result of the City's conservative budgeting. Budgeted revenues and other financing sources increased \$1,350,650 from the original to the final budget. Budgeted expenditures and other financing uses increased \$328,058 from the original to the final budget due primarily to an increase in the cost of general government expenditures.

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 assets 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
SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007

Reporting the City as a Whole

Statement of Net Assets 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 2007?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, 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 assets and changes in those assets. This change in net assets 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 assets and the statement of activities, the City is divided into two distinct kinds of activities:

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

Business-type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The City's 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 fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007**

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 only 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 enterprise 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 28-57 of this report.

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Government-Wide Financial Analysis

Net assets of the governmental activities at December 31, 2006 have been restated as described in Note 3.B. to the financial statements. The table below provides a summary of the City's government-wide assets, liabilities and net assets for 2007 and 2006:

	Net Assets					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>Restated 2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>Restated 2006</u>
<u>Assets</u>						
Current and other assets	\$ 10,377,740	\$ 10,544,362	\$ 4,215,476	\$ 6,788,674	\$ 14,593,216	\$ 17,333,036
Capital assets, net	<u>19,201,096</u>	<u>19,279,103</u>	<u>16,747,252</u>	<u>13,074,221</u>	<u>35,948,348</u>	<u>32,353,324</u>
Total assets	<u>29,578,836</u>	<u>29,823,465</u>	<u>20,962,728</u>	<u>19,862,895</u>	<u>50,541,564</u>	<u>49,686,360</u>
<u>Liabilities</u>						
Other liabilities	1,926,700	2,072,907	882,530	164,230	2,809,230	2,237,137
Long-term liabilities outstanding	<u>2,238,831</u>	<u>2,615,531</u>	<u>8,211,297</u>	<u>8,379,354</u>	<u>10,450,128</u>	<u>10,994,885</u>
Total liabilities	<u>4,165,531</u>	<u>4,688,438</u>	<u>9,093,827</u>	<u>8,543,584</u>	<u>13,259,358</u>	<u>13,232,022</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	18,208,547	18,364,964	10,965,934	10,964,350	29,174,481	29,329,314
Restricted	3,659,585	4,052,635	-	-	3,659,585	4,052,635
Unrestricted	<u>3,545,173</u>	<u>2,717,428</u>	<u>902,967</u>	<u>354,961</u>	<u>4,448,140</u>	<u>3,072,389</u>
Total net assets	<u>\$ 25,413,305</u>	<u>\$ 25,135,027</u>	<u>\$ 11,868,901</u>	<u>\$ 11,319,311</u>	<u>\$ 37,282,206</u>	<u>\$ 36,454,338</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2007, the City's assets exceeded liabilities by \$37,282,206. At year-end, net assets were \$25,413,305 and \$11,868,901 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 assets. At year-end, capital assets represented 71.13% of total assets. Capital assets include land, buildings and improvements, machinery and equipment, furniture and fixtures, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2007, were \$18,208,547 and \$10,965,934 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, 2007, the City is able to report positive balances in all three categories of net assets, 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 assets, \$3,659,585, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets of \$3,545,173 may be used to meet the government's ongoing obligations to citizens and creditors.

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007**

The table below shows the changes in net assets for fiscal years 2007 and 2006. General revenues for 2006 have been restated by \$48,489 related to the prior period adjustment described in Note 3.B. to the financial statements.

	Change in Net Assets					
	Governmental		Business-type		Total	
	Activities		Activities		Total	
	2007	Restated 2006	2007	2006	2007	Restated 2006
Revenues						
Program revenues:						
Charges for services	\$ 1,339,358	\$ 1,279,816	\$ 2,735,944	\$ 3,142,484	\$ 4,075,302	\$ 4,422,300
Operating grants and contributions	1,130,695	848,278	216,726	-	1,347,421	848,278
Capital grants and contributions	146,669	191,687	-	-	146,669	191,687
Total program revenues	<u>2,616,722</u>	<u>2,319,781</u>	<u>2,952,670</u>	<u>3,142,484</u>	<u>5,569,392</u>	<u>5,462,265</u>
General revenues:						
Property taxes	970,445	1,260,326	-	-	970,445	1,260,326
Income taxes	7,270,239	7,268,813	-	-	7,270,239	7,268,813
Unrestricted grants and entitlements	1,357,025	850,490	-	-	1,357,025	850,490
Investment earnings	193,839	217,070	262,433	75,095	456,272	292,165
Miscellaneous	280,877	468,214	12,261	16,916	293,138	485,130
Total general revenues	<u>10,072,425</u>	<u>10,064,913</u>	<u>274,694</u>	<u>92,011</u>	<u>10,347,119</u>	<u>10,156,924</u>
Total revenues	<u>12,689,147</u>	<u>12,384,694</u>	<u>3,227,364</u>	<u>3,234,495</u>	<u>15,916,511</u>	<u>15,619,189</u>
Expenses:						
General government	2,659,299	2,808,463	-	-	2,659,299	2,808,463
Security of persons and property	6,915,018	6,422,390	-	-	6,915,018	6,422,390
Public health and welfare	3,723	-	-	-	3,723	-
Transportation	1,553,640	1,505,686	-	-	1,553,640	1,505,686
Community environment	425,461	464,510	-	-	425,461	464,510
Leisure time activity	462,767	436,930	-	-	462,767	436,930
Economic development	44,726	81,556	-	-	44,726	81,556
Urban redevelopment and housing	253,947	59,247	-	-	253,947	59,247
Interest and fiscal charges	48,979	50,558	-	-	48,979	50,558
Sewer	-	-	2,721,083	2,493,822	2,721,083	2,493,822
Total expenses	<u>12,367,560</u>	<u>11,829,340</u>	<u>2,721,083</u>	<u>2,493,822</u>	<u>15,088,643</u>	<u>14,323,162</u>
Increase in net assets before special items and transfers	321,587	555,354	506,281	740,673	1,802,308	2,542,981
Special item	-	1,887	-	-	-	1,887
Transfers	(43,309)	-	43,309	-	-	-
Change in net assets	<u>278,278</u>	<u>557,241</u>	<u>549,590</u>	<u>740,673</u>	<u>827,868</u>	<u>1,297,914</u>
Net assets at beginning of year (restated)	<u>25,135,027</u>	<u>24,577,786</u>	<u>11,319,311</u>	<u>10,578,638</u>	<u>36,454,338</u>	<u>35,156,424</u>
Net assets at end of year	<u>\$ 25,413,305</u>	<u>\$ 25,135,027</u>	<u>\$ 11,868,901</u>	<u>\$ 11,319,311</u>	<u>\$ 37,282,206</u>	<u>\$ 36,454,338</u>

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Governmental Activities

Governmental activities net assets increased \$278,278 in 2007.

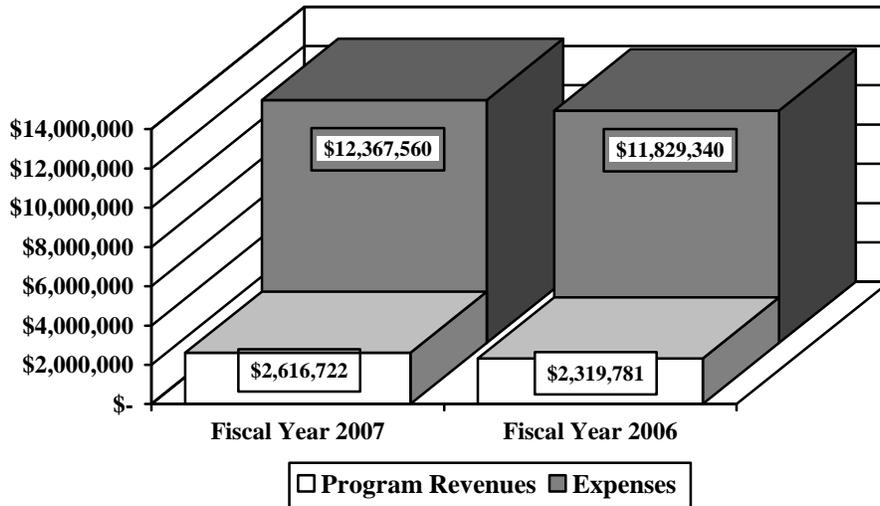
Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$6,915,018 of the total expenses of the City. These expenses were partially funded by \$534,265 in direct charges to users of the services. Transportation expenses totaled \$1,553,640. Transportation expenses were partially funded by \$125,126 in direct charges to users of the services and \$854,342 in operating grants and contributions.

The State and Federal government contributed to the City a total of \$1,130,695 in operating grants and contributions and \$146,669 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$854,342 subsidized transportation programs, \$78,700 subsidized community environment programs and \$43,806 subsidized leisure-time activities programs.

General revenues totaled \$10,072,425, and amounted to 79.38% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$8,240,684. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$1,357,025.

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
SENECA COUNTY, OHIO**

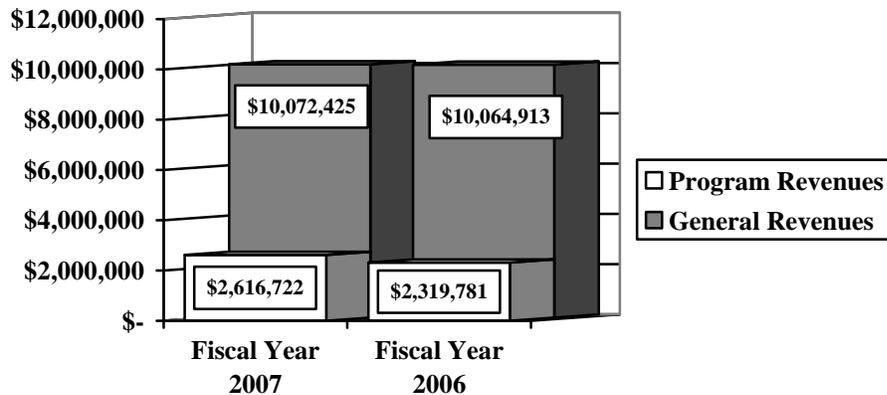
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Governmental Activities

	Total Cost of Services <u>2007</u>	Net Cost of Services <u>2007</u>	Total Cost of Services <u>2006</u>	Net Cost of Services <u>2006</u>
Program Expenses:				
General government	\$ 2,659,299	\$ 2,028,881	\$ 2,808,463	\$ 2,159,130
Security of persons and property	6,915,018	6,376,962	6,422,390	5,883,200
Public health and welfare	3,723	(9,167)	-	-
Transportation	1,553,640	429,064	1,505,686	530,327
Community environment	425,461	333,909	464,510	373,668
Leisure time activity	462,767	383,005	436,930	371,873
Economic development and assistance	44,726	23,867	81,556	81,556
Urban redevelopment and housing	253,947	135,338	59,247	59,247
Interest and fiscal charges	<u>48,979</u>	<u>48,979</u>	<u>50,558</u>	<u>50,558</u>
Total	<u>\$ 12,367,560</u>	<u>\$ 9,750,838</u>	<u>\$ 11,829,340</u>	<u>\$ 9,509,559</u>

The dependence upon general revenues for governmental activities is apparent, with 78.84% of expenses supported through taxes and other general revenues. General revenues for 2006 have been restated by \$48,489 related to the prior period adjustment described in Note 3.B. to the financial statements.

Governmental Activities - General and Program Revenues



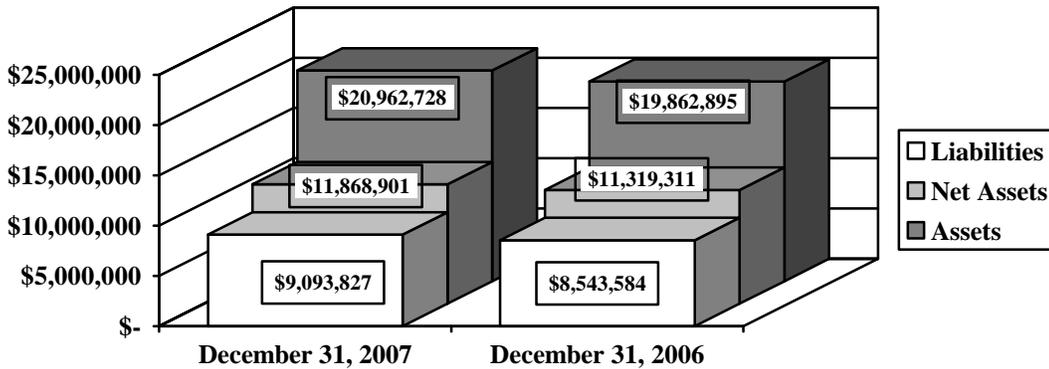
**CITY OF TIFFIN
SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007

Business-type Activities

Business-type activities include the sewer enterprise fund. These programs had program revenues of \$2,952,670, general revenues of \$274,694, transfers in of \$43,309 and expenses of \$2,721,083 for 2007. The graph below shows the business-type activities assets, liabilities and net assets at year-end.

Net Assets 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, unreserved 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 \$4,134,440 which is \$139,231 less than last year's total of \$4,273,671. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2007 for all major and nonmajor governmental funds.

	Fund Balances <u>12/31/07</u>	Fund Balances <u>12/31/06</u>	<u>Increase</u>
Major fund:			
General	\$ 1,629,443	\$ 1,578,397	\$ 51,046
Other nonmajor governmental funds	<u>2,504,997</u>	<u>2,695,274</u>	<u>(190,277)</u>
Total	<u>\$ 4,134,440</u>	<u>\$ 4,273,671</u>	<u>\$ (139,231)</u>

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007

General Fund

The City's general fund balance increased \$51,046. The table that follows assists in illustrating the revenues of the general fund.

	<u>2007</u> <u>Amount</u>	<u>2006</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 8,239,430	\$ 7,914,807	4.10 %
Charges for services	419,117	521,528	(19.64) %
Licenses and permits	29,344	31,258	(6.12) %
Fines and forfeitures	326,440	387,605	(15.78) %
Investment income	211,350	172,318	22.65 %
Intergovernmental	1,213,015	1,096,128	10.66 %
Other	<u>34,916</u>	<u>304,289</u>	(88.53) %
Total	<u>\$ 10,473,612</u>	<u>\$ 10,427,933</u>	0.44 %

Tax revenue represents 78.67% of all general fund revenue. Tax revenue increased by 4.10% over prior year. The decrease in other revenue is due to most refunds and reimbursements being collected after the available period of thirty days subsequent to fiscal year-end. Investment income increased 22.65% due to an increase in interest rates on investments entered into by the City. Charges for services decreased 19.64% due to a decrease in the amount of ambulance service revenue being received by the City during the available period. Intergovernmental revenues increased 10.66% due to an increase in grant receipts, such as grants received from Community Development Block Grants. All other revenue remained comparable to 2006.

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

	<u>2007</u> <u>Amount</u>	<u>2006</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
General government	\$ 2,419,164	\$ 2,576,474	(6.11) %
Security of persons and property	6,345,688	6,053,547	4.83 %
Community environment	213,782	202,820	5.40 %
Capital outlay	139,963	-	100.00 %
Debt service	<u>15,903</u>	<u>-</u>	100.00 %
Total	<u>\$ 9,134,500</u>	<u>\$ 8,832,841</u>	3.42 %

General government and community environment expenditures remained comparable to 2006. Capital outlay and debt service expenditures in 2007 were related to a lease agreement entered into by the City during 2007. The largest expenditure line item, security of persons and property, increased primarily due to wage and benefit increases.

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007

Budgeting Highlights

The City's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the City's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, the City's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

In the general fund, the actual revenues and other financing sources were \$1,680,445 less than in the final budget and actual expenditures and other financing uses were \$1,586,144 less than the amount in the final budget. These variances are the result of the City's conservative budgeting. Budgeted revenues and other financing sources increased \$1,350,650 from the original to the final budget. Budgeted expenditures and other financing uses increased \$328,058 from the original to the final budget due primarily to an increase in the cost of security of persons and property 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 fiscal 2007, the City had \$35,948,348 (net of accumulated depreciation) invested in land, buildings and improvements, machinery and equipment, furniture and fixtures, vehicles and infrastructure. Of this total, \$19,201,096 was reported in governmental activities and \$16,747,252 was reported in business-type activities. The following table shows fiscal 2007 balances compared to 2006:

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

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 3,128,302	\$ 3,109,650	\$ 241,940	\$ 241,940	\$ 3,370,242	\$ 3,351,590
Buildings and improvements	2,607,049	2,638,672	2,341,394	2,422,885	4,948,443	5,061,557
Machinery & equipment	821,772	770,355	94,980	118,437	916,752	888,792
Furniture & fixtures	75,298	91,251	5,442	6,813	80,740	98,064
Vehicles	1,626,282	1,781,353	115,828	171,888	1,742,110	1,953,241
Infrastructure	10,942,393	10,887,822	13,947,668	9,854,304	24,890,061	20,742,126
Construction in progress	-	-	-	257,954	-	257,954
Totals	\$ 19,201,096	\$ 19,279,103	\$ 16,747,252	\$ 13,074,221	\$ 35,948,348	\$ 32,353,324

The City's largest governmental capital asset category is infrastructure which includes roads, bridges, culverts, sidewalks and curbs 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 56.99% of the City's total governmental capital assets.

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007**

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 83.28% of the City's total business-type capital assets. See Note 10 to the financial statements for more detail.

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2007 and 2006:

	Governmental Activities	
	<u>2007</u>	<u>2006</u>
Compensated absences	\$ 1,052,514	\$ 1,104,073
Bond anticipation notes	300,000	400,000
Capital lease payable	247,549	38,139
Post-closure landfill obligation	193,768	598,319
Special assessment bonds	<u>445,000</u>	<u>475,000</u>
Total long-term obligations	<u>\$ 2,238,831</u>	<u>\$ 2,615,531</u>
	Business-type Activities	
	<u>2007</u>	<u>2006</u>
General obligation bonds	\$ 8,000,000	\$ 2,155,000
Bond anticipation notes	-	6,000,000
Compensated absences	<u>171,856</u>	<u>224,354</u>
Total long-term obligations	<u>\$ 8,171,856</u>	<u>\$ 8,379,354</u>

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

Economic Outlook

The City of Tiffin has a well balanced, diversified economy comprised of manufacturing, health care, service and retail sectors. Two industrial parks have been created to facilitate growth in Tiffin's manufacturing base. Northstar Industrial Park, a 50 acre site on the City's north side, is reaching 100% occupancy. Six manufacturing firms are located in the park and together have invested in excess of \$50 million in buildings, facilities and equipment. They have created approximately 400 jobs with a combined payroll of \$12 million. Eagle Rock Business Park has attracted three manufacturers: American Fine Sinter Company Ltd., Toledo Molding & Die Company and PPC Insulators Inc. Combined, these companies have invested approximately \$50 million in buildings and machinery and provide over 400 jobs and \$12 million in payroll.

In the health sector, Mercy Hospital is nearing completion of a new campus that will include a new hospital, office and room for additional development in the future. The investment in these facilities will be over \$65 million and this makes the project the largest in Tiffin in some time. The hospital is scheduled to open in the summer of 2008. Also in the health care sector, Seneca Medical Inc., a medical supply distributor, continues to expand. Since 2002, Seneca Medical Inc. has invested \$16 million in buildings and personal property. They currently employ 214 people and have a payroll of over \$6 million.

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Heidelberg College and Tiffin University are two, four year colleges located within the City of Tiffin that are powerful economic generators. Heidelberg is a liberal arts college founded in 1850 with a student body of approximately 1,200 students. Heidelberg programs lead to a B.A., B.S., Bachelor of Music, Master of Education and Master of Business degrees. Tiffin University offers Bachelor and Associate degrees in accounting, business, criminal justice and Master Degrees in business. Tiffin University has a student body of approximately 1,300 students. Both institutions are engaged in aggressive expansion programs including new buildings. Heidelberg recently completed Gillmor Hall, a multi-million dollar expansion to its science center. Tiffin University has utilized the State of Ohio's Clean Ohio Program to provide environmental clean-up of a former junk yard for the purpose of constructing a recreation center.

The City of Tiffin serves as the retail center for Seneca County. In 2006, a \$7.5 million Super Wal-Mart store was opened on the City's west side. Wal-Mart is staffed by approximately 250 people. In 2008, Lowe's will construct and open a new store on the corner of State Route 18 and U.S. Route 224 in Tiffin. The new store will be approximately 110,000 square feet and is estimated to cost \$8 million. The Westgate Shopping Center, operated by Visconsi Leasing, is operating at approximately 85% capacity and will be unveiling a new store in spring of 2008.

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. Deb Pine, Finance Director, City of Tiffin, P.O. Box 455, Tiffin, Ohio 44883-0455 or e-mail at financedirector@tiffinohio.gov or telephone at (419) 448-5403.

**BASIC
FINANCIAL STATEMENTS**

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CITY OF TIFFIN
SENECA COUNTY, OHIO

STATEMENT OF NET ASSETS
DECEMBER 31, 2007

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents.	\$ 3,843,783	\$ 3,249,158	\$ 7,092,941
Receivables (net of allowances for uncollectibles):			
Income taxes	1,767,654	-	1,767,654
Real and other taxes	1,130,693	-	1,130,693
Accounts	205,861	753,308	959,169
Accrued interest	42,448	4,791	47,239
Special assessments	716,395	-	716,395
Due from other governments	1,227,470	-	1,227,470
Loans receivable	156,181	-	156,181
Prepayments	90,683	19,683	110,366
Materials and supplies inventory.	53,835	15,521	69,356
Unamortized bond issue costs	-	173,015	173,015
Investment in joint venture	1,142,737	-	1,142,737
Capital assets:			
Land.	3,128,302	241,940	3,370,242
Depreciable capital assets, net	16,072,794	16,505,312	32,578,106
Total capital assets, net	<u>19,201,096</u>	<u>16,747,252</u>	<u>35,948,348</u>
Total assets.	<u>29,578,836</u>	<u>20,962,728</u>	<u>50,541,564</u>
Liabilities:			
Accounts payable.	78,085	13,226	91,311
Contracts payable.	75,591	752,597	828,188
Retainage payable	-	5,000	5,000
Accrued wages	263,601	41,560	305,161
Due to other governments	457,212	42,760	499,972
Unearned revenue.	1,043,254	-	1,043,254
Accrued interest payable.	8,957	27,387	36,344
Long-term liabilities:			
Due within one year	989,637	825,980	1,815,617
Due in more than one year	1,249,194	7,385,317	8,634,511
Total liabilities	<u>4,165,531</u>	<u>9,093,827</u>	<u>13,259,358</u>
Net assets:			
Invested in capital assets, net of related debt	18,208,547	10,965,934	29,174,481
Restricted for:			
Capital projects.	616,997	-	616,997
Debt service	614,542	-	614,542
Transportation projects.	684,836	-	684,836
Leisure-time activities	73,281	-	73,281
Municipal court.	481,803	-	481,803
Security of persons and property.	393,995	-	393,995
Community environment.	221,049	-	221,049
Economic development and assistance	473,322	-	473,322
Urban redevelopment and housing.	51,383	-	51,383
Permanent fund:			
Nonexpendable	25,000	-	25,000
Expendable.	6,972	-	6,972
Other purposes	16,405	-	16,405
Unrestricted.	<u>3,545,173</u>	<u>902,967</u>	<u>4,448,140</u>
Total net assets	<u>\$ 25,413,305</u>	<u>\$ 11,868,901</u>	<u>\$ 37,282,206</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 2,659,299	\$ 618,269	\$ 12,149	\$ -
Security of persons and property.	6,915,018	534,265	2,230	1,561
Public health and welfare	3,723	12,890	-	-
Transportation	1,553,640	125,126	854,342	145,108
Community environment.	425,461	12,852	78,700	-
Leisure time activity.	462,767	35,956	43,806	-
Economic development and assistance.	44,726	-	20,859	-
Urban redevelopment and housing	253,947	-	118,609	-
Interest and fiscal charges.	48,979	-	-	-
Total governmental activities	12,367,560	1,339,358	1,130,695	146,669
Business-Type Activities:				
Sewer	2,721,083	2,735,944	216,726	-
Total business-type activities	2,721,083	2,735,944	216,726	-
Total primary government.	\$ 15,088,643	\$ 4,075,302	\$ 1,347,421	\$ 146,669

General Revenues:

Property taxes levied for:	
General purposes.	
Police pension.	
Fire pension.	
Income taxes levied for:	
General purposes.	
Grants and entitlements not restricted to specific programs	
Refunds and reimbursements.	
Investment earnings	
Miscellaneous	
Total general revenues.	
Transfers.	
Total general revenues and transfers.	
Change in net assets.	
Net assets at beginning of year (restated)	
Net assets at end of year	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (2,028,881)	\$ -	\$ (2,028,881)
(6,376,962)	-	(6,376,962)
9,167	-	9,167
(429,064)	-	(429,064)
(333,909)	-	(333,909)
(383,005)	-	(383,005)
(23,867)	-	(23,867)
(135,338)	-	(135,338)
(48,979)	-	(48,979)
<u>(9,750,838)</u>	<u>-</u>	<u>(9,750,838)</u>
-	231,587	231,587
-	231,587	231,587
<u>(9,750,838)</u>	<u>231,587</u>	<u>(9,519,251)</u>
828,094	-	828,094
71,175	-	71,175
71,176	-	71,176
7,270,239	-	7,270,239
1,357,025	-	1,357,025
185,981	-	185,981
193,839	262,433	456,272
94,896	12,261	107,157
10,072,425	274,694	10,347,119
<u>(43,309)</u>	<u>43,309</u>	<u>-</u>
<u>10,029,116</u>	<u>318,003</u>	<u>10,347,119</u>
278,278	549,590	827,868
<u>25,135,027</u>	<u>11,319,311</u>	<u>36,454,338</u>
<u>\$ 25,413,305</u>	<u>\$ 11,868,901</u>	<u>\$ 37,282,206</u>

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 1,510,999	\$ 2,332,784	\$ 3,843,783
Receivables (net of allowance for uncollectibles):			
Income taxes.	1,767,654	-	1,767,654
Real and other taxes.	972,993	157,700	1,130,693
Accounts	182,190	23,671	205,861
Accrued interest	41,859	589	42,448
Special assessments.	-	716,395	716,395
Due from other governments.	594,313	633,157	1,227,470
Loans receivable	-	156,181	156,181
Prepayments.	53,903	36,780	90,683
Materials and supplies inventory	8,866	44,969	53,835
Total assets	<u>\$ 5,132,777</u>	<u>\$ 4,102,226</u>	<u>\$ 9,235,003</u>
Liabilities:			
Accounts payable	\$ 52,753	\$ 25,332	\$ 78,085
Contracts payable	-	75,591	75,591
Accrued wages	234,837	28,764	263,601
Compensated absences payable.	29,589	-	29,589
Due to other governments.	425,151	32,061	457,212
Deferred revenue	1,863,254	1,289,977	3,153,231
Unearned revenue.	897,750	145,504	1,043,254
Total liabilities	<u>3,503,334</u>	<u>1,597,229</u>	<u>5,100,563</u>
Fund Balances:			
Reserved for encumbrances.	201,940	967,445	1,169,385
Reserved for prepayments	53,903	36,780	90,683
Reserved for materials and supplies inventory	8,866	44,969	53,835
Reserved for loans receivable	-	156,181	156,181
Reserved for tax advances	18,382	2,980	21,362
Reserved for Oakley Park trust.	-	25,000	25,000
Unreserved, undesignated (deficit), reported in:			
General fund.	1,346,352	-	1,346,352
Special revenue funds.	-	1,774,530	1,774,530
Debt service funds.	-	25,058	25,058
Capital projects funds.	-	(534,329)	(534,329)
Permanent fund	-	6,383	6,383
Total fund balances	<u>1,629,443</u>	<u>2,504,997</u>	<u>4,134,440</u>
Total liabilities and fund balances.	<u>\$ 5,132,777</u>	<u>\$ 4,102,226</u>	<u>\$ 9,235,003</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2007

Total governmental fund balances		\$ 4,134,440
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		19,201,096
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Real and other taxes	\$ 66,077	
Income taxes	1,093,737	
Charges for services	153,034	
Refunds and reimbursements	136,385	
Special assessments	716,395	
Intergovernmental revenues	964,921	
Accrued interest	22,100	
Other revenue	<u>582</u>	
Total		3,153,231
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.		1,142,737
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(8,957)
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:		
Capital lease payable	(247,549)	
Compensated absences	(1,022,925)	
Landfill post-closure	(193,768)	
Special assessment bonds	(445,000)	
Special assessment anticipation notes	<u>(300,000)</u>	
Total		<u>(2,209,242)</u>
Net assets of governmental activities		<u><u>\$ 25,413,305</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Municipal income taxes	\$ 7,247,139	\$ -	\$ 7,247,139
Real and other taxes	992,291	171,031	1,163,322
Charges for services	419,117	37,406	456,523
Licenses and permits	29,344	-	29,344
Fines and forfeitures	326,440	250,940	577,380
Intergovernmental	1,213,015	1,371,220	2,584,235
Special assessments	-	168,503	168,503
Investment income	211,350	24,516	235,866
Refunds and reimbursements	30,416	24,519	54,935
Other	4,500	65,897	70,397
Total revenues	<u>10,473,612</u>	<u>2,114,032</u>	<u>12,587,644</u>
Expenditures:			
Current:			
General government	2,419,164	186,084	2,605,248
Security of persons and property	6,345,688	185,286	6,530,974
Public health and welfare	-	3,723	3,723
Transportation	-	961,157	961,157
Community environment	213,782	163,357	377,139
Leisure time activity	-	380,835	380,835
Economic development and assistance	-	44,726	44,726
Urban redevelopment and housing	-	253,947	253,947
Capital outlay	139,963	1,033,924	1,173,887
Debt service:			
Principal retirement	14,040	855,902	869,942
Interest and fiscal charges	1,863	49,563	51,426
Total expenditures	<u>9,134,500</u>	<u>4,118,504</u>	<u>13,253,004</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,339,112</u>	<u>(2,004,472)</u>	<u>(665,360)</u>
Other financing sources (uses):			
Sale of capital assets	-	14,723	14,723
Sale of notes	-	300,000	300,000
Capital lease transaction	139,963	104,838	244,801
Transfers in	-	1,423,197	1,423,197
Transfers (out)	(1,423,197)	(43,309)	(1,466,506)
Total other financing sources (uses)	<u>(1,283,234)</u>	<u>1,799,449</u>	<u>516,215</u>
Net change in fund balances	55,878	(205,023)	(149,145)
Fund balances at beginning of year	1,578,397	2,695,274	4,273,671
Increase (decrease) in reserve for inventory	(4,832)	14,746	9,914
Fund balances at end of year	<u>\$ 1,629,443</u>	<u>\$ 2,504,997</u>	<u>\$ 4,134,440</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

Net change in fund balances - total governmental funds \$ (149,145)

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 costs of those assets are allocated over their estimated useful lives as depreciation expense.

Capital outlays	\$ 1,080,202	
Depreciation expense	(1,075,548)	
Total		4,654

Governmental funds report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (82,661)

Governmental funds report expenditures for inventory when purchased. However in the statement of activities, they are reported as an expense when consumed. 9,914

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

Real and other taxes	(192,877)	
Income taxes	23,100	
Charges for services	153,034	
Refunds and reimbursements	136,385	
Special assessments	(45,427)	
Accrued interest	(17,472)	
Intergovernmental	(17,542)	
Other	582	
Total		39,783

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. 46,997

Repayments of bonds, notes, landfill and lease principal are expenditures in the governmental funds, but the repayments reduces long-term liabilities on the statement of net assets. 869,942

The issuances of notes and capital leases are reported as revenue in the governmental funds, but they increase long-term liabilities on the statement of net assets. (544,801)

In the statement of activities, interest is accrued on outstanding bonds and notes, whereas in governmental funds, an interest expenditure is reported when due. 2,447

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. 81,148

Change in net assets of governmental activities \$ 278,278

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Municipal income taxes	\$ 7,250,000	\$ 7,250,000	\$ 7,238,775	\$ (11,225)
Real and other taxes	986,700	986,700	989,024	2,324
Charges for services	417,500	457,500	500,828	43,328
Licenses and permits.	28,500	28,500	28,704	204
Fines and forfeitures.	367,000	367,000	325,641	(41,359)
Intergovernmental	1,639,020	2,939,670	1,208,825	(1,730,845)
Investment income	150,000	150,000	202,557	52,557
Refunds and reimbursements.	141,500	151,500	161,461	9,961
Other	14,900	14,900	14,510	(390)
Total revenues.	<u>10,995,120</u>	<u>12,345,770</u>	<u>10,670,325</u>	<u>(1,675,445)</u>
Expenditures:				
Current:				
General government.	3,514,287	3,721,739	2,605,669	1,116,070
Security of persons and property	6,921,682	6,977,288	6,573,787	403,501
Community environment	234,697	234,697	219,927	14,770
Total expenditures	<u>10,670,666</u>	<u>10,933,724</u>	<u>9,399,383</u>	<u>1,534,341</u>
Excess of revenues over expenditures.	<u>324,454</u>	<u>1,412,046</u>	<u>1,270,942</u>	<u>(141,104)</u>
Other financing sources (uses):				
Sale of capital assets.	5,000	5,000	-	(5,000)
Transfers (out).	(1,410,000)	(1,475,000)	(1,423,197)	51,803
Total other financing sources (uses).	<u>(1,405,000)</u>	<u>(1,470,000)</u>	<u>(1,423,197)</u>	<u>46,803</u>
Net change in fund balance	(1,080,546)	(57,954)	(152,255)	(94,301)
Fund balance at beginning of year.	849,398	849,398	849,398	-
Prior year encumbrances appropriated	<u>315,990</u>	<u>315,990</u>	<u>315,990</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 84,842</u>	<u>\$ 1,107,434</u>	<u>\$ 1,013,133</u>	<u>\$ (94,301)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

STATEMENT OF NET ASSETS
PROPRIETARY FUND
DECEMBER 31, 2007

	Business-Type Activities Sewer
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 3,249,158
Receivables (net of allowance for uncollectibles):	
Accounts.	753,308
Accrued interest.	4,791
Prepayments.	19,683
Materials and supplies inventory.	15,521
Unamortized bond issue costs	173,015
Total current assets	4,215,476
Noncurrent assets:	
Capital assets:	
Land.	241,940
Depreciable capital assets, net	16,505,312
Total capital assets, net	16,747,252
Total assets.	20,962,728
Liabilities:	
Current liabilities:	
Accounts payable	13,226
Contracts payable.	752,597
Retainage payable.	5,000
Accrued wages	41,560
Due to other governments.	42,760
Accrued interest payable	27,387
Current portion of compensated absences	90,980
Current portion of general obligation bonds	735,000
Total current liabilities	1,708,510
Long-term liabilities:	
Compensated absences.	80,876
General obligation bonds	7,304,441
Total long-term liabilities.	7,385,317
Total liabilities	9,093,827
Net assets:	
Invested in capital assets, net of related debt.	10,965,934
Unrestricted	902,967
Total net assets	\$ 11,868,901

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	Business-Type Activities
	Sewer
Operating revenues:	
Charges for services	\$ 2,735,069
Tap-in fees.	875
Other.	2,016
Total operating revenues	2,737,960
Operating expenses:	
Personal services	1,247,620
Contract services	296,286
Materials and supplies	137,921
Utilities	147,517
Depreciation	488,107
Other	39,827
Total operating expenses.	2,357,278
Operating income	380,682
Nonoperating revenues (expenses):	
Interest revenue.	262,433
Special assessments.	10,245
Intergovernmental.	216,726
Interest expense and fiscal charges	(363,805)
Total nonoperating revenues (expenses)	125,599
Income before transfers	506,281
Transfers in	43,309
Change in net assets	549,590
Net assets at beginning of year.	11,319,311
Net assets at end of year.	\$ 11,868,901

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	Business-Type Activities
	Sewer
Cash flows from operating activities:	
Cash received from customers	\$ 2,929,333
Cash received from tap-in fees.	875
Cash received from other operations.	2,630
Cash payments for personal services	(1,294,310)
Cash payments for contract services	(347,566)
Cash payments for materials and supplies	(128,423)
Cash payments for utilities.	(147,517)
Cash payments for other expenses.	(45,022)
	970,000
Cash flows from noncapital financing activities:	
Cash received from transfers in	43,309
Cash received from intergovernmental revenues	216,726
Cash received from special assessments.	10,245
	270,280
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(3,402,757)
Principal retirement on bonds and notes.	(6,655,000)
Interest paid on bonds and notes	(345,692)
Premium received on issuance of general obligation bonds	40,500
Bond issuance costs incurred.	(139,913)
General obligation bonds issued.	6,500,000
	(4,002,862)
Cash flows from investing activities:	
Interest received	262,916
	262,916
Net decrease in cash and cash equivalents.	(2,499,666)
Cash and cash equivalents at beginning of year. . .	5,748,824
Cash and cash equivalents at end of year	\$ 3,249,158

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**CITY OF TIFFIN
SENECA COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2007

	Business-Type Activities
	Sewer
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 380,682
Adjustments:	
Depreciation	488,107
Changes in assets and liabilities:	
Decrease in materials and supplies inventory.	8,004
Decrease in accounts receivable.	194,878
(Increase) in prepayments	(1,947)
(Decrease) in accounts payable	(58,034)
Increase in retainage payable	5,000
Increase in accrued wages and benefits	8,897
(Decrease) in due to other governments	(3,089)
(Decrease) in compensated absences payable.	(52,498)
	(52,498)
Net cash provided by operating activities	\$ 970,000

At December 31, 2007 and 2006, the Sewer fund purchased \$758,381 and \$0, respectively, in capital assets on account.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
DECEMBER 31, 2007

		<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$	111,253
Receivables:		
Accounts		<u>1,677</u>
Total assets.	\$	<u><u>112,930</u></u>
 Liabilities:		
Undistributed monies	\$	<u>112,930</u>
Total liabilities	\$	<u><u>112,930</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

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 and council 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 Manager. The City Manager appoints all department managers of the City.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure 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. Components units may also include organizations that 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 Sections 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 Legislative 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, 2007

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 of Tiffin's equity interest in the Port Authority is \$1,142,737 at December 31, 2007. 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 has not included the City of Tiffin 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.

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 also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and its proprietary fund provided they do not conflict with or contradict GASB pronouncements. The City has the option to also apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities and enterprise fund, subject to this same limitation. The City has elected not to apply these FASB Statements and Interpretations. 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 assets 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 assets 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 assets 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 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.

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

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

Fund Financial Statements

During the year, the City segregates transactions related to certain City programs or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at a more detail level. The focus of governmental and enterprise 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.

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 is reported as fund balance. The City's only major governmental fund is the general fund:

General Fund - The general fund is used to account for all financial resources except those required to be accounted for 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.

The other governmental funds of the City are for grants and other resources, debt service, and capital projects of the City whose uses are restricted to a particular purpose.

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 assets, 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.

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

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

Fiduciary Funds

Fiduciary funds reporting focuses on net assets and changes in net assets. 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 monies and payroll income tax and tax increment financial payments collected on behalf and due to other governments.

C. Measurement Focus

Government Wide Financial Statements

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

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 and current liabilities, 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 and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e. revenues) and decreases (i.e. expenses) in net total assets. 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.

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

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

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 revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions

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

Unearned Revenue and Deferred Revenue

Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2007, but which were levied to finance year 2008 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as unearned revenue. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2007, are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

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

Expenses/Expenditures

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

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

E. Budgetary Data

An annual appropriated budget is legally required to be prepared for all funds of the City other than agency funds. Council passes appropriations at the fund, department, and object level. Although the legal level of budgetary control was established at the object level within each department, the City has elected to present budgetary statement comparisons at the fund and function level of expenditures. Line item appropriations may be transferred between the accounts with the approval of the City Manager, 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. 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 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 2007.

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

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

Appropriations

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

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year-end are reported as reservations of fund balances 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, including the proprietary fund, 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 2007, investments were limited to repurchase agreements and nonnegotiable certificates of deposit. Nonparticipating investments contracts, such as repurchase agreements and nonnegotiable certificates of deposit, are reported at cost.

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2007 amounted to \$211,350, which included \$145,066 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.

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

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

G. Inventories of Materials and Supplies

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

On the fund financial statements, inventories of governmental funds are stated at cost while inventories of the proprietary fund are stated at the lower of cost or market. For all funds, cost is determined on a first in, first out basis. Inventory consists of expendable supplies held for consumption. The cost of inventory items is recorded as 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, 2007, 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 government funds. These assets are reported in the governmental activities column of the government-wide statement of net assets 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 assets and in the respective 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 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, 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	40 years	40 years
Machinery & Equipment	8-20 years	8-20 years
Furniture & Fixtures	5-15 years	5-15 years
Vehicles	3-5 years	3-5 years
Infrastructure	80 years	80 years

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

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 assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances. The City had no interfund receivables/payable at December 31, 2007.

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 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, compensated absences and special termination benefits 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, 2007

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

M. Bond Discounts, Premiums and Issuance Costs

Bond issuance costs are reported as deferred charges and amortized over the life of the bond using the straight-line method. The unamortized portion of the bond issuance costs are reported on the statement of net assets. Bond discounts or premiums 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.

N. Fund Balance Reserves

The City reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of supplies and materials, prepayments, loans receivable, tax advances and the Oakley Park trust.

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City 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 assets are available.

P. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, or from grant or outside contributions of resources restricted to capital acquisition and construction. The City received no contributions of capital from outside sources during 2007.

Q. Interfund Activity

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expense in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

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

R. 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 Council and that are either unusual in nature or infrequent in occurrence. The City had no extraordinary or special items during fiscal year 2007.

S. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles 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.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2007, the City has implemented GASB Statement No. 48 "Sales and Pledges of Receivables and Intra-Entity Transfers of Assets and Future Revenues". GASB Statement No. 48 established criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the City.

B. Prior Period Adjustment

A prior period adjustment is required to include the City's equity interest in the Sandusky County - Seneca County - City of Tiffin Port Authority at December 31, 2006 (see Note 1). The prior period adjustment had the following effect on the City's governmental activities net assets as previously reported:

	<u>Governmental Activities</u>
Net assets as previously reported	\$ 24,039,287
Adjustment to record equity interest in joint venture	<u>1,095,740</u>
Restated net assets at January 1, 2007	<u><u>\$ 25,135,027</u></u>

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.

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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.

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

A. Cash on Hand

At year-end, the City had \$310 on hand in the form of drawer change and petty cash.

B. Deposits with Financial Institutions

At December 31, 2007, the carrying amount of all City deposits was \$4,852,848, exclusive of the \$2,351,036 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, 2007, \$4,565,898 of the City's bank balance of \$5,189,858 was exposed to custodial risk as discussed below, while \$623,960 was covered by the Federal Deposit Insurance Corporation.

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.

C. Investments

As of December 31, 2007, 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	\$ 2,351,036	\$ 2,351,036
Total	<u>\$ 2,351,036</u>	<u>\$ 2,351,036</u>

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

Credit Risk: The federal agency securities that underlie the City's repurchase agreement were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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, 2007:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase Agreement	\$ 2,351,036	100.00%
Total	<u>\$ 2,351,036</u>	<u>100.00%</u>

D. Reconciliation of Cash and Investment to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of December 31, 2007:

<u>Cash and investments per footnote</u>	
Carrying amount of deposits	\$ 4,852,848
Investments	2,351,036
Cash on hand	<u>310</u>
Total	<u>\$ 7,204,194</u>

<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 3,843,783
Business type activities	3,249,158
Agency funds	<u>111,253</u>
Total	<u>\$ 7,204,194</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended December 31, 2007, consisted of the following, as reported on the fund financial statements:

<u>Transfer From</u>	<u>Transfer To</u>		
	<u>Nonmajor Governmental</u>	<u>Sewer</u>	<u>Total</u>
General	\$ 1,423,197	\$ -	\$ 1,423,197
Nonmajor governmental	<u>-</u>	<u>43,309</u>	<u>43,309</u>
Total	<u>\$ 1,423,197</u>	<u>\$ 43,309</u>	<u>\$ 1,466,506</u>

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The \$43,309 nongovernmental transfer out was from the streetscape bond retirement account, who funds were initiated by the sewer fund. These excess monies were returned to the sewer fund.

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

NOTE 6 - PROPERTY TAXES

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2007 public utility property taxes became a lien December 31, 2006, are levied after October 1, 2007, and are collected in 2008 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in 2007 (other than public utility property) represent the collection of 2007 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006, on the true value as of December 31, 2006. Tangible personal property tax is being phased out - the assessment percentage for property, including inventory, is 12.5% for 2007. This percentage will be reduced to 6.25% for 2008 and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2007-2010, the City will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 6 - PROPERTY TAXES - (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Accrued property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2007 and for which there is an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor were they levied to finance 2007 operations. The receivable is therefore offset by unearned revenue.

The full tax rate applied to real property and tangible personal property for the fiscal year ended December 31, 2007 was \$4.10 per \$1,000 of assessed valuation.

Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the City by the State of Ohio.

The assessed values upon which the 2007 taxes were collected are as follows:

Real Property - 2006 Valuation	<u>Amount</u>
Residential/agricultural	\$ 181,271,160
Commercial/industrial	65,386,500
Public utilities	<u>28,490</u>
Total Real Property	<u>246,686,150</u>
Tangible Personal Property - 2006 Valuation	
General	20,391,331
Public utilities	<u>16,390,900</u>
Total Tangible Personal Property	<u>36,782,231</u>
Total valuation	<u><u>\$ 283,468,381</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 the capital improvement capital projects 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, 2007**

NOTE 8 - RECEIVABLES

Receivables at December 31, 2007, consisted 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, 2007.

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

Governmental Activities:

Income taxes	\$ 1,767,654
Real and other taxes	1,130,693
Accounts	205,861
Accrued interest	42,448
Special assessments	716,395
Due from other governments	1,227,470
Loans	156,181

Business-Type Activities:

Accounts	753,308
Accrued interest	4,791

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.

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 2007, the City contracted through United Insurance Service and Sky Insurance of Tiffin for property, fleet, crime and liability insurance.

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 9 - INSURANCE - (Continued)

	<u>Per Occurrence</u>	<u>Deductibles</u>	<u>Annual Aggregate</u>
Commercial Property (Blanket):			
Building and Contents - Replacement Cost	\$ -	\$ -	\$ 26,663,112
Workers' Compensation	1,000,000	-	-
General Liability	1,000,000	-	3,000,000
Products/Completed Ops	-	-	3,000,000
Personal and Advertising Injury	1,000,000	-	1,000,000
Fire Damage	-	-	100,000
Automobile	-	-	1,000,000
Comprehensive	-	500	-
Collision	-	1,000	-
Medical Payments	-	-	5,000
Umbrella	5,000,000	-	5,000,000
Employee Benefits Liability	1,000,000	1,000	2,000,000
Fire Vehicles	-	Various	1,850,725
Electronic Data Processing	-	1,000	648,029
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 reduction in insurance coverage from 2006.

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2007, was as follows:

	Balance			Balance
	<u>12/31/06</u>	<u>Additions</u>	<u>Disposals</u>	<u>12/31/07</u>
Governmental Activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 3,109,650	\$ 18,652	\$ -	\$ 3,128,302
Total capital assets, not being depreciated	<u>3,109,650</u>	<u>18,652</u>	<u>-</u>	<u>3,128,302</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	7,439,463	60,149	(8,300)	7,491,312
Machinery & equipment	2,882,491	258,709	(56,871)	3,084,329
Furniture & fixtures	305,236	7,966	(12,710)	300,492
Vehicles	3,480,273	159,348	(264,001)	3,375,620
Infrastructure	<u>16,085,653</u>	<u>575,378</u>	<u>-</u>	<u>16,661,031</u>
Total capital assets, being depreciated	<u>30,193,116</u>	<u>1,061,550</u>	<u>(341,882)</u>	<u>30,912,784</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(4,800,791)	(90,942)	7,470	(4,884,263)
Machinery & equipment	(2,112,136)	(200,999)	50,578	(2,262,557)
Furniture & fixtures	(213,985)	(23,024)	11,815	(225,194)
Vehicles	(1,698,920)	(239,776)	189,358	(1,749,338)
Infrastructure	<u>(5,197,831)</u>	<u>(520,807)</u>	<u>-</u>	<u>(5,718,638)</u>
Total accumulated depreciation	<u>(14,023,663)</u>	<u>(1,075,548)</u>	<u>259,221</u>	<u>(14,839,990)</u>
Total capital assets, being depreciated, net	<u>16,169,453</u>	<u>(13,998)</u>	<u>(82,661)</u>	<u>16,072,794</u>
Governmental activities capital assets, net	<u>\$ 19,279,103</u>	<u>\$ 4,654</u>	<u>\$ (82,661)</u>	<u>\$ 19,201,096</u>

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 10 - CAPITAL ASSETS - (Continued)

	<u>Balance</u> <u>12/31/06</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/07</u>
Business-Type Activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 241,940	\$ -	\$ -	\$ 241,940
Construction in progress	<u>257,954</u>	<u>4,156,938</u>	<u>(4,414,892)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>499,894</u>	<u>4,156,938</u>	<u>(4,414,892)</u>	<u>241,940</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	10,080,076	-	-	10,080,076
Machinery & equipment	532,472	4,200	-	536,672
Furniture & fixtures	57,389	-	-	57,389
Vehicles	894,440	-	-	894,440
Infrastructure	<u>13,164,070</u>	<u>4,414,892</u>	<u>-</u>	<u>17,578,962</u>
Total capital assets, being depreciated	<u>24,728,447</u>	<u>4,419,092</u>	<u>-</u>	<u>29,147,539</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(7,657,191)	(81,491)	-	(7,738,682)
Machinery & equipment	(414,035)	(27,657)	-	(441,692)
Furniture & fixtures	(50,576)	(1,371)	-	(51,947)
Vehicles	(722,552)	(56,060)	-	(778,612)
Infrastructure	<u>(3,309,766)</u>	<u>(321,528)</u>	<u>-</u>	<u>(3,631,294)</u>
Total accumulated depreciation	<u>(12,154,120)</u>	<u>(488,107)</u>	<u>-</u>	<u>(12,642,227)</u>
Total capital assets, being depreciated, net	<u>12,574,327</u>	<u>3,930,985</u>	<u>-</u>	<u>16,505,312</u>
Business-type activities capital assets, net	<u>\$ 13,074,221</u>	<u>\$ 8,087,923</u>	<u>\$ (4,414,892)</u>	<u>\$ 16,747,252</u>

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 10 - CAPITAL ASSETS - (Continued)

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

Governmental Activities:

General government	\$ 67,063
Security of persons and property	312,192
Transportation	605,500
Community environment	13,732
Leisure time activity	<u>77,061</u>
Total depreciation expense - governmental activities	<u>\$ 1,075,548</u>

Business-type Activities:

Sewer	<u>\$ 488,107</u>
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NOTE 11 - COMPENSATED ABSENCES

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

Sick leave accumulates for non-union and AFSCME employees at the rate of 4.6 hours of sick leave for each eighty hours of work completed. Employees who have sick leave accumulated receive payment upon resignation with fifteen minimum years of continuous service at a rate of 2/3 of a maximum of 180 days (120 days). Sick leave accumulates for fire employees at the rate of 1 1/4 days of sick leave for each completed month. Upon retirement the fire employees receive 1/3 total hours accumulated not to exceed 1/3 of 2,880 hours.

Sick leave accumulates for police employees at 10 hours for each completed month. Upon retirement or resignation with fifteen minimum years of service police employees receive two-thirds of sick leave accumulated not to exceed 120 days.

Individuals leaving the employment of the City prior to retirement or at retirement lose their accumulated sick leave. A liability has been recognized in the accompanying financial statements for the portion of sick leave expected to be paid as severance for employees who are age 50 or older or who have at least 15 years of City or local government employment service.

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 11 - COMPENSATED ABSENCES - (Continued)

A liability for accrued vacation for \$209,764 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	After 20 years	21 days
After 20 years	21 days		
Dispatchers			
After 17-20 years	20 days		
After 21 years	21 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 years	11 days	After 7 years	13 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 17-20 years	20 days
		Over 21 years	21 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 shall be 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 shall be 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, 2007

NOTE 12 - LONG-TERM OBLIGATIONS

A. Changes in Long-Term Obligations

During 2007, the following changes occurred in the City's long-term obligations:

	<u>Balance</u> 12/31/06	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> 12/31/07	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
<u>Governmental Activities:</u>					
<u>Bond Anticipation Notes:</u>					
Sanitary Sewer Improvement 4.05% Series 2006-1	\$ 400,000	\$ -	\$ (400,000)	\$ -	\$ -
Sanitary Sewer Improvement 4.05% Series 2007	-	300,000	-	300,000	300,000
<u>Special Assessment Bonds Payable</u>					
<u>with Government Commitment:</u>					
Miami Street Storm Water Drainage Improvement Bonds 6/24/98, 4.04%	475,000	-	(30,000)	445,000	30,000
<u>Other Obligations:</u>					
Post-Closure Landfill through 2013	598,319	-	(404,551)	193,768	100,000
Capital Lease Obligations	38,139	244,801	(35,391)	247,549	57,613
Compensated Absences	<u>1,104,073</u>	<u>560,961</u>	<u>(612,520)</u>	<u>1,052,514</u>	<u>502,024</u>
Total Governmental Activities	<u>\$ 2,615,531</u>	<u>\$ 1,105,762</u>	<u>\$ (1,482,462)</u>	<u>\$ 2,238,831</u>	<u>\$ 989,637</u>
<u>Business-Type Activities:</u>					
<u>Bond Anticipation Notes:</u>					
Sanitary Improvement Note 4.25% Series 2006-2	\$ 2,000,000	\$ -	\$ (2,000,000)	\$ -	\$ -
Sanitary Improvement Note 4.25% Series 2006-3	4,000,000	-	(4,000,000)	-	-
<u>General Obligation Bonds:</u>					
Sewer Imp. Bonds - Series 1999, 4.00% - 4.95%	645,000	-	(205,000)	440,000	215,000
Sanitary Sewer Refunding Bonds - Series 1998, 3.25% - 4.25%	1,510,000	-	(280,000)	1,230,000	290,000
Sewer Separation Bonds - Series 2007, 3.80% - 5.00%	-	6,500,000	(170,000)	6,330,000	230,000
<u>Other Obligations:</u>					
Compensated Absences	<u>224,354</u>	<u>35,580</u>	<u>(88,078)</u>	<u>171,856</u>	<u>90,980</u>
Total Business-Type Activities	<u>\$ 8,379,354</u>	<u>\$ 6,535,580</u>	<u>\$ (6,743,078)</u>	<u>8,171,856</u>	<u>\$ 825,980</u>
				39,441	
				<u>\$ 8,211,297</u>	

Add: unamortized premium on bonds

Total on statement of net assets

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 12 - LONG TERM OBLIGATIONS - (Continued)

The governmental activities bond anticipation notes were issued in anticipation of the issuance of bonds to pay costs of improving and extending the municipal sewerage system by constructing sanitary sewers. The Series 2007 note bears an interest rate of 4.05%, is due on June 7, 2008 and will be paid from the South Side Sewer fund (a non-major governmental fund). In accordance with FASB Statement No. 6, "Classification of Short-Term Obligations Expected to Be Refinanced", these notes are considered long-term obligations.

The special assessment bonds are for a streetscape project and 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 non-major governmental fund). The bonds mature on December 1, 2018.

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 non-major 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.

Outstanding general obligation bonds consist of a wastewater treatment plant improvement/refunding 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. All of the business-type activity debt is general obligation debt but it is anticipated that user charges will pay-off all the outstanding bonds.

During fiscal year 2007, the City retired the Series 2006-2 and Series 2006-3 bond anticipation notes which were issued in anticipation of the issuance of bonds for the purpose of improving the City's sanitary sewer system by constructing and reconstructing sanitary sewers and sanitary sewer service connections. Principal and interest payments on the bond anticipation notes were made from the Sewer fund.

On November 4, 1998, the City issued \$3,645,000 Sanitary Sewer Refunding Bonds - Series 1998 for the purpose of refunding the Sewer Improvement Bonds - Series 1991. The refunding bonds bear interest rates ranging from 3.25% to 4.25%. Principal and interest payments are made from the Sewer enterprise fund. The bonds mature on December 1, 2011.

On October 14, 1999, the City issued \$1,850,000 Sewer Improvement Bonds - Series 1999 for the purpose of improving the sewerage system. The bonds bear interest rates ranging from 4.00% to 4.95%. Principal and interest payments are made from the Sewer fund. The bonds mature on December 1, 2009.

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. At December 31, 2007, the City had \$2,085,108 of unspent proceeds remaining on this bond issue.

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 12 - LONG TERM OBLIGATIONS - (Continued)

Capital lease obligations will be paid from the general fund and the Capital Improvement fund (a non-major governmental fund). See Note 13 for more detail on the City's capital lease obligations.

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 bonds outstanding as of December 31, 2007 are as follows:

Year Ending December 31,	Business-Type Activities		Governmental Activities		Total
	General Obligation Principal	General Obligation Interest	Special Assessment Principal	Special Assessment Interest	
2008	\$ 735,000	\$ 328,644	\$ 30,000	\$ 23,653	\$ 1,117,297
2009	760,000	297,020	35,000	22,212	1,114,232
2010	560,000	264,033	35,000	20,497	879,530
2011	580,000	241,003	35,000	18,747	874,750
2012	265,000	216,990	40,000	16,980	538,970
2013 - 2017	1,500,000	913,650	220,000	52,180	2,685,830
2018 - 2022	1,845,000	576,780	50,000	2,800	2,474,580
2023 - 2026	<u>1,755,000</u>	<u>178,600</u>	<u>-</u>	<u>-</u>	<u>1,933,600</u>
Totals	<u>\$ 8,000,000</u>	<u>\$ 3,016,720</u>	<u>\$ 445,000</u>	<u>\$ 157,069</u>	<u>\$11,618,789</u>

- 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, 2007, the City's total debt margin was \$27,770,382 and the unvoted debt margin was \$14,533,265.

NOTE 13 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior years, the City entered into a capitalized lease agreement with First Capital Equipment Leasing Corp. for the acquisition of thirteen mobile computers for the police department. During 2007, the City entered into two capitalized leases with National City Commercial Capital Company for a backhoe and a public safety management system.

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 13 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)

The terms of the lease agreements provide an option to purchase the equipment. These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital assets acquired by lease have been capitalized in the governmental activities statement of net assets for \$307,894, which is the amount equal to the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2007 was \$56,027, leaving a current book value of \$251,867. At inception, capital lease transactions are accounted for as a capital outlay expenditure and other financing source in the appropriate fund governmental fund. A capital asset and a corresponding liability is recorded in the governmental activities column on the statement of net assets.

Principal and interest payments in 2007 totaled \$35,391 and \$6,731, respectively, in the general fund and Capital Improvement fund (a non-major governmental fund).

The following is a schedule of the future minimum lease payments required under the capital lease obligation and the present value of the future minimum lease payments as of December 31, 2007:

Year Ending December 31,	Governmental Activities
2008	\$ 69,999
2009	69,998
2010	55,756
2011	55,756
2012	<u>27,878</u>
Total future lease payments	279,387
Less: amount representing interest	<u>(31,838)</u>
Present value of future minimum lease payments	<u>\$ 247,549</u>

NOTE 14 - PENSION PLANS

A. Ohio Public Employees Retirement System

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, 2007

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 that may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For the year ended December 31, 2007, the members of all three plans, except those in law enforcement under the Traditional Pension Plan, were required to contribute 9.5% of their annual covered salaries. Members participating in the Traditional Pension Plan that were in law enforcement contributed 10.1% of their annual covered salary. The City's contribution rate for pension benefits for 2007 was 8.85% for the period January 1, 2007 through June 30, 2007 and 7.85% for the period July 1, 2007 through December 31, 2007, except for those plan members in law enforcement and public safety. For those classifications, the City's pension contributions were 12.17% of covered payroll for the period January 1, 2007 through June 30, 2007 and 11.17% of covered payroll for the period July 1, 2007 through December 31, 2007. The Ohio Revised Code provides statutory authority for member and employer contributions. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2007, 2006, and 2005 were \$444,616, \$420,489, and \$406,676, respectively; 100% has been contributed for 2006 and 2005. 89.12% has been contributed for 2007 with the remainder of \$48,356 being reported as a liability within the respective funds. The City and plan members did not make any contributions to the Member-Directed Plan for 2007.

B. Ohio Police and Fire Pension Fund

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.

Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.5% and 24.0% for police officers and firefighters, respectively. The portion of the City's contributions to fund pension obligations was 12.75% for police officers and 17.25% for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$816,150 for the year ended December 31, 2007, \$773,362 for the year ended December 31, 2006, and \$778,867 for the year ended December 31, 2005. 100% has been contributed for 2006 and 2005. 72.94% has been contributed for 2007 with the remainder of \$220,883 being reported as a liability within the respective funds.

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 15 - POST-EMPLOYMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-employment health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the Traditional Pension or Combined Plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the Member-Directed Plan do not qualify for post-employment health care coverage. The health care coverage provided by OPERS is considered an Other Post-employment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Post-employment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to the Traditional Pension or Combined Plans is set aside for the funding of post-employment health care based on authority granted by State statute. The 2007 local government employer contribution rate was 13.85% of covered payroll (17.17% for public safety and law enforcement); 5.00% of covered payroll was the portion that was used to fund health care for the period January 1, 2007 through June 30, 2007 and 6.00% of covered payroll was the portion that was used to fund health care for the period July 1, 2007 through December 31, 2007.

Benefits are advance-funded using the entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.30% based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate (4.00%) plus an additional factor ranging from .50% to 5.00% for the next eight years. In subsequent years, (nine and beyond) health care costs were assumed to increase at 4.00%.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

The number of active contributing participants in the Traditional Pension and Combined Plans was 374,979 as of December 31, 2007. The City's actual employer contributions for 2007 which were used to fund post-employment benefits were \$176,589. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006 (the latest information available) were \$12.0 billion. At December 31, 2006 (the latest information available), the actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

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

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides 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. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by OP&F is considered an Other Post-employment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Post-employment Benefits other than Pension Benefits by State and Local Government Employers". The Ohio Revised Code provides the authority allowing the OP&F's Board of Trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll, of which 6.75% of covered payroll was applied to the post-employment health care program during 2007. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2007 that were used to fund post-employment benefits were \$114,599 for police officers and \$136,430 for firefighters. The OP&F's total health care expense for the year ended December 31, 2006 (the latest information available) was \$120.374 million, which was net of member contributions of \$58.533 million. The number of OP&F participants eligible to receive health care benefits as of December 31, 2006 (the latest information available), was 14,120 for police officers and 10,563 for firefighters.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - 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 GAAP basis are as follows:

1. Revenues and other financing sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses and other financing uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statement for the general fund.

Net Change in Fund Balance

	<u>General</u>
Budget basis	\$ (152,255)
Net adjustment for revenue accruals	(196,713)
Net adjustment for expenditure accruals	(232,983)
Net adjustment for other financing sources/(uses)	139,963
Adjustment for encumbrances	<u>497,866</u>
GAAP basis	<u>\$ 55,878</u>

NOTE 17 - CONTINGENT LIABILITIES

A. Federal and State Grants

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

B. Litigation

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

NOTE 18 - SUBSEQUENT EVENT NOTE

On June 5, 2008, the City reissued the sanitary sewer improvement bond anticipation note (BAN) in the amount of \$200,000 due on June 4, 2009. In addition, the City issued a BAN in the amount of \$1,250,000 for road improvements, due June 4, 2009.

SUPPLEMENTARY DATA

**CITY OF TIFFIN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

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			
			\$
			151,198
			105,791
(B) Community Development Block Grants/State's Program	14.228	A-F-05-183-1	250,026
Community Development Block Grants/State's Program	14.228	A-C-05-183-1	250,026
Community Development Block Grants/State's Program	14.228	N/A	250,026
Total Community Development Block Grants/State's Program			507,015
HOME Investment Partnerships Program	14.239	A-C-05-183-2	253,947
HOME Investment Partnerships Program	14.239	N/A	42,576
Total HOME Investment Partnerships Program			296,523
Total U.S. Department of Housing and Urban Development			803,538
Total Federal Financial Assistance			\$ 803,538

- (A) This Schedule was prepared on the cash basis of accounting.
- (B) The City has a revolving loan fund cash balance of \$250,026 which is subject to compliance requirements set forth by the awarding agency and \$12,871 in outstanding loans at December 31, 2007.
- (C) The City has a revolving loan fund cash balance of \$42,576 which is subject to compliance requirements set forth by the awarding agency and \$3,521 in outstanding loans at December 31, 2007.
- 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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**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance With *Government Auditing Standards***

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tiffin, Seneca County, Ohio, as of and for the year ended December 31, 2007, which collectively comprise the City of Tiffin's basic financial statements and have issued our report thereon dated May 14, 2008. As disclosed in Note 3B, the City of Tiffin has reported a prior period adjustment in net assets reported at December 31, 2006 in relation to an equity interest in a joint venture. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Tiffin's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Tiffin's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Tiffin's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Tiffin's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Tiffin's financial statements that is more than inconsequential will not be prevented or detected by the City of Tiffin's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting as item 2007-COT-001.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Tiffin's internal control.

Members of Council and Mayor
City of Tiffin

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not consider the significant deficiency described above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Tiffin's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under Governmental Auditing Standards and which is described in the accompanying schedule of findings and responses as 2007-COT-002.

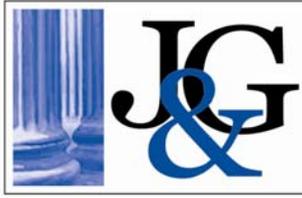
The City of Tiffin's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City of Tiffin's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the management and City Council of the City of Tiffin, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Julian & Grube, Inc.

May 14, 2008, except for Note 18, which is dated June 5, 2008.



Julian & Grube, Inc.
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**Report on Compliance With Requirements Applicable to Its
Major Program and on Internal Control Over
Compliance in Accordance With OMB Circular A-133**

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

Compliance

We have audited the compliance of the City of Tiffin, Seneca County, Ohio, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2007. The City of Tiffin's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City of Tiffin's management. Our responsibility is to express an opinion on the City of Tiffin's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on 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 that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Tiffin's compliance with those requirements.

In our opinion, the City of Tiffin complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2007.

Internal Control Over Compliance

The management of the City of Tiffin is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Tiffin's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Tiffin's internal control over compliance.

Members of Council and Mayor
City of Tiffin

A control deficiency in the City of Tiffin's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Tiffin's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City of Tiffin's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City of Tiffin's internal control.

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 that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information and use of the management, the Council of the City of Tiffin, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Julian & Grube, Inc.

May 14, 2008, except for Note 18, which is dated June 5, 2008.

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<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 other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<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	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Program:	Community Development Block Grants/State's Program; CFDA #14.228
<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

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2007**

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

Finding Number	2007-COT-001
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Significant Deficiency

In May of 2006, the American Institute of Certified Public Accountants (AICPA), the national professional organization for certified public accounts, issued its Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters Identified in an Audit*. This standard became effective for audits of financial statements for periods ending on or after December 15, 2006.

The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. SAS No. 112 establishes standards, responsibilities and guidance for auditors during a financial statement audit engagement for identifying and evaluating a client's internal control over financial reporting. This new standard requires the auditor to report *in writing* to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses.

The City did not maintain sufficient controls in place to report financial data for equity interest in joint ventures in prior years.

The compilation and presentation of financial statements and the related footnotes is the responsibility of management. This responsibility remains intact if management decides to outsource this function for efficiency purposes or any other reason.

In either case, it is important that control procedures are developed related to drafting financial statements and footnotes that enable management to identify, prevent, detect, and correct potential misstatements in the financial statements and footnotes. In addition, management should not rely on its auditors to perform this control procedure as auditors must remain independent.

We recommend the City implement control procedures related to financial reporting that enable management to identify, prevent, detect, and correct potential misstatement or oversights in the financial statements and footnotes. We further recommend that the Finance Director review in detail with the consultant (if applicable) the financial report and notes to those financial statements to insure proper inclusion of activities in the City's financial statements and notes.

Client Response: The City has implemented internal control procedures to address this significant deficiency regarding equity interest in joint ventures.

Finding Number	2007-COT-002
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Ohio Revised Code Section 5705.41 (D) requires that no orders or contracts involving the disbursement of monies are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

During the audit for the year ended December 31, 2007, 28.77% of expenditures tested were not certified in a timely manner.

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2007**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2007-COT-002 - (Continued)

Without timely certification, the City may expend more funds than available in the treasury, in the process of collection or than funds appropriated. In addition, by purchasing items prior to Council approval or absent the fiscal officer's certificate process, the potential for unnecessary purchases or items for improper public purpose cannot be prevented if approval is after the fact.

We recommend that the City implement a policy and procedure for the use of fiscal officer certificates to help ensure that the disbursements are timely certified. This will help ensure that all monies expended are lawfully appropriated and available in the treasury or in the process of collection. The City should issue approved fiscal officer certificates and consider using regular blanket and super blanket purchase orders, and/or "Then and Now" certificates where applicable.

Client Response: The Finance Director will attempt to certify disbursements in a more timely manner.

3. FINDINGS FOR FEDERAL AWARDS AND QUESTIONED COSTS
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None

**CITY OF TIFFIN
SENECA COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2006-COT-001	Ohio Revised Code Section 5705.39 requires that total appropriations from each fund should not exceed total estimated resources.	Yes	N/A
2006-COT-002	Ohio Revised Code Section 5705.41 (D) requires that no orders or contracts involving the disbursement of monies are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.	No	Repeated as finding 2007-COT-002
2006-COT-003	The City did not maintain sufficient controls in place to report financial data for capital assets.	Yes	N/A



Mary Taylor, CPA
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 15, 2008