CITY OF TIFFIN
SENECA COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2016

CITY OF TIFFIN
SENECA COUNTY
DECEMBER 31, 2016

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INDEPENDENT AUDITOR'S REPORT

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

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tiffin, Seneca County, Ohio (the City), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tiffin, Seneca County, Ohio, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended December 31, 2016, the City restated the beginning balance of net position in the Governmental activities and the CHIP HOME Program fund. This adjustment was to properly report notes receivable in the prior year. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2018, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Dave Yost

Dave Yost
Auditor of State

Columbus, Ohio

January 8, 2018

CITY OF TIFFIN
SENECA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)

The management's discussion and analysis of the City of Tiffin's (the City) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2016. 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 2016 are as follows:

- The total net position of the City increased $2,038,022. Net position of governmental activities decreased $286,929 or 1.21% from 2015 and net position of business-type activities increased $2,324,951, or 9.86% from 2015.

- General revenues accounted for $11,628,370 or 77.38% of total governmental activities revenue. Program specific revenues accounted for $3,398,773 or 22.62% of total governmental activities revenue.

- The City had $15,314,072 in expenses related to governmental activities; $3,398,773 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of $11,915,299 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of $11,628,370.

- The City's only major governmental fund is the general fund. The general fund had revenues and other financing sources of $11,102,824. This represents an increase of $808,928 from 2015 revenues. The expenditures and other financing uses of the general fund, which totaled $12,041,113 in 2016, increased $1,862,618 from 2015. The net decrease in fund balance for the general fund was $931,333 or 22.39%.

- Net position for the business-type activities, which is made up of the sewer enterprise fund, increased in 2016 by $2,324,951. This increase in net position was due primarily to charges for services and other operating income being sufficient to cover expenses.

- In the general fund, the actual revenues and other financing sources were $121,815 more than in the final budget and actual expenditures and other financing uses were $1,041,092 less than the amount in the final budget. These variances are the result of the City's conservative budgeting. Budgeted revenues and other financing sources increased $861,806 from the original to the final budget. Budgeted expenditures and other financing uses increased $1,072,607 from the original to the final budget due primarily to an increase in the cost of general government expenditures and transfers out.

Using this Annual Financial Report

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

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

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2016?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

Governmental Funds

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

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

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental fund is the general fund. Information for the major fund is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation.

Proprietary Fund

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for sewer operations. The City's enterprise fund is considered a major fund. The City uses an internal service fund to account for self-funded health insurance program for employees of the City. Because this service predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements with an internal balance recorded between governmental activities and business-type activities.

Fiduciary Funds

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

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

Government-wide Financial Analysis

The statement of net position provides the perspective of the City as a whole. The table below provides a summary of the City's net position at December 31, 2016 and December 31, 2015. The net position at December 31, 2015 has been restated as described in Note 3.A.

Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	(Restated) 2015	2016	2015	2016	(Restated) 2015
Assets						
Current and other assets	$ 15,268,810	$ 14,045,463	$ 6,812,521	$ 7,560,283	$ 22,081,331	$ 21,605,746
Capital assets, net	26,999,620	24,679,766	29,239,023	26,639,873	56,238,643	51,319,639
Total assets	42,268,430	38,725,229	36,051,544	34,200,156	78,319,974	72,925,385
Deferred outflows of resources						
Unamortized deferred charges on debt refunding	-	-	70,823	-	70,823	-
Pension	4,522,755	1,638,369	501,470	162,170	5,024,225	1,800,539
Total deferred outflows of resources	4,522,755	1,638,369	572,293	162,170	5,095,048	1,800,539
Liabilities						
Other liabilities	885,696	577,441	312,620	337,225	1,198,316	914,666
Long-term liabilies:						
Due within one year	674,784	574,023	723,046	666,869	1,397,830	1,240,892
Net pension liability	15,714,608	11,798,403	1,239,581	882,680	16,954,189	12,681,083
Other amounts	5,005,012	2,665,259	8,412,826	8,874,646	13,417,838	11,539,905
Total liabilities	22,280,100	15,615,126	10,688,073	10,761,420	32,968,173	26,376,546
Deferred Inflows of Resources						
Property taxes and PILOTS	970,249	981,351	-	-	970,249	981,351
Pension	92,619	31,975	25,414	15,507	118,033	47,482
Total deferred inflows of resources	1,062,868	1,013,326	25,414	15,507	1,088,282	1,028,833
Net Position						
Net investment in capital assets	24,951,841	22,495,497	20,362,708	17,320,890	45,314,549	39,816,387
Restricted	5,561,683	2,637,393	-	-	5,561,683	2,637,393
Unrestricted (deficit)	(7,065,307)	(1,397,744)	5,547,642	6,264,509	(1,517,665)	4,866,765
Total net position	$ 23,448,217	$ 23,735,146	$ 25,910,350	$ 23,585,399	$ 49,358,567	$ 47,320,545

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

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

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

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

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

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

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

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2016, the City's assets and deferred outflows exceeded liabilities and deferred inflows by $49,358,567. At year-end, net positions were $23,448,217 and $25,910,350 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's net position. At year-end, capital assets represented 63.88% of total assets. Capital assets include land, construction in progress, buildings and improvements, machinery and equipment, furniture and fixtures, vehicles and infrastructure. Net investment in capital assets at December 31, 2016, was $24,951,841 and $20,362,708 in the governmental and business-type activities respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, $5,561,683 represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net position is a deficit of $7,065,307.

The table below shows the changes in net position for 2016 and 2015. The net position at December 31, 2015 has been restated as described in Note 3.A.

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CITY OF TIFFIN
SENECA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)
(Continued)

Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	(Restated) 2015	2016	2015	2016	(Restated) 2015
Revenues						
Program revenues:						
Charges for services	$ 1,717,511	$ 1,600,899	$ 5,676,976	$ 5,545,438	$ 7,394,487	$ 7,146,337
Operating grants and contributions	1,321,605	1,193,993	-	-	1,321,605	1,193,993
Capital grants and contributions	359,657	346,300	-	-	359,657	346,300
Total program revenues	3,398,773	3,141,192	5,676,976	5,545,438	9,075,749	8,686,630
General revenues:						
Property taxes	987,097	963,151	-	-	987,097	963,151
Income taxes	9,396,703	8,489,241	-	-	9,396,703	8,489,241
Payments in lieu of taxes	68,670	65,838	-	-	68,670	65,838
Unrestricted grants and entitlements	816,087	480,620	-	-	816,087	480,620
Contributions and donations	3,738	14,635	-	-	3,738	14,635
Investment earnings	21,767	18,496	19,456	16,877	41,223	35,373
Miscellaneous	334,308	277,874	17,623	40,280	351,931	318,154
Total general revenues	11,628,370	10,309,855	37,079	57,157	11,665,449	10,367,012
Total revenues	15,027,143	13,451,047	5,714,055	5,602,595	20,741,198	19,053,642
Expenses						
General government	3,367,640	2,752,764	-	-	3,367,640	2,752,764
Security of persons and property	8,637,522	7,251,042	-	-	8,637,522	7,251,042
Transportation	1,900,776	1,485,619	-	-	1,900,776	1,485,619
Community environment	369,396	194,861	-	-	369,396	194,861
Leisure time activity	683,732	474,649	-	-	683,732	474,649
Economic development	138,250	46,657	-	-	138,250	46,657
Other	-	2,600	-	-	-	2,600
Interest and fiscal charges	216,756	115,688	-	-	216,756	115,688
Sewer	-	-	3,389,104	3,260,779	3,389,104	3,260,779
Total expenses	15,314,072	12,323,880	3,389,104	3,260,779	18,703,176	15,584,659
Change in net position	(286,929)	1,127,167	2,324,951	2,341,816	2,038,022	3,468,983
Net position at beginning of year (restated)	23,735,146	21,614,865	23,585,399	21,243,583	47,320,545	42,858,448
Net position at end of year	$ 23,448,217	N/A	$ 25,910,350	$ 23,585,399	$ 49,358,567	N/A

Governmental Activities

Governmental activities net position decreased $286,929 in 2016, and this decrease can be attributed to increase in pension expense related to security of persons and property when calculating the City's proportionate share of net pension liability in accordance with GASB 68.

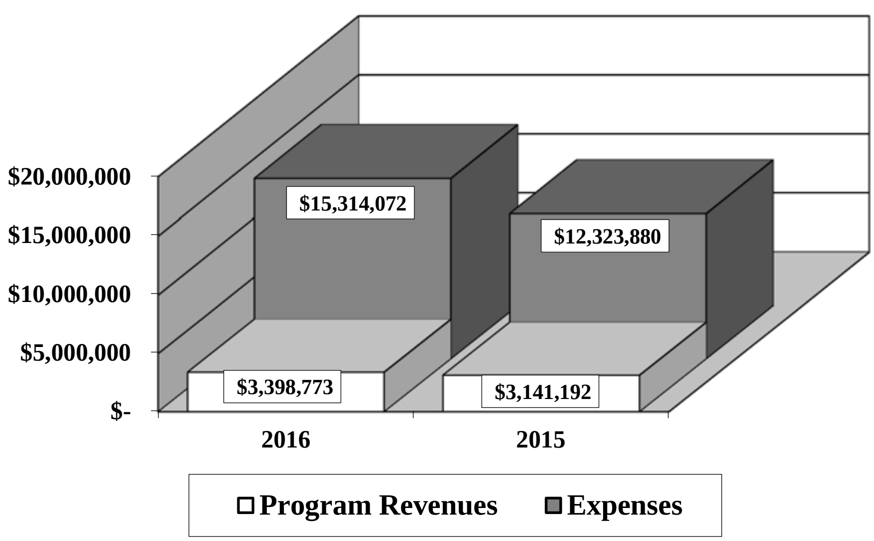
Security of persons and property, which primarily supports the operations of the police and fire departments accounted for $8,637,522 of the total expenses of the City. These expenses were partially funded by $679,700 in direct charges to users of the services and $318,613 in operating grants and contributions. Transportation expenses totaled $1,900,776. Transportation expenses were funded by $18,615 in direct charges to users of the services, $814,387 in operating grants and contributions and $321,606 in capital grants and contributions.

The State and federal government contributed to the City a total of $1,321,605 in operating grants and contributions and $359,657 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, $814,387 subsidized transportation programs, $318,613 subsidized security of persons and property programs, $150,261 subsidized economic development and assistance, $36,167 subsidized leisure time activities and $2,177 subsidized general government programs.

General revenues totaled $11,628,370 and amounted to 77.38% of total governmental revenues. These revenues primarily consist of property and income tax revenue of $10,383,800. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government revenue, making up $816,087.

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

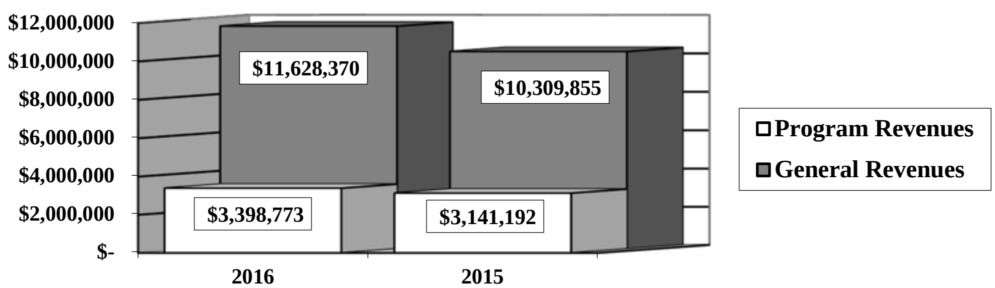


Governmental Activities

	Total Cost of Services 2016	Net Cost of Services 2016	Total Cost of Services 2015	Net Cost of Services 2015
Program expenses:				
General government	$ 3,367,640	$ 2,359,559	$ 2,752,764	$ 1,831,357
Security of persons and property	8,637,522	7,639,209	7,251,042	6,325,432
Transportation	1,900,776	746,168	1,485,619	281,347
Community environment	369,396	364,566	194,861	171,941
Leisure time activity	683,732	601,052	474,649	407,969
Economic development	138,250	(12,011)	46,657	46,354
Other	-	-	2,600	2,600
Interest and fiscal charges	216,756	216,756	115,688	115,688
Total	$ 15,314,072	$ 11,915,299	$ 12,323,880	$ 9,182,688

The dependence upon general revenues for governmental activities is apparent, with 77.81% of expenses supported through taxes and other general revenues.

Governmental Activities - General and Program Revenues

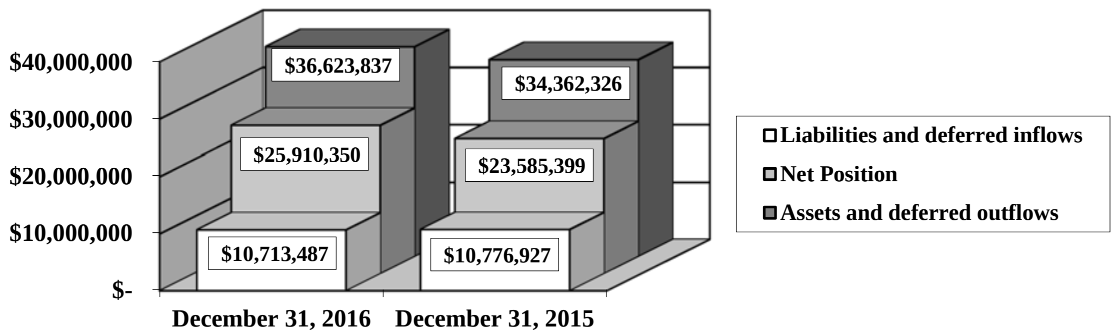


Business-type Activities

Business-type activities include the sewer enterprise fund. This program had program revenues of $5,676,976, general revenues of $37,079, and expenses of $3,389,104 for 2016 with no significant increases or decreases in activity compared to 2015.

The graph that follows illustrates the City's business-type assets, liabilities, and net position at December 31, 2016 and December 31, 2015.

Net Position in Business-type Activities



Financial Analysis of the Government's Funds

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

Governmental Funds

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

The City's governmental funds reported a combined fund balance of $9,636,157 which is $698,594 more than last year's restated total of $8,937,563. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2016 for all major and nonmajor governmental funds.

	Fund Balances 12/31/16	(Restated) Fund Balances 12/31/15	Increase/ (Decrease)
Major fund:			
General	$ 3,227,887	$ 4,159,220	$ (931,333)
Other nonmajor governmental funds	6,408,270	4,778,343	1,629,927
Total	$ 9,636,157	$ 8,937,563	$ 698,594

General Fund

The City's general fund balance decreased $931,333, and this decrease can be attributed to increase in expenditures related to general government and community environment as described on the following page. The table that follows assists in illustrating the revenues of the general fund.

	2016 Amount	2015 Amount	Percentage Change
Revenues			
Taxes	$ 8,542,465	$ 8,407,048	1.61 %
Charges for services	575,006	524,751	9.58 %
Licenses and permits	43,529	42,594	2.20 %
Fines and forfeitures	552,456	542,663	1.80 %
Investment income	20,940	18,058	15.96 %
Intergovernmental	434,301	495,473	(12.35) %
Other	603,302	263,309	129.12 %
Total	$ 10,771,999	$ 10,293,896	4.64 %

Tax revenue represents 79.30% of all general fund revenue. Other revenues increase is due to a local grant for the Rock Creek Trail being received in 2016. All other revenue remained comparable to 2015.

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

	2016 Amount	2015 Amount	Percentage Change
Expenditures			
General government	$ 3,322,238	$ 2,428,562	36.80 %
Security of persons and property	6,639,816	6,382,847	4.03 %
Community environment	223,972	176,790	26.69 %
Debt service	11,313	-	100.00 %
Total	$ 10,197,339	$ 8,988,199	13.45 %

General government expenditures increased 36.80% due to increased costs associated with the Municipal Court and adding of one employee in the Human Resources Department. Community environment expenditures increased 26.69% due to increased accrued wages and benefits from adding an employee in the engineering department. The debt service expenditures increased due to payments on a new capital lease in 2016. All other expenditures remained comparable to 2015.

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 $121,815 more than in the final budget and actual expenditures and other financing uses were $1,041,092 less than the amount in the final budget. These variances are the result of the City's conservative budgeting. Budgeted revenues and other financing sources increased $861,806 from the original to the final budget. Budgeted expenditures and other financing uses increased $1,072,607 from the original to the final budget due primarily to an increase in general government expenditures.

Proprietary Fund

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

Capital Assets and Debt Administration

Capital Assets

At the end of 2016, the City had $56,238,643 (net of accumulated depreciation) invested in land, construction in progress, buildings and improvements, machinery and equipment, furniture and fixtures, vehicles and infrastructure. Of this total, $26,999,620 was reported in governmental activities and $29,239,023 was reported in business-type activities. The following table shows 2016 balances compared to 2015:

Capital Assets at December 31
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	$ 3,378,128	$ 3,310,858	$ 241,940	$ 241,940	$ 3,620,068	$ 3,552,798
Buildings and improvements	2,686,122	2,307,583	5,127,538	5,132,715	7,813,660	7,440,298
Machinery & equipment	1,536,856	1,226,788	226,467	170,281	1,763,323	1,397,069
Furniture & fixtures	300,751	164,264	3,396	4,814	304,147	169,078
Vehicles	1,443,721	1,108,472	325,565	336,997	1,769,286	1,445,469
Infrastructure	17,176,044	16,084,200	23,314,117	20,469,355	40,490,161	36,553,555
Construction in progress	477,998	477,601	-	283,771	477,998	761,372
Totals	$ 26,999,620	$ 24,679,766	$ 29,239,023	$ 26,639,873	$ 56,238,643	$ 51,319,639

The City's largest governmental capital asset category is infrastructure which includes roads, bridges, culverts, sidewalks and curb lines. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 63.62% of the City's total governmental capital assets.

The City's largest business-type capital asset category is infrastructure that primarily includes sewer lines and drains. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 79.74% of the City's total business-type capital assets.

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2016 and 2015:

	Governmental Activities	
	2016	2015
General obligation bonds	$ 4,201,526	$ 1,966,511
Capital lease payable	78,064	72,758
OPWC Loan	193,802	-
Special assessment bonds	100,000	145,000
Total long-term obligations	$ 4,573,392	$ 2,184,269

	Business-type Activities	
	2016	2015
General obligation bonds	$ 7,641,830	$ 7,990,280
Capital lease payable	36,890	72,759
OWDA loan	1,197,595	1,255,944
Total long-term obligations	$ 8,876,315	$ 9,318,983

Economic Outlook

The economic outlook for the City of Tiffin has been strong for the last few years, and in 2017 it continues to be so, with very positive high-level trends for the Tiffin micropolitan statistical area (MSA). For the second time in four years, Tiffin placed in the top ten out of 576 micropolitan in the United States for large economic development projects, according to Site Selection magazine. For the last five years in a row, Tiffin has also placed in the top ten percent. For 2016, more than $108 million in new investment was announced, with more than 230 new jobs to be created and 1500 to be retained. This makes a three-year total of $275 million in new announced investment and more than 1,200 new jobs to be created.

Unemployment, which was at a peak of 12.7 percent in 2009 (annual average), declined to 5.5 percent in 2014 and 4.6 percent last year – again, the second lowest rate in the last forty years (4.5 percent in 2000). The labor force also increased in size for the second year in a row (27,100 in 2015; 27,200 in 2016). There has only been one mass layoff (PCCW, 128 employees, 2012) reported in the city since the closing of American Standard in 2007, with no additional ones last year or thus far this year.

On the industrial side, homegrown Arnold Machine, a custom machine and machine line designer and fabricator for the automotive, oil and gas, and various other industries just completed a 25,000-square-foot, $2.6 million expansion, adding twenty new employees to their existing forty. Just north of town, consumer products giant Church and Dwight announced a $2.5 million expansion to produce Clump and Seal kitty litter, adding an additional 20 new jobs. Owens Corning also just completed and cut the ribbon on their $1.0 million facility expansion in the Northstar Industrial Park, while Tiffin Metal Products also completed their $1.0 million investment to increase their operation. Manufacturing continues to be the largest single sector in the area, with 25 percent of the employment, which is 2.4 times the national average.

On the retail side, things have also continued at a robust pace. The major announcement for last year was the purchase of the Tiffin Mall by northwest-Ohio based Key Hotel and Property Management (KHPM) for $2.2 million from a New York investor. Plans are currently being developed on how to best improve the property and maximize the retail potential. Superior Credit Union purchased two local banking facilities for $1.7 million. Tim Horton's also just opened in a new $1.4 million facility on Market St., and Jimmy Johns cut the ribbon on their new $1.0 million facility as well. In the downtown, the new Greek Put-in-Pita restaurant, Fro-Zone frozen yogurt, Washington Street Outfitters clothing boutique, and the Empire at 138 restaurant opened. The Empire recently earned top ten rankings from Open Table for northern Ohio. The Holiday Inn Expressed was also purchased for $3.3 million, and the University Center Apartments were purchased for $2.2 million. Renovations at the University Center Apartments are underway, and significant hotel upgrades are expected in the near future.

In April of this year, ground was broken on the new $9.4 million Tiffin Pointe housing development to be located on 7.5 acres in our Market Street Commercial District area. This multifamily project will feature 52 two-, three-, and four-bedroom units along with a clubhouse, picnic area, library, playground, and a computer room. It is being developed by the Cleveland-based NRP Group, ranked as one of the ten best and ten largest by the National Multifamily Council.

Also in April, there was a topping off ceremony for the $15 million Seneca Justice Center, to be located in downtown Tiffin, and construction continues to move forward at a brisk pace. The new facility is unique in the state of Ohio due to its city-county partnership, integrating common pleas, municipal (Tiffin and Fostoria), and juvenile/probate court functions into one facility.

On the education front, Sentinel Career Center announced a $1.5 million, 11,000 square-foot expansion to be the new home of their Public Safety Program. In April of this year, Tiffin University broke ground on the largest collegiate eSports arena in the country. And in a historic announcement, Tiffin University and Heidelberg University launched a tuition discount program for all employees of chamber and economic development member businesses. Tiffin continues to be one of about three cities in the US under 20,000 in population with two colleges, and the traditional liberal arts focused Heidelberg University and professionally focused Tiffin University (TU) continue to perform well and rank in the top ten public/non profit employers (more than 500 employees total).

From a community development perspective, it was also a very strong year. Phase I of the privately developed East Green Park by local philanthropist, venture capitalist, and manufacturing leader Andrew Kalnow will be completed this year, and a new pavilion is being designed to allow for public music performances. The Rock Creek bike and walking Trail, linking Heidelberg University to the downtown, opened. Local business Jumpers Wild opened, providing families another place for safe, fun physical activity. A railroad safety and quiet zone is also being developed. These, and many other projects, positively contribute to a high quality of life, which further strengthens the city's current and future growth potential.

In summary, last year was very strong economically, and the current pipeline of future economic development projects continues to be robust and diverse. In conclusion, there is no signs that this growth will subside and/or the very positive economic climate will weaken.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact , Jennifer Miller, Finance Director, City of Tiffin, 53 East Market Street, Tiffin, Ohio 44883-2807 or e-mail at financedirector@tiffinohio.gov or telephone at (419) 448-5403.

CITY OF TIFFIN
SENECA COUNTY

STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	$ 5,753,494	$ 5,140,691	$ 10,894,185
Cash with fiscal and escrow agents.	2,595,034	-	2,595,034
Receivables:			
Income taxes	2,104,509	-	2,104,509
Real and other taxes	994,510	-	994,510
Payment in lieu of taxes	71,304	-	71,304
Accounts	227,425	1,628,284	1,855,709
Special assessments	137,031	-	137,031
Accrued interest	4,209	-	4,209
Due from other governments	799,708	-	799,708
Loans receivable	27,000	-	27,000
Notes receivable.	917,367	-	917,367
Materials and supplies inventory	120,635	30,357	150,992
Prepayments	83,788	24,784	108,572
Investment in joint venture	1,410,818	-	1,410,818
Net pension asset.	7,149	3,234	10,383
Internal balance	14,829	(14,829)	-
Capital assets:			
Land and construction in progress	3,856,126	241,940	4,098,066
Depreciable capital assets, net	23,143,494	28,997,083	52,140,577
Total capital assets, net	26,999,620	29,239,023	56,238,643
Total assets	42,268,430	36,051,544	78,319,974
Deferred outflows of resources:			
Unamortized deferred charges on debt refunding	-	70,823	70,823
Pension OP&F	3,414,021	-	3,414,021
Pension OPERS.	1,108,734	501,470	1,610,204
Total deferred outflows of resources	4,522,755	572,293	5,095,048
Total assets and deferred outflows of resources .	46,791,185	36,623,837	83,415,022
Liabilities:			
Accounts payable	377,348	43,272	420,620
Contracts payable	-	182,353	182,353
Accrued wages and benefits payable	243,932	40,739	284,671
Due to other governments	189,062	24,770	213,832
Accrued interest payable	13,266	21,486	34,752
Claims payable.	62,088	-	62,088
Long-term liabilities:			
Due within one year	674,784	723,046	1,397,830
Due in more than one year:			
Net pension liability	15,714,608	1,239,581	16,954,189
Other amounts due in more than one year.	5,005,012	8,412,826	13,417,838
Total liabilities	22,280,100	10,688,073	32,968,173

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CITY OF TIFFIN
SENECA COUNTY

STATEMENT OF NET POSITION
DECEMBER 31, 2016

(CONTINUED)	Governmental Activities	Business-type Activities	Total
Deferred inflows of resources:			
Property taxes levied for the next fiscal year	898,945	-	898,945
Pension OP&F	36,430	-	36,430
Pension OPERS.	56,189	25,414	81,603
Payment in lieu of taxes levied for the next year . . .	71,304	-	71,304
Total deferred inflows of resources	1,062,868	25,414	1,088,282
Total liabilities and deferred inflows of resources.	23,342,968	10,713,487	34,056,455
Net position:			
Net investment in capital assets	24,951,841	20,362,708	45,314,549
Restricted for:			
Debt service	113,171	-	113,171
Capital projects	2,434,699	-	2,434,699
Transportation projects	498,178	-	498,178
Municipal court	912,684	-	912,684
Security of persons and property	282,531	-	282,531
Community environment	167,929	-	167,929
Economic development and assistance	100,850	-	100,850
Urban redevelopment	968,737	-	968,737
Permanent fund: expendable	2,844	-	2,844
Permanent fund: nonexpendable	25,000	-	25,000
Other purposes	55,060	-	55,060
Unrestricted (deficit)	(7,065,307)	5,547,642	(1,517,665)
Total net position	$ 23,448,217	$ 25,910,350	$ 49,358,567

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF TIFFIN
SENECA COUNTY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

		Program Revenues		
	Expenses	**Charges for Services and Sales**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Governmental activities:				
General government	$ 3,367,640	$ 967,853	$ 2,177	$ 38,051
Security of persons and property	8,637,522	679,700	318,613	-
Transportation	1,900,776	18,615	814,387	321,606
Community environment	369,396	4,830	-	-
Leisure time activity	683,732	46,513	36,167	-
Economic development and assistance	138,250	-	150,261	-
Interest and fiscal charges	216,756	-	-	-
Total governmental activities	15,314,072	1,717,511	1,321,605	359,657
Business-type activities:				
Sewer	3,389,104	5,676,976	-	-
Total primary government	$ 18,703,176	$ 7,394,487	$ 1,321,605	$ 359,657

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

Total general revenues

Change in net position

Net position at beginning of year (restated)

Net position at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
$ (2,359,559)	$ -	$ (2,359,559)
(7,639,209)	-	(7,639,209)
(746,168)	-	(746,168)
(364,566)	-	(364,566)
(601,052)	-	(601,052)
12,011	-	12,011
(216,756)	-	(216,756)
(11,915,299)	-	(11,915,299)
-	2,287,872	2,287,872
(11,915,299)	2,287,872	(9,627,427)
847,864	-	847,864
69,616	-	69,616
69,617	-	69,617
7,964,319	-	7,964,319
925,581	-	925,581
506,803	-	506,803
68,670	-	68,670
816,087	-	816,087
3,738	-	3,738
288,376	-	288,376
21,767	19,456	41,223
45,932	17,623	63,555
11,628,370	37,079	11,665,449
(286,929)	2,324,951	2,038,022
23,735,146	23,585,399	47,320,545
$ 23,448,217	$ 25,910,350	$ 49,358,567

CITY OF TIFFIN
SENECA COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and cash equivalents	$ 2,899,356	$ 2,854,138	$ 5,753,494
Cash with fiscal and escrow agents	-	2,595,034	2,595,034
Receivables:			
Income taxes	1,799,355	305,154	2,104,509
Real and other taxes	849,354	145,156	994,510
Payment in lieu of taxes	-	71,304	71,304
Accounts	194,417	33,008	227,425
Accrued interest	4,209	-	4,209
Special assessments	-	137,031	137,031
Due from other funds	41,444	-	41,444
Due from other governments	353,596	446,112	799,708
Loans receivable	-	27,000	27,000
Notes receivable	-	917,367	917,367
Prepayments	68,402	15,386	83,788
Materials and supplies inventory	24,339	96,296	120,635
Total assets	$ 6,234,472	$ 7,642,986	$ 13,877,458
Liabilities:			
Accounts payable	$ 95,429	$ 281,919	$ 377,348
Accrued wages and benefits payable	217,877	26,055	243,932
Compensated absences payable	24,977	-	24,977
Due to other governments	154,877	34,185	189,062
Total liabilities	493,160	342,159	835,319
Deferred inflows of resources:			
Property taxes levied for the next fiscal year	766,447	132,498	898,945
Delinquent property tax revenue not available	53,956	9,328	63,284
Accrued interest not available	2,298	-	2,298
Special assessments revenue not available	-	137,031	137,031
Miscellaneous revenue not available	290,762	33,317	324,079
Income tax revenue not available	1,198,642	203,279	1,401,921
Nonexchange transactions	201,320	305,800	507,120
Payment in lieu of taxes levied for the next year	-	71,304	71,304
Total deferred inflows of resources	2,513,425	892,557	3,405,982
Total liabilities and deferred inflows of resources	3,006,585	1,234,716	4,241,301

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CITY OF TIFFIN
SENECA COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	General	Other Governmental Funds	Total Governmental Funds
(CONTINUED)			
Fund balances:			
Nonspendable	92,741	111,682	204,423
Restricted	-	5,486,344	5,486,344
Committed	487,470	824,634	1,312,104
Assigned	1,320,513	-	1,320,513
Unassigned (deficit)	1,327,163	(14,390)	1,312,773
Total fund balances	3,227,887	6,408,270	9,636,157
Total liabilities, deferred inflows of resources and fund balances	$ 6,234,472	$ 7,642,986	$ 13,877,458

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF TIFFIN
SENECA COUNTY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2016

Total governmental fund balances		$ 9,636,157
Amounts reported for governmental activities on the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		26,999,620
The net pension asset is not available to pay for current period expenditures; therefore, the asset is not reported in the governmental funds.		7,149
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Real and other taxes receivable	$ 63,284	
Income taxes receivable	1,401,921	
Accounts receivable	214,623	
Intergovernmental receivable	616,576	
Special assessments receivable	137,031	
Accrued interest receivable	2,298	
Total		2,435,733
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities on the statement of net position. The net position of the internal service fund including an internal balance of $14,829 is:		(88,703)
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.		1,410,818
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(13,266)
Unamortized premiums on bond issuance are not recognized in governmental funds.		(116,526)
The net pension liability is not available to pay for current period expenditures and is not due and payable in the current period, respectively; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		
Deferred outflows of resources	4,522,755	
Deferred inflows of resources	(92,619)	
Net pension liability	(15,714,608)	
Total		(11,284,472)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities are as follows:		
Compensated absences	(1,081,427)	
Capital lease payable	(78,064)	
General obligation bonds payable	(4,085,000)	
Loans payable	(193,802)	
Special assessment bonds	(100,000)	
Total		(5,538,293)
Net position of governmental activities		$ 23,448,217

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF TIFFIN
SENECA COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Municipal income taxes	$ 7,696,489	$ 1,332,529	$ 9,029,018
Real and other taxes	845,976	138,905	984,881
Charges for services	575,006	47,413	622,419
Licenses and permits	43,529	-	43,529
Fines and forfeitures	552,456	358,905	911,361
Intergovernmental	434,301	1,665,039	2,099,340
Special assessments	-	67,461	67,461
Investment income	20,940	1,850	22,790
Refunds and reimbursements	143,279	52,432	195,711
Contributions and donations	4,488	8,245	12,733
Payments in lieu of taxes	-	68,592	68,592
Other	455,535	112,037	567,572
Total revenues	10,771,999	3,853,408	14,625,407
Expenditures:			
Current:			
General government	3,322,238	327,001	3,649,239
Security of persons and property	6,639,816	427,089	7,066,905
Transportation	-	925,580	925,580
Community environment	223,972	136,882	360,854
Leisure time activity	-	467,772	467,772
Economic development and assistance	-	138,250	138,250
Capital outlay	-	3,505,877	3,505,877
Debt service:			
Principal retirement	10,476	175,868	186,344
Interest and fiscal charges	837	148,878	149,715
Bond issuance costs	-	64,882	64,882
Total expenditures	10,197,339	6,318,079	16,515,418
Excess (deficiency) of revenues over (under) expenditures	574,660	(2,464,671)	(1,890,011)
Other financing sources (uses):			
Bond issuance	-	2,250,000	2,250,000
Loan issuance	-	193,802	193,802
Sale of capital assets	-	20,200	20,200
Capital lease transaction	51,650	-	51,650
Transfers in	279,175	2,019,144	2,298,319
Transfers (out)	(1,843,774)	(454,545)	(2,298,319)
Premium on bond issuance	-	83,454	83,454
Total other financing sources (uses)	(1,512,949)	4,112,055	2,599,106
Net change in fund balances	(938,289)	1,647,384	709,095
Fund balances at beginning of year (restated)	4,159,220	4,778,343	8,937,563
Increase (decrease) in reserve for inventory	6,956	(17,457)	(10,501)
Fund balances at end of year	$ 3,227,887	$ 6,408,270	$ 9,636,157

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF TIFFIN
SENECA COUNTY

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, 2016

Net change in fund balances - total governmental funds		$ 709,095
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	$ 4,061,148	
Current year depreciation	(1,657,618)	
Total		2,403,530
The net effect of various miscellaneous transactions involving capital assets is to decrease net position. The City recorded ($50,501) related to disposals		(83,676)
Governmental funds report expenditures for inventory when purchased. However in the statement of activities, they are reported as an expense when consumed.		(10,501)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Municipal income taxes	367,685	
Real and other taxes	2,216	
Charges for services	48,222	
Intergovernmental	(7,578)	
Special assessments	(78,353)	
Investment income	741	
Fines and forfeitures	33,148	
Refunds and reimbursements	378	
Other	(504)	
Total		365,955
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.		(22,556)
Proceeds of bonds, capital leases, and loans are reported as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net position.		(2,495,452)
Repayment of bond principal and capital lease obligations are an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		186,344
Premiums on general obligation bonds are recognized as other financing sources in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		(83,454)
Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expnese is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the following:		
Decrease in accrued interest payable	(5,598)	
Amortization of bond premiums	3,439	
Total		(2,159)

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CITY OF TIFFIN
SENECA COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2016

Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.	1,188,565
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.	(2,273,879)
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.	(80,038)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.	(88,703)
Change in net position of governmental activities	$ (286,929)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF TIFFIN
SENECA COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	**Final**	**Actual**	
Revenues:				
Municipal income taxes	$ 6,874,023	$ 7,872,122	$ 7,970,792	$ 98,670
Real and other taxes	850,639	816,437	826,788	10,351
Charges for services	578,563	555,300	569,846	14,546
Licenses and permits	45,270	43,450	43,529	79
Fines and forfeitures	609,090	584,600	580,908	(3,692)
Intergovernmental	433,314	415,891	418,085	2,194
Investment income	20,838	20,000	20,210	210
Contributions and donations	3,899	3,742	3,738	(4)
Refunds and reimbursements	145,481	139,632	139,477	(155)
Other	359,776	345,311	344,927	(384)
Total revenues	9,920,893	10,796,485	10,918,300	121,815
Expenditures:				
Current:				
General government	3,443,803	3,890,098	3,421,819	468,279
Security of persons and property	7,098,666	7,304,844	6,794,480	510,364
Community environment	266,635	286,269	229,820	56,449
Total expenditures	10,809,104	11,481,211	10,446,119	1,035,092
Excess (deficiency) of revenues over (under) expenditures	(888,211)	(684,726)	472,181	1,156,907
Other financing sources (uses):				
Advances in	-	-	49,900	49,900
Transfers in	342,861	329,075	279,175	(49,900)
Transfers (out)	(1,449,275)	(1,849,775)	(1,843,775)	6,000
Total other financing sources (uses)	(1,106,414)	(1,520,700)	(1,514,700)	6,000
Net change in fund balance	(1,994,626)	(2,205,426)	(1,042,519)	1,162,907
Fund balance at beginning of year	3,027,465	3,027,465	3,027,465	-
Prior year encumbrances appropriated	480,000	480,000	480,000	-
Fund balance at end of year	$ 1,512,839	$ 1,302,039	$ 2,464,946	$ 1,162,907

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF TIFFIN
SENECA COUNTY

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2016

	Business-type Activities Enterprise Fund	Governmental Activities
	Sewer	Internal Service Fund
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents	$ 5,140,691	$ -
Receivables:		
Accounts	1,628,284	-
Prepayments	24,784	-
Materials and supplies inventory	30,357	-
Net pension asset	3,234	-
Total current assets	6,827,350	-
Noncurrent assets:		
Capital assets:		
Land and construction in progress	241,940	-
Depreciable capital assets, net	28,997,083	-
Total capital assets, net	29,239,023	-
Total assets	36,066,373	-
Deferred outflows of resources:		
Unamortized deferred charges on debt refunding	70,823	-
Pension OPERS	501,470	-
Total deferred outflows of resources	572,293	-
Total assets and deferred outflows of resources	36,638,666	-
Liabilities:		
Current liabilities:		
Accounts payable	43,272	-
Contracts payable	182,353	-
Accrued wages and benefits payable	40,739	-
Due to other funds	-	41,444
Due to other governments	24,770	-
Accrued interest payable	21,486	-
Compensated absences payable - current	91,132	-
General obligation bonds payable	535,000	-
OWDA loans payable	60,024	-
Claims payable	-	62,088
Capital lease obligations payable	36,890	-
Total current liabilities	1,035,666	103,532

- -(Continued)

CITY OF TIFFIN
SENECA COUNTY

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2016

	Business-type Activities Enterprise Fund	Governmental Activities
	Sewer	**Internal Service Fund**
Long-term liabilities:		
Compensated absences payable	168,425	-
Unamortized premium on bonds.	271,830	-
General obligation bonds payable	6,835,000	-
OWDA loans payable	1,137,571	-
Net pension liability	1,239,581	-
Total long-term liabilities	9,652,407	-
Total liabilities	10,688,073	103,532
Deferred inflows of resources:		
Pension OPERS.	25,414	-
Total liabilities and deferred inflows of resources.	10,713,487	103,532
Net position:		
Net investment in capital assets.	20,362,708	-
Unrestricted	5,562,471	(103,532)
Total net position.	25,925,179	$ (103,532)
Adjustment to reflect the consolidation of the internal service funds activity related to enterprise funds.	(14,829)	
Net position of business-type activities	$ 25,910,350	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF TIFFIN
SENECA COUNTY

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-type Activities Enterprise Fund	Governmental Activities
	Sewer	**Internal Service Fund**
Operating revenues:		
Tap-in fees	$ 450	$ -
Charges for services	5,676,526	1,328,761
Other operating revenues	431	-
Total operating revenues	5,677,407	1,328,761
Operating expenses:		
Personal services	1,403,947	-
Contract services	278,504	-
Materials and supplies	37,625	-
Administrative costs	-	358,695
Utilities	412,654	-
Claims expense	-	1,073,684
Depreciation	831,943	-
Other	29,717	-
Total operating expenses	2,994,390	1,432,379
Operating income (loss)	2,683,017	(103,618)
Nonoperating revenues (expenses):		
Interest and fiscal charges	(391,925)	86
Gain on sale of capital assets	12,040	-
Interest income	19,456	-
Other nonoperating revenues	17,192	-
Total nonoperating revenues (expenses)	(343,237)	86
Change in net position	2,339,780	(103,532)
Net position at beginning of year	23,585,399	-
Net position at end of year	25,925,179	$ (103,532)
Adjustment to reflect the consolidation of the internal service funds activity related to enterprise funds.	(14,829)	
Change in net position of business-type activities.	$ 2,324,951	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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SENECA COUNTY

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-type Activities Enterprise Fund	Governmental Activities
	Sewer	Internal Service Fund
Cash flows from operating activities:		
Cash received from tap in fees	$ 450	$ -
Cash received from charges for services	5,661,142	1,328,761
Cash received from other funds		41,444
Cash payments for personal services	(1,337,884)	-
Cash payments for contractual services	(359,015)	-
Cash payments for materials and supplies	(131,153)	-
Cash payments for utilities	(407,565)	-
Cash payments for claims	-	(1,011,596)
Cash payments for other expenses	(29,717)	(358,695)
Net cash provided by (used in) operating activities	3,396,258	(86)
Cash flows from noncapital financing activities:		
Cash received from other nonoperating revenue	17,192	-
Cash flows from capital and related financing activities:		
Gain on sale of capital assets	16,322	-
Acquisition of capital assets	(3,280,253)	-
Principal retirement on OWDA loans	(58,349)	-
Principal retirement on capital lease	(35,869)	-
Principal retirement on general obligation bonds	(495,000)	-
Interest paid	(438,125)	-
Proceeds from refunding bonds	4,114,618	-
Payment to refunded bond escrow agent	(3,998,774)	-
Net cash used in capital and related financing activities	(4,175,430)	-
Cash flows from investing activities:		
Interest received	17,913	86
Net decrease in cash and cash equivalents	(744,067)	-
Cash and cash equivalents at beginning of year	5,884,758	-
Cash and cash equivalents at end of year	$ 5,140,691	$ -

- - (Continued)

CITY OF TIFFIN
SENECA COUNTY

STATEMENT OF CASH FLOWS
PROPRIETARY FUND (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-type Activities Enterprise Fund	Governmental Activities -
	Sewer	**Internal Service Funds**
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	$ 2,683,017	$ (103,618)
Adjustments:		
Depreciation	831,943	-
Changes in assets and liabilities:		
Decrease in materials and supplies inventory	6,713	-
(Increase) in accounts receivable	(15,815)	-
Decrease in prepayments	2,745	-
(Increase) in net pension asset	(3,234)	
(Increase) in deferred outflows-pension-OPERS	(339,300)	
(Decrease) in accounts payable	(42,221)	-
(Decrease) in contracts payable	(137,828)	
Increase in accrued wages and benefits	6,210	-
Increase in intergovernmental payable	195	-
Increase in compensated absences payable	37,025	-
Increase in net pension liability	356,901	-
Increase in deferred inflows-pension-OPERS	9,907	
Increase in due to other funds		41,444
Increase in claims payable	-	62,088
Net cash provided by (used in) operating activities	$ 3,396,258	$ (86)

Noncash transactions:
At December 31, 2016 and 2015, the sewer fund purchased $320,181 and $165,059, respectively, on account.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF TIFFIN
SENECA COUNTY

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
DECEMBER 31, 2016

		Agency
Assets:		
Equity in pooled cash and cash equivalents	$	4,954
Cash and cash equivalents in segregated accounts . . .		305,819
Total assets	$	310,773
Liabilities:		
Intergovernmental payable.	$	4,082
Undistributed monies		306,691
Total liabilities	$	310,773

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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NOTE 1 - DESCRIPTION OF THE ENTITY AND REPORTING ENTITY

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

Reporting Entity

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

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

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

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

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

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

Upon dissolution of the Port Authority, any balance remaining in the Port Authority's funds or any real or personal property belonging to the Port Authority will be distributed equally to the City and the counties after paying all expenses and debts. The City's equity interest in the Port Authority is $1,410,818 at December 31, 2016. 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 44883-0767.

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

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

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

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

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

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

The City is associated with a certain organization which is considered a public entity risk pool:

Jefferson Health Plan (JHP) Health Benefits Program
The JHP is a council of governments of school districts and other political subdivisions organized and existing as a joint self-insurance program pursuant to Section 9.833 of the Ohio Revised Code providing health care and related insurance benefits to over fifty member organizations. The JHP's business affairs are conducted by a Board of Directors elected from member organizations and composed of one representative from each county served and a career center representative. Each member organization pays a monthly premium based on its claims history and a monthly administration fee.

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

The City is associated with certain organizations which are defined as jointly governed organizations:

Northeast Ohio Public Energy Council
The City is member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of over 200 communities in 13 counties (Cuyahoga, Lake, Ashtabula, Lorain, Huron, Summit, Median, Portage, Trumbull, Columbiana, Mohoning, Seneca and Geauga) who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board.

Financial information can be obtained by contacting NOPEC at 31320 Solon Road, Suite 20, Solon, Ohio 44139 or at the website www.nopecinfo.org.

Metro-Richland County (METRICH)
The City is a member of the Metro-Richland County Enforcement Unit which is a jointly governed organization between Crawford, Huron, Morrow, Knox, Seneca, Marion, Ashland, Hancock and Wyandot Counties, the City of Mansfield, the City of Tiffin and 38 other communities. METRICH remains one of the only decentralized task forces in the state promoting a Community Policing philosophy approach to task force operations. There is a control group in each county (Prosecutor, Sheriff, and chiefs of Police) that direct local efforts including setting local goals and objectives in support of the regional goals and objectives.

The METRICH Control Board is represented by each of the nine Prosecutors, Sheriffs and the Chief of Police of the participating agencies. Funding is obtained through grants administered by the Ohio Office of Criminal Justice Services (OCJS). This grant funding is utilized to support task force operations throughout all nine counties. Information can be obtained from the Mansfield Division of Police, Chief Dino Sgambellone, Project Director.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

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

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except the fiduciary funds. The activities of the internal service fund are eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements

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

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 and deferred inflows is reported as fund balance. The following is the City's major governmental fund:

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Proprietary Funds

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds focus on the determination of the changes in net position, financial position and cash flows and are classified as either enterprise or internal service. The City'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.

Internal Service Fund - Internal service funds are used to account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The internal service fund is used to account for the self-insurance program for medical benefits.

Fiduciary Funds

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

C. Measurement Focus

Government-wide Financial Statements

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

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

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

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

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (See Note 7). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, see Note 15 for deferred outflows of resources related the City's net pension liability. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2016, but which were levied to finance 2017 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes, but is not limited to, income taxes, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the City, see Note 15 for deferred inflows of resources related to the City's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

Expenses/Expenditures

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Data

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

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

Tax Budget

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

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. On or prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate of estimated resources may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statements reflect the amounts in the original and final amended official certificate of estimated resources issued during 2016.

Appropriations

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

Encumbrances

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lapsing of Appropriations

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

F. Cash and Investments

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

During 2016, investments were limited to nonnegotiable certificates of deposit. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

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

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2016 amounted to $20,940, which included $10,004 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.

G. Inventories of Materials and Supplies

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

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

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2016, 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets

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

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

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

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings and Improvements	20-40 years	20 - 80 years
Machinery & Equipment	5-20 years	5 - 20 years
Furniture & Fixtures	5-15 years	8 - 10 years
Vehicles	3-30 years	5 - 15 years
Infrastructure	10 - 50 years	40 - 60 years

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Premiums and Bond Discounts

Bond premiums and discounts are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds. Bond discounts are presented as a reduction to the face amount of the bonds.

For advance refundings resulting in the defeasance of debt reported in the government-wide financial statements and in the proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred inflow or deferred outflow of resources.

On the governmental fund financial statements, bond premiums and discounts are recognized in the current period. The reconciliation between the bonds face value and the amount reported on the statement of net position is present in Note 13.

N. Fund Balance

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

O. Net Position

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

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

P. Interfund Activity

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of City Council and that are either unusual in nature or infrequent in occurrence. No extraordinary transactions or special items occurred during 2016.

R. Estimates

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

S. Pensions

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Net Position and Fund Balance

For 2016, the City has implemented GASB Statement No. 72, "*Fair Value Measurement and Application*", GASB Statement No. 73 "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*", GASB Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*", GASB Statement No. 77, "*Tax Abatement Disclosures*", GASB Statement No. 78, "*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*" and GASB Statement No. 79, "*Certain External Investment Pools and Pool Participants*".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the City.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE (Continued)

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the City.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the City.

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclosure certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. The City incorporated GASB Statement No. 77 guidance into the 2016 financial statements, see Note 21 for detail. However, there was no effect on the fund balance/net position of the City.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the City.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The City incorporated the corresponding GASB 79 guidance into its 2016 financial statements; however, there was no effect on beginning net position/fund balance

A net position and fund balance restatement is required in order to restate the beginning balance of notes receivable. The governmental activities, business-type activities and fund balances at January 1, 2016 have been restated as follows:

	Governmental Activities	Business-type Activities	Total
Net position as previously reported	$ 22,742,032	$ 23,585,399	$ 46,327,431
Notes receivable	993,114	-	993,114
Restated net position at January 1, 2016	$ 23,735,146	$ 23,585,399	$ 47,320,545

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE (Continued)

	General Fund	General Capital Improvement	Other Governmental Funds	Total Governmental Funds
Fund balance as previously reported	$ 4,159,220	$ 395,841	$ 3,389,388	$ 7,944,449
Notes receivable	-	-	993,114	993,114
Restated net position at January 1, 2016	$ 4,159,220	$ 395,841	$ 4,382,502	$ 8,937,563

B. Deficit Fund Balances

Fund balances at December 31, 2016 included the following individual fund deficits:

Nonmajor funds:	Deficit
Jefferson Health Plan	$ 103,532
2010 South Shaffer Park Drive Bond	14,390

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in items 1 or 2 above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. State Treasury Asset Reserve of Ohio (STAR Ohio);

7. Certain banker’s acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,

8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Cash on Hand

At year end, the City had $1,090 on hand in the form of drawer change and petty cash. This amount is included on the basic financial statements as “equity in pooled cash and cash equivalents”, but is not considered part of the City’s carrying amount of deposits at year end.

B. Cash in Segregated Accounts

The City has deposits with financial institutions for monies related to the Municipal Court which are reported in an agency fund. The carrying amount of these deposits was $305,819 which is not included in the City’s depository balance detailed in Note 4.D. However, these deposits are included in the City’s calculation of custodial risk.

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

C. Cash with Fiscal and Escrow Agents

At December 31, 2016, $2,595,034 was on deposit with Seneca County, the City's fiscal agent for the joint justice center building project between Seneca County and City of Tiffin, and represents the unspent portion of the City's share of the joint justice center building project. This amount is excluded from the internal cash pool reported on the balance sheet as "equity in pooled cash and cash equivalents".

D. Deposits with Financial Institutions

At December 31, 2016, the carrying amount of all City deposits was $10,898,049. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2016, $10,911,213 of the City's bank balance of $11,455,459 was exposed to custodial risk as discussed below, while $544,246 was covered by the FDIC.

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

E. Reconciliation of Cash to the Statement of Net Position

The following is a reconciliation of cash as reported in the note above to cash as reported on the statement of net position as of December 31, 2016:

Cash per note	
Carrying amount of deposits	$ 10,898,049
Cash on hand	1,090
Cash in segregated accounts	305,819
Cash with fiscal and escrow agent	2,595,034
Total	$ 13,799,992

Cash per statement of net position	
Governmental activities	$ 8,348,528
Business-type activities	5,140,691
Agency funds	310,773
Total	$ 13,799,992

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund transfers for the year ended December 31, 2016, consisted of the following, as reported on the fund financial statements:

Transfers to nonmajor governmental funds from:	
General fund	$ 1,843,774
Nonmajor governmental fund	175,370
Transfers to general fund from:	
Nonmajor government fund	279,175
Total	$ 2,298,319

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

B. Due to/from other funds at December 31, 2016, as reported on the fund financial statements, consisted of $41,444 due from the Jefferson Health Plan fund (an internal service fund) to the general fund. This due to/from other funds represents amounts owed between funds to cover negative cash balances. Amounts due to/from other funds are eliminated in the internal service fund consolidation on the statement of net position.

NOTE 6 - PROPERTY TAXES

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceeding 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. 2016 public utility property taxes became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Tiffin. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2016 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by a deferred inflow since the current taxes were not levied to finance 2016 operations and the collection of delinquent taxes has been offset by a deferred inflow since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is considered a deferred inflow.

NOTE 6 - PROPERTY TAXES (Continued)

The full tax rate for all City operations for the year ended December 31, 2016 was $4.10 per $1,000 of assessed value. The assessed values of real and tangible personal property upon which 2016 property tax receipts were based are as follows:

Real property	
Residential/agricultural	$ 177,911,090
Commercial/industrial/mineral	59,951,270
Public utility	
Real	42,750
Personal property	19,309,020
Total assessed value	$ 257,214,130

NOTE 7 - LOCAL INCOME TAX

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

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

The City's income tax ordinance allocates ten percent of the income tax revenues (net of refunds) to be used to finance governmental type capital improvements and 4.5 percent to be used for parks. As a result, these portions of the revenue are shown as income tax revenues in the capital improvement fund and park fund. The remaining income tax proceeds are to be used to pay the cost of administering the tax, general fund operations, capital improvements, debt service and other governmental functions when needed, as determined by Council.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2016, consisted of taxes, payments in lieu of taxes, accounts (billings for user charged services), special assessments, accrued interest, notes, 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, 2016.

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

Governmental activities:	
Income taxes	$ 2,104,509
Real and other taxes	994,510
Payments in lieu of taxes	71,304
Accounts	227,425
Accrued interest	4,209
Special assessments	137,031
Due from other governments	799,708
Loans	27,000
Notes	917,367
Business-type activities:	
Accounts	1,628,284

NOTE 8 – RECEIVABLES (Continued)

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, notes and loans which are collected over the life of the assessment, note or loan.

NOTE 9 – NOTES RECEIVABLE

The City, through the community housing improvement grant program, makes deferred interest-free notes to qualifying Tiffin residents and businesses. The activity for these notes is accounted for in the CHIP revolving loan fund, a nonmajor governmental fund. The following is a summary of the changes in the notes receivable during 2016.

Notes receivable at 12/31/15	$ 993,114
Principal balance of notes issued in 2016	13,030
Principal amount forgiven in 2016	(88,777)
Notes receivable at 12/31/16	$ 917,367

NOTE 10 – RISK MANAGEMENT

A. Comprehensive

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. From January 1, 2016 to October 31, 2016 the City contracted through Huntington Insurance Service and Ohio Plan Co. for property, fleet, crime and liability insurance and Travelers Casualty Insurance for cyber and employee theft insurance. On November 1, 2016 the City contracted through UIS Insurance and Investments and EMC Insurance for property, theft, crime, liability and excess insurance.

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

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NOTE 10 – RISK MANAGEMENT (Continued)

	Per Occurrence	Deductibles	Annual Aggregate
Commercial Property (Blanket):			
Building and Contents - Replacement Cost	$ -	$ 1,000	$ 35,487,731
Employers Liability	1,000,000	-	1,000,000
General Liability	1,000,000	-	3,000,000
Law Enforcement	1,000,000	2,500	1,000,000
Public Officials	1,000,000	3,000	2,000,000
Products/Completed Ops	-	-	3,000,000
Personal and Advertising Injury	1,000,000	-	-
Fire Damage	100,000	-	-
Medical Expenses	10,000	-	-
Automobile	1,000,000	-	-
Comprehensive (all others) and Collision	-	500	-
Comprehensive (only fire truck) and Collision	-	1,000	-
Medical Payments	5,000	-	-
Uninsured/Underinsured Motorist	1,000,000	-	-
Employee Benefits Liability	1,000,000	1,000	3,000,000
Ambulance	-	Various	1,263,000
Fire Vehicles	-	Various	3,767,725
Electronic Data Processing	-	1,000	782,367
Crime-Employee Dishonesty	100,000	1,000	-
Crime- Forgery or Alteration	5,000	100	-
Crime- Funds Transfer Fraud	100,000	1,000	-
Crime-Employee Theft	1,000,000	5,000	-
Cyber Liability	250,000	25,000	-
Contractors Equipment	-	1,000	853,157
Umbrella	5,000,000	-	5,000,000

The umbrella applies to the following lines of coverage: Automobile Liability, General Liability, Public Officials and Employment Practices Liability, and Law Enforcement Liability.

Real property and contents are 100 percent coinsured. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in insurance coverage from 2015.

B. Medical Self-Insurance

Medical insurance is offered to employees through a self-insurance internal service fund, effective January 1, 2016. The City is a member of the JHP Health Benefits Program, a claims servicing pool, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the City's behalf. The claims liability of $62,088 reported in the internal service fund at December 31, 2016 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

NOTE 10 – RISK MANAGEMENT (Continued)

Changes in claims activity for the past fiscal year is as follows:

Fiscal Year	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2016	$ -	$ 1,073,684	$ (1,011,596)	$ 62,088

NOTE 11 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016, was as follows:

	Balance 12/31/15	Additions	Disposals	Balance 12/31/16
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 3,310,858	$ 137,801	$ (70,531)	$ 3,378,128
Construction in progress	477,601	72,102	(71,705)	477,998
Total capital assets, not being depreciated	3,788,459	209,903	(142,236)	3,856,126
Capital assets, being depreciated:				
Buildings and improvements	7,958,087	459,635	-	8,417,722
Machinery & equipment	3,826,845	651,756	(79,392)	4,399,209
Furniture & fixtures	483,750	172,620	(14,865)	641,505
Vehicles	3,662,942	678,172	(249,621)	4,091,493
Infrastructure	27,088,556	1,960,767	-	29,049,323
Total capital assets, being depreciated	43,020,180	3,922,950	(343,878)	46,599,252
Less: accumulated depreciation:				
Buildings and improvements	(5,650,504)	(81,096)	-	(5,731,600)
Machinery & equipment	(2,600,057)	(340,880)	78,584	(2,862,353)
Furniture & fixtures	(319,486)	(36,083)	14,815	(340,754)
Vehicles	(2,554,470)	(330,636)	237,334	(2,647,772)
Infrastructure	(11,004,356)	(868,923)	-	(11,873,279)
Total accumulated depreciation	(22,128,873)	(1,657,618)	330,733	(23,455,758)
Total capital assets, being depreciated, net	20,891,307	2,265,332	(13,145)	23,143,494
Governmental activities capital assets, net	$24,679,766	$2,475,235	$(155,381)	$ 26,999,620

NOTE 11 - CAPITAL ASSETS (Continued)

	Balance 12/31/15	Additions	Disposals	Balance 12/31/16
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 241,940	$ -	$ -	$ 241,940
Construction in progress	283,771	-	(283,771)	-
Total capital assets, not being depreciated	525,711	-	(283,771)	241,940
Capital assets, being depreciated:				
Buildings and improvements	13,522,656	81,290	-	13,603,946
Machinery & equipment	848,733	114,137	(16,407)	946,463
Furniture & fixtures	57,696	-	-	57,696
Vehicles	1,192,103	82,586	(62,730)	1,211,959
Infrastructure	27,879,570	3,441,133	-	31,320,703
Total capital assets, being depreciated	43,500,758	3,719,146	(79,137)	47,140,767
Less: accumulated depreciation:				
Buildings and improvements	(8,389,941)	(86,467)	-	(8,476,408)
Machinery & equipment	(678,452)	(57,093)	15,549	(719,996)
Furniture & fixtures	(52,882)	(1,418)	-	(54,300)
Vehicles	(855,106)	(90,594)	59,306	(886,394)
Infrastructure	(7,410,215)	(596,371)	-	(8,006,586)
Total accumulated depreciation	(17,386,596)	(831,943)	74,855	(18,143,684)
Total capital assets, being depreciated, net	26,114,162	2,887,203	(4,282)	28,997,083
Business-type activities capital assets, net	$26,639,873	$2,887,203	$(288,053)	$ 29,239,023

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

Governmental activities:	
General government	$ 81,248
Security of persons and property	396,394
Transportation	958,297
Community environment	5,420
Leisure time activity	216,259
Total depreciation expense - governmental activities	$ 1,657,618
Business-type activities:	
Sewer	$ 831,943

NOTE 12 - COMPENSATED ABSENCES

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

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

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

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

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

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

A liability for accrued vacation for $200,935 has been recognized. Vacation is accumulated based upon length of service as follows:

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

NOTE 12 - COMPENSATED ABSENCES (Continued)

Fire Employee Service	Employee Credit	Police Service	Credit
1 to 6 years	5 days	1 to 4 years	10 days
After 7-14 years	8 days	After 5 years	11 days
After 15-20 years	10 days	After 6 years	12 days
After 21-24 years	11 days	After 7 years	13 days
25 or more years	12 days	After 8 years	14 days
		After 9-12 years	15 days
		After 13 years	16 days
		After 14 years	17 days
		After 15 years	18 days
		After 16 years	19 days
		After 17-19 years	20 days
		20-24 years	21 days
		25 or more years	25 days

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

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

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NOTE 13 - LONG-TERM OBLIGATIONS

A. During 2016, the following changes occurred in the City's long-term obligations:

	Balance 12/31/15	Additions	Retirements	Balance 12/31/16	Amounts Due in One Year
Governmental activities:					
General obligation bonds:					
S. Shaffer Park Drive bond - series 2010, 1.00% - 5.25%	$ 1,020,000	$ -	$ (50,000)	$ 970,000	$ 55,000
Riverfront improvement bond - series 2010, 1.00% - 5.25%	910,000	-	(45,000)	865,000	50,000
Joint Justice Center improvement bond series 2016, 2.00% - 3.50%	-	2,250,000	-	2,250,000	65,000
Total general obligation bonds	1,930,000	2,250,000	(95,000)	4,085,000	170,000
Special assessment bonds payable with government commitment:					
Miami Street storm water drainage improvement bonds 4.00% - 5.60%	145,000	-	(45,000)	100,000	50,000
Other obligations:					
Compensated absences	1,055,013	449,546	(398,155)	1,106,404	408,182
Net pension liability	11,798,403	3,916,205	-	15,714,608	-
Capital lease	72,758	51,650	(46,344)	78,064	46,602
Sandusky St. OPWC loan	-	193,802	-	193,802	-
Total governmental activities	$ 15,001,174	$ 6,861,203	$ (584,499)	$ 21,277,878	$ 674,784
		Add: unamortized premium on bonds		116,526	
		Total on statement of net position		$ 21,394,404	

	Balance 12/31/15	Additions	Retirements	Balance 12/31/16	Amounts Due in One Year
Business-type activities:					
General obligation bonds:					
Sewer separation bonds - series 2007, 3.80% - 5.00%	$ 4,235,000	$ -	$ (4,235,000)	$ -	$ -
Sewer Phase III bond - series 2010, 1.00% - 5.25%	3,660,000	-	(185,000)	3,475,000	190,000
Sewer Refunding bonds - series 2016, 2.00% - 3.00%	-	3,895,000	-	3,895,000	345,000
Total general obligation bonds	7,895,000	3,895,000	(4,420,000)	7,370,000	535,000
OWDA loan:					
Rock Creek Interceptor #5991 - 2.85%	1,255,944	-	(58,349)	1,197,595	60,024
Other obligations:					
Compensated absences	222,532	114,676	(77,651)	259,557	91,132
Net pension liability	882,680	356,901	-	1,239,581	-
Capital lease	72,759	-	(35,869)	36,890	36,890
Total business-type activities	$ 10,328,915	$ 4,366,577	$ (4,591,869)	$ 10,103,623	$ 723,046
	Add: unamortized premium on bonds			271,830	
	Total on statement of net position			$ 10,375,453	

NOTE 13 - LONG-TERM OBLIGATIONS (Continued)

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

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

During 2010, the City fulfilled their post-closure obligation and a new estimate has not been developed by the EPA. Therefore, this liability is not included within the financial statements or the schedule at Note 13.A. However, the City continues to monitor the landfill as required.

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

On February 28, 2007, the City issued $6,500,000 sewer separation bonds - series 2007 for the phase II CS separation project. The bonds bear interest rates ranging from 3.80% to 5.00%. Principal and interest payments are made from the sewer fund. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded Series 2007 phase II CS separation bonds at December 31, 2016, is $3,925,000.

The reacquisition price exceeded the net carrying amount of the old debt by $73,774. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce the combined total debt service payments over the next 11 years by $370,448 and resulted in an economic gain of $296,674.

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

On July 21, 2016, the City issued $2,250,000 capital improvement bonds – series 2016. The bonds were issued for payment to Seneca County for the deposit into the Series 2016 Joint Justice Center Project Fund held by the County Auditor, and to be used for the City's share of costs for the Joint Justice Center Project. The bonds bear interest rates ranging from 2.50% to 3.50%. Principal and interest payments for bonds are made from the debt service fund created for this project. The bonds mature on December 1, 2036.

NOTE 13 - LONG-TERM OBLIGATIONS (Continued)

OWDA Loans - The City has entered into debt financing arrangements through the Ohio Water Development Authority (OWDA) to fund construction projects. The amounts due to OWDA are intended to be paid primarily from sewer revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 2016, the City had outstanding borrowings of $1,197,595.

The City has pledged future sewer revenues to repay OWDA loans. The loans are payable solely from sewer fund revenues and are payable through December 2032. Annual principal and interest payments on the loans are estimated to be 2.65 percent of net revenues and 1.65 percent of total revenues. The total principal and interest remaining to be paid on the loans is $1,499,696. Principal and interest paid for the current year were $93,731, total net revenues were $3,534,416 and total revenues were $5,677,407.

OPWC Loan – In 2016 the City entered into a loan agreement with OPWC for repair of Sandusky Street. As of December 31, 2016, $193,802 of the loan had been disbursed and no principal payments have been made on the loan. The loan has an interest of 0 percent and matures on January 31, 2047.

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

Net pension liability: see Note 15 for more details.

B. The future annual debt service requirements to maturity for the City's debt outstanding as of December 31, 2016 are as follows:

	Governmental Activities		
Year Ended	General Obligations Principal	General Obligations Interest	Total
2017	$ 170,000	$ 148,695	$ 318,695
2018	170,000	144,245	314,245
2019	170,000	139,145	309,145
2020	180,000	134,380	314,380
2021	185,000	128,725	313,725
2022 - 2026	1,030,000	541,137	1,571,137
2027 - 2031	1,075,000	306,187	1,381,187
2032-2036	510,000	144,025	654,025
2037-2041	595,000	54,750	649,750
Totals	$ 4,085,000	$ 1,741,289	$ 5,826,289

	Governmental Activities		
Year Ended	Special Assessment Principal	Special Assessment Interest	Total
2017	$ 50,000	$ 5,600	$ 55,600
2018	50,000	2,800	52,800
Totals	$ 100,000	$ 8,400	$ 108,400

NOTE 13 - LONG-TERM OBLIGATIONS (Continued)

	Governmental Activities
Year Ended	OPWC Principal
2017	$ 3,230
2018	6,460
2019	6,460
2020	6,460
2021	6,460
2022 - 2026	32,301
2027 - 2031	32,301
2032 - 2036	32,300
2037 - 2041	32,300
2042 - 2046	32,300
2047	3,230
Totals	$ 193,802

	Business-Type Activities		
Year Ended	OWDA Principal	OWDA Interest	Total
2017	$ 60,024	$ 33,707	$ 93,731
2018	61,747	31,984	93,731
2019	63,519	30,212	93,731
2020	65,343	28,388	93,731
2021	67,218	26,513	93,731
2022 - 2026	366,163	102,492	468,655
2027 - 2031	421,816	46,839	468,655
2032	91,765	1,966	93,731
Totals	$ 1,197,595	$ 302,101	$ 1,499,696

	Business-Type Activities		
Year Ended	General Obligation Principal	General Obligation Interest	Total
2017	$ 535,000	$ 253,207	$ 788,207
2018	555,000	240,608	795,608
2019	570,000	223,957	793,957
2020	590,000	209,893	799,893
2021	600,000	192,937	792,937
2022 - 2026	3,300,000	674,638	3,974,638
2027 - 2030	1,220,000	163,350	1,383,350
Totals	$ 7,370,000	$ 1,958,590	$ 9,328,590

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, 2016, the City’s total debt margin was $22,933,582 and the unvoted debt margin was $14,146,777.

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE

During 2016 the City entered into a capital lease agreement for turnout gear for the fire department. Capital assets consisting of equipment have been capitalized in the amount of $51,650. This amount represents the present value the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2016 was $3,228, leaving a current book value of $48,422. A corresponding liability was recorded in the statement of net position. Principal payments in 2016 totaled $10,476 from the general fund.

During a prior year the City entered into a capital lease agreement for a street sweeper. Capital assets consisting of equipment have been capitalized in the amount of $240,268. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2016 was $115,134, leaving a current book value of $125,134. A corresponding liability was recorded in the statement of net position. Principal payments in 2016 totaled $35,868 from the general capital improvement fund and $35,869 from the sewer fund.

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

Year Ended	Governmental Activities	Business-Type Activities	Total
2017	$ 49,253	$ 37,940	$ 87,193
2018	11,313	-	11,313
2019	11,313	-	11,313
2020	11,314	-	11,314
Total minimum lease payments	83,193	37,940	121,133
Less: Amounts representing interest	(5,129)	(1,050)	(6,179)
Present value of minimum lease payments	$ 78,064	$ 36,890	$ 114,954

NOTE 15 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability/Asset

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

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

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

NOTE 15 - DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

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

NOTE 15 - DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

	State and Local
2016 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2016 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0 %
Total Employer	14.0 %
Employee	10.0 %

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

The City's contractually required contribution was $405,369 for 2016. Of this amount, $66,801 is reported as due to other governments

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

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

NOTE 15 - DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

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

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

	Police	Firefighters
2016 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2016 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50 %	0.50 %
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was $909,441 for 2016. Of this amount $114,484 is reported as due to other governments

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

NOTE 15 - DEFINED BENEFIT PENSION PLANS (Continued)

The net pension liability and net pension asset for the OPERS was measured as of December 31, 2015, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2015, and was determined by rolling forward the total pension liability as of January 1, 2015, to December 31, 2015. The City's proportion of the net pension liability or asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS	OP&F	Total
Proportion of the net pension liability prior measurement date	0.02240900%	0.19261590%	
Proportion of the net pension liability current measurement date	0.02297900%	0.20167500%	
Change in proportionate share	0.00057000%	0.00905910%	
Proportion of the net pension asset prior measurement date	0.00000000%		
Proportion of the net pension asset current measurement date	0.04500500%		
Change in proportionate share	0.04500500%		
Proportionate share of the net pension liability	$ 3,980,252	$ 12,973,937	$ 16,954,189
Proportionate share of the net pension asset	10,383	-	10,383
Pension expense	592,946	1,831,452	2,424,398

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	OP&F	Total
Deferred outflows of resources			
Differences between expected and actual experience	$ 630	$ -	$ 630
Net difference between projected and actual earnings on pension plan investments	1,174,535	2,111,652	3,286,187
Changes in employer's proportionate percentage/ difference between employer contributions	29,670	392,928	422,598
City contributions subsequent to the measurement date	405,369	909,441	1,314,810
Total deferred outflows of resources	$ 1,610,204	$ 3,414,021	$ 5,024,225
Deferred inflows of resources			
Differences between expected and actual experience	$ 81,603	$ 36,430	$ 118,033
Total deferred inflows of resources	$ 81,603	$ 36,430	$ 118,033

NOTE 15 - DEFINED BENEFIT PENSION PLANS (Continued)

$1,314,810 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/asset in the year ending December 31, 2017.

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

	OPERS	OP&F	Total
Year Ending December 31:			
2017	$ 270,507	$ 625,533	$ 896,040
2018	288,723	625,533	914,256
2019	300,715	625,530	926,245
2020	265,293	511,097	776,390
2021	(514)	67,613	67,099
Thereafter	(1,492)	12,844	11,352
Total	$ 1,123,232	$ 2,468,150	$ 3,591,382

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability/asset in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.75 percent
Future salary increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or ad hoc COLA	3 percent, simple through 2018, then 2.80% simple
Investment rate of return	8 percent
Actuarial cost method	Individual entry age

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

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

NOTE 15 - DEFINED BENEFIT PENSION PLANS (Continued)

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

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.40 percent for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	23.00 %	2.31 %
Domestic equities	20.70	5.84
Real estate	10.00	4.25
Private equity	10.00	9.25
International equities	18.30	7.40
Other investments	18.00	4.59
Total	100.00 %	5.27 %

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

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

NOTE 15 - DEFINED BENEFIT PENSION PLANS (Continued)

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	$ 6,341,515	$ 3,980,252	$ 1,988,603
Combined Plan	(212)	(10,292)	(18,401)
Member-Directed Plan	239	(91)	(239)

Changes Between Measurement Date and Report Date - In October 2016, the OPERS Board of Trustees adopted certain assumption changes which impacted their annual actuarial valuation prepared as of December 31, 2016. The most significant changes are a reduction in the expected investment return to 7.50% from 8.00%, the expected long-term average wage inflation was reduced to 3.25% from 3.75%, the expected long-term average price inflation was reduced to 2.50% from 3.00% and a change to various demographic assumptions. Although the exact amount of these changes is not known, the impact to the County's net pension liability is expected to be significant.

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2015 is based on the results of an actuarial valuation date of January 1, 2015, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2015, are presented below:

Valuation date	January 1, 2015
Actuarial cost method	Entry age normal
Investment rate of return	8.25 percent
Projected salary increases	4.25 percent to 11 percent
Payroll increases	3.75 percent
Inflation assumptions	3.25 percent
Cost of living adjustments	2.60 and 3.00 percent simple

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

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

NOTE 15 - DEFINED BENEFIT PENSION PLANS (Continued)

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

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2015 are summarized below:

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

* levered 2x

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

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

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

NOTE 15 - DEFINED BENEFIT PENSION PLANS (Continued)

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	$ 17,110,829	$ 12,973,937	$ 9,469,504

NOTE 16 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

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

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2016, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan and Combined Plan for 2016 was 2.00%.

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

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2016, 2015, and 2014 were $71,593, $58,512, and $54,667, respectively; 85.99% has been contributed for 2016 and 100% has been contributed for 2015 and 2014. The remaining 2016 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements.

NOTE 16 - POSTRETIREMENT BENEFIT PLANS (Continued)

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00% of the employer contributions toward the health care fund after the end of the transition period.

B. Ohio Police and Fire Pension Fund

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

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

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was 0.50% of covered payroll from January 1, 2016 thru December 31, 2016. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

NOTE 16 - POSTRETIREMENT BENEFIT PLANS (Continued)

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were $9,463 and $11,901 for the year ended December 31, 2016, $8,971 and $11,373 for the year ended December 31, 2015, and $8,200 and $10,538, for the year ended December 31, 2014. 100% has been contributed for 2015 and 2014. 87.12% has been contributed for police and 88.07% has been contributed for firefighters for 2016. The remaining 2016 post-employment health care benefits liability has been reported as due to other governments payable on the basic financial statements.

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of accounting principles generally accepted in the United States of America, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

(a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

(b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

(c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);

(d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,

(e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Change in Fund Balance

	General fund
Budget basis	$ (1,042,519)
Net adjustment for revenue accruals	(256,882)
Net adjustment for expenditure accruals	(78,601)
Net adjustment for other financing sources/uses	1,751
Funds budgeted elsewhere	806
Adjustment for encumbrances	437,156
GAAP basis	$ (938,289)

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

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NOTE 18 - FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund balance	General	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
Materials and supplies inventory	$ 24,339	$ 96,296	$ 120,635
Prepaids	68,402	15,386	83,788
Total nonspendable	92,741	111,682	204,423
Restricted:			
Debt service	-	25,488	25,488
Capital improvements	-	2,294,157	2,294,157
Transportation projects	-	497,299	497,299
Municipal court	-	965,149	965,149
Security of persons and property	-	383,831	383,831
Community environment	-	167,929	167,929
Economic development and assistance	-	100,850	100,850
Urban redevelopment	-	968,737	968,737
Permanent fund	-	27,844	27,844
Other purposes	-	55,060	55,060
Total restricted	-	5,486,344	5,486,344
Committed:			
Capital improvements	-	554,631	554,631
General government	151,450	-	151,450
Security of persons and property	172,567	-	172,567
Community environment	14,982	-	14,982
Flexible spending plan	148,471	-	148,471
Leisure-time activities	-	241,637	241,637
Economic development and assistance	-	28,366	28,366
Total committed	487,470	824,634	1,312,104
Assigned:			
Subsequent year appropriation	1,320,513	-	1,320,513
Total assigned	1,320,513	-	1,320,513
Unassigned (deficit)	1,327,163	(14,390)	1,312,773
Total fund balances	$ 3,227,887	$ 6,408,270	$ 9,636,157

NOTE 19 - 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.

NOTE 19 - CONTINGENT LIABILITIES (Continued)

B. Litigation

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

NOTE 20 - OTHER COMMITMENTS

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the City's commitments for encumbrances in the governmental funds were as follows:

Fund	
General fund	$ 338,999
Nonmajor governmental	100,883
Total	$ 439,882

NOTE 21 – TAX ABATEMENTS AND TAX CREDITS

The City was part of multiple Enterprise Zone (EZ) tax abatement agreements with local businesses. Under the authority of ORC Sections 5709.62 and 5709.63, the EZ program is an economic development tool administered by municipal and county governments that provides real and personal property tax exemptions to businesses making investments in Ohio. An EZ is a designated area of land in which businesses can receive tax incentives in the form of tax exemptions on qualifying new investment. An EZ's geographic area is identified by the local government involved in the creation of the zone. Once the zone is defined, the local legislative authority participating in the creation must petition the OSDA. The OSDA must then certify the area for it to become an active Enterprise Zone. The local legislative authority negotiates the terms of the Enterprise Zone Agreement (the Agreement) with the business, which may include tax sharing with the Board of Education. Legislation must then be passed to approve the Agreement. All Agreements must be finalized before the project begins and may contain provisions for the recoupment of taxes should the individual or entity fail to perform. The amount of the abatement is deducted from the business's property tax bill. The total taxes abated by the EZ agreements in 2016 was $1,047.

The City entered into multiple property tax abatement agreements with property owners under The Ohio Community Reinvestment Area (CRA) program. Under the authority of Ohio Revised Code (ORC) Section 3735.67, the CRA program is an economic development tool administered by municipal and county governments that provides real property tax exemptions for property owners who renovate existing or construct new buildings. CRA's are areas of land in which property owners can receive tax incentives for investing in real property improvements. Under the CRA program, local governments petition to the Ohio Development Services Agency (ODSA) for confirmation of a geographical area in which investment in housing is desired. Once an area is confirmed by the ODSA, local governments may offer real property tax exemptions to taxpayers that invest in that area. Property owners in the CRA can receive temporary tax abatements for renovation of existing structures and new construction in these areas. Property owners apply to the local legislative authority for approval to renovate or construct in the CRA. Upon approval and certification of completion, the amount of the abatement is deducted from the individual or entity's property tax bill. The total taxes abated by the CRA agreements in 2016 $13,848.

The City, by ordinance may grant a refundable or nonrefundable credit against its tax on income to a taxpayer to foster job creation and/or for the purpose of fostering job retention in the City. Before the City passes and ordinance granting a credit and/or allowing such a credit, the City and the taxpayer shall enter into an agreement specifying all the conditions of the credit. Total taxes abated by these agreements in 2016 were $12,015.

CITY OF TIFFIN
SENECA COUNTY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE YEARS

	2016	2015	2014
Traditional Plan:			
City's proportion of the net pension liability	0.022979%	0.022409%	0.022409%
City's proportionate share of the net pension liability	$ 3,980,252	$ 2,702,776	$ 2,641,729
City's covered-employee payroll	$ 2,925,617	$ 2,762,925	$ 2,631,362
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	136.05%	97.82%	100.39%
Plan fiduciary net position as a percentage of the total pension liability	81.08%	86.45%	86.36%
Combined Plan:			
City's proportion of the net pension asset	0.021150%	n/a	n/a
City's proportionate share of the net pension asset	$ 10,292	n/a	n/a
City's covered-employee payroll	$ 72,108	n/a	n/a
City's proportionate share of the net pension asset as a percentage of its covered-employee payroll	14.27%	n/a	n/a
Plan fiduciary net position as a percentage of the total pension asset	116.90%	n/a	n/a
Member Directed Plan:			
City's proportion of the net pension asset	0.023855%	n/a	n/a
City's proportionate share of the net pension asset	$ 91	n/a	n/a
City's covered-employee payroll	$ 132,858	n/a	n/a
City's proportionate share of the net pension asset as a percentage of its covered-employee payroll	0.07%	n/a	n/a
Plan fiduciary net position as a percentage of the total pension asset	103.91%	n/a	n/a

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each year were determined as of the City's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TIFFIN
SENECA COUNTY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE YEARS

	2016	2015	2014
City's proportion of the net pension liability	0.20167500%	0.19261590%	0.19261590%
City's proportionate share of the net pension liability	$ 12,973,937	$ 9,978,307	$ 9,380,998
City's covered-employee payroll	$ 4,021,568	$ 3,786,299	$ 3,374,607
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	322.61%	263.54%	277.99%
Plan fiduciary net position as a percentage of the total pension liability	66.77%	72.20%	73.00%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each year were determined as of the City's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TIFFIN
SENECA COUNTY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	2016	2015	2014	2013
Traditional Plan:				
Contractually required contribution	$ 371,684	$ 351,074	$ 331,551	$ 342,077
Contributions in relation to the contractually required contribution	(371,684)	(351,074)	(331,551)	(342,077)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
City/County's covered-employee payroll	$ 3,097,367	$ 2,925,617	$ 2,762,925	$ 2,631,362
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	12.00%	13.00%
Combined Plan:				
Contractually required contribution	$ 20,553	$ 8,653	$ 2,124	$ -
Contributions in relation to the contractually required contribution	(20,553)	(8,653)	(2,124)	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
City/County's covered-employee payroll	$ 171,275	$ 72,108	$ 17,700	$ -
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	12.00%	13.00%
Member Directed Plan:				
Contractually required contribution	$ 13,132	$ 15,943		
Contributions in relation to the contractually required contribution	(13,132)	(15,943)		
Contribution deficiency (excess)	$ -	$ -		
City/County's covered-employee payroll	$ 109,433	$ 132,858		
Contributions as a percentage of covered-employee payroll	12.00%	12.00%		

Note: No contributions were made in 2013 for the combined plan.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - - Continued

CONTINUED

2012	2011	2010	2009	2008	2007
$ 226,896	$ 231,690	$ 273,998	$ 254,424	$ 235,389	$ 268,027
(226,896)	(231,690)	(273,998)	(254,424)	(235,389)	(268,027)
$ -	$ -	$ -	$ -	$ -	$ -
$ 2,268,960	$ 2,316,900	$ 3,072,875	$ 3,131,372	$ 3,362,700	$ 3,209,904
10.00%	10.00%	8.92%	8.13%	7.00%	8.35%
$ 403	$ 395	$ -	$ -	$ -	$ -
(403)	(395)	-	-	-	-
$ -	$ -	$ -	$ -	$ -	$ -
$ 5,069	$ 4,969	$ -	$ -	$ -	$ -
7.95%	7.95%	9.69%	8.13%	7.00%	8.35%

CITY OF TIFFIN
SENECA COUNTY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	2016	2015	2014	2013	2012
Police:					
Contractually required contribution	$ 350,117	$ 331,911	$ 314,016	$ 241,806	$ 196,894
Contributions in relation to the contractually required contribution	(350,117)	(331,911)	(314,016)	(241,806)	(196,894)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
City's covered-employee payroll	$ 1,842,721	$ 1,746,900	$ 1,652,716	$ 1,522,388	$ 1,544,267
Contributions as a percentage of covered-employee payroll	19.00%	19.00%	19.00%	15.88%	12.75%
Fire:					
Contractually required contribution	$ 559,324	$ 534,547	$ 501,392	$ 377,544	$ 355,925
Contributions in relation to the contractually required contribution	(559,324)	(534,547)	(501,392)	(377,544)	(355,925)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
City's covered-employee payroll	$ 2,380,102	$ 2,274,668	$ 2,133,583	$ 1,852,219	$ 2,063,333
Contributions as a percentage of covered-employee payroll	23.50%	23.50%	23.50%	20.38%	17.25%

--Continued

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CONTINUED

2011	2010	2009	2008	2007
$ 205,579	$ 213,580	$ 219,228	$ 229,973	$ 216,466
(205,579)	(213,580)	(219,228)	(229,973)	(216,466)
$ -	$ -	$ -	$ -	$ -
$ 1,612,384	$ 1,675,137	$ 1,719,435	$ 1,803,710	$ 1,697,773
12.75%	12.75%	12.75%	12.75%	12.75%
$ 375,264	$ 352,641	$ 361,554	$ 369,195	$ 348,655
(375,264)	(352,641)	(361,554)	(369,195)	(348,655)
$ -	$ -	$ -	$ -	$ -
$ 2,175,443	$ 2,044,296	$ 2,095,965	$ 2,140,261	$ 2,021,188
17.25%	17.25%	17.25%	17.25%	17.25%

CITY OF TIFFIN
SENECA COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tiffin, Seneca County, Ohio (the City) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 8, 2018, wherein we noted the City restated beginning balances to properly report notes receivable from the prior year.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Dave Yost
Auditor of State

Columbus, Ohio

January 8, 2018

CITY OF TIFFIN

SENECA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 23, 2018