

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

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

For The Year Ended  
December 31, 2011

**GWYNN REINHART, DIRECTOR OF FINANCE**





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the City of Tiffin, Seneca County, prepared by Julian & Grube, Inc., for the audit period January 1, 2011 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

August 24, 2012

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**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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Independent Accountants' Report

City of Tiffin  
51 East Market Street  
Tiffin, Ohio 44883

To the Members of Council and Mayor:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tiffin, Seneca County, Ohio, as of and for the year ended December 31, 2011, which collectively comprise the City of Tiffin's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Tiffin's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tiffin, Seneca County, Ohio, as of December 31, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the general fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.


As described in Note 3, during the year ended December 31, 2011, the City of Tiffin adopted the provisions of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2012, on our consideration of the City of Tiffin's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Members of Council and Mayor  
City of Tiffin  
Page Two

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the City of Tiffin's basic financial statements taken as a whole. The Schedule of Expenditures of Federal Awards provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Julian & Grube, Inc.  
June 22, 2012



## CITY OF TIFFIN, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011 (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, 2011. 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 2011 are as follows:

- The total net assets of the City increased \$2,625,315. Net assets of governmental activities increased \$1,209,291 or 4.42% over 2010 and net assets of business-type activities increased \$1,416,024 or 9.30% over 2010.
- General revenues accounted for \$10,219,198 or 77.74% of total governmental activities revenue. Program specific revenues accounted for \$2,926,950 or 22.26% of total governmental activities revenue.
- The City had \$11,936,857 in expenses related to governmental activities; \$2,926,950 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$9,009,907 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$10,219,198.
- The City's major governmental fund is the general fund. The general fund, the City's only major fund, had revenues and other financing sources of \$10,436,422 in 2011. This represents an increase of \$363,059 from 2010 revenues. The expenditures and other financing uses of the general fund, which totaled \$10,268,192 in 2011, increased \$374,342 from 2010. The net increase in fund balance for the general fund was \$168,230 or 13.83%.
- Net assets for the business-type activities, which is made up of the sewer enterprise fund, increased in 2011 by \$1,416,024. This increase in net assets was due primarily to charges for services and other operating income being sufficient to cover expenses.
- In the general fund, the actual revenues and other financing sources were \$240,861 less than the final budget and actual expenditures and other financing uses were \$258,876 less than the amount in the final budget. These variances are the result of the City's conservative budgeting. Budgeted revenues decreased \$57,829 from the original to the final budget. Budgeted expenditures and other financing uses decreased \$133,082 from the original to the final budget due primarily to a decrease in the cost of general government expenditures.

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

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

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

## **CITY OF TIFFIN, OHIO**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011 (UNAUDITED)**

#### **Reporting the City as a Whole**

##### *Statement of Net Assets and the Statement of Activities*

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

#### **Reporting the City's Most Significant Funds**

##### *Fund Financial Statements*

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

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

##### *Governmental Funds*

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

## CITY OF TIFFIN, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011 (UNAUDITED)

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

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

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

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

#### ***Fiduciary Funds***

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

#### ***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 28-62 of this report.

**CITY OF TIFFIN, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(UNAUDITED)

**Government-wide Financial Analysis**

The table below provides a summary of the City's government-wide assets, liabilities and net assets at December 31, 2011 and December 31, 2010:

	Governmental Activities		Net Assets		Total	
			Business-type Activities			
	2011	2010	2011	2010	2011	2010
<b><u>Assets</u></b>						
Current and other assets	\$ 10,186,945	\$ 10,080,126	\$ 4,814,741	\$ 4,102,962	\$ 15,001,686	\$ 14,183,088
Capital assets, net	<u>23,478,831</u>	<u>23,365,273</u>	<u>22,359,402</u>	<u>22,107,010</u>	<u>45,838,233</u>	<u>45,472,283</u>
Total assets	<u>33,665,776</u>	<u>33,445,399</u>	<u>27,174,143</u>	<u>26,209,972</u>	<u>60,839,919</u>	<u>59,655,371</u>
<b><u>Liabilities</u></b>						
Long-term liabilities outstanding	3,653,192	3,871,595	10,281,568	10,878,309	13,934,760	14,749,904
Other liabilities	<u>1,460,565</u>	<u>2,231,076</u>	<u>253,647</u>	<u>108,759</u>	<u>1,714,212</u>	<u>2,339,835</u>
Total liabilities	<u>5,113,757</u>	<u>6,102,671</u>	<u>10,535,215</u>	<u>10,987,068</u>	<u>15,648,972</u>	<u>17,089,739</u>
<b><u>Net Assets</u></b>						
Invested in capital assets, net of related debt	20,852,991	20,500,464	12,589,062	11,496,441	33,442,053	31,996,905
Restricted	2,850,652	3,513,031	-	-	2,850,652	3,513,031
Unrestricted	<u>4,848,376</u>	<u>3,329,233</u>	<u>4,049,866</u>	<u>3,726,463</u>	<u>8,898,242</u>	<u>7,055,696</u>
Total net assets	<u>\$ 28,552,019</u>	<u>\$ 27,342,728</u>	<u>\$ 16,638,928</u>	<u>\$ 15,222,904</u>	<u>\$ 45,190,947</u>	<u>\$ 42,565,632</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2011, the City's assets exceeded liabilities by \$45,190,947. At year-end, net assets were \$28,552,019 and \$16,638,928 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's net assets. At year-end, capital assets represented 75.34% of total assets. Capital assets include land, construction in progress, buildings and improvements, machinery and equipment, furniture and fixtures, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2011, were \$20,852,991 and \$12,589,062 in the governmental and business-type activities respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of December 31, 2011, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the City's net assets, \$2,850,652, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets of \$4,848,376 may be used to meet the government's ongoing obligations to citizens and creditors.

**CITY OF TIFFIN, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(UNAUDITED)**

The table below shows the changes in net assets for 2011 and 2010.

	<b>Change in Net Assets</b>					
	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 1,350,752	\$ 1,385,223	\$ 4,419,064	\$ 4,000,572	\$ 5,769,816	\$ 5,385,795
Operating grants and contributions	1,360,422	1,737,207	-	220,199	1,360,422	1,957,406
Capital grants and contributions	215,776	1,540,107	329,408	248,276	545,184	1,788,383
Total program revenues	<u>2,926,950</u>	<u>4,662,537</u>	<u>4,748,472</u>	<u>4,469,047</u>	<u>7,675,422</u>	<u>9,131,584</u>
General revenues:						
Property taxes	1,616,524	1,218,588	-	-	1,616,524	1,218,588
Income taxes	7,260,655	6,708,188	-	-	7,260,655	6,708,188
Payments in lieu of taxes	-	84,151	-	-	-	84,151
Unrestricted grants and entitlements	1,092,602	1,403,168	-	-	1,092,602	1,403,168
Contributions and donations	26,234	22,382	-	-	26,234	22,382
Investment earnings	10,023	9,813	9,722	15,428	19,745	25,241
Miscellaneous	213,160	327,103	21,878	17,196	235,038	344,299
Total general revenues	<u>10,219,198</u>	<u>9,773,393</u>	<u>31,600</u>	<u>32,624</u>	<u>10,250,798</u>	<u>9,806,017</u>
Total revenues	<u>13,146,148</u>	<u>14,435,930</u>	<u>4,780,072</u>	<u>4,501,671</u>	<u>17,926,220</u>	<u>18,937,601</u>
<b>Expenses</b>						
General government	2,533,516	2,646,475	-	-	2,533,516	2,646,475
Security of persons and property	7,207,107	7,032,402	-	-	7,207,107	7,032,402
Public health and welfare	-	8,446	-	-	-	8,446
Transportation	1,037,546	1,484,215	-	-	1,037,546	1,484,215
Community environment	544,787	775,632	-	-	544,787	775,632
Leisure time activity	460,740	477,556	-	-	460,740	477,556
Economic development	1,975	4,624	-	-	1,975	4,624
Urban redevelopment and housing	33,251	223,126	-	-	33,251	223,126
Other	-	2,570	-	-	-	2,570
Interest and fiscal charges	117,935	92,615	-	-	117,935	92,615
Sewer	-	-	3,364,048	3,029,543	3,364,048	3,029,543
Total expenses	<u>11,936,857</u>	<u>12,747,661</u>	<u>3,364,048</u>	<u>3,029,543</u>	<u>15,300,905</u>	<u>15,777,204</u>
Change in net assets	1,209,291	1,688,269	1,416,024	1,472,128	2,625,315	3,160,397
Net assets at beginning of year (restated)	<u>27,342,728</u>	<u>25,654,459</u>	<u>15,222,904</u>	<u>13,750,776</u>	<u>42,565,632</u>	<u>39,405,235</u>
Net assets at end of year	<u>\$ 28,552,019</u>	<u>\$ 27,342,728</u>	<u>\$ 16,638,928</u>	<u>\$ 15,222,904</u>	<u>\$ 45,190,947</u>	<u>\$ 42,565,632</u>

**CITY OF TIFFIN, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(UNAUDITED)**

**Governmental Activities**

Governmental activities net assets increased \$1,209,291 in 2011.

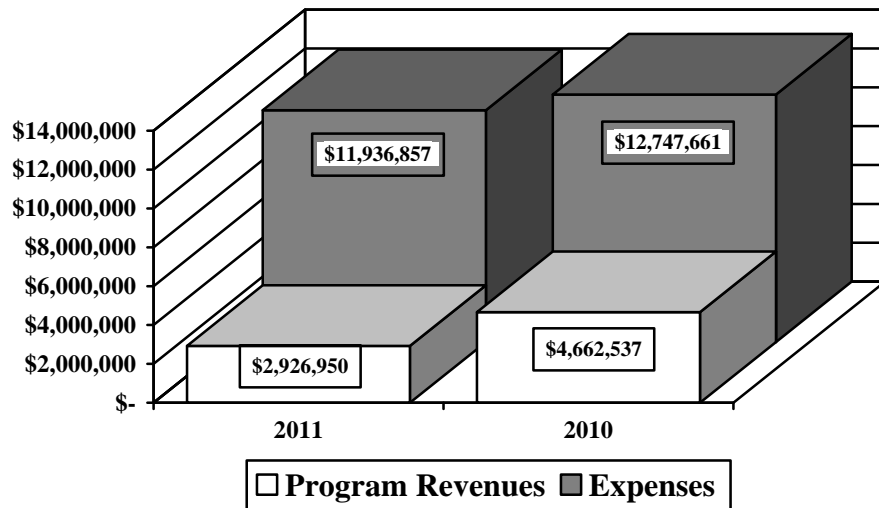
Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$7,207,107 of the total expenses of the City. These expenses were partially funded by \$591,054 in direct charges to users of the services. Transportation expenses totaled \$1,037,546. Transportation expenses were funded by \$82,831 in direct charges to users of the services, \$787,170 in operating grants and contributions and \$215,377 in capital grants and contributions.

The State and federal government contributed to the City a total of \$1,360,422 in operating grants and contributions and \$215,776 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$787,170 subsidized transportation programs, \$420,771 subsidized community environment programs and \$18,624 subsidized leisure-time activities programs.

General revenues totaled \$10,219,198 and amounted to 77.74% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$8,877,179. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government revenue, making up \$1,092,602.

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

**Governmental Activities - Program Revenues vs. Total Expenses**



**CITY OF TIFFIN, OHIO**

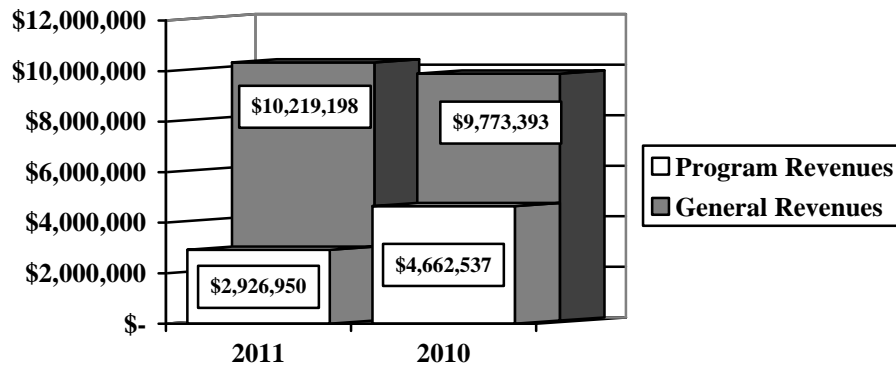
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(UNAUDITED)**

**Governmental Activities**

	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>
<b>Program expenses:</b>				
General government	\$ 2,533,516	\$ 1,920,625	\$ 2,646,475	\$ 2,001,301
Security of persons and property	7,207,107	6,521,920	7,032,402	6,461,388
Public health and welfare	-	-	8,446	(14,080)
Transportation	1,037,546	(47,832)	1,484,215	(970,795)
Community environment	544,787	102,061	775,632	252,979
Leisure time activity	460,740	400,095	477,556	319,221
Economic development	1,975	(953)	4,624	(815)
Urban redevelopment and housing	33,251	(3,944)	223,126	(59,260)
Other	-	-	2,570	2,570
Interest and fiscal charges	<u>117,935</u>	<u>117,935</u>	<u>92,615</u>	<u>92,615</u>
<b>Total</b>	<b><u>\$ 11,936,857</u></b>	<b><u>\$ 9,009,907</u></b>	<b><u>\$ 12,747,661</u></b>	<b><u>\$ 8,085,124</u></b>

The dependence upon general revenues for governmental activities is apparent, with 75.48% of expenses supported through taxes and other general revenues.

**Governmental Activities - General and Program Revenues**



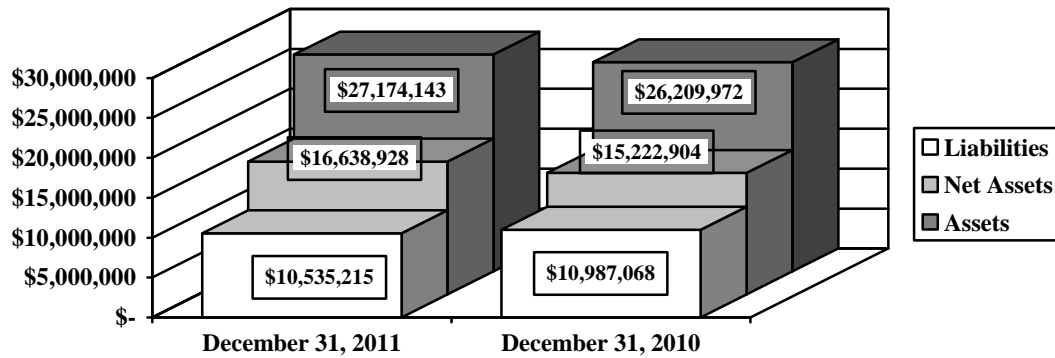
**CITY OF TIFFIN, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(UNAUDITED)

**Business-type Activities**

Business-type activities include the sewer enterprise fund. This program had program revenues of \$4,748,472, general revenues of \$31,600, and expenses of \$3,364,048 for 2011. The graph below shows the business-type activities assets, liabilities and net assets at year-end.

**Net Assets in Business-type Activities**



**Financial Analysis of the Government's Funds**

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

**Governmental Funds**

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

The City's governmental funds (as presented on the balance sheet on page 18) reported a combined fund balance of \$4,256,391 which is \$477,846 more than last year's total of \$3,778,545. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2011 for all major and nonmajor governmental funds.

	<u>Fund Balances</u> <u>12/31/11</u>	<u>Fund Balances</u> <u>12/31/10</u>	<u>Increase</u>
Major fund:			
General	\$ 1,378,947	\$ 1,216,699	\$ 162,248
Other nonmajor governmental funds	<u>2,877,444</u>	<u>2,561,846</u>	<u>315,598</u>
Total	<u>\$ 4,256,391</u>	<u>\$ 3,778,545</u>	<u>\$ 477,846</u>



**CITY OF TIFFIN, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(UNAUDITED)

**General Fund**

The City's general fund balance increased \$162,248. The table that follows assists in illustrating the revenues of the general fund.

	<u>2011</u>	<u>2010</u>	<u>Percentage</u>
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 8,091,285	\$ 7,611,228	6.31 %
Charges for services	543,152	509,135	6.68 %
Licenses and permits	28,872	30,771	(6.17) %
Fines and forfeitures	295,777	301,315	(1.84) %
Investment income	10,302	12,147	(15.19) %
Intergovernmental	1,163,596	1,282,795	(9.29) %
Other	<u>303,379</u>	<u>325,942</u>	(6.92) %
Total	<u>\$ 10,436,363</u>	<u>\$ 10,073,333</u>	3.60 %

Tax revenue represents 77.53% of all general fund revenue. Investment income decreased 15.19% due primarily to a decrease in the amount of investments and lower interest rates on the City's investments. Intergovernmental revenue decreased 9.29% primarily due to a decrease in local government revenue from the State received by the City in 2011. All other revenue remained comparable to 2010.

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

	<u>2011</u>	<u>2010</u>	<u>Percentage</u>
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
<b><u>Expenditures</u></b>			
General government	\$ 2,362,135	\$ 2,410,363	(2.00) %
Security of persons and property	6,570,055	6,218,947	5.65 %
Community environment	191,658	186,132	2.97 %
Debt service	<u>31,805</u>	<u>31,805</u>	- %
Total	<u>\$ 9,155,653</u>	<u>\$ 8,847,247</u>	3.49 %

General government decreased 2.00% primarily due to the City's careful and prudent budgeting. All other expenditures remained comparable to 2010.

**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 \$240,861 less than in the final budget and actual expenditures and other financing uses were \$258,876 less than the amount in the final budget. These variances are the result of the City's conservative budgeting. Budgeted revenues decreased \$57,829 from the original to the final budget. Budgeted expenditures and other financing uses decreased \$133,082 from the original to the final budget due primarily to a decrease in the cost of general government expenditures.

**CITY OF TIFFIN, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(UNAUDITED)

***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 2011, the City had \$45,838,233 (net of accumulated depreciation) invested in land, construction in progress, buildings and improvements, machinery and equipment, furniture and fixtures, vehicles and infrastructure. Of this total, \$23,478,831 was reported in governmental activities and \$22,359,402 was reported in business-type activities. The following table shows 2011 balances compared to 2010:

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 3,133,105	\$ 3,114,813	\$ 241,940	\$ 241,940	\$ 3,375,045	\$ 3,356,753
Buildings and improvements	2,448,282	2,449,708	2,820,827	2,349,769	5,269,109	4,799,477
Machinery & equipment	568,056	545,073	213,925	233,538	781,981	778,611
Furniture & fixtures	57,064	51,470	9,823	11,126	66,887	62,596
Vehicles	1,038,094	1,198,114	258,896	304,123	1,296,990	1,502,237
Infrastructure	16,141,069	15,998,111	18,570,341	18,901,890	34,711,410	34,900,001
Construction in progress	<u>93,161</u>	<u>7,984</u>	<u>243,650</u>	<u>64,624</u>	<u>336,811</u>	<u>72,608</u>
Totals	<u>\$ 23,478,831</u>	<u>\$ 23,365,273</u>	<u>\$ 22,359,402</u>	<u>\$ 22,107,010</u>	<u>\$ 45,838,233</u>	<u>\$45,472,283</u>

The City's largest governmental capital asset category is infrastructure which includes roads, bridges, culverts, sidewalks and curb lines. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 68.75% 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 83.05% of the City's total business-type capital assets. See Note 10 to the financial statements for more detail.

## CITY OF TIFFIN, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011 (UNAUDITED)

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

The City had the following long-term obligations outstanding at December 31, 2011 and 2010:

	<b>Governmental Activities</b>	
	<u>2011</u>	<u>2010</u>
General obligation bonds	\$ 2,353,700	\$ 2,440,308
Capital lease payable	27,177	79,501
Special assessment bonds	<u>310,000</u>	<u>345,000</u>
Total long-term obligations	<u>\$ 2,690,877</u>	<u>\$ 2,864,809</u>

	<b>Business-type Activities</b>	
	<u>2011</u>	<u>2010</u>
General obligation bonds	\$ 9,855,780	\$ 10,610,569
OWDA loan	<u>153,174</u>	<u>-</u>
Total long-term obligations	<u>\$ 10,008,954</u>	<u>\$ 10,610,569</u>

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

#### **Economic Outlook**

The City of Tiffin has seen an upturn to the economy in the past year and an increase in hiring by manufacturers in the area. Many want ads are filling the classified section of the local newspaper which had been mostly vacant the previous two years. The City has returned its own workforce to normal full time hours and also reinstated the salaries of its exempt employees during 2011.

One of the major indicators of the economy for the City is the Income Tax Collections. The City's Income Tax Receipts for 2011 were down by only 2% from the 2008 level, which was a flagship year for receipts. In 2012 the receipts are already above the 2008 level.

The City of Tiffin is home to both Tiffin University and Heidelberg University. Tiffin University just recently dedicated a state of the art athletic complex, the Heminger Center, which added approximately \$12 million to its campus. Heidelberg University constructed a new student housing facility called University Commons in the center of their campus. This building houses nearly one hundred students, a 125 seat conference facility and the Fireside Café Pub which are both open to the community. They are also in the process of constructing another new dorm and the Saurwein Health and Wellness Center a 22,000 square foot addition that will provide facilities to support a new academic program in Health Sciences and house new exercise and weight equipment.

Tiffin Mercy Hospital has been in the process of building a new dialysis center located on their campus and opened its new Cancer Center in January of 2011. Also in 2011 Tiffin saw the construction and opening of an Urgent Care and Game Stop building. NCOESC, North Central Ohio Educational Service Center moved into a completely renovated old Kroger's store building. They offer an alternative school, IT services, and Special Education services to schools and others.

## **CITY OF TIFFIN, OHIO**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011 (UNAUDITED)**

Already in 2012 several new businesses have located or are planning to open in the downtown, Westgate Shopping and other areas of Tiffin. Namely: Phat Cakes, a catering and lunch business, Balliwicks, a coffee shop with WIFI, Hunan King Restaurant, reopening of a closed gas station and small grocery store, a car wash and detailing business, Sutton Bank will be opening a full service branch soon at its bank loan location, Rural King will be purchasing and remodeling a former big box store property that has been vacant for several years and is expected to be up and running with the new retail store by the end of August of 2012, and a former gas station property is currently being removed and a new Advanced Auto store is being constructed.

Many of our local companies have added or plan to add people and/or space to their businesses. Tiffin Scenic Studios recently added over \$1,000,000 worth of new manufacturing space and new equipment to help improve productivity. Taiho Corporation plans to add 40,000 square feet and is adding employees. Laminate Technologies is adding to their building for the second time in the last several years and continues to add employees. Toledo Molding and Die Company, American Fine Sinter Company, and Ameriwood Industries OEM are all picking up new business and are also adding employees.

With this flurry of activity, 2012 should prove to be an expansive year for Tiffin.

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

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

**CITY OF TIFFIN, OHIO**

STATEMENT OF NET ASSETS  
DECEMBER 31, 2011

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . .	\$ 3,279,271	\$ 3,370,408	\$ 6,649,679
Receivables (net of allowance for uncollectibles):			
Income taxes. . . . .	1,716,264	-	1,716,264
Real and other taxes . . . . .	1,621,246	-	1,621,246
Payment in lieu of taxes . . . . .	58,606	-	58,606
Accounts. . . . .	220,137	1,162,781	1,382,918
Special assessments . . . . .	599,271	-	599,271
Accrued interest . . . . .	3,591	-	3,591
Due from other governments. . . . .	1,045,036	-	1,045,036
Loans receivable. . . . .	108,373	-	108,373
Prepayments . . . . .	87,887	10,134	98,021
Materials and supplies inventory. . . . .	76,493	32,804	109,297
Unamortized bond issue costs . . . . .	65,037	238,614	303,651
Investment in joint venture . . . . .	1,305,733	-	1,305,733
Capital assets:			
Land and construction in progress. . . . .	3,226,266	485,590	3,711,856
Depreciable capital assets, net. . . . .	20,252,565	21,873,812	42,126,377
Total capital assets, net. . . . .	<u>23,478,831</u>	<u>22,359,402</u>	<u>45,838,233</u>
Total assets . . . . .	<u>33,665,776</u>	<u>27,174,143</u>	<u>60,839,919</u>
<b>Liabilities:</b>			
Accounts payable. . . . .	84,448	124,099	208,547
Contracts payable. . . . .	7,210	37,483	44,693
Accrued wages and benefits payable . . . . .	109,863	19,677	129,540
Due to other governments . . . . .	466,353	39,340	505,693
Unearned revenue . . . . .	783,377	-	783,377
Accrued interest payable . . . . .	9,314	33,048	42,362
Long-term liabilities:			
Due within one year . . . . .	577,297	533,112	1,110,409
Due in more than one year. . . . .	3,075,895	9,748,456	12,824,351
Total liabilities . . . . .	<u>5,113,757</u>	<u>10,535,215</u>	<u>15,648,972</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt . . . . .	20,852,991	12,589,062	33,442,053
Restricted for:			
Debt service . . . . .	429,621	-	429,621
Capital projects . . . . .	234,944	-	234,944
Transportation projects . . . . .	693,691	-	693,691
Municipal court . . . . .	704,076	-	704,076
Security of persons and property . . . . .	335,149	-	335,149
Community environment . . . . .	245,647	-	245,647
Economic development and assistance . . . . .	108,416	-	108,416
Urban redevelopment . . . . .	51,400	-	51,400
Permanent fund: expendable . . . . .	6,303	-	6,303
Permanent fund: nonexpendable . . . . .	25,000	-	25,000
Other purposes . . . . .	16,405	-	16,405
Unrestricted . . . . .	<u>4,848,376</u>	<u>4,049,866</u>	<u>8,898,242</u>
Total net assets . . . . .	<u>\$ 28,552,019</u>	<u>\$ 16,638,928</u>	<u>\$ 45,190,947</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF TIFFIN, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2011

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
General government . . . . .	\$ 2,533,516	\$ 612,891	\$ -	\$ -
Security of persons and property . . . . .	7,207,107	591,054	93,734	399
Transportation . . . . .	1,037,546	82,831	787,170	215,377
Community environment . . . . .	544,787	21,955	420,771	-
Leisure time activity . . . . .	460,740	42,021	18,624	-
Economic development and assistance . . . . .	1,975	-	2,928	-
Urban development and housing . . . . .	33,251	-	37,195	-
Interest and fiscal charges . . . . .	117,935	-	-	-
<b>Total governmental activities . . . . .</b>	<b>11,936,857</b>	<b>1,350,752</b>	<b>1,360,422</b>	<b>215,776</b>
<b>Business-type activities:</b>				
Sewer . . . . .	3,364,048	4,419,064	-	329,408
<b>Total business-type activities . . . . .</b>	<b>3,364,048</b>	<b>4,419,064</b>	<b>-</b>	<b>329,408</b>
<b>Total primary government . . . . .</b>	<b>\$ 15,300,905</b>	<b>\$ 5,769,816</b>	<b>\$ 1,360,422</b>	<b>\$ 545,184</b>

**General revenues:**

Property taxes levied for:

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

Income taxes levied for:

- General purposes . . . . .

- Grants and entitlements not restricted to specific programs . . . . .
- Contributions and donations . . . . .
- Refunds and reimbursements . . . . .
- Investment earnings . . . . .
- Miscellaneous . . . . .

Total general revenues . . . . .

Change in net assets . . . . .

**Net assets at beginning of year . . . . .**

**Net assets at end of year . . . . .**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (1,920,625)	\$ -	\$ (1,920,625)
(6,521,920)	-	(6,521,920)
47,832	-	47,832
(102,061)	-	(102,061)
(400,095)	-	(400,095)
953	-	953
3,944	-	3,944
(117,935)	-	(117,935)
(9,009,907)	-	(9,009,907)
-	1,384,424	1,384,424
-	1,384,424	1,384,424
(9,009,907)	1,384,424	(7,625,483)
1,378,506	-	1,378,506
119,009	-	119,009
119,009	-	119,009
7,260,655	-	7,260,655
1,092,602	-	1,092,602
26,234	-	26,234
95,696	-	95,696
10,023	9,722	19,745
117,464	21,878	139,342
10,219,198	31,600	10,250,798
1,209,291	1,416,024	2,625,315
27,342,728	15,222,904	42,565,632
\$ 28,552,019	\$ 16,638,928	\$ 45,190,947

**CITY OF TIFFIN, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2011

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 642,456	\$ 2,636,815	\$ 3,279,271
Receivables:			
Income taxes . . . . .	1,716,264	-	1,716,264
Real and other taxes . . . . .	1,382,648	238,598	1,621,246
Payment in lieu of taxes . . . . .	-	58,606	58,606
Accounts . . . . .	202,708	17,429	220,137
Accrued interest . . . . .	3,559	32	3,591
Special assessments . . . . .	-	599,271	599,271
Due from other governments . . . . .	518,463	526,573	1,045,036
Interfund loans . . . . .	59,192	-	59,192
Loans receivable . . . . .	-	108,373	108,373
Prepayments . . . . .	59,444	28,443	87,887
Materials and supplies inventory . . . . .	6,465	70,028	76,493
Total assets . . . . .	<u>\$ 4,591,199</u>	<u>\$ 4,284,168</u>	<u>\$ 8,875,367</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 57,809	\$ 26,639	\$ 84,448
Contracts payable . . . . .	-	7,210	7,210
Accrued wages and benefits payable . . . . .	96,250	13,613	109,863
Compensated absences payable . . . . .	-	2,067	2,067
Interfund loans payable . . . . .	-	59,192	59,192
Due to other governments . . . . .	414,125	52,228	466,353
Deferred revenue . . . . .	2,025,961	1,080,505	3,106,466
Unearned revenue . . . . .	618,107	165,270	783,377
Total liabilities . . . . .	<u>3,212,252</u>	<u>1,406,724</u>	<u>4,618,976</u>
<b>Fund balances:</b>			
Nonspendable . . . . .	65,909	98,471	164,380
Restricted . . . . .	-	1,975,804	1,975,804
Committed . . . . .	418,883	886,826	1,305,709
Assigned . . . . .	29,860	-	29,860
Unassigned (deficit) . . . . .	<u>864,295</u>	<u>(83,657)</u>	<u>780,638</u>
Total fund balances . . . . .	<u>1,378,947</u>	<u>2,877,444</u>	<u>4,256,391</u>
Total liabilities and fund balances . . . . .	<u>\$ 4,591,199</u>	<u>\$ 4,284,168</u>	<u>\$ 8,875,367</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**CITY OF TIFFIN, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2011

<b>Total governmental fund balances</b>		\$ 4,256,391
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		23,478,831
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	\$ 645,095	
Income taxes receivable	1,001,595	
Payments in lieu of taxes receivable	-	
Accounts receivable	175,852	
Intergovernmental receivable	682,933	
Special assessments receivable	599,271	
Accrued interest receivable	1,720	
<b>Total</b>	<b>3,106,466</b>	3,106,466
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.		1,305,733
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(9,314)
Bond issuance costs are amortized over the life of the bonds on the statement of net assets.		65,037
Unamortized premiums on bond issuance are not recognized in governmental funds.		(43,700)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities are as follows:		
Capital lease payable	(27,177)	
Compensated absences	(960,248)	
General obligation bonds payable	(2,310,000)	
Special assessment bonds	(310,000)	
<b>Total</b>	<b>(3,607,425)</b>	(3,607,425)
<b>Net assets of governmental activities</b>		<b>\$ 28,552,019</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF TIFFIN, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Municipal income taxes . . . . .	\$ 7,118,045	\$ -	\$ 7,118,045
Real and other taxes . . . . .	973,240	167,916	1,141,156
Charges for services. . . . .	543,152	42,721	585,873
Licenses and permits . . . . .	28,872	-	28,872
Fines and forfeitures . . . . .	295,777	235,995	531,772
Intergovernmental. . . . .	1,163,596	1,504,930	2,668,526
Special assessments . . . . .	-	103,889	103,889
Investment income. . . . .	10,302	3,419	13,721
Refunds and reimbursements . . . . .	140,417	44,759	185,176
Contributions and donations. . . . .	26,234	17,634	43,868
Payments in lieu of taxes . . . . .	-	84,151	84,151
Other . . . . .	136,728	30,612	167,340
Total revenues . . . . .	<u>10,436,363</u>	<u>2,236,026</u>	<u>12,672,389</u>
<b>Expenditures:</b>			
Current:			
General government . . . . .	2,362,135	150,375	2,512,510
Security of persons and property . . . . .	6,570,055	315,567	6,885,622
Transportation . . . . .	-	995,622	995,622
Community environment . . . . .	191,658	347,928	539,586
Leisure time activity . . . . .	-	416,132	416,132
Economic development and assistance . . . . .	-	1,975	1,975
Urban redevelopment . . . . .	-	33,251	33,251
Capital outlay . . . . .	-	521,324	521,324
Debt service:			
Principal retirement. . . . .	29,802	142,522	172,324
Interest and fiscal charges . . . . .	2,003	115,412	117,415
Total expenditures . . . . .	<u>9,155,653</u>	<u>3,040,108</u>	<u>12,195,761</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>1,280,710</u>	<u>(804,082)</u>	<u>476,628</u>
<b>Other financing sources (uses):</b>			
Sale of capital assets. . . . .	59	22,829	22,888
Transfers in . . . . .	-	1,280,474	1,280,474
Transfers (out). . . . .	<u>(1,112,539)</u>	<u>(167,935)</u>	<u>(1,280,474)</u>
Total other financing sources (uses) . . . . .	<u>(1,112,480)</u>	<u>1,135,368</u>	<u>22,888</u>
Net change in fund balances . . . . .	168,230	331,286	499,516
<b>Fund balances at beginning of year . . . . .</b>	1,216,699	2,561,846	3,778,545
<b>Decrease in reserve for inventory . . . . .</b>	<u>(5,982)</u>	<u>(15,688)</u>	<u>(21,670)</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 1,378,947</u>	<u>\$ 2,877,444</u>	<u>\$ 4,256,391</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF TIFFIN, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2011

<b>Net change in fund balances - total governmental funds</b>	\$	499,516
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital outlays	\$ 1,295,038	
Depreciation expense	<u>(1,157,693)</u>	
Total		137,345
The net effect of various miscellaneous transactions involving capital assets is to decrease net assets. The City recorded (\$23,787) related to disposals		
		(23,787)
Governmental funds report expenditures for inventory when purchased. However in the statement of activities, they are reported as an expense when consumed.		
		(21,670)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Municipal income taxes	142,610	
Real and other taxes	475,368	
Payments in lieu of taxes	(84,151)	
Charges for services	36,725	
Intergovernmental	(150,311)	
Special assessments	(22,278)	
Investment income	(356)	
Refunds and reimbursements	47	
Other	<u>(2,267)</u>	
Total		395,387
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.		
		55,484
Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		172,324
Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the following:		
Decrease in accrued interest payable	265	
Amortization of bond issuance costs	(2,393)	
Amortization of bond premiums	<u>1,608</u>	
Total		(520)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(4,788)</u>
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u>1,209,291</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF TIFFIN, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Municipal income taxes . . . . .	\$ 6,856,000	\$ 7,000,000	\$ 7,053,041	\$ 53,041
Real and other taxes . . . . .	994,600	893,000	831,039	(61,961)
Charges for services . . . . .	572,500	551,100	544,074	(7,026)
Licenses and permits . . . . .	33,400	33,800	29,202	(4,598)
Fines and forfeitures . . . . .	375,000	320,000	297,297	(22,703)
Intergovernmental . . . . .	1,145,908	1,180,710	996,378	(184,332)
Investment income . . . . .	40,000	10,000	9,934	(66)
Refunds and reimbursements . . . . .	171,750	144,750	140,417	(4,333)
Contributions and donations . . . . .	27,000	27,550	26,234	(1,316)
Other . . . . .	19,000	16,419	8,793	(7,626)
<b>Total revenues . . . . .</b>	<u>10,235,158</u>	<u>10,177,329</u>	<u>9,936,409</u>	<u>(240,920)</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	2,708,368	2,621,216	2,536,477	84,739
Security of persons and property . . . . .	7,126,199	6,972,290	6,849,736	122,554
Community environment . . . . .	237,435	226,014	203,060	22,954
Debt service:				
Principal retirement . . . . .	29,802	29,802	29,802	-
Interest and fiscal charges . . . . .	2,003	2,003	2,003	-
<b>Total expenditures . . . . .</b>	<u>10,103,807</u>	<u>9,851,325</u>	<u>9,621,078</u>	<u>230,247</u>
Excess of revenues over expenditures . . . . .	<u>131,351</u>	<u>326,004</u>	<u>315,331</u>	<u>(10,673)</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets . . . . .	-	-	59	59
Advances (out) . . . . .	-	-	(59,192)	(59,192)
Transfers (out) . . . . .	(1,080,960)	(1,200,360)	(1,112,539)	87,821
<b>Total other financing sources (uses) . . . . .</b>	<u>(1,080,960)</u>	<u>(1,200,360)</u>	<u>(1,171,672)</u>	<u>28,688</u>
Net change in fund balances . . . . .	(949,609)	(874,356)	(856,341)	18,015
<b>Fund balances at beginning of year (restated)</b>	474,520	474,520	474,520	-
<b>Prior year encumbrances appropriated . . . .</b>	538,603	538,603	538,603	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 63,514</u>	<u>\$ 138,767</u>	<u>\$ 156,782</u>	<u>\$ 18,015</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF TIFFIN, OHIO**

STATEMENT OF NET ASSETS  
 PROPRIETARY FUND  
 DECEMBER 31, 2011

	<b>Business-type Activities</b>	
	<b>Enterprise Fund</b>	
	<b>Sewer</b>	
	<hr/>	
<b>Assets:</b>		
Current assets:		
Equity in pooled cash and cash equivalents . . .	\$	3,370,408
Receivables:		
Accounts. . . . .		1,162,781
Prepayments . . . . .		10,134
Materials and supplies inventory. . . . .		32,804
		<hr/>
Total current assets . . . . .		4,576,127
		<hr/>
Noncurrent assets:		
Unamortized bond issue costs . . . . .		238,614
Capital assets:		
Land and construction in progress. . . . .		485,590
Depreciable capital assets, net. . . . .		21,873,812
Total capital assets, net. . . . .		22,359,402
		<hr/>
Total noncurrent assets . . . . .		22,598,016
		<hr/>
Total assets . . . . .		27,174,143
		<hr/>
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable. . . . .		124,099
Contracts payable. . . . .		37,483
Accrued wages and benefits payable . . . . .		19,677
Due to other governments . . . . .		39,340
Accrued interest payable . . . . .		33,048
Current portion of compensated absences . . . . .		93,112
Current portion of general obligation bonds . . . . .		440,000
Total current liabilities . . . . .		786,759
		<hr/>
Long-term liabilities:		
Compensated absences payable . . . . .		179,502
Unamortized premium on bonds. . . . .		115,780
General obligation bonds payable . . . . .		9,300,000
OWDA loans payable . . . . .		153,174
Total long-term liabilities . . . . .		9,748,456
		<hr/>
Total liabilities . . . . .		10,535,215
		<hr/>
<b>Net assets:</b>		
Invested in capital assets, net of related debt. . . . .		12,589,062
Unrestricted . . . . .		4,049,866
		<hr/>
Total net assets . . . . .	\$	16,638,928
		<hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF TIFFIN, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<b>Business-type Activities Enterprise Fund</b>	
	<b>Sewer</b>	
<b>Operating revenues:</b>		
Charges for services . . . . .	\$	4,418,714
Tap-in fees . . . . .		350
Other . . . . .		2,964
		<hr/>
Total operating revenues . . . . .		4,422,028
		<hr/>
<b>Operating expenses:</b>		
Personal services . . . . .		1,390,852
Contract services. . . . .		482,138
Materials and supplies. . . . .		158,180
Utilities . . . . .		188,047
Depreciation. . . . .		659,600
Other . . . . .		35,423
		<hr/>
Total operating expenses. . . . .		2,914,240
		<hr/>
Operating income . . . . .		1,507,788
		<hr/>
<b>Nonoperating revenues (expenses):</b>		
Interest income . . . . .		9,722
Special assessments . . . . .		18,914
Interest and fiscal charges . . . . .		(429,950)
Loss on disposal of capital assets . . . . .		(19,858)
		<hr/>
Total nonoperating revenues (expenses). . . . .		(421,172)
		<hr/>
Income before capital contributions . . . . .		1,086,616
		<hr/>
Capital contributions. . . . .		329,408
		<hr/>
Change in net assets . . . . .		1,416,024
		<hr/>
<b>Net assets at beginning of year. . . . .</b>		15,222,904
		<hr/>
<b>Net assets at end of year . . . . .</b>	\$	<u>16,638,928</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF TIFFIN, OHIO**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2011

	<b>Business-type Activities</b>	
	<b>Enterprise Fund</b>	
	<b>Sewer</b>	
	<hr/>	
<b>Cash flows from operating activities:</b>		
Cash received from customers . . . . .	\$	4,356,439
Cash received from tap in fees . . . . .		350
Cash received from other operations . . . . .		7,609
Cash payments for personal services . . . . .		(1,377,368)
Cash payments for contractual services . . . . .		(382,992)
Cash payments for materials and supplies . . . . .		(155,421)
Cash payments for utilities . . . . .		(188,013)
Cash payments for other expenses . . . . .		(35,544)
		<hr/>
Net cash provided by operating activities . . . . .		2,225,060
		<hr/>
<b>Cash flows from noncapital financing activities:</b>		
Cash received from special assessments . . . . .		18,914
		<hr/>
Net cash provided by noncapital financing activities . . . . .		18,914
		<hr/>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition of capital assets . . . . .		(566,393)
OWDA loan issued . . . . .		153,174
Principal retirement on general obligation bonds . . . . .		(750,000)
Interest paid on bonds . . . . .		(416,985)
		<hr/>
Net cash used in capital and related financing activities . . . . .		(1,580,204)
		<hr/>
<b>Cash flows from investing activities:</b>		
Interest received . . . . .		9,797
		<hr/>
Net cash provided by investing activities . . . . .		9,797
		<hr/>
Net increase in cash and cash equivalents . . . . .		673,567
		<hr/>
<b>Cash and cash equivalents at beginning of year . . . . .</b>		2,696,841
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>\$</b>	<b>3,370,408</b>
		<hr/> <hr/>

**CITY OF TIFFIN, OHIO**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2011

	<b>Business-type Activities</b>	
	<b>Enterprise Fund</b>	
	<u>Sewer</u>	
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income . . . . .	\$	1,507,788
Adjustments:		
Depreciation . . . . .		659,600
Changes in assets and liabilities:		
Increase in materials and supplies inventory . . . . .		(670)
Decrease in prepayments . . . . .		27
Increase in accounts receivable . . . . .		(57,630)
Increase in accounts payable . . . . .		102,561
Increase in accrued wages and benefits . . . . .		2,650
Increase in due to other governments . . . . .		5,860
Increase in compensated absences payable . . . . .		4,874
Net cash provided by operating activities . . . . .	\$	<u>2,225,060</u>

At December 31, 2011 and 2010, the sewer fund purchased \$37,483 and \$1,434, respectively, in capital assets on account.  
 During 2011, the sewer fund received \$329,408 in capital contributions from outside sources.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**CITY OF TIFFIN, OHIO**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
DECEMBER 31, 2011**

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 20,486
Cash and cash equivalents in segregated accounts . .	140,154
Receivables:	
Accounts . . . . .	<u>1,036</u>
Total assets . . . . .	<u>\$ 161,676</u>
<b>Liabilities:</b>	
Accrued interest payable . . . . .	\$ 1,036
Undistributed monies . . . . .	<u>160,640</u>
Total liabilities . . . . .	<u>\$ 161,676</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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

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

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

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

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

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**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 \$1,305,733 at December 31, 2011. Financial information can be obtained from the Sandusky County - Seneca County - City of Tiffin Port Authority, James Supance, Chairman, P.O. Box 767, Tiffin, Ohio 44883.

The City has not included the 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 also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, to its governmental and business-type activities and its proprietary fund provided it does not conflict with or contradict GASB pronouncements. The City has the option to also apply FASB guidance issued after November 30, 1989 to its business-type activities and enterprise fund, subject to this same limitation. The City has elected not to apply this FASB guidance. The City's significant accounting policies are described below.

**A. Basis of Presentation**

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

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except the fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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

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

Fund Financial Statements

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

**B. Fund Accounting**

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

Governmental Funds

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

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

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

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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

Proprietary Funds

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

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

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

Fiduciary Funds

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

**C. Measurement Focus**

Government-wide Financial Statements

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

Fund Financial Statements

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

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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

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

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

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

**D. Basis of Accounting**

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

Revenues - Exchange and Nonexchange Transactions

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

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

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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

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

Unearned Revenue and Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of December 31, 2011, but which were levied to finance year 2012 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as unearned revenue. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2011, are recorded as deferred revenue in the governmental funds.

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

Expenses/Expenditures

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

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

**E. Budgetary Data**

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

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

Tax Budget

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



**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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

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 2011.

Appropriations

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

Encumbrances

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

Lapsing of Appropriations

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

**F. Cash and Investments**

To improve cash management, cash received by the City is pooled. Monies for all funds 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.

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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

During 2011, investments were limited to a repurchase agreement and nonnegotiable certificates of deposit. Nonparticipating investments contracts, such as repurchase agreements and nonnegotiable certificates of deposit, are reported at cost.

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

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2011 amounted to \$10,302, which included \$7,566 assigned from other funds of the City.

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

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

**G. Inventories of Materials and Supplies**

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

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, 2011, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which it was consumed.

**I. Capital Assets**

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

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Buildings and Improvements	40 years	40 years
Machinery & Equipment	8-20 years	8-20 years
Furniture & Fixtures	5-15 years	5-15 years
Vehicles	3-5 years	3-5 years
Infrastructure	80 years	80 years

**J. Interfund Balances**

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

**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.

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**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. Bond Discounts, Premiums and Issuance Costs**

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

**N. Fund Balance Reserves**

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

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

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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

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 Assets**

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

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

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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

**P. Contributions of Capital**

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, or from grant or outside contributions of resources restricted to capital acquisition and construction. The sewer enterprise fund received \$329,408 in contributions of capital from outside sources during 2011.

**Q. Interfund Activity**

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

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

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of City Council and that are either unusual in nature or infrequent in occurrence. No extraordinary transactions or special items occurred during 2011.

**S. 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.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For 2011, the City has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the City.

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**B. Deficit Fund Balances**

Fund balances at December 31, 2011 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Traffic enhancement grant	\$ 7,210
Fire SAFER grant	64,075
2010 South Shaffer Park Drive bond	12,372

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur.

**C. Budgetary Prior Period Adjustment**

In prior years certain funds that are legally budgeted in a separate fund were considered part of the general fund on a budgetary basis. The City has elected to report only the legally budgeted general fund in the budgetary statement; therefore, a restatement to the beginning budgetary balance is required. The restatement of the general fund's budgetary-basis fund balance at December 31, 2010 is as follows:

<b>Budgetary Basis</b>	
	<u>General Fund</u>
Balance at December 31, 2010	\$ 506,413
Funds budgeted elsewhere	<u>(31,893)</u>
Restated balance at January 1, 2011	<u><u>\$ 474,520</u></u>

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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

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

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

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

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



**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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

**A. Cash on Hand**

At year end, the City had \$310 on hand in the form of drawer change and petty cash. This amount is included on the basic financial statements as “equity in pooled cash and cash equivalents”, but is not considered part of the City’s carrying amount of deposits at year end.

**B. Cash in Segregated Accounts**

At year end, the City had \$140,154 deposited with a financial institution for monies related to the Municipal Court which are reported in an agency fund. These amounts were covered by the FDIC and are not included in the City’s depository balance detailed in Note 4.C.

**C. Deposits with Financial Institutions**

At December 31, 2011, the carrying amount of all City deposits was \$3,152,409, exclusive of the \$3,517,446 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2011, \$2,790,000 of the City’s bank balance of \$3,477,877 was exposed to custodial risk as discussed below, while \$687,877 was covered by the FDIC.

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

**D. Investments**

As of December 31, 2011, the City had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>6 months or less</u>
Repurchase agreement	<u>\$ 3,517,446</u>	<u>\$ 3,517,446</u>

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

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

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. For the City's \$3,517,446 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the City. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Director of Finance or qualified trustee.

*Concentration of Credit Risk:* The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2011:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase agreement	<u>\$ 3,517,446</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of December 31, 2011:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 3,152,409
Investments	3,517,446
Cash on hand	310
Cash in segregated accounts	<u>140,154</u>
Total	<u>\$ 6,810,319</u>

<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 3,279,271
Business type activities	3,370,408
Agency funds	<u>160,640</u>
Total	<u>\$ 6,810,319</u>

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund transfers for the year ended December 31, 2011, consisted of the following, as reported on the fund financial statements:

Transfers to nonmajor governmental funds from:

General fund	\$ 1,112,539
Nonmajor governmental funds	<u>167,935</u>
Total	<u>\$ 1,280,474</u>

Transfers are used (1) move revenues from the fund that statute or budget required to collect them to the fund that state or budget requires to expend them, (2) move \$110,302 of receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (3) use unassigned revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, (4) move \$11,633 out of the CHIP CDBG program (a nonmajor governmental fund) into the revolving loan fund (a nonmajor governmental fund), (5) move \$6,000 out of the revolving loan fund (a nonmajor governmental fund) into the block grant fund (a nonmajor governmental fund), and (6) move \$40,000 out of the DUI indigent drivers fund (a nonmajor governmental fund) into the municipal court probation services fund (a nonmajor governmental fund) by court order to move a surplus.

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

- B. Interfund loans receivable/payable consisted of the following at December 31, 2011, as reported on the fund statement:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	<u>\$ 59,192</u>

The primary purpose of these interfund balances is to cover costs in specific funds where revenues were not received by December 31, 2011. These interfund balances will be repaid once the anticipated revenues are received.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at December 31, 2011 are reported on the statement of net assets.

**NOTE 6 - PROPERTY TAXES**

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

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 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, 2011 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2011 operations and the collection of delinquent taxes has been offset by deferred revenue 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 deferred.

The full tax rate for all City operations for the year ended December 31, 2011 was \$4.10 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2011 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 192,143,820
Commercial/industrial/mineral	63,050,690
 <u>Public utility</u>	
Real	41,690
Total assessed value	\$ 255,236,200

**NOTE 7 - LOCAL INCOME TAX**

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

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

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

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 8 - RECEIVABLES**

Receivables at December 31, 2011, consisted of taxes, payments in lieu of taxes, accounts (billings for user charged services), special assessments, accrued interest, loans and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as "due from other governments" on the basic financial statements. Receivables have been recorded to the extent that they are both measurable and available at December 31, 2011.

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

**Governmental activities:**

Income taxes	\$ 1,716,264
Real and other taxes	1,621,246
Payments in lieu of taxes	58,606
Accounts	220,137
Accrued interest	3,591
Special assessments	599,271
Due from other governments	1,045,036
Loans	108,373

**Business-type activities:**

Accounts	1,162,781
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Receivables have been disaggregated on the face of the financial statements. The only receivables not expected to be collected within the subsequent year are the special assessments and loans which are collected over the life of the assessment or loan.

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 9 - INSURANCE**

The City is exposed to various risks of loss related to torts; theft, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2011, the City contracted through Huntington Insurance Service and Ohio Plan Co. for property, fleet, crime and liability insurance.

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

	<u>Per Occurrence</u>	<u>Deductibles</u>	<u>Annual Aggregate</u>
Commercial Property (Blanket):			
Building and Contents - Replacement Cost	\$ -	\$ 1,000	\$ 36,654,314
Workers' Compensation	6,000,000	-	-
General Liability	6,000,000	-	8,000,000
Law Enforcement	6,000,000	2,500	8,000,000
Public Officials	6,000,000	2,500	8,000,000
Products/Completed Ops	6,000,000	-	8,000,000
Personal and Advertising Injury	6,000,000	-	8,000,000
Fire Damage	-	-	1,000,000
Automobile	-	-	6,000,000
Comprehensive (all others) and Collision	-	500	-
Comprehensive (only fire truck) and Collision	-	1,000	-
Medical Payments	-	-	5,000
Employee Benefits Liability	6,000,000	-	8,000,000
Ambulance	-	Various	460,343
Fire Vehicles	-	Various	1,997,725
Electronic Data Processing	-	1,000	640,000
Crime-Employee Dishonesty	100,000	-	-

Real property and contents are 90 percent coinsured. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in insurance coverage from 2010.

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 10 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2011, was as follows:

	Balance 12/31/10	Additions	Disposals	Balance 12/31/11
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 3,114,813	\$ 18,292	\$ -	\$ 3,133,105
Construction in progress	<u>7,984</u>	<u>85,177</u>	<u>-</u>	<u>93,161</u>
Total capital assets, not being depreciated	<u>3,122,797</u>	<u>103,469</u>	<u>-</u>	<u>3,226,266</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	7,610,619	44,715	-	7,655,334
Machinery & equipment	3,219,699	167,712	(229,246)	3,158,165
Furniture & fixtures	315,857	17,584	(1,495)	331,946
Vehicles	3,290,750	71,013	(117,723)	3,244,040
Infrastructure	<u>23,303,773</u>	<u>890,545</u>	<u>(18,910)</u>	<u>24,175,408</u>
Total capital assets, being depreciated	<u>37,740,698</u>	<u>1,191,569</u>	<u>(367,374)</u>	<u>38,564,893</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(5,160,911)	(46,141)	-	(5,207,052)
Machinery & equipment	(2,674,626)	(135,083)	219,600	(2,590,109)
Furniture & fixtures	(264,387)	(11,018)	523	(274,882)
Vehicles	(2,092,636)	(224,388)	111,078	(2,205,946)
Infrastructure	<u>(7,305,662)</u>	<u>(741,063)</u>	<u>12,386</u>	<u>(8,034,339)</u>
Total accumulated depreciation	<u>(17,498,222)</u>	<u>(1,157,693)</u>	<u>343,587</u>	<u>(18,312,328)</u>
Total capital assets, being depreciated, net	<u>20,242,476</u>	<u>33,876</u>	<u>(23,787)</u>	<u>20,252,565</u>
Governmental activities capital assets, net	<u>\$ 23,365,273</u>	<u>\$ 137,345</u>	<u>\$ (23,787)</u>	<u>\$ 23,478,831</u>

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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

	Balance 12/31/10	Additions	Disposals	Balance 12/31/11
<b>Business-type activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 241,940	\$ -	\$ -	\$ 241,940
Construction in progress	<u>64,624</u>	<u>719,425</u>	<u>(540,399)</u>	<u>243,650</u>
Total capital assets, not being depreciated	<u>306,564</u>	<u>719,425</u>	<u>(540,399)</u>	<u>485,590</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	10,332,535	557,345	(152,256)	10,737,624
Machinery & equipment	754,720	24,524	(5,461)	773,783
Furniture & fixtures	60,583	1,052	(3,939)	57,696
Vehicles	1,283,702	10,625	(41,839)	1,252,488
Infrastructure	<u>23,712,631</u>	<u>159,278</u>	<u>-</u>	<u>23,871,909</u>
Total capital assets, being depreciated	<u>36,144,171</u>	<u>752,824</u>	<u>(203,495)</u>	<u>36,693,500</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(7,982,766)	(71,087)	137,056	(7,916,797)
Machinery & equipment	(521,182)	(44,137)	5,461	(559,858)
Furniture & fixtures	(49,457)	(1,880)	3,464	(47,873)
Vehicles	(979,579)	(51,669)	37,656	(993,592)
Infrastructure	<u>(4,810,741)</u>	<u>(490,827)</u>	<u>-</u>	<u>(5,301,568)</u>
Total accumulated depreciation	<u>(14,343,725)</u>	<u>(659,600)</u>	<u>183,637</u>	<u>(14,819,688)</u>
Total capital assets, being depreciated, net	<u>21,800,446</u>	<u>93,224</u>	<u>(19,858)</u>	<u>21,873,812</u>
Business-type activities capital assets, net	<u>\$ 22,107,010</u>	<u>\$ 812,649</u>	<u>\$ (560,257)</u>	<u>\$ 22,359,402</u>



**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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

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

**Governmental activities:**

General government	\$ 29,002
Security of persons and property	274,147
Transportation	808,544
Community environment	3,158
Leisure time activity	<u>42,842</u>
Total depreciation expense - governmental activities	<u>\$ 1,157,693</u>

**Business-type activities:**

Sewer	<u>\$ 659,600</u>
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**NOTE 11 - COMPENSATED ABSENCES**

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

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

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

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

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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

A liability for accrued vacation for \$172,283 has been recognized. Vacation is accumulated based upon length of service as follows:

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

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

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

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 12 - LONG-TERM OBLIGATIONS**

A. During 2011, the following changes occurred in the City's long-term obligations:

	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>	<u>Amounts</u>
	<u>12/31/10</u>			<u>12/31/11</u>	<u>Due in</u>
					<u>One Year</u>
<b><u>Governmental activities:</u></b>					
<b><u>General obligation bonds:</u></b>					
S. Shaffer Park Drive bond - series 2010, 1.00% - 5.25%	\$ 1,265,000	\$ -	\$ (45,000)	\$ 1,220,000	\$ 50,000
Riverfront improvement bond - series 2010, 1.00% - 5.25%	<u>1,130,000</u>	<u>-</u>	<u>(40,000)</u>	<u>1,090,000</u>	<u>45,000</u>
Total general obligation bonds	<u>2,395,000</u>	<u>-</u>	<u>(85,000)</u>	<u>2,310,000</u>	<u>95,000</u>
<b><u>Special assessment bonds payable with government commitment:</u></b>					
Miami Street storm water drainage improvement bonds 4.00% - 5.60%	<u>345,000</u>	<u>-</u>	<u>(35,000)</u>	<u>310,000</u>	<u>40,000</u>
<b><u>Other obligations:</u></b>					
Capital lease obligations	79,501	-	(52,324)	27,177	27,177
Compensated absences	<u>1,006,786</u>	<u>460,235</u>	<u>(504,706)</u>	<u>962,315</u>	<u>415,120</u>
Total other obligations	<u>1,086,287</u>	<u>460,235</u>	<u>(557,030)</u>	<u>989,492</u>	<u>442,297</u>
Total governmental activities	<u>\$ 3,826,287</u>	<u>\$ 460,235</u>	<u>\$ (677,030)</u>	3,609,492	<u>\$ 577,297</u>
			Add: unamortized premium on bonds	<u>43,700</u>	
			Total on statement of net assets	<u>\$ 3,653,192</u>	
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>	<u>Amounts</u>
	<u>12/31/10</u>			<u>12/31/11</u>	<u>Due in</u>
					<u>One Year</u>
<b><u>Business-type activities:</u></b>					
<b><u>General obligation bonds:</u></b>					
Sanitary sewer refunding bonds - series 1998, 3.25% - 4.25%	\$ 325,000	\$ -	\$ (325,000)	\$ -	\$ -
Sewer separation bonds - series 2007, 3.80% - 5.00%	5,620,000	-	(255,000)	5,365,000	265,000
Sewer Phase III bond - series 2010, 1.00% - 5.25%	<u>4,545,000</u>	<u>-</u>	<u>(170,000)</u>	<u>4,375,000</u>	<u>175,000</u>
Total general obligation bonds	<u>10,490,000</u>	<u>-</u>	<u>(750,000)</u>	<u>9,740,000</u>	<u>440,000</u>
<b><u>OWDA loan:</u></b>					
Rock Creek Interceptor #5991	<u>-</u>	<u>153,174</u>	<u>-</u>	<u>153,174</u>	<u>-</u>
<b><u>Other obligations:</u></b>					
Compensated absences	<u>267,740</u>	<u>97,963</u>	<u>(93,089)</u>	<u>272,614</u>	<u>93,112</u>
Total business-type activities	<u>\$ 10,757,740</u>	<u>\$ 251,137</u>	<u>\$ (843,089)</u>	10,165,788	<u>\$ 533,112</u>
			Add: unamortized premium on bonds	<u>115,780</u>	
			Total on statement of net assets	<u>\$ 10,281,568</u>	

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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

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

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

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

General obligation bonds - Outstanding general obligation bonds consist of Shaffer Park Drive, Riverfront improvement, Sewer Phase III and wastewater treatment plant improvement/refunding issues. General obligation bonds are direct obligations of the City for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the City. 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 November 4, 1998, the City issued \$3,645,000 sanitary sewer refunding bonds - series 1998 for the purpose of refunding the sewer improvement bonds - Series 1991. The refunding bonds bear interest rates ranging from 3.25% to 4.25%. Principal and interest payments are made from the sewer fund. The bonds matured on December 1, 2011.

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

On November 30, 2010, the City issued \$6,940,000 capital improvement bonds - series 2010. \$1,130,000 of the bonds was for the Riverfront improvement project. \$1,265,000 of the bonds were for the Shaffer Park Drive improvement project. 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 Shaffer Park bonds are made from debt service funds (nonmajor governmental funds) created for these projects. Principal and interest payments for the Sewer Phase III bond are made from the sewer fund. All the bonds mature on December 1, 2030.

OWDA Loans - The City has entered into debt financing arrangements through the Ohio Water Development Authority (OWDA) to fund construction projects. The amounts due to OWDA are intended to be paid primarily from sewer revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 2011, the City had outstanding borrowings of \$153,174.

The future debt service requirements for the OWDA loans are not included as these loans have not been completely disbursed and closed out as of December 31, 2011.

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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

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

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

**B.** The future annual debt service requirements to maturity for the City's bonds outstanding as of December 31, 2011 are as follows:

Year Ended	Governmental Activities			Year Ended	Governmental Activities		
	General Obligations Principal	General Obligations Interest	Total		Special Assessment Principal	Special Assessment Interest	Total
2012	\$ 95,000	\$ 91,732	\$ 186,732	2012	\$ 40,000	\$ 16,980	\$ 56,980
2013	95,000	89,833	184,833	2013	40,000	14,940	54,940
2014	95,000	87,932	182,932	2014	40,000	12,880	52,880
2015	95,000	86,033	181,033	2015	45,000	10,640	55,640
2016	95,000	83,895	178,895	2016	45,000	8,120	53,120
2017 - 2021	540,000	374,715	914,715	2017 - 2018	100,000	8,400	108,400
2022 - 2026	650,000	263,737	913,737	Totals	\$ 310,000	\$ 71,960	\$ 381,960
2027 - 2030	645,000	85,987	730,987				
Totals	<u>\$ 2,310,000</u>	<u>\$ 1,163,864</u>	<u>\$ 3,473,864</u>				

Year Ended	Business-Type Activities		
	General Obligation Principal	General Obligation Interest	Total
2012	\$ 440,000	\$ 390,785	\$ 830,785
2013	450,000	376,685	826,685
2014	470,000	362,185	832,185
2015	485,000	346,985	831,985
2016	495,000	330,823	825,823
2017 - 2021	2,795,000	1,357,122	4,152,122
2022 - 2026	3,385,000	764,535	4,149,535
2027 - 2030	1,220,000	163,350	1,383,350
Totals	<u>\$ 9,740,000</u>	<u>\$ 4,092,470</u>	<u>\$ 13,832,470</u>

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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

C. The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the City's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2011, the City's total debt margin was \$24,511,032 and the unvoted debt margin was \$14,037,991.

**NOTE 13 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

In prior years, the City entered into two capitalized leases with National City Commercial Capital Company for a backhoe and a public safety management system.

The terms of the lease agreements provide an option to purchase the equipment. These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital assets acquired by lease have been capitalized in the governmental activities statement of net assets for \$244,801, which is the amount equal to the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2011 was \$220,321, leaving a current book value of \$24,480. At inception, capital lease transactions are accounted for as a capital outlay expenditure and as an other financing source in the appropriate governmental fund. A capital asset and a corresponding liability are recorded in the governmental activities column on the statement of net assets.

Principal and interest payments in 2011 totaled \$52,324 and \$3,433, respectively, in the general fund and capital improvement fund (a nonmajor governmental fund).

The following is a schedule of the future minimum lease payments required under the capital lease obligation and the present value of the future minimum lease payments as of December 31, 2011:

Year	Governmental
<u>Ending</u>	<u>Activities</u>
2012	\$ 27,877
Total future lease payments	27,877
Less: amount representing interest	<u>(700)</u>
Present value of future minimum lease payments	<u>\$ 27,177</u>

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 14 - PENSION PLANS**

**A. Ohio Public Employees Retirement System**

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

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

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011, member and contribution rates were consistent across all three plans. The 2011 member contribution rates were 10.00% for members. The City's contribution rate for 2011 was 14.00% of covered payroll.

The City's contribution rate for pension benefits for members in the Traditional Plan for 2011 was 10.00%. The City's contribution rate for pension benefits for members in the Combined Plan for 2011 was 7.95%. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010, and 2009 were \$231,690, \$273,998, and \$254,424 respectively; 91.48% has been contributed for 2011 and 100% has been contributed for 2010 and 2009. Contributions to the member-directed plan for 2011 were \$6,462 made by the City and \$4,616 made by the plan members.

**B. Ohio Police and Fire Pension Fund**

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

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 14 - PENSION PLANS - (Continued)**

Funding Policy - Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute. For 2011, the portion of the City's contributions to fund pension obligations was 12.75% for police officers and 17.25% for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$205,579 and \$375,264 for the year ended December 31, 2011, \$213,580 and \$352,641 for the year ended December 31, 2010, and \$219,228 and \$361,554 for the year ended December 31, 2009. The full amount has been contributed for 2010 and 2009. 73.25% has been contributed for police and 71.81% has been contributed for firefighters for 2011.

**NOTE 15 - POSTRETIREMENT BENEFIT PLANS**

**A. Ohio Public Employees Retirement System**

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

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2011, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2011 was 4.00%. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2011 was 6.05%.

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



**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010, and 2009 were \$176,317, \$156,170, and \$183,549 respectively; 91.48% has been contributed for 2011 and 100% has been contributed for 2010 and 2009.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

**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.

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 contributions may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2011, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$108,836 and \$146,842 for the year ended December 31, 2011, \$113,072 and \$137,994 for the year ended December 31, 2010, and \$116,062 and \$141,477 for the year ended December 31, 2009. The full amount has been contributed for 2010 and 2009. 73.25% has been contributed for police and 71.81% has been contributed for firefighters for 2011.

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING**

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ (856,341)
Net adjustment for revenue accruals	373,973
Net adjustment for expenditure accruals	138,783
Net adjustment for other sources/uses	59,192
Funds budgeted elsewhere	(1,626)
Adjustment for encumbrances	<u>454,249</u>
GAAP basis	<u>\$ 168,230</u>

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

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**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 17 - FUND BALANCE**

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

Fund balance	General	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
Materials and supplies inventory	\$ 6,465	\$ 70,028	\$ 76,493
Prepays	<u>59,444</u>	<u>28,443</u>	<u>87,887</u>
Total nonspendable	<u>65,909</u>	<u>98,471</u>	<u>164,380</u>
Restricted:			
Debt service	-	21,231	21,231
Capital improvements	-	234,944	234,944
Transportation projects	-	403,554	403,554
Municipal court	-	701,692	701,692
Security of persons and property	-	102,242	102,242
Community environment	-	308,593	308,593
Economic development and assistance	-	108,416	108,416
Urban redevelopment	-	47,456	47,456
Permanent fund	-	31,271	31,271
Other purposes	<u>-</u>	<u>16,405</u>	<u>16,405</u>
Total restricted	<u>-</u>	<u>1,975,804</u>	<u>1,975,804</u>
Committed:			
Capital improvements	-	458,226	458,226
General government	137,601	-	137,601
Public safety	243,567	-	243,567
Community environment	7,448	-	7,448
Flexible spending plan	30,267	-	30,267
Leisure-time activities	-	53,080	53,080
Municipal court	-	188,134	188,134
Economic development and assistance	<u>-</u>	<u>187,386</u>	<u>187,386</u>
Total committed	<u>418,883</u>	<u>886,826</u>	<u>1,305,709</u>
Assigned:			
Subsequent year appropriation	<u>29,860</u>	<u>-</u>	<u>29,860</u>
Total assigned	<u>29,860</u>	<u>-</u>	<u>29,860</u>
Unassigned (deficit)	<u>864,295</u>	<u>(83,657)</u>	<u>780,638</u>
Total fund balances	<u>\$ 1,378,947</u>	<u>\$ 2,877,444</u>	<u>\$ 4,256,391</u>

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 18 - CONTINGENT LIABILITIES**

**A. Federal and State Grants**

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

**B. Litigation**

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

**NOTE 19 - OTHER COMMITMENTS**

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

<u>Fund</u>	
General fund	\$ 388,616
Other governmental	<u>83,016</u>
Total	<u>\$ 471,632</u>

## **SUPPLEMENTARY DATA**

**CITY OF TIFFIN  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(A) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PASSED THROUGH THE OHIO DEPARTMENT OF DEVELOPMENT</b>			
(B) Community Development Block Grants/State's Program	14.228	A-F-08-2DX-1	\$ 56,855
(B) Community Development Block Grants/State's Program	14.228	A-F-10-2DX-1	150,696
(B) Community Development Block Grants/State's Program	14.228	A-C-10-2DX-1	65,021
(B) Community Development Block Grants/State's Program	14.228	A-D-09-2DX-1	190,000
(D) Community Development Block Grants/State's Program	14.228	N/A	36,000
<b>Total Community Development Block Grants/State's Program</b>			<u>498,572</u>
(C) HOME Investment Partnerships Program	14.239	A-C-10-2DX-2	29,498
<b>Total U.S. Department of Housing and Urban Development</b>			<u>528,070</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION PASSED THROUGH THE OHIO DEPARTMENT OF TRANSPORTATION</b>			
Highway Planning and Constructor	20.205	80498	15,972
Highway Planning and Constructor	20.205	80499	85,177
<b>Total Highway Planning and Construction</b>			<u>101,149</u>
<b>Total U.S. Department of Transportation</b>			<u>101,149</u>
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY PASSED THROUGH THE N/A</b>			
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	N/A	87,755
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	N/A	60,597
<b>Total Brownsfields Assessment and Cleanup Cooperative Agreements</b>			<u>148,352</u>
<b>Total U.S. Environmental Protection Agency</b>			<u>148,352</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY PASSED THROUGH THE N/A</b>			
Assistance to Firefighters Grant	97.044	N/A	71,250
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	N/A	127,276
<b>Total U.S. Department of Homeland Security</b>			<u>198,526</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 976,097</u>

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

(B) The City has established a revolving loan program to provide low-interest loans to businesses that are creating jobs and meet the other program requirements. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Expenditures of Federal Awards (the Schedule). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule. At December 31, 2011, the City had no loans outstanding under this program. The City did not issue any loans during the year ended December 31, 2011.

Cash balance on hand as of 12/31/11: \$48,607  
Delinquent amounts due as of 12/31/11: \$0

(C) The City has established a revolving loan program to provide low-interest loans to businesses that are creating jobs and meet the other program requirements. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Expenditures of Federal Awards (the Schedule). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule. At December 31, 2011, the City had \$1,471 in loans outstanding under this program. The City did not issue any loans during the year ended December 31, 2011 and had \$400 in loans repaid. The City also incurred administrative expenses of \$136.

Cash balance on hand as of 12/31/11: \$58,338  
Delinquent amounts due as of 12/31/11: \$0

(D) The City spent Revolving Loan Funds under the guidance from the Ohio Department of Development to fund Community Development Block Grant activities during the year ended December 31, 2011.

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

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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

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

City of Tiffin  
51 East Market Street  
Tiffin, Ohio 44883

To the Members of Council and Mayor:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tiffin, Seneca County, Ohio, as of and for the year ended December 31, 2011, which collectively comprise the City of Tiffin's basic financial statements and have issued our report thereon dated June 22, 2012. We noted the City of Tiffin adopted Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

*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 more than a reasonable possibility that a material misstatement of the City of Tiffin's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Members of Council and Mayor  
City of Tiffin

Compliance and Other Matters

As part of reasonably assuring whether the City of Tiffin's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion 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*.

We did note certain matters not requiring inclusion in this report that we reported to the City of Tiffin's management in a separate letter dated June 22, 2012.

We intend this report solely for the information and use of management, members of City Council and Mayor, others within the City of Tiffin, federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

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

Julian & Grube, Inc.  
June 22, 2012



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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

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

City of Tiffin  
51 East Market Street  
Tiffin, Ohio 44883

To the Members of Council and Mayor:

Compliance

We have audited the compliance of the City of Tiffin, Seneca County, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the City of Tiffin's major federal program for the year ended December 31, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the City of Tiffin's major federal program. The City of Tiffin's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the City of Tiffin's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the City of Tiffin's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Tiffin's compliance with these requirements.

In our opinion, the City of Tiffin complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2011.

Internal Control Over Compliance

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

Members of Council and Mayor  
City of Tiffin

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of management, Members of City Council and Mayor, others within the City of Tiffin, federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.

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

Julian & Grube, Inc.  
June 22, 2012

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2011**

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

<b>2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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None

<b>3. FINDINGS FOR FEDERAL AWARDS AND QUESTIONED COSTS</b>
------------------------------------------------------------

None

**CITY OF TIFFIN  
SENECA COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2011**

<b><u>Finding Number</u></b>	<b><u>Finding Summary</u></b>	<b><u>Fully Corrected?</u></b>	<b><u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</u></b>
2010-COT-001	<u>Significant Deficiency - Financial Reporting</u> - The presentation of materially correct financial statements and the related footnotes, specifically due from other governments receivable, is the responsibility of management. This responsibility remains intact even if management decides to outsource this function for efficiency purposes or any other reason. The City had a prior period restatement in relation to accounts receivable, specifically, due from other governments.	Yes	N/A
2010-COT-002	Ohio Revised Code Section 5705.10 in part requires that on a cash basis, no fund shall have a negative fund balance during the fiscal year or at year end. The City had negative fund balances throughout the year and at year-end in certain funds.	Yes	N/A



# Dave Yost • Auditor of State

**CITY OF TIFFIN**

**SENECA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 6, 2012**