CITY OF TIFFIN
SENECA COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2017

Dave Yost • Auditor of State

CITY OF TIFFIN
SENECA COUNTY
DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT

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

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tiffin, Seneca County, Ohio (the City), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tiffin, Seneca County, Ohio, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2018, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Dave Yost

Dave Yost
Auditor of State

Columbus, Ohio

December 19, 2018

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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, 2017. 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 2017 are as follows:

- The total net position of the City decreased $2,766,728. Net position of governmental activities decreased $5,238,391 or 22.34% from 2016 and net position of business-type activities increased $2,471,663, or 9.54% from 2016.

- General revenues accounted for $10,146,498 or 73.58% of total governmental activities revenue. Program specific revenues accounted for $3,644,133 or 26.42% of total governmental activities revenue.

- The City had $19,029,022 in expenses related to governmental activities; $3,644,133 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of $15,384,889 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of $10,146,498.

- The City's major governmental funds are the General fund and the Joint Justice Center fund. The General fund had revenues and other financing sources of $10,685,430 and expenditures and other financing uses of $10,928,585 in 2017. The net change in fund balance for the General fund was a decrease of $243,155 or 7.53%.

Using this Annual Financial Report

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

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

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2017?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

Governmental Funds

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

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

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

Proprietary Funds

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

Fiduciary Funds

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

Notes to the Basic Financial Statements

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

Required Supplementary Information

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

Government-wide Financial Analysis

The statement of net position provides the perspective of the City as a whole. The following table provides a summary of the City's net position at December 31, 2017 and December 31, 2016.

CITY OF TIFFIN
SENECA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)
(Continued)

Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current and other assets	$ 11,616,080	$ 15,268,810	$ 9,538,515	$ 6,812,521	$ 21,154,595	$ 22,081,331
Capital assets, net	26,704,327	26,999,620	28,484,089	29,239,023	55,188,416	56,238,643
Total assets	38,320,407	42,268,430	38,022,604	36,051,544	76,343,011	78,319,974
Deferred outflows of resources						
Unamortized deferred charges						
on debt refunding	136,663	-	322,500	70,823	459,163	70,823
Pension	4,272,420	4,522,755	645,717	501,470	4,918,137	5,024,225
Total deferred						
outflows of resources	4,409,083	4,522,755	968,217	572,293	5,377,300	5,095,048
Liabilities						
Other liabilities	969,137	885,696	194,250	312,620	1,163,387	1,198,316
Long-term liabilies:						
Due within one year	690,822	674,784	734,818	723,046	1,425,640	1,397,830
Net pension liability	16,848,279	15,714,608	1,632,248	1,239,581	18,480,527	16,954,189
Other amounts	4,958,343	5,005,012	8,033,998	8,412,826	12,992,341	13,417,838
Total liabilities	23,466,581	22,280,100	10,595,314	10,688,073	34,061,895	32,968,173
Deferred Inflows of Resources						
Property taxes and PILOTS	991,763	970,249	-	-	991,763	970,249
Pension	61,320	92,619	13,494	25,414	74,814	118,033
Total deferred						
inflows of resources	1,053,083	1,062,868	13,494	25,414	1,066,577	1,088,282
Net Position						
Net investment in capital assets	24,498,796	24,951,841	20,297,475	20,362,708	44,796,271	45,314,549
Restricted	3,129,608	5,561,683	-	-	3,129,608	5,561,683
Unrestricted (deficit)	(9,418,578)	(7,065,307)	8,084,538	5,547,642	(1,334,040)	(1,517,665)
Total net position	$ 18,209,826	$ 23,448,217	$ 28,382,013	$ 25,910,350	$ 46,591,839	$ 49,358,567

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

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

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

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

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

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

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

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2017, the City's assets and deferred outflows exceeded liabilities and deferred inflows by $46,591,839. At year-end, net positions were $18,209,826 and $28,382,013 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's net position. At year-end, capital assets represented 72.29% of total assets. Capital assets include land, construction in progress, buildings and improvements, machinery and equipment, furniture and fixtures, vehicles and infrastructure. Net investment in capital assets at December 31, 2017, was $24,498,796 and $20,297,475 in the governmental and business-type activities respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, $3,129,608 represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net position is a deficit of $9,418,578.

The table below shows the changes in net position for 2017 and 2016.

Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for services	$ 1,871,248	$ 1,717,511	$ 5,943,060	$ 5,676,976	$ 7,814,308	$ 7,394,487
Operating grants and contributions	846,883	1,321,605	-	-	846,883	1,321,605
Capital grants and contributions	926,002	359,657	-	-	926,002	359,657
Total program revenues	3,644,133	3,398,773	5,943,060	5,676,976	9,587,193	9,075,749
General revenues:						
Property taxes	946,104	987,097	-	-	946,104	987,097
Income taxes	8,261,969	9,396,703	-	-	8,261,969	9,396,703
Payments in lieu of taxes	71,557	68,670	-	-	71,557	68,670
Unrestricted grants and entitlements	468,176	816,087	-	-	468,176	816,087
Contributions and donations	23,738	3,738	-	-	23,738	3,738
Investment earnings	28,739	21,767	22,118	19,456	50,857	41,223
Miscellaneous	346,215	334,308	40,361	17,623	386,576	351,931
Total general revenues	10,146,498	11,628,370	62,479	37,079	10,208,977	11,665,449
Total revenues	13,790,631	15,027,143	6,005,539	5,714,055	19,796,170	20,741,198
Expenses						
General government	5,793,158	3,367,640	-	-	5,793,158	3,367,640
Security of persons and property	8,780,317	8,637,522	-	-	8,780,317	8,637,522
Transportation	3,165,776	1,900,776	-	-	3,165,776	1,900,776
Community environment	343,174	369,396	-	-	343,174	369,396
Leisure time activity	663,210	683,732	-	-	663,210	683,732
Economic development	99,658	138,250	-	-	99,658	138,250
Interest and fiscal charges	183,729	216,756	-	-	183,729	216,756
Sewer	-	-	3,533,876	3,389,104	3,533,876	3,389,104
Total expenses	19,029,022	15,314,072	3,533,876	3,389,104	22,562,898	18,703,176
Change in net position	(5,238,391)	(286,929)	2,471,663	2,324,951	(2,766,728)	2,038,022
Net position at beginning of year	23,448,217	23,735,146	25,910,350	23,585,399	49,358,567	47,320,545
Net position at end of year	$ 18,209,826	$ 23,448,217	$ 28,382,013	$ 25,910,350	$ 46,591,839	$ 49,358,567

Governmental Activities

Net position for governmental activities decreased $5,238,391 in 2017 due to a decrease in revenues and an increase in expenses. Although program revenues increase slightly, total revenues decreased, primarily due to a decline in income taxes revenue. The increase in expenses is mostly due to: a) the City's share of payments made for the construction of Seneca County's Joint Justice Center; b) losses on the disposal of capital assets as a result of the City increasing its capitalization threshold from $500 to $2,500, and c); an increase in the City's allocated share of the state-wide pension expense for retirees.

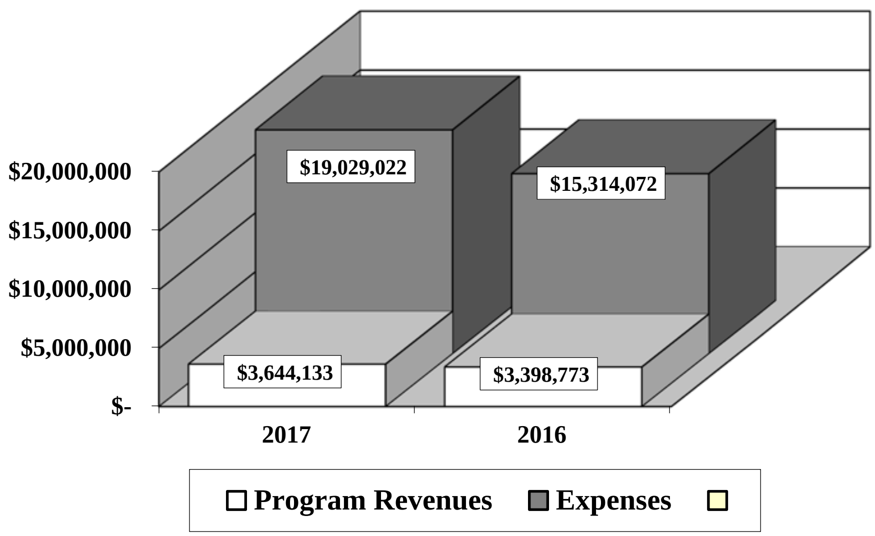
Security of persons and property, which primarily supports the operations of the police and fire departments accounted for $8,780,317 of the total expenses of the City. These expenses were partially funded by $655,857 in direct charges to users of the services and $15,800 in capital grants and contributions. Transportation expenses totaled $3,165,776. Transportation expenses were funded by $25,507 in direct charges to users of the services, $816,549 in operating grants and contributions and $901,702 in capital grants and contributions.

The State and federal government contributed to the City a total of $846,883 in operating grants and contributions and $926,002 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total grants and contributions, $1,718,251 subsidized transportation programs.

General revenues totaled $10,146,498 and amounted to 73.58% of total governmental revenues. These revenues primarily consist of income taxes revenue of $8,261,969. The other primary source of general revenues is property taxes which amounted to $946,104. These two revenue sources accounted for 66.77% of all governmental activities revenue in 2017.

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

Governmental Activities - Program Revenues vs. Total Expenses

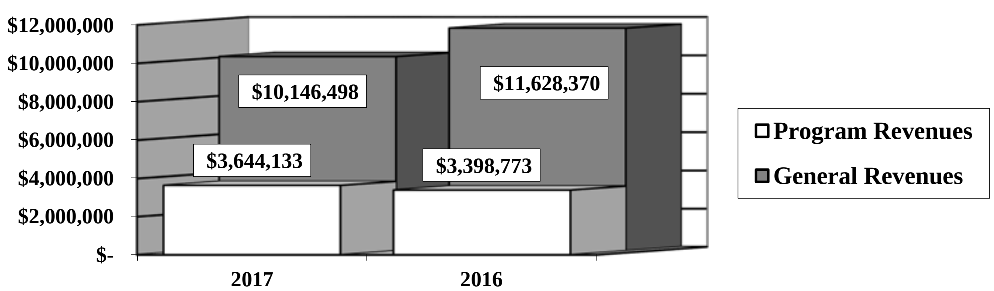


Governmental Activities

		Total Cost of Services 2017		Net Cost of Services 2017		Total Cost of Services 2016		Net Cost of Services 2016
Program expenses:								
General government	$	5,793,158	$	4,666,625	$	3,367,640	$	2,359,559
Security of persons and property		8,780,317		8,108,660		8,637,522		7,639,209
Transportation		3,165,776		1,422,018		1,900,776		746,168
Community environment		343,174		329,804		369,396		364,566
Leisure time activity		663,210		588,013		683,732		601,052
Economic development		99,658		86,040		138,250		(12,011)
Interest and fiscal charges		183,729		183,729		216,756		216,756
Total	$	19,029,022	$	15,384,889	$	15,314,072	$	11,915,299

The dependence upon general revenues for governmental activities is apparent, with 80.85% of expenses supported through taxes and other general revenues.

Governmental Activities - General and Program Revenues

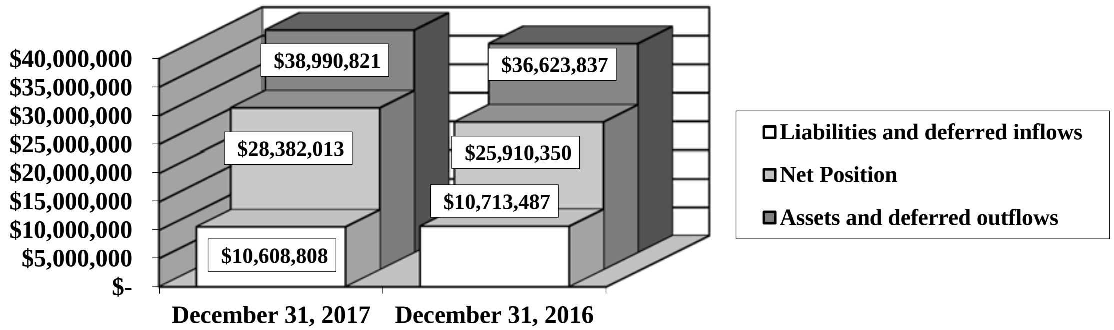


Business-type Activities

Business-type activities include the Sewer Enterprise fund. This program had program revenues of $5,943,060, general revenues of $62,479, and expenses of $3,533,876 in 2017. These amounts represent slight increases compared to 2016 due to higher demand from customers.

The graph on the next page illustrates the City's business-type assets, liabilities, and net position at December 31, 2017 and December 31, 2016.

Net Position in Business-type Activities



Financial Analysis of the Government's Funds

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

Governmental Funds

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

The City's governmental funds reported a combined fund balance of $6,485,966 which is $3,150,191 less than last year's total of $9,636,157. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2017 for all major and nonmajor governmental funds.

	Fund Balances 12/31/17	Fund Balances 12/31/16	Increase
Major funds:			
General	$ 2,986,971	$ 3,227,887	$ (240,916)
Joint Justice Center	135,079	1,946,276	(1,811,197)
Other nonmajor governmental funds	3,363,916	4,461,994	(1,098,078)
Total	$ 6,485,966	$ 9,636,157	$ (3,150,191)

General Fund

The City's General fund balance decreased $240,916 or 7.46%. The table that follows assists in illustrating the revenues of the General fund.

	2017 Amount	2016 Amount	Percentage Change
Revenues			
Taxes	$ 8,571,998	$ 8,542,465	0.35 %
Charges for services	534,171	575,006	(7.10) %
Licenses and permits	41,846	43,529	(3.87) %
Fines and forfeitures	601,117	552,456	8.81 %
Investment income	24,538	20,940	17.18 %
Intergovernmental	475,070	434,301	9.39 %
Other	320,654	603,302	(46.85) %
Total	$ 10,569,394	$ 10,771,999	(1.88) %

In total, General fund revenues in 2017 were comparable to the prior year. Taxes revenue, consisting of income taxes and property taxes, comprises 81.10% of all General fund revenue. The most significant increase in revenues was fines and forfeitures, which resulted from higher court costs and fines during the year. The decrease in other revenues is a result of a local grant for the Rock Creek Trail which was mostly received in 2016.

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

	2017 Amount	2016 Amount	Percentage Change
Expenditures			
General government	$ 2,779,044	$ 3,322,238	(16.35) %
Security of persons and property	7,215,904	6,639,816	8.68 %
Community environment	278,168	223,972	24.20 %
Debt service	11,313	11,313	100.00 %
Total	$ 10,284,429	$ 10,197,339	0.85 %

The decrease in general government expenditures is primarily due to costs associated with the Rock Creek Trail improvement project in 2016. Despite this decrease, total General fund expenditures were slightly higher in 2017 due to an increase in security of persons and property expenditures. This resulted from increases in wages and benefits for the City's police and fire department employees.

Joint Justice Center Fund

The Joint Justice Center fund is reported as a major fund and is used to account for resources that are committed for the purpose of paying the City's share of the costs associated with the construction of a Joint Justice Center with Seneca County. This fund had no revenues in 2017 and expenditures of $1,811,197. Fund balance at December 31, 2017 was $135,079.

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.

For the General fund, original budgeted revenues and other financing sources of $11,594,857 were increased slightly to $11,884,219 in the final budget. Actual revenues and other financing sources amounted to $11,784,540 or $99,679 less than the final budget. Original budget and final budget expenditures and other financing uses were $12,398,177 and $13,627,575, respectively. The increase was primarily to account for increased contractual services expenditures and transfers to other funds, as well as increased wages and benefits costs for the police and fire department. Actual budget-basis expenditures and other financing uses of $12,870,719 were $756,856 less than the final budget. This variance is a result of the City's conservative budgeting policies.

Proprietary Fund

The City's proprietary fund financial statements provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail. The City accounts for its sewer operations in a business-type activities enterprise fund. Operating revenues and expenses for the Sewer fund both increased in 2017 due to additional consumer demand. The total change in net position for the Sewer fund was an increase of $2,432,703.

Capital Assets and Debt Administration

Capital Assets

At the end of 2017, the City had $55,188,416 (net of accumulated depreciation) invested in land, construction in progress, buildings and improvements, land improvements, machinery and equipment, furniture and fixtures, vehicles and infrastructure. Of this total, $26,704,327 was reported in governmental activities and $28,484,089 was reported in business-type activities. The following table shows 2017 balances compared to 2016:

Capital Assets at December 31
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	$ 3,365,837	$ 3,378,128	$ 241,940	$ 241,940	$ 3,607,777	$ 3,620,068
Buildings and improvements	2,033,563	2,102,284	4,970,829	5,127,538	7,004,392	7,229,822
Land improvements	557,704	583,838	-	-	557,704	583,838
Machinery & equipment	1,160,403	1,536,856	295,832	226,467	1,456,235	1,763,323
Furniture & fixtures	236,351	300,751	1,539	3,396	237,890	304,147
Vehicles	1,473,810	1,443,721	263,027	325,565	1,736,837	1,769,286
Infrastructure	16,967,894	17,176,044	22,710,922	23,314,117	39,678,816	40,490,161
Construction in progress	908,765	477,998	-	-	908,765	477,998
Totals	$26,704,327	$26,999,620	$28,484,089	$29,239,023	$55,188,416	$56,238,643

The City's largest governmental capital asset category is infrastructure which includes roads, bridges, culverts, 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 63.54% 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 79.73% of the City's total business-type capital assets.

The overall decrease in capital assets is primarily due to disposals resulting from a change in the City's capitalization threshold. Effective January 1, 2017, the City changed its capitalization threshold from $500 to $2,500 and as a result all assets with an original cost below $2,500 were disposed of in 2017. See Note 11 in the notes to the basic financial statements for more detail on the City's capital assets.

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2017 and 2016:

	Governmental Activities	
	2017	2016
General obligation bonds	$ 4,065,000	$ 4,085,000
Capital lease payable	31,462	78,064
OPWC Loan	190,572	193,802
Special assessment bonds	50,000	100,000
Total long-term obligations	$ 4,337,034	$ 4,456,866

	Business-type Activities	
	2017	2016
General obligation bonds	$ 7,100,000	$ 7,370,000
Capital lease payable	-	36,890
OWDA loan	1,137,571	1,197,595
Total long-term obligations	$ 8,237,571	$ 8,604,485

The City issued refunding general obligation bonds of $4,250,000 in 2017. This refunding was undertaken to reduce the combined total debt service payments over the life of the debt issuance by $162,430 and resulted in an economic gain of $141,122. See Note 13 in the notes to the basic financial statements for more detail on the City's long-term obligations.

Economic Outlook

The economic outlook for the City of Tiffin has been strong for the last few years, and in 2018 it continues to be so, with very positive high-level trends for the Tiffin micropolitan statistical area (msa). For the third time in five years, Tiffin placed in the top ten out 576 micropolitians in the United States for large economic development projects, according to *Site Selection* magazine. For the last five years in a row, Tiffin has also placed in the top ten percent. For 2017, more than $64 million in new investment was announced, with more than 200 new jobs to be created and 1500 to be retained. This makes a four-year total of $335 million in new announced investment and more than 1,400 new jobs to be created.

Unemployment, which was at a peak of 12.7 percent in 2009 (annual average), declined to 5.5 percent in 2014 and stands at 3.9 right now, one of the lowest rates in decades. The labor force also increased in size for the third year in a row (27,300 in 2017). There have only been two mass layoff (PCCW, 128 employees, 2012) reported in the city since the closing of American Standard in 2007, with no additional ones last year or thus far this year.

On the industrial side, American Fine Sinter, a Japanese-owned producer of metal automotive components like torque carriers, valve seats, and variable cam units, announced a $20 million expansion in Tiffin, expecting to add 24 new jobs to its existing 246. A new $2.3 million, 50,000-square-foot industrial spec building was also announced to be constructed in the Eagle Rock Industrial Park. The building can be expanded to 200,000 square feet and will represent the first industrial space available in quite some time. OCECO, a local area company that produces flammable liquid storage and waste gas disposal systems, was acquired by local investors and announced a $2.5 million project. Manufacturing continues to be the largest single sector in the area, with 24.7 percent of the employment (September 2017), which is 2.5 times the national average (September 2017).

On the retail side, things have also continued to develop. Development at the Tiffin Mall continued, after the 2016 announcement that it was purchased by northwest-Ohio based Key Hotel and Property Management (KHPM). Last year, KHPM hired Anchor Cleveland to market and recruit, and a new $2 million Magic Tunnel Car Wash was announced. Earlier in 2018, both Panda Express and Kiku Sushi and Steakhouse were also announced. Boost Mobile also opened a new location at the Chipotle development, and the new local microbrewery, the Laird Arcade Brewery, also opened. The Renaissance at Tiffin 1920s-themed bourbon bar opened downtown, and the new Chandelier event center was also announced. Renovations at the Holiday Inn Express also took place.

The ribbon was cut on the new $9.4 million Tiffin Pointe housing development located on 7.5 acres in our Market Street Commercial District area. This multifamily project features 52 two-, three-, and four-bedroom units along with a clubhouse, picnic area, library, playground, and a computer room. It was developed by the Cleveland-based NRP Group, ranked as one of the ten best and ten largest by the National Multifamily Council.

There was also a dedication ceremony celebrating the completion of the $15 million Seneca Justice Center in downtown Tiffin. This new facility is unique in the state of Ohio due to its city-county partnership, integrating common pleas, municipal (Tiffin and Fostoria), and juvenile/probate court functions into one facility.

On the education front, Tiffin University completed construction on the largest collegiate eSports arena in the country. Heidelberg has announced the $1.1 million Pflederer Center renovation and beautification project, the $1.1 million Hoernemann Stadium project, the $2 million second phase of the Hoernemann Refectory renovations, and the $1.2 significant new renovations to take place at the dining hall, as well as the Sarah Street renovation project. Tiffin continues to be one of about three cities in the US under 20,000 in population with two private universities, and the traditional liberal arts focused Heidelberg University and professionally focused Tiffin University (TU) continue to perform well and rank in the top ten public/non profit employers (more than 700 employees total).

From a community development perspective, it was also a very strong year. Phase I of the privately developed East Green Park by local philanthropist, venture capitalist, and manufacturing leader Andrew Kalnow was completed this year, along with a completed new performance pavilion and summer concert series. Progress on phase two of the park continues. The Sandusky-Seneca-Tiffin Port Authority also announced $1.6 million in improvements on their Northern & Ohio Western Railroad infrastructure, and $1.6 million in construction is underway for streetscape improvements on Market St. The community also approved a tax levy for Tiffin City Schools, as well as for a dedicated Road and Bridge fund.

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. Kathleen Kaufman, Director of Finance, City of Tiffin, 53 East Market Street, Tiffin, Ohio 44883-2807 or e-mail at kkaufman@tiffinohio.gov or telephone at (419) 448-5403.

CITY OF TIFFIN
SENECA COUNTY

STATEMENT OF NET POSITION
DECEMBER 31, 2017

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	$ 5,279,168	$ 7,715,253	$ 12,994,421
Cash with fiscal and escrow agents	180,105	-	180,105
Receivables:			
Income taxes	1,442,975	-	1,442,975
Real and other taxes	998,199	-	998,199
Payment in lieu of taxes	76,896	-	76,896
Accounts	289,133	1,741,441	2,030,574
Special assessments	92,008	-	92,008
Accrued interest	11,685	-	11,685
Due from other governments	674,695	-	674,695
Loans receivable	171,750	-	171,750
Notes receivable	795,918	-	795,918
Materials and supplies inventory	86,607	25,767	112,374
Prepayments	80,335	24,500	104,835
Investment in joint venture	1,443,559	-	1,443,559
Net pension asset	17,178	7,423	24,601
Internal balance	(24,131)	24,131	-
Capital assets:			
Land and construction in progress	4,274,602	241,940	4,516,542
Depreciable capital assets, net	22,429,725	28,242,149	50,671,874
Total capital assets, net	26,704,327	28,484,089	55,188,416
Total assets	38,320,407	38,022,604	76,343,011
Deferred outflows of resources:			
Unamortized deferred charges on debt refunding	136,663	322,500	459,163
Pension OP&F	2,716,213	-	2,716,213
Pension OPERS	1,556,207	645,717	2,201,924
Total deferred outflows of resources	4,409,083	968,217	5,377,300
Total assets and deferred outflows of resources	42,729,490	38,990,821	81,720,311
Liabilities:			
Accounts payable	153,184	109,251	262,435
Contracts payable	256,935	-	256,935
Accrued wages and benefits payable	261,254	42,387	303,641
Due to other governments	185,638	26,142	211,780
Accrued interest payable	18,046	16,470	34,516
Claims payable	94,080	-	94,080
Long-term liabilities:			
Due within one year	690,822	734,818	1,425,640
Due in more than one year:			
Net pension liability	16,848,279	1,632,248	18,480,527
Other amounts due in more than one year	4,958,343	8,033,998	12,992,341
Total liabilities	23,466,581	10,595,314	34,061,895
Deferred inflows of resources:			
Property taxes levied for the next fiscal year	914,867	-	914,867
Pension OP&F	30,095	-	30,095
Pension OPERS	31,225	13,494	44,719
Payment in lieu of taxes levied for the next year	76,896	-	76,896
Total deferred inflows of resources	1,053,083	13,494	1,066,577
Total liabilities and deferred inflows of resources	24,519,664	10,608,808	35,128,472
Net position:			
Net investment in capital assets	24,498,796	20,297,475	44,796,271
Restricted for:			
Debt service	38,968	-	38,968
Capital projects	631,580	-	631,580
Transportation projects	547,677	-	547,677
Municipal court	473,342	-	473,342
Security of persons and property	322,270	-	322,270
Community environment	160,007	-	160,007
Economic development and assistance	114,124	-	114,124
Urban redevelopment	797,288	-	797,288
Permanent fund: expendable	2,947	-	2,947
Permanent fund: nonexpendable	25,000	-	25,000
Other purposes	16,405	-	16,405
Unrestricted (deficit)	(9,418,578)	8,084,538	(1,334,040)
Total net position	$ 18,209,826	$ 28,382,013	$ 46,591,839

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF TIFFIN
SENECA COUNTY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

		Program Revenues		
	Expenses	**Charges for Services and Sales**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Governmental activities:				
General government	$ 5,793,158	$ 1,126,533	$ -	$ -
Security of persons and property	8,780,317	655,857	-	15,800
Transportation	3,165,776	25,507	816,549	901,702
Community environment	343,174	13,370	-	-
Leisure time activity	663,210	49,981	16,716	8,500
Economic development and assistance	99,658	-	13,618	-
Interest and fiscal charges	183,729	-	-	-
Total governmental activities	19,029,022	1,871,248	846,883	926,002
Business-type activities:				
Sewer	3,533,876	5,943,060	-	-
Total business-type activities	3,533,876	5,943,060	-	-
Total primary government	$ 22,562,898	$ 7,814,308	$ 846,883	$ 926,002

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

Total general revenues

Change in net position

Net position at beginning of year

Net position at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
$ (4,666,625)	$ -	$ (4,666,625)
(8,108,660)	-	(8,108,660)
(1,422,018)	-	(1,422,018)
(329,804)	-	(329,804)
(588,013)	-	(588,013)
(86,040)	-	(86,040)
(183,729)	-	(183,729)
(15,384,889)	-	(15,384,889)
-	2,409,184	2,409,184
-	2,409,184	2,409,184
(15,384,889)	2,409,184	(12,975,705)
813,346	-	813,346
66,379	-	66,379
66,379	-	66,379
7,180,579	-	7,180,579
803,946	-	803,946
277,444	-	277,444
71,557	-	71,557
468,176	-	468,176
23,738	-	23,738
188,487	-	188,487
28,739	22,118	50,857
157,728	40,361	198,089
10,146,498	62,479	10,208,977
(5,238,391)	2,471,663	(2,766,728)
23,448,217	25,910,350	49,358,567
$ 18,209,826	$ 28,382,013	$ 46,591,839

CITY OF TIFFIN
SENECA COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	General	Joint Justice Center	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and cash equivalents	$ 2,379,243	$ -	$ 2,735,728	$ 5,114,971
Cash with fiscal and escrow agents	-	135,079	45,026	180,105
Receivables:				
Income taxes	1,233,744	-	209,231	1,442,975
Real and other taxes	852,865	-	145,334	998,199
Payment in lieu of taxes	-	-	76,896	76,896
Accounts	255,137	-	33,996	289,133
Accrued interest	11,685	-	-	11,685
Special assessments	-	-	92,008	92,008
Due from other governments	198,742	-	475,953	674,695
Interfund loans	331,527	-	-	331,527
Loans receivable	-	-	171,750	171,750
Notes receivable	-	-	795,918	795,918
Prepayments	66,744	-	13,591	80,335
Materials and supplies inventory	26,578	-	60,029	86,607
Total assets	$ 5,356,265	$ 135,079	$ 4,855,460	$ 10,346,804
Liabilities:				
Accounts payable	$ 84,175	$ -	$ 69,009	$ 153,184
Contracts payable	-	-	256,935	256,935
Accrued wages and benefits payable	234,997	-	26,257	261,254
Compensated absences payable	8,984	-	15,973	24,957
Interfund loans payable	-	-	331,527	331,527
Due to other governments	156,504	-	29,134	185,638
Total liabilities	484,660	-	728,835	1,213,495
Deferred inflows of resources:				
Property taxes levied for the next year	780,131	-	134,736	914,867
Delinquent property tax revenue not available	49,518	-	8,552	58,070
Accrued interest not available	5,851	-	-	5,851
Special assessments revenue not available	-	-	92,008	92,008
Miscellaneous revenue not available	248,841	-	24,841	273,682
Income tax revenue not available	625,007	-	105,995	731,002
Intergovernmental revenue not available	175,286	-	319,681	494,967
Payment in lieu of taxes levied for the next year	-	-	76,896	76,896
Total deferred inflows of resources	1,884,634	-	762,709	2,647,343
Total liabilities and deferred inflows of resources	2,369,294	-	1,491,544	3,860,838
Fund balances:				
Nonspendable	93,322	-	73,620	166,942
Restricted	-	-	2,978,428	2,978,428
Committed	328,481	135,079	858,951	1,322,511
Assigned	846,092	-	-	846,092
Unassigned (deficit)	1,719,076	-	(547,083)	1,171,993
Total fund balances	2,986,971	135,079	3,363,916	6,485,966
Total liabilities, deferred inflows of resources and fund balances	$ 5,356,265	$ 135,079	$ 4,855,460	$ 10,346,804

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF TIFFIN
SENECA COUNTY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2017

Total governmental fund balances		$ 6,485,966
Amounts reported for governmental activities on the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		26,704,327
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	$ 58,070	
Income taxes receivable	731,002	
Accounts receivable	273,682	
Intergovernmental receivable	494,967	
Special assessments receivable	92,008	
Accrued interest receivable	5,851	
Total		1,655,580
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities on the statement of net position. The net position of the internal service fund, including an internal balance of $(24,131), is:		45,986
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.		1,443,559
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(18,046)
Unamortized deferred amounts on refundings are not recognized in the governmental funds.		136,663
Unamortized premiums on bond issuance are not recognized in governmental funds.		(123,797)
The net pension asset and net pension liability are not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds.		
Net pension asset	17,178	
Deferred outflows of resources	4,272,420	
Deferred inflows of resources	(61,320)	
Net pension liability	(16,848,279)	
Total		(12,620,001)
Long-term liabilities are not due and payable in the current period, and therefore are not reported in the funds. The long-term liabilities are as follows:		
Compensated absences	(1,163,377)	
Police and fire pension liability	-	
Capital lease payable	(31,462)	
General obligation bonds payable	(4,065,000)	
Loans payable	(190,572)	
Special assessment bonds	(50,000)	
Total		(5,500,411)
Net position of governmental activities		$ 18,209,826

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF TIFFIN
SENECA COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	General	Joint Justice Center	Other Governmental Funds	Total Governmental Funds
Revenues:				
Municipal income taxes	$ 7,754,214	$ -	$ 1,178,674	$ 8,932,888
Real and other taxes	817,784	-	133,534	951,318
Charges for services	534,171	-	50,731	584,902
Licenses and permits	41,846	-	-	41,846
Fines and forfeitures	601,117	-	529,780	1,130,897
Intergovernmental	475,070	-	1,746,604	2,221,674
Special assessments	-	-	69,090	69,090
Investment income	24,538	-	1,134	25,672
Refunds and reimbursements	193,917	-	58,679	252,596
Contributions and donations	22,550	-	8,151	30,701
Payments in lieu of taxes	-	-	71,557	71,557
Other	104,187	-	57,998	162,185
Total revenues	10,569,394	-	3,905,932	14,475,326
Expenditures:				
Current:				
General government	2,779,044	1,811,197	869,431	5,459,672
Security of persons and property	7,215,904	-	193,552	7,409,456
Transportation	-	-	1,675,950	1,675,950
Community environment	278,168	-	-	278,168
Leisure time activity	-	-	467,112	467,112
Economic development and assistance	-	-	99,658	99,658
Capital outlay	-	-	1,787,430	1,787,430
Debt service:				
Principal retirement	9,712	-	290,120	299,832
Interest and fiscal charges	1,601	-	134,628	136,229
Bond issuance costs	-	-	42,205	42,205
Total expenditures	10,284,429	1,811,197	5,560,086	17,655,712
Excess (deficiency) of revenues over (under) expenditures	284,965	(1,811,197)	(1,654,154)	(3,180,386)
Other financing sources (uses):				
Bond issuance	-	-	1,475,000	1,475,000
Sale of capital assets	-	-	14,130	14,130
Payment to refunded bond escrow agent	-	-	(1,464,096)	(1,464,096)
Transfers in	116,036	-	944,843	1,060,879
Transfers (out)	(644,156)	-	(416,723)	(1,060,879)
Premium on bond issuance	-	-	39,189	39,189
Total other financing sources (uses)	(528,120)	-	592,343	64,223
Net change in fund balances	(243,155)	(1,811,197)	(1,061,811)	(3,116,163)
Fund balances at beginning of year	3,227,887	1,946,276	4,461,994	9,636,157
Increase (decrease) in reserve for inventory	2,239	-	(36,267)	(34,028)
Fund balances at end of year	$ 2,986,971	$ 135,079	$ 3,363,916	$ 6,485,966

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF TIFFIN
SENECA COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

Net change in fund balances - total governmental funds		$ (3,116,163)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	$ 2,864,773	
Current year depreciation	(1,492,913)	
Total		1,371,860
The net effect of various miscellaneous transactions involving the disposal of capital assets is to decrease net position.		(1,667,153)
Governmental funds report expenditures for inventory when purchased. However in the statement of activities, they are reported as an expense when consumed.		(34,028)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Municipal income taxes	(670,919)	
Real and other taxes	(5,214)	
Charges for services	(45,538)	
Intergovernmental	(121,609)	
Special assessments	(45,023)	
Investment income	3,553	
Fines and forfeitures	(33,148)	
Refunds and reimbursements	137,745	
Total		(780,153)
An increase in the City's equity interest in a joint venture does not provide current financial resources and is not reported in the governmental funds.		32,741
The issuance of bonds is reported as an other financing source in the governmental funds; however, in the statement of activities it is not reported as revenue as it increases liabilities on the statement of net position.		(1,475,000)
Repayment of bond principal and capital lease obligations are an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		299,832
The payment to refunded bond escrow agent for the retirement of bonds is reported as an other financing use in the governmental funds, but the repaymen reduces long-term liabilities on the statement of net position		1,464,096
Premiums on general obligation bonds are recognized as other sources in the financing sources in the governmental funds, but they are amortized over the life of the issuance in the statement of activities.		(39,189)
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:		
Increase in accrued interest payable	(4,780)	
Amortization of bond premiums	7,420	
Amortization of deferred charges on refunding	(7,935)	
Total		(5,295)

- -(Continued)

CITY OF TIFFIN
SENECA COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

Contractually required pension contributions are reported as expenditures ir governmental funds; however, the statement of net position reports these amount as deferred outflows.		1,233,228
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities		(2,575,906)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(81,950)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenue are eliminated. The net revenue (expense) of the internal service fund, less $38,960 related to business-type activities, is allocated among the governmental activities.		134,689
Change in net position of governmental activities	$	(5,238,391)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF TIFFIN
SENECA COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	**Final**	**Actual**	**(Negative)**
Revenues:				
Municipal income taxes	$ 8,749,751	$ 8,968,112	$ 8,923,503	$ (44,609)
Real and other taxes	808,084	828,251	823,519	(4,732)
Charges for services	549,035	562,736	536,985	(25,751)
Licenses and permits	42,136	43,187	41,596	(1,591)
Fines and forfeitures	589,411	604,120	601,643	(2,477)
Intergovernmental	497,721	510,142	494,743	(15,399)
Investment income	19,553	20,040	20,615	575
Contributions and donations	25,418	26,053	22,250	(3,803)
Refunds and reimbursements	192,658	197,466	197,160	(306)
Other	7,650	7,841	6,490	(1,351)
Total revenues	11,481,417	11,767,948	11,668,504	(99,444)
Expenditures:				
Current:				
General government	2,926,770	3,233,529	2,945,667	287,862
Security of persons and property	7,503,364	7,850,543	7,442,559	407,984
Community environment	375,688	374,859	329,497	45,362
Total expenditures	10,805,822	11,458,931	10,717,723	741,208
Excess of revenues over expenditures	675,595	309,017	950,781	641,764
Other financing sources (uses):				
Advances (out)	-	(339,597)	(331,527)	8,070
Transfers in	113,440	116,271	116,036	(235)
Transfers (out)	(1,592,355)	(1,829,047)	(1,821,469)	7,578
Total other financing sources (uses)	(1,478,915)	(2,052,373)	(2,036,960)	15,413
Net change in fund balance	(803,320)	(1,743,356)	(1,086,179)	657,177
Fund balance at beginning of year	2,464,946	2,464,946	2,464,946	-
Prior year encumbrances appropriated	437,156	437,156	437,156	-
Fund balance at end of year	$ 2,098,782	$ 1,158,746	$ 1,815,923	$ 657,177

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF TIFFIN
SENECA COUNTY

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017

	Business-type Activities Enterprise Fund	Governmental Activities
	Sewer	**Internal Service Fund**
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents and investments	$ 7,715,253	$ 164,197
Receivables:		
Accounts	1,741,441	-
Prepayments	24,500	-
Materials and supplies inventory	25,767	-
Total current assets	9,506,961	164,197
Noncurrent assets:		
Capital assets:		
Land and construction in progress	241,940	-
Depreciable capital assets, net	28,242,149	-
Total capital assets, net	28,484,089	-
Net pension asset	7,423	-
Total noncurrent assets	28,491,512	-
Total assets	37,998,473	164,197
Deferred outflows of resources:		
Unamortized deferred charges on debt refunding	322,500	-
Pension OPERS	645,717	-
Total deferred outflows of resources	968,217	-
Total assets and deferred outflows of resources	38,966,690	164,197
Liabilities:		
Current liabilities:		
Accounts payable	109,251	-
Accrued wages and benefits payable	42,387	-
Due to other governments	26,142	-
Accrued interest payable	16,470	-
Compensated absences payable - current	83,071	-
General obligation bonds payable	590,000	-
OWDA loans payable	61,747	-
Claims payable	-	94,080
Total current liabilities	929,068	94,080
Long-term liabilities:		
Compensated absences payable	176,631	-
Unamortized premium on bonds	271,543	-
General obligation bonds payable	6,510,000	-
OWDA loans payable	1,075,824	-
Net pension liability	1,632,248	-
Total long-term liabilities	9,666,246	-
Total liabilities	10,595,314	94,080
Deferred inflows of resources:		
Pension OPERS	13,494	-
Total liabilities and deferred inflows of resources	10,608,808	94,080
Net position:		
Net investment in capital assets	20,297,475	-
Unrestricted	8,060,407	70,117
Total net position	28,357,882	$ 70,117
Adjustment to reflect the consolidation of the internal service funds activity related to enterprise funds.	24,131	
Net position of business-type activities	$ 28,382,013	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF TIFFIN
SENECA COUNTY

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Business-type Activities Enterprise Fund	Governmental Activities
	Sewer	**Internal Service Fund**
Operating revenues:		
Tap-in fees	$ 375	$ -
Charges for services	5,942,685	1,547,541
Other operating revenues	10,907	-
Refunds and reimbursements	12,845	-
Total operating revenues	5,966,812	1,547,541
Operating expenses:		
Personal services	1,593,693	-
Contract services	442,503	-
Materials and supplies	58,217	-
Administrative costs	-	370,832
Utilities	277,322	-
Claims expense	-	1,003,843
Depreciation	887,314	-
Other	30,520	-
Total operating expenses	3,289,569	1,374,675
Operating income	2,677,243	172,866
Nonoperating revenues (expenses):		
Interest and fiscal charges	(207,627)	-
Gain on sale of capital assets	16,609	-
Interest income	22,118	783
Bond issuance costs	(75,640)	-
Total nonoperating revenues (expenses)	(244,540)	783
Change in net position	2,432,703	173,649
Net position at beginning of year	25,925,179	(103,532)
Net position at end of year	28,357,882	$ 70,117
Adjustment to reflect the consolidation of the internal service funds activity related to enterprise funds.	38,960	
Change in net position of business-type activities.	$ 2,471,663	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF TIFFIN
SENECA COUNTY

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Business-type Activities Enterprise Fund	Governmental Activities
	Sewer	**Internal Service Fund**
Cash flows from operating activities:		
Cash received from tap in fees	$ 375	$ -
Cash received from charges for services	5,827,245	1,547,541
Cash received from other operations	11,644	-
Cash received from refunds and reimbursements	12,845	-
Cash payments for personal services	(1,365,199)	-
Cash payments for contractual services	(544,912)	-
Cash payments for materials and supplies	(66,853)	-
Cash payments for utilities	(277,019)	-
Cash payments for claims	-	(971,851)
Cash payments to other funds	-	(41,444)
Cash payments for other expenses	(24,296)	(370,832)
Net cash provided by operating activities	3,573,830	163,414
Cash flows from capital and related financing activities:		
Gain on sale of capital assets	41,644	-
Acquisition of capital assets	(157,415)	-
Principal retirement	(691,914)	-
Interest paid	(219,004)	-
Bond issuance	2,775,000	-
Premium on bond issuance	74,298	-
Bond issuance costs	(75,640)	-
Payment to refunded bond escrow agent	(2,769,901)	-
Net cash used in capital and related financing activities	(1,022,932)	-
Cash flows from investing activities:		
Interest received	23,664	783
Net increase in cash and cash equivalents	2,574,562	164,197
Cash and cash equivalents at beginning of year	5,140,691	-
Cash and cash equivalents at end of year	$ 7,715,253	$ 164,197

- - (Continued)

CITY OF TIFFIN
SENECA COUNTY

STATEMENT OF CASH FLOWS
PROPRIETARY FUND (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

	Business-type Activities Enterprise Fund	Governmental Activities
	Sewer	**Internal Service Funds**
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 2,677,243	$ 172,866
Adjustments:		
Depreciation	887,314	-
Changes in assets and liabilities:		
Decrease in materials and supplies inventory	4,590	-
(Increase) in accounts receivable	(114,703)	-
Decrease in prepayments	284	-
(Increase) in net pension asset	(4,189)	-
(Increase) in deferred outflows-pension-OPERS	(144,247)	-
Increase in accounts payable	65,979	-
(Decrease) in contracts payable	(182,353)	-
Increase in accrued wages and benefits	1,648	-
Increase in intergovernmental payable	1,372	-
Increase in compensated absences payable	145	-
Increase in net pension liability	392,667	-
(Decrease) in deferred inflows-pension-OPERS	(11,920)	-
(Decrease) in due to other funds	-	(41,444)
Increase in claims payable	-	31,992
Net cash provided by operating activities	$ 3,573,830	$ 163,414

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF TIFFIN
SENECA COUNTY

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
DECEMBER 31, 2017

	Agency
Assets:	
Equity in pooled cash and cash equivalents	$ 127,868
Cash and cash equivalents in segregated accounts	316,044
Total assets	$ 443,912
Liabilities:	
Undistributed monies	$ 443,912
Total liabilities	$ 443,912

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 – DESCRIPTION OF THE ENTITY AND REPORTING ENTITY

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

Reporting Entity

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

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

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

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

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

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 $1,443,559 at December 31, 2017. Financial information can be obtained from the Sandusky County - Seneca County - City of Tiffin Port Authority, James Supance, Chairman, P.O. Box 767, Tiffin, Ohio 44883.

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

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

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

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

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

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

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

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

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

Northeast Ohio Public Energy Council
The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for

communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of over 200 communities in 13 counties (Cuyahoga, Lake, Ashtabula, Lorain, Huron, Summit, Medina, Portage, Trumbull, Columbiana, Mahoning, Seneca and Geauga) who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

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

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

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

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

Joint Justice Center fund - This fund is used to account for resources that are committed for the purpose of paying the City's share of the costs associated with the construction of a Joint Justice Center with Seneca County.

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

Proprietary Funds

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

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

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

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

Fiduciary Funds

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

C. Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

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

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

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

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

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

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

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

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

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

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2017, but which were levied to finance 2018 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes, but is not limited to, income taxes, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

Expenses/Expenditures

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

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

E. Budgetary Data

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

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

Tax Budget

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

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. On or prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate of estimated resources may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statements reflect the amounts in the original and final amended official certificate of estimated resources issued during 2017.

Appropriations

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

Encumbrances

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

Lapsing of Appropriations

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

F. Cash and Investments

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

During 2017, investments were limited to nonnegotiable certificates of deposit. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

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

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the General fund during 2017 amounted to $24,538, which included $14,180 assigned from other funds of the City.

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

G. Inventories of Materials and Supplies

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

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

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2017, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which it was consumed.

I. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at acquisition cost as of the date received. The City maintains a capitalization threshold of $2,500. Public domain ("infrastructure") general capital assets consisting of roads, bridges, curbs and gutters, streets, drainage systems, sewer lines and lighting systems have been capitalized. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

J. Interfund Balances

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

K. Compensated Absences

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

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

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 Premiums and Discounts

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

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

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

N. Fund Balance

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

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

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

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

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

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

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

O. Net Position

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

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

P. Interfund Activity

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

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of City Council and that are either unusual in nature or infrequent in occurrence. No extraordinary transactions or special items occurred during 2017.

R. Estimates

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

S. Pensions

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

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2017, the City has implemented GASB Statement No. 80, *"Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14"*, GASB Statement No. 81 *"Irrevocable Split-Interest Agreements"*, and GASB Statement No. 82, *"Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73"*.

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the City.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the City.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the City.

B. Deficit Fund Balances

Fund balances at December 31, 2017 included the following individual fund deficits:

Nonmajor funds:	Deficit
Federal Urban Paving Grant	$ 287,770
Fair Ln., US 224, Market St. Improvements	242,281
2010 S. Shaffer Park Dr. Bond	17,032

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

NOTE 4 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A. Cash on Hand

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

B. Cash in Segregated Accounts

The City has deposits with financial institutions for monies related to the Municipal Court which are reported in an agency fund. The carrying amount of these deposits was $316,044 which is not included in the City's depository balance detailed in Note 4.D. However, these deposits are included in the City's calculation of custodial risk.

C. Cash with Fiscal Agent and Escrow Agents

At December 31, 2017, $180,105 was on deposit with Seneca County, the city's fiscal agent for the joint justice center building project between Seneca County and the City of Tiffin, and represents the unspent portion of the City's share of the joint justice center building project. This amount is excluded from the internal cash pool reported on the balance sheet as "equity in pooled cash and cash equivalents".

D. Deposits with Financial Institutions

At December 31, 2017, the carrying amount of all City deposits was $13,121,199 and the bank balance of all City deposits was $13,570,959. Of the bank balance, $500,000 was covered by the FDIC and $13,070,959 was potentially exposed to custodial credit risk as discussed below because those deposits were uninsured and could be uncollateralized. Although 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.

Custodial credit risk is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State. Financial institutions which have received an extension (the "grace period") from the Ohio Treasurer of State to participate in the OPCS beyond December 31, 2017 may also pledge a single pool of eligible securities to secure the repayment of all public moneys deposited in the institution and not otherwise secured pursuant to law, provided that at all times the total market value of the securities so pledged is at least equal to 105% of the total amount of all public deposits to be secured by the pooled securities that are not covered by any federal deposit insurance. For 2017, all of the City's financial institutions participated in the OPCS.

E. Reconciliation of Cash to the Statement of Net Position

The following is a reconciliation of cash as reported in the note above to cash as reported on the statement of net position as of December 31, 2017:

Cash per note	
Carrying amount of deposits	$ 13,121,199
Cash on hand	1,090
Cash in segregated accounts	316,044
Cash with fiscal and escrow agent	180,105
Total	$ 13,618,438

Cash per statement of net position	
Governmental activities	$ 5,459,273
Business-type activities	7,715,253
Agency funds	443,912
Total	$ 13,618,438

NOTE 5 – INTERFUND TRANSACTIONS

A. Interfund transfers for the year ended December 31, 2017, consisted of the following, as reported on the fund financial statements:

Transfers to nonmajor governmental funds from:	
General fund	$ 644,156
Nonmajor governmental funds	300,687
Transfers to General fund from:	
Nonmajor governmental funds	116,036
Total	$ 1,060,879

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 at December 31, 2017, as reported on the fund financial statements, consisted of $331,527 due to the General fund from various nonmajor governmental funds. The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by December 31. These amounts will be repaid once the anticipated revenues are received. Interfund balances between governmental funds are eliminated on the government-wide financial statements.

NOTE 6 – PROPERTY TAXES

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceeding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2017 public utility property taxes became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 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, 2017 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by a deferred inflow since the current taxes were not levied to finance 2017 operations and the collection of delinquent taxes has been offset by a deferred inflow since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is considered a deferred inflow.

The full tax rate for all City operations for the year ended December 31, 2017 was $4.10 per $1,000 of assessed value. The assessed values of real and tangible personal property upon which 2017 property tax receipts were based are as follows:

Real property	
Residential/agricultural	$ 178,201,090
Commercial/industrial/mineral	61,691,350
Public utility	
Real	41,990
Personal property	19,367,810
Total assessed value	$ 259,302,240

NOTE 7 – LOCAL INCOME TAX

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

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

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

NOTE 8 – RECEIVABLES

Receivables at December 31, 2017, consisted of taxes, payments in lieu of taxes, accounts (billings for user charged services), special assessments, accrued interest, notes, loans and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as “due from other governments” on the basic financial statements. Receivables have been recorded to the extent that they are both measurable and available at December 31, 2017.

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

Governmental activities:	
Income taxes	$ 1,442,975
Real and other taxes	998,199
Payments in lieu of taxes	76,896
Accounts	289,133
Accrued interest	11,685
Special assessments	92,008
Due from other governments	674,695
Loans	171,750
Notes	795,918
Business-type activities:	
Accounts	1,741,441

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

NOTE 9 – NOTES RECEIVABLE

The City, through the community housing improvement grant program, makes deferred interest-free notes to qualifying Tiffin residents and businesses. The activity for these notes is accounted for in the CHIP revolving loan fund, a nonmajor governmental fund. The following is a summary of the changes in the notes receivable during 2017:

Notes receivable at 12/31/16	$ 917,367
Principal amount forgiven in 2017	(121,449)
Notes receivable at 12/31/17	$ 795,918

NOTE 10 – RISK MANAGEMENT

A. Comprehensive

The City is exposed to various risks of loss related to torts; theft, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has contracted through UIS Insurance and Investments and EMC Insurance for property, theft, crime, liability and excess insurance.

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

	Per Occurrence	Deductibles	Annual Aggregate
Commercial Property (Blanket):			
Building and Contents - Replacement Cost	$ -	$ 2,500	$ 37,181,353
Employers Liability	1,000,000	-	1,000,000
General Liability	1,000,000	-	3,000,000
Law Enforcement	1,000,000	2,500	1,000,000
Public Officials	1,000,000	3,000	2,000,000
Products/Completed Ops	-	-	3,000,000
Personal and Advertising Injury	1,000,000	-	-
Fire Damage	500,000	-	-
Medical Expenses	10,000	-	-
Automobile	1,000,000	-	-
Comprehensive (all others) and Collision	-	500	-
Comprehensive (only fire truck) and Collision	-	1,000	-
Medical Payments	5,000	-	-
Uninsured/Underinsured Motorist	1,000,000	-	-
Ambulance	-	Various	746,834
Fire Vehicles	-	Various	3,491,325
Employee Benefits Liability	1,000,000	1,000	3,000,000
Electronic Data Processing	-	1,000	782,367
Crime-Employee Dishonesty	1,000,000	10,000	-
Crime- Forgery or Alteration	10,000	1,000	-
Crime- Funds Transfer Fraud	1,000,000	10,000	-
Contractors Equipment	-	1,000	853,157
Scheduled Property Floater	-	1,000	1,420,849
Watercraft	-	500	17,500
Umbrella	5,000,000	-	5,000,000

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

Real property and contents are 100 percent coinsured. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in insurance coverage from 2016.

B. Medical Self-Insurance

Medical insurance is offered to employees through a self-insurance internal service fund. The City is a member of the JHP Health Benefits Program, a claims servicing pool, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the City's behalf. The claims liability of $94,080 reported in the internal service fund at December 31, 2017 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

Changes in claims activity for the past two years are as follows:

Fiscal Year	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2017	$ 62,088	$1,003,843	($971,851)	$ 94,080
2016	-	1,073,684	(1,011,596)	62,088

NOTE 11 – CAPITAL ASSETS

During 2017 the City's capital asset threshold changed from $500 to $2,500. Capital asset activity for the year ended December 31, 2017, was as follows:

	Balance 12/31/16	Additions	Disposals	Balance 12/31/17
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 3,378,128	$ 39,419	$ (51,710)	$ 3,365,837
Construction in progress	477,998	555,239	(124,472)	908,765
Total capital assets, not being depreciated	3,856,126	594,658	(176,182)	4,274,602
Capital assets, being depreciated:				
Buildings and improvements	7,764,371	24,917	(4,529)	7,784,759
Land improvements	653,351	-	-	653,351
Machinery & equipment	4,399,209	129,474	(976,664)	3,552,019
Furniture & fixtures	641,505	42,772	(182,627)	501,650
Vehicles	4,091,493	268,549	(499,607)	3,860,435
Infrastructure	29,049,323	1,928,875	(1,734,047)	29,244,151
Total capital assets, being depreciated	46,599,252	2,394,587	(3,397,474)	45,596,365
Less: accumulated depreciation:				
Buildings and improvements	(5,662,087)	(90,683)	1,574	(5,751,196)
Land improvements	(69,513)	(26,134)	-	(95,647)
Machinery & equipment	(2,862,353)	(222,189)	692,926	(2,391,616)
Furniture & fixtures	(340,754)	(29,154)	104,609	(265,299)
Vehicles	(2,647,772)	(233,016)	494,163	(2,386,625)
Infrastructure	(11,873,279)	(891,737)	488,759	(12,276,257)
Total accumulated depreciation	(23,455,758)	(1,492,913)	1,782,031	(23,166,640)
Total capital assets, being depreciated, net	23,143,494	901,674	(1,615,443)	22,429,725
Governmental activities capital assets, net	$ 26,999,620	$ 1,496,332	$ (1,791,625)	$ 26,704,327

	Balance 12/31/16	Additions	Disposals	Balance 12/31/17
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 241,940	$ -	$ -	$ 241,940
Capital assets, being depreciated:				
Buildings and improvements	13,603,946	-	-	13,603,946
Machinery & equipment	946,463	154,415	(172,360)	928,518
Furniture & fixtures	57,696	-	(5,313)	52,383
Vehicles	1,211,959	-	(50,034)	1,161,925
Infrastructure	31,320,703	17,500	(18,888)	31,319,315
Total capital assets, being depreciated	47,140,767	171,915	(246,595)	47,066,087
Less: accumulated depreciation:				
Buildings and improvements	(8,476,408)	(156,709)	-	(8,633,117)
Machinery & equipment	(719,996)	(47,865)	135,175	(632,686)
Furniture & fixtures	(54,300)	(1,026)	4,482	(50,844)
Vehicles	(886,394)	(62,338)	49,834	(898,898)
Infrastructure	(8,006,586)	(619,376)	17,569	(8,608,393)
Total accumulated depreciation	(18,143,684)	(887,314)	207,060	(18,823,938)
Total capital assets, being depreciated, net	28,997,083	(715,399)	(39,535)	28,242,149
Business-type activities capital assets, net	$ 29,239,023	$ (715,399)	$ (39,535)	$ 28,484,089

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

Governmental activities:	
General government	$ 100,760
Security of persons and property	302,860
Transportation	957,873
Community environment	27,103
Leisure time activity	104,317
Total depreciation expense - governmental activities	$ 1,492,913
Business-type activities:	
Sewer	$ 887,314

NOTE 12 – COMPENSATED ABSENCES

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

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

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

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

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

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

Vacation is accumulated based upon length of service as follows:

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

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

NOTE 13 – LONG-TERM OBLIGATIONS

A. During 2017, the following changes occurred in the City’s long-term obligations:

	Balance 12/31/16	Additions	Retirements	Balance 12/31/17	Amounts Due in One Year
Governmental activities:					
General obligation bonds:					
S. Shaffer Park Drive bond - series 2010, 1.00% - 5.25%	$ 970,000	$ -	$ (740,000)	$ 230,000	$ 55,000
Riverfront improvement bond - series 2010, 1.00% - 5.25%	865,000	-	(660,000)	205,000	50,000
Joint Justice Center improvement bond series 2016, 2.00% - 3.50%	2,250,000	-	(65,000)	2,185,000	65,000
Capital improvement refunding bond - series 2017, 2.00% - 3.25%	-	1,475,000	(30,000)	1,445,000	15,000
Total general obligation bonds	4,085,000	1,475,000	(1,495,000)	4,065,000	185,000
Special assessment bonds payable with government commitment:					
Miami Street storm water drainage improvement bonds 4.00% - 5.60%	100,000	-	(50,000)	50,000	50,000
Other obligations:					
Compensated absences	1,106,404	490,112	(408,182)	1,188,334	439,272
Net pension liability	15,714,608	1,133,671	-	16,848,279	-
Capital lease	78,064	-	(46,602)	31,462	10,090
Sandusky St. OPWC loan	193,802	-	(3,230)	190,572	6,460
Total governmental activities	$ 21,277,878	$ 3,098,783	$ (2,003,014)	22,373,647	$ 690,822
			Add: unamortized premium on bonds	123,797	
			Total on statement of net position	$ 22,497,444	

	Balance 12/31/16	Additions	Retirements	Balance 12/31/17	Amounts Due in One Year
Business-type activities:					
General obligation bonds:					
series 2010, 1.00% - 5.25%	$ 3,475,000	$ -	$ (2,640,000)	$ 835,000	$ 200,000
Sewer Refunding bonds - series 2016, 2.00% - 3.00%	3,895,000	-	(345,000)	3,550,000	355,000
Sewer Refunding bonds - series 2017, 2.00% - 3.25%	-	2,775,000	(60,000)	2,715,000	35,000
Total general obligation bonds	7,370,000	2,775,000	(3,045,000)	7,100,000	590,000
OWDA loan:					
Rock Creek Interceptor #5991 - 2.85%	1,197,595	-	(60,024)	1,137,571	61,747
Other obligations:					
Compensated absences	259,557	91,277	(91,132)	259,702	83,071
Net pension liability	1,239,581	392,667	-	1,632,248	-
Capital lease	36,890	-	(36,890)	-	-
Total business-type activities	$ 10,103,623	$ 3,258,944	$ (3,233,046)	10,129,521	$ 734,818
Add: unamortized premium on bonds				271,543	
Total on statement of net position				$ 10,401,064	

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

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

During 2010, the City fulfilled its 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 in Note 13.A. However, the City continues to monitor the landfill as required.

General obligation bonds - General obligation bonds are direct obligations of the City for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the City. The majority of the business-type activity debt is general obligation debt, but it is anticipated that user charges will pay-off all the outstanding bonds.

On November 30, 2010, the City issued $6,940,000 capital improvement bonds - series 2010. $1,130,000 and $1,265,000 of the bonds was for the Riverfront improvement project and the S. Shaffer Park Drive improvement project, respectfully. The remaining $4,545,000 was for the Sewer Phase III project. The bonds bear interest rates ranging from 1.00% to 5.25%. Principal and interest payments for the Riverfront and S. Shaffer Park bonds are made from debt service funds (nonmajor governmental funds) created for these projects. Principal and interest payments for the Sewer Phase III bond are made from the Sewer fund. The bonds were partially refunded in 2017, with the remaining outstanding bonds maturing on December 1, 2021.

On July 21, 2016, the City issued $3,895,000 sewer refunding bonds - series 2016 in order to advance refund previously outstanding bonds for a sewer separation project. Principal and interest payments are made from the Sewer fund. The bonds mature on December 1, 2026. The refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the defeased debt at December 31, 2017, is $3,600,000.

On July 21, 2016, the City issued $2,250,000 capital improvement bonds – series 2016. The bonds were issued for payment to Seneca County for the deposit into the Series 2016 Joint Justice Center Project Fund held by the County Auditor, and to be used for the City's share of costs for the Joint Justice Center Project. The bonds bear interest rates ranging from 2.00% to 3.50%. Principal and interest payments for bonds are made from the Debt Service fund created for this project. The bonds mature on December 1, 2036.

On April 6, 2017, the City issued $4,250,000 capital improvement and sewer refunding bonds - series 2017 in order to advance refund a portion of the series 2010 S. Shaffer Park Drive, Riverfront and sewer improvement general obligation bonds. The bonds bear interest rates ranging from 2.00% to 3.25% and mature on December 1, 2030. The refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the defeased debt at December 31, 2017, is $3,745,000.

The reacquisition price exceeded the net carrying amount of the old debt by $418,382. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce the combined total debt service payments over the life of the debt issuance by $248,463 and resulted in an economic gain of $213,412.

<u>OWDA Loans</u> - 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, 2017, the City had outstanding borrowings of $1,137,571.

The City has pledged future sewer revenues to repay OWDA loans. The loans are payable solely from sewer fund revenues and are payable through December 2032. Annual principal and interest payments on the loans are estimated to be 2.61 percent of net revenues and 1.57 percent of total operating revenues. The total principal and interest remaining to be paid on the loans is $1,405,965. Principal and interest paid for the current year were $93,731, net revenues were $3,586,675 and total operating revenues were $5,966,812.

<u>OPWC Loan</u> – In 2016 the City entered into a loan agreement with OPWC for repair of Sandusky Street. The interest-free loan requires semi-annual payments each January 1 and July 1 and matures on January 31, 2047.

<u>Compensated absences</u> - Compensated absences will be paid from the fund from which the employee is paid, which for the City, is primarily the General, Street Construction, Maintenance and Repair, Park and Recreation, Municipal Court Probation Services, Sidewalk Improvement and Sewer funds.

B. The future annual debt service requirements to maturity for the City's debt outstanding as of December 31, 2017 are as follows:

	Governmental Activities			Governmental Activities		
Year Ended	General Obligations Principal	General Obligations Interest	Total	OPWC Principal	OPWC Interest	Total
2018	$ 185,000	$ 121,770	$ 306,770	$ 6,460	$ -	$ 6,460
2019	190,000	116,371	306,371	6,460	-	6,460
2020	200,000	111,205	311,205	6,460	-	6,460
2021	205,000	105,151	310,151	6,460	-	6,460
2022	210,000	98,538	308,538	6,461	-	6,461
2023 - 2027	1,125,000	414,290	1,539,290	32,301	-	32,301
2028 - 2032	940,000	240,226	1,180,226	32,300	-	32,300
2033 - 2037	525,000	126,175	651,175	32,300	-	32,300
2038 - 2042	485,000	36,900	521,900	32,300	-	32,300
2033 - 2047	-	-	-	29,070	-	29,070
Totals	$ 4,065,000	$ 1,370,626	$ 5,435,626	$ 190,572	$ -	$ 190,572

	Governmental Activities		
Year Ended	Special Assessment Principal	Special Assessment Interest	Total
2018	$ 50,000	$ 2,800	$ 52,800

	Business-Type Activities			Business-Type Activities		
Year Ended	General Obligations Principal	General Obligations Interest	Total	OWDA Principal	OWDA Interest	Total
2018	$ 590,000	$ 197,645	$ 787,645	$ 61,747	$ 31,984	$ 93,731
2019	600,000	180,485	780,485	63,519	30,212	93,731
2020	620,000	165,699	785,699	65,343	28,388	93,731
2021	630,000	148,150	778,150	67,218	26,513	93,731
2022	655,000	128,900	783,900	69,148	24,583	93,731
2023 - 2027	3,070,000	398,550	3,468,550	376,672	91,983	468,655
2028 - 2032	935,000	63,275	998,275	433,924	34,731	468,655
Totals	$ 7,100,000	$ 1,282,704	$ 8,382,704	$ 1,137,571	$ 268,394	$ 1,405,965

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, 2017, the City's total debt margin was $16,069,011 and the unvoted debt margin was $14,261,623.

NOTE 14 – CAPITAL LEASES - LESSEE DISCLOSURE

In a prior year the City entered into a capital lease agreement for turnout gear for the fire department. The equipment did not meet the City's capitalization threshold, therefore no capital assets are recorded on the statement of net position. A liability of $51,650 was recorded in the statement of net position, which represents the present value the minimum lease payments at the time of acquisition. Principal payments in 2017 totaled $9,712 from the General fund.

In a prior year the City entered into a capital lease agreement for a street sweeper. Capital assets consisting of equipment have been capitalized in the amount of $240,268. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2017 was $161,187, leaving a current book value of $79,081. A corresponding liability was recorded in the statement of net position. Principal payments in 2017 totaled $36,890 from the General Capital Improvement fund (a nonmajor governmental fund) and $36,890 from the Sewer fund.

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

Year	Governmental Activities
2018	$ 11,313
2019	11,313
2020	11,314
Total minimum lease payments	33,940
Less: Amounts representing interest	(2,478)
Present value of minimum lease payments	$ 31,462

NOTE 15 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability/Asset

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

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	**Group B** 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	**Group C** Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	**Public Safety**	**Public Safety**
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	**Age and Service Requirements:** Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	**Age and Service Requirements:** Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	**Law Enforcement**	**Law Enforcement**
Age and Service Requirements: Age 52 with 15 years of service credit	**Age and Service Requirements:** Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	**Age and Service Requirements:** Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	**Public Safety and Law Enforcement**	**Public Safety and Law Enforcement**
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	**Formula:** 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	**Formula:** 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

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

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

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3.00% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 2.25%.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.00% to the member's FAS for the first 30 years of service.

A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.00% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 2.25% COLA adjustment on the defined benefit portion of their benefit.

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS's Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS CAFR.

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

	State and Local
2017 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2017 Actual Contribution Rates	
Employer:	
Pension	13.0 %
Post-employment Health Care Benefits	1.0 %
Total Employer	14.0 %
Employee	10.0 %

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

The City's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was $423,058 for 2017. Of this amount, $54,074 is reported as due to other governments.

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

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

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.50% for each of the first 20 years of service credit, 2.00% for each of the next five years of service credit and 1.50% for each year of service credit in excess of 25 years. The maximum pension of 72.00% of the allowable average annual salary is paid after 33 years of service credit.

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

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

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

	Police	Firefighters
2017 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2017 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50 %	0.50 %
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OP&F was $937,826 for 2017. Of this amount $116,788 is reported as due to other governments.

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

The net pension liability and net pension asset for the OPERS Traditional Pension Plan, Combined Plan and Member-Directed Plan, respectively, were measured as of December 31, 2016, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. OP&F’s total pension liability was measured as of December 31, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. The City's proportion of the net pension liability or asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS - Traditional	OPERS - Combined	OPERS - Member-Directed	OP&F	Total
Proportion of the net pension liability/asset prior measurement date	0.02297900%	0.02115000%	0.02385500%	0.20167500%	
Proportion of the net pension liability/asset current measurement date	0.02382100%	0.04400200%	0.02662800%	0.20636900%	
Change in proportionate share	0.00084200%	0.02285200%	0.00277300%	0.00469400%	
Proportionate share of the net pension liability	$ 5,409,344	$ -	$ -	$ 13,071,183	$ 18,480,527
Proportionate share of the net pension asset	-	24,490	111	-	24,601
Pension expense	1,191,498	17,693	137	1,726,545	2,935,873

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS - Traditional	OPERS - Combined	OPERS - Member-Directed	OP&F	Total
Deferred outflows of resources					
Differences between expected and actual experience	$ 7,331	$ -	$ 1,129	$ 3,698	$ 12,158
Net difference between projected and actual earnings on pension plan investments	805,575	5,974	96	1,271,117	2,082,762
Changes of assumptions	857,988	5,969	124	-	864,081
Changes in employer's proportionate percentage/ difference between employer contributions	94,680	-	-	503,572	598,252
City contributions subsequent to the measurement date	386,724	21,400	14,934	937,826	1,360,884
Total deferred outflows of resources	$ 2,152,298	$ 33,343	$ 16,283	$ 2,716,213	$ 4,918,137

	OPERS - Traditional	OPERS - Combined	OPERS - Member-Directed	OP&F	Total
Deferred inflows of resources					
Differences between expected and actual experience	$ 32,194	$ 12,525	$ -	$ 30,095	$ 74,814
Total deferred outflows of resources	$ 32,194	$ 12,525	$ -	$ 30,095	$ 74,814

$1,360,884 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/asset in the year ending December 31, 2018.

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

	OPERS - Traditional	OPERS - Combined	OPERS - Member-Directed	OP&F	Total
Year Ending December 31:					
2018	$ 727,273	$ 1,161	$ 198	$ 595,558	$ 1,324,190
2019	740,116	1,159	198	595,555	1,337,028
2020	289,603	902	193	478,502	769,200
2021	(23,612)	(1,213)	156	24,699	30
2022	-	(994)	161	50,235	49,402
Thereafter	-	(1,597)	443	3,743	2,589
Total	$ 1,733,380	$ (582)	$ 1,349	$ 1,748,292	$ 3,482,439

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the Board's actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, for the defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Wage inflation	3.25%
Future salary increases, including inflation	3.25% to 10.75% including wage inflation
COLA or ad hoc COLA	3.00%, simple through 2018, then 2.15% simple
Investment rate of return	7.50%
Actuarial cost method	Individual entry age

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

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

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3% for 2016.

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	23.00 %	2.75 %
Domestic equities	20.70	6.34
Real estate	10.00	4.75
Private equity	10.00	8.97
International equities	18.30	7.95
Other investments	18.00	4.92
Total	100.00 %	5.66 %

Discount Rate **-** The discount rate used to measure the total pension liability/asset was 7.50%, post-experience study results, for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. A discount rate of 8.00% was used in the previous measurement period. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the City's proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 7.50%, as well as what the City's proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (6.50%) or one-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	$ 8,263,981	$ 5,409,344	$ 3,030,508
Combined Plan	1,760	(24,490)	(44,882)
Member-Directed Plan	266	(111)	(266)

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2016 is based on the results of an actuarial valuation date of January 1, 2016, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2016, are presented below:

Valuation date	January 1, 2016
Actuarial cost method	Entry age normal
Investment rate of return	8.25%
Projected salary increases	4.25% - 11.00%
Payroll increases	3.75%
Inflation assumptions	3.25%
Cost of living adjustments	2.60% and 3.00% simple

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

The most recent experience study was completed for the five-year period ended December 31, 2016. The recommended assumption changes based on this experience study were adopted by OPF's Board and were effective beginning with the January 1, 2017 actuarial valuation.

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

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2016 are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return **
Cash and Cash Equivalents	- %	
Domestic Equity	16.00	5.21 %
Non-US Equity	16.00	5.40
Core Fixed Income *	20.00	2.37
Global Inflation Protected Securities *	20.00	2.33
High Yield	15.00	4.48
Real Estate	12.00	5.65
Private Markets	8.00	7.99
Timber	5.00	6.87
Master Limited Partnerships	8.00	7.36
Total	120.00 %	

Note: assumptions are geometric.
* levered 2x
** numbers include inflation

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

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

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

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	$ 17,409,297	$ 13,071,183	$ 9,394,614

Changes Between Measurement Date and Report Date - In October 2017, the OP&F Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of January 1, 2017. The most significant change is a reduction in the discount rate from 8.25% to 8.00%. Although the exact amount of these changes is not known, it has the potential to impact the City's net pension liability.

NOTE 16 – POSTEMPLOYMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

Plan Description - OPERS administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. This trust is also used to fund health care for Member Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2016 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code.

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2017, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan and Combined Plan for 2017 was 1.00%.

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

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2017, 2016, and 2015 were $37,368, $71,593, and $58,512, respectively; 88.26% has been contributed for 2017 and 100% has been contributed for 2016 and 2017. The remaining 2017 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements.

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

B. Ohio Police and Fire Pension Fund

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

OP&F provides access to post-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was 0.50% of covered payroll from January 1, 2017 thru December 31, 2017. 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 $9,623 and $12,173 for the year ended December 31, 2017, $9,463 and $11,901 for the year ended December 31, 2016, and $8,971 and $11,373, for the year ended December 31, 2015. 100% has been contributed for 2016 and 2015. 88.06% has been contributed for police and 87.68% has been contributed for firefighters for 2017. The remaining 2017 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements.

NOTE 17 – BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

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

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

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

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

Net Change in Fund Balance

	General fund
Budget basis	$ (1,086,179)
Net adjustment for revenue accruals	(1,197,280)
Net adjustment for expenditure accruals	6,840
Net adjustment for other financing sources/uses	1,508,840
Funds budgeted elsewhere	(78)
Adjustment for encumbrances	524,702
GAAP basis	$ (243,155)

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.

NOTE 18 – FUND BALANCE

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

Fund balance	General	Joint Justice Center	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Materials and supplies inventory	$ 26,578	$ -	$ 60,029	$ 86,607
Prepayments	66,744	-	13,591	80,335
Total nonspendable	93,322	-	73,620	166,942
Restricted:				
Debt service	-	-	24,308	24,308
Capital improvements	-	-	414,769	414,769
Transportation projects	-	-	454,349	454,349
Municipal court	-	-	546,875	546,875
Security of persons and property	-	-	422,356	422,356
Community environment	-	-	160,007	160,007
Economic development and assistance	-	-	114,124	114,124
Urban redevelopment	-	-	797,288	797,288
Permanent fund	-	-	27,947	27,947
Other purposes	-	-	16,405	16,405
Total restricted	-	-	2,978,428	2,978,428
Committed:				
Capital improvements	-	135,079	664,493	799,572
General government	176,762	-	-	176,762
Public safety	76,385	-	8,627	85,012
Community environment	36,716	-	-	36,716
Flexible spending plan	38,618	-	-	38,618
Leisure-time activities	-	-	162,377	162,377
Economic development and assistance	-	-	23,454	23,454
Total committed	328,481	135,079	858,951	1,322,511
Assigned:				
Subsequent year appropriation	846,092	-	-	846,092
Total assigned	846,092	-	-	846,092
Unassigned (deficit)	1,719,076	-	(547,083)	1,171,993
Total fund balances	$ 2,986,971	$ 135,079	$ 3,363,916	$ 6,485,966

NOTE 19 – CONTINGENT LIABILITIES

A. Federal and State Grants

The City participates in several federally assisted programs. These programs are subject to financial and compliance audits by grantor agencies or their representative. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City 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 management, the resolution of these matters will not have a material adverse effect on the City's financial condition.

NOTE 20 – OTHER COMMITMENTS

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

Fund	
General fund	$ 434,077
Nonmajor governmental	514,615
Total	$ 948,692

NOTE 21 – TAX ABATEMENTS AND TAX CREDITS

The City was part of multiple Enterprise Zone (EZ) tax abatement agreements with local businesses. Under the authority of ORC Sections 5709.62 and 5709.63, the EZ program is an economic development tool administered by municipal and county governments that provides real and personal property tax exemptions to businesses making investments in Ohio. An EZ is a designated area of land in which businesses can receive tax incentives in the form of tax exemptions on qualifying new investment. An EZ's geographic area is identified by the local government involved in the creation of the zone. Once the zone is defined, the local legislative authority participating in the creation must petition the OSDA. The OSDA must then certify the area for it to become an active Enterprise Zone. The local legislative authority negotiates the terms of the Enterprise Zone Agreement (the Agreement) with the business, which may include tax sharing with the Board of Education. Legislation must then be passed to approve the Agreement. All Agreements must be finalized before the project begins and may contain provisions for the recoupment of taxes should the individual or entity fail to perform. The amount of the abatement is deducted from the business's property tax bill. The total taxes abated by the EZ agreements in 2017 amounted to $391.

The City entered into multiple property tax abatement agreements with property owners under The Ohio Community Reinvestment Area (CRA) program. Under the authority of Ohio Revised Code (ORC) Section 3735.67, the CRA program is an economic development tool administered by municipal and county governments that provides real property tax exemptions for property owners who renovate existing or construct new buildings. CRA's are areas of land in which property owners can receive tax incentives for investing in real property improvements. Under the CRA program, local governments petition to the Ohio Development Services Agency (ODSA) for confirmation of a geographical area in which investment in housing is desired. Once an area is confirmed by the ODSA, local governments may offer real property tax exemptions to taxpayers that invest in that area. Property owners in the CRA can receive temporary tax abatements for renovation of existing structures and new construction in these areas. Property owners apply to the local legislative authority for approval to renovate or construct in the CRA. Upon approval and certification of completion, the amount of the abatement is deducted from the individual or entity's property tax bill. The total taxes abated by the CRA agreements in 2017 amounted to $14,798.

The City, by Ordinance, may grant a refundable or nonrefundable credit against its tax on income to a taxpayer to foster job creation and/or for the purpose of fostering job retention in the City. Before the City passes an Ordinance granting a credit and/or allowing such a credit, the City and the taxpayer shall enter into an agreement specifying all the conditions of the credit. There were no taxes abated by these agreements in 2017.

NOTE 22 – SUBSEQUENT EVENTS

On March 12, 2018 the City approved issuing $3,900,000 bonds for a street project.

CITY OF TIFFIN
SENECA COUNTY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR YEARS

	2017	2016	2015	2014
Traditional Plan:				
City's proportion of the net pension liability	0.023821%	0.022979%	0.022409%	0.022409%
City's proportionate share of the net pension liability	$ 5,409,344	$ 3,980,252	$ 2,702,776	$ 2,641,729
City's covered payroll	$ 3,097,367	$ 2,925,617	$ 2,762,925	$ 2,631,362
City's proportionate share of the net pension liability as a percentage of its covered payroll	174.64%	136.05%	97.82%	100.39%
Plan fiduciary net position as a percentage of the total pension liability	77.25%	81.08%	86.45%	86.36%
Combined Plan:				
City's proportion of the net pension asset	0.044002%	0.021150%	n/a	n/a
City's proportionate share of the net pension asset	$ 24,490	$ 10,292	n/a	n/a
City's covered payroll	$ 171,275	$ 72,108	n/a	n/a
City's proportionate share of the net pension asset as a percentage of its covered payroll	14.30%	14.27%	n/a	n/a
Plan fiduciary net position as a percentage of the total pension asset	116.55%	116.90%	n/a	n/a
Member Directed Plan:				
City's proportion of the net pension asset	0.026628%	0.023855%	n/a	n/a
City's proportionate share of the net pension asset	$ 111	$ 91	n/a	n/a
City's covered payroll	$ 109,433	$ 132,858	n/a	n/a
City's proportionate share of the net pension asset as a percentage of its covered payroll	0.10%	0.07%	n/a	n/a
Plan fiduciary net position as a percentage of the total pension asset	103.40%	103.91%	n/a	n/a

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TIFFIN
SENECA COUNTY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR YEARS

	2017	2016	2015	2014
City's proportion of the net pension liability	0.20636900%	0.20167500%	0.19261590%	0.19261590%
City's proportionate share of the net pension liability	$ 13,071,183	$ 12,973,937	$ 9,978,307	$ 9,380,998
City's covered payroll	$ 4,222,823	$ 866,458	$ 3,786,299	$ 3,374,607
City's proportionate share of the net pension liability as a percentage of its covered payroll	309.54%	1497.35%	263.54%	277.99%
Plan fiduciary net position as a percentage of the total pension liability	68.36%	66.77%	72.20%	73.00%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TIFFIN
SENECA COUNTY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	2017	2016	2015	2014
Traditional Plan:				
Contractually required contribution	$ 386,724	$ 371,684	$ 351,074	$ 331,551
Contributions in relation to the contractually required contribution	(386,724)	(371,684)	(351,074)	(331,551)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
City's covered payroll	$ 2,974,800	$ 3,097,367	$ 2,925,617	$ 2,762,925
Contributions as a percentage of covered payroll	13.00%	12.00%	12.00%	12.00%
Combined Plan:				
Contractually required contribution	$ 21,400	$ 20,553	$ 8,653	$ 2,124
Contributions in relation to the contractually required contribution	(21,400)	(20,553)	(8,653)	(2,124)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
City's covered payroll	$ 164,615	$ 171,275	$ 72,108	$ 17,700
Contributions as a percentage of covered payroll	13.00%	12.00%	12.00%	12.00%
Member Directed Plan:				
Contractually required contribution	$ 14,934	$ 13,132	$ 15,943	
Contributions in relation to the contractually required contribution	(14,934)	(13,132)	(15,943)	
Contribution deficiency (excess)	$ -	$ -	$ -	
City's covered payroll	$ 149,340	$ 109,433	$ 132,858	
Contributions as a percentage of covered payroll	10.00%	12.00%	12.00%	

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

	2013	2012	2011	2010	2009	2008
	$ 342,077	$ 226,896	$ 231,690	$ 273,998	$ 254,424	$ 235,389
	(342,077)	(226,896)	(231,690)	(273,998)	(254,424)	(235,389)
	$ -	$ -	$ -	$ -	$ -	$ -
	$ 2,631,362	$ 2,268,960	$ 2,316,900	$ 3,072,875	$ 3,131,372	$ 3,362,700
	13.00%	10.00%	10.00%	8.92%	8.13%	7.00%
	$ -	$ 403	$ 395	$ -	$ -	$ -
	-	(403)	(395)	-	-	-
	$ -	$ -	$ -	$ -	$ -	$ -
	$ -	$ 5,069	$ 4,969	$ -	$ -	$ -
	13.00%	7.95%	7.95%	9.69%	8.13%	7.00%

CITY OF TIFFIN
SENECA COUNTY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	2017	2016	2015	2014
Police:				
Contractually required contribution	$ 365,687	$ 350,117	$ 331,911	$ 314,016
Contributions in relation to the contractually required contribution	(365,687)	(350,117)	(331,911)	(314,016)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
City's covered payroll	$ 1,924,668	$ 1,842,721	$ 1,746,900	$ 1,652,716
Contributions as a percentage of covered payroll	19.00%	19.00%	19.00%	19.00%
Fire:				
Contractually required contribution	$ 572,139	$ 559,324	$ 534,547	$ 501,392
Contributions in relation to the contractually required contribution	(572,139)	(559,324)	(534,547)	(501,392)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
City's covered payroll	$ 2,434,634	$ 2,380,102	$ 2,274,668	$ 2,133,583
Contributions as a percentage of covered payroll	23.50%	23.50%	23.50%	23.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2013		2012		2011		2010		2009		2008	
$	241,806	$	196,894	$	205,579	$	213,580	$	219,228	$	229,973
	(241,806)		(196,894)		(205,579)		(213,580)		(219,228)		(229,973)
$	-	$	-	$	-	$	-	$	-	$	-
$	1,522,388	$	1,544,267	$	1,612,384	$	1,675,137	$	1,719,435	$	1,803,710
	15.88%		12.75%		12.75%		12.75%		12.75%		12.75%
$	377,544	$	355,925	$	375,264	$	352,641	$	361,554	$	369,195
	(377,544)		(355,925)		(375,264)		(352,641)		(361,554)		(369,195)
$	-	$	-	$	-	$	-	$	-	$	-
$	1,852,219	$	2,063,333	$	2,175,443	$	2,044,296	$	2,095,965	$	2,140,261
	20.38%		17.25%		17.25%		17.25%		17.25%		17.25%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2017.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2017.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2017. See the notes to the basic financial statements for the methods and assumptions in this calculation.

CITY OF TIFFIN
SENECA COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

FEDERAL GRANTOR ***Pass Through Grantor*** **Program / Cluster Title**	**Federal CFDA Number**	**Pass Through Entity Identifying Number**	**Total Federal Expenditures**
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through Ohio Development Services Agency			
Community Development Block Grants State's Program	14.228	A-D-14-2DX-1	$58,367
Community Development Block Grants State's Program	14.228	A-F-16-2DX-1	21,659
Total U.S. Department of Housing and Urban Development			80,026
U.S. DEPARTMENT OF JUSTICE			
Passed Through Ohio Department of Criminal Justice			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-JG-A02-6089	7,605
U.S. DEPARTMENT OF TRANSPORTATION			
Passed Through Ohio Department of Transportation			
Highway Planning and Construction Cluster:	20.205	80526	74,197
Highway Planning and Construction Grant	20.205	98722	290,544
Highway Planning and Construction Grant	20.205	97342	523,239
Highway Planning and Construction Grant	20.205	100391	12,904
Total U.S. Department of Transportation			900,884
Total Expenditures of Federal Awards			**$988,515**

The accompanying notes are an integral part of this schedule.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Tiffin (the City's) under programs of the federal government for the year ended December 31, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D – SUBRECIPIENTS

The City did not provide funds to subrecipients during the 2017 audit period.

NOTE E – COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) and HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME) GRANT PROGRAMS with REVOLVING LOAN CASH BALANCE

The current cash balance on the City's CHIP Revolving loan account as of December 31, 2017 is $113,624.

NOTE F – MATCHING REQUIREMENTS

Certain Federal programs require the City to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

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

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

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tiffin, Seneca County, Ohio (the City) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 19, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Dave Yost

Dave Yost
Auditor of State

Columbus, Ohio

December 19, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the City Council:

Report on Compliance for the Major Federal Program

We have audited the City of Tiffin, Seneca County, Ohio's (the City) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the City of Tiffin's major federal program for the year ended December 31, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the City's major federal program.

Management's Responsibility

The City's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the City's compliance for the City's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the City of Tiffin complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2017.

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www.ohioauditor.gov

Report on Internal Control Over Compliance

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

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

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

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

Dave Yost

Dave Yost
Auditor of State

Columbus, Ohio

December 19, 2018

CITY OF TIFFIN
SENECA COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2017

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material weaknesses in internal control reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	Highway Planning and Construction Cluster
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR § 200.520?**	No

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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Dave Yost · Auditor of State

CITY OF TIFFIN

SENECA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 27, 2018

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