CITY OF FOSTORIA
SENECA COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 1999

JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

CITY OF FOSTORIA
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REPORT OF INDEPENDENT ACCOUNTANTS

City of Fostoria
Seneca County
213 South Main Street
P.O. Box 1007
Fostoria, Ohio 44830-1007

To the City Council:

We have audited the accompanying general-purpose financial statements of the City of Fostoria, Seneca County, (the City) as of and for the year ended December 31, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Fostoria, Seneca County, as of December 31, 1999, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2000 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

September 18, 2000

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CITY OF FOSTORIA
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in pooled cash, cash equivalents and investments	$344,848	$1,407,661	$27,957	$220,826
Equity in pooled cash, cash equivalents and investments - nonexpendable trust fund				
Cash with fiscal agent	851	148,973	1,051	
Cash in segregated accounts				
Receivables (net of allowances for uncollectibles):				
Taxes	1,403,262	106,379		
Accounts	2,133			1,671
Accrued interest	9,994			
Loans		315,002		
Mortgage		863,300		
Special assessments			198,868	590,686
Advances to other funds	223,250			
Due from other funds	14,877	2,851		
Due from other governments	35,745	36,481		
Prepayments	14,004	7,574		
Materials and supplies inventory		57,319		
Unamortized bond issue costs				
Deferred charges				
Property, plant and equipment (net of accumulated depreciation where applicable)				
Other debits:				
Amount available in debt service fund				
Amount to be provided from special assessments				
Amount to be provided for retirement of general long-term obligations				
Total assets and other debits	**$2,048,964**	**$2,945,540**	**$227,876**	**$813,183**

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Total (Memorandum Only)
$1,006,857	$13,175	$28,661			$3,049,985
		216,142			216,142
					150,875
		34,007			34,007
					1,509,641
664,928					668,732
					9,994
					315,002
					863,300
					789,554
					223,250
					17,728
					72,226
2,402	102				24,082
101,160					158,479
95,099					95,099
217,512					217,512
22,817,496			$13,132,465		35,949,961
				$27,957	27,957
				471,037	471,037
				705,388	705,388
$24,905,454	**$13,277**	**$278,810**	**$13,132,465**	**$1,204,382**	**$45,569,951**

(Continued)

CITY OF FOSTORIA
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 1999
(Continued)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable	$49,935	$7,339		$15,079
Accrued wages and benefits	109,345	10,611		
Compensated absences payable	15,212	3,335		
Pension obligation payable	183,635	12,661		
Deferred revenue	774,301	106,379	$198,868	590,686
Due to other governments	1,128			
Advances from other funds				150,000
Matured bonds payable			1,051	
Claims and judgements payable				
Due to other funds				
Deposits held and due to others				
Capital lease obligations				
Notes payable				
Refunding bonds payable				
Special assessment debt with government commitment				
OWDA loan payable				
OPWC loan payable				
Total liabilities	1,133,556	140,325	199,919	755,765
Equity and other credits:				
Investment in general fixed assets				
Contributed capital				
Retained earnings - unreserved				
Accumulated deficit				
Fund balances:				
Reserved for encumbrances		3,655		333,846
Reserved for principal endowment				
Reserved for materials and supplies inventory		57,319		
Reserved for loans		315,002		
Reserved for advances	223,250			
Reserved for budget stabilization	255,161			
Reserved for prepayments	14,004	7,574		
Reserved for termination benefits		168,378		
Reserved for mortgage receivable		863,300		
Reserved for debt service			27,957	
Unreserved-undesignated	422,993	1,389,987		(276,428)
Total equity and other credits	915,408	2,805,215	27,957	57,418
Total liabilities, equity and other credits	**$2,048,964**	**$2,945,540**	**$227,876**	**$813,183**

The notes to the general-purpose financial statements are an integral part of this statement.

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Total (Memorandum Only)
$46,926	$4,043				$123,322
41,862	1,185				163,003
231,308	1,234			$495,939	747,028
53,728	1,281				251,305
					1,670,234
9,000		$12,516			22,644
	73,250				223,250
					1,051
	84,119				84,119
		17,728			17,728
		18,549			18,549
37,292				24,600	61,892
				34,305	34,305
3,160,000					3,160,000
				498,994	498,994
4,799,522					4,799,522
62,471				150,544	213,015
8,442,109	165,112	48,793		1,204,382	12,089,961
			$13,132,465		13,132,465
8,477,288					8,477,288
7,986,057					7,986,057
	(151,835)				(151,835)
					337,501
		216,142			216,142
					57,319
					315,002
					223,250
					255,161
					21,578
					168,378
					863,300
					27,957
		13,875			1,550,427
16,463,345	(151,835)	230,017	13,132,465		33,479,990
$24,905,454	**$13,277**	**$278,810**	**$13,132,465**	**$1,204,382**	**$45,569,951**

CITY OF FOSTORIA
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1999

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
Municipal income tax	$5,645,766	
Property and other taxes	651,901	$100,357
Charges for services	56,599	44,616
Licenses, permits and fees	23,640	
Fines and forfeitures	188,186	6,529
Special assessments		
Intergovernmental	928,903	555,253
Investment income	219,839	39,740
Other	275,140	123,229
Total revenue	7,989,974	869,724
Expenditures:		
Current Operations:		
General government	1,317,235	1,159
Security of persons and property	4,080,358	108,881
Public health and welfare	322,293	13,108
Transportation	46,931	709,264
Community environment	277,201	132,866
Leisure time activity	256,879	110
Capital outlay		39,816
Debt service:		
Principal retirement	4,227	5,514
Interest and fiscal charges	1,205	917
Total expenditures	6,306,329	1,011,635
Excess of revenues over (under) expenditures	1,683,645	(141,911)
Other financing sources (uses):		
Proceeds from sale of fixed assets	76,250	
Operating transfers in	55,480	357,472
Operating transfers out	(1,519,000)	(65,641)
Total other financing sources (uses)	(1,387,270)	291,831
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	296,375	149,920
Fund balances, January 1 (Restated)	619,033	2,655,526
Decrease in reserve for inventory		(231)
Fund balances, December 31	**$915,408**	**$2,805,215**

The notes to the general-purpose financial statements are an integral part of this statement.

Governmental Fund Types		Fiduciary Fund Type	
Debt Service	Capital Projects	Expendable Trust	Total (Memorandum Only)
			$5,645,766
			752,258
	$1,671		102,886
			23,640
			194,715
$35,223	40,035		75,258
	287,205		1,771,361
			259,579
	37,327		435,696
35,223	366,238		9,261,159
			1,318,394
			4,189,239
		$242	335,643
			756,195
			410,067
			256,989
	1,604,280		1,644,096
167,985	4,069		181,795
17,092			19,214
185,077	1,608,349	242	9,111,632
(149,854)	(1,242,111)	(242)	149,527
			76,250
150,960	1,048,556		1,612,468
	(27,827)		(1,612,468)
150,960	1,020,729		76,250
1,106	(221,382)	(242)	225,777
26,851	278,800	14,117	3,594,327
			(231)
$27,957	**$57,418**	**$13,875**	**$3,819,873**

CITY OF FOSTORIA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Income taxes	$5,703,237	$5,589,996	($113,241)			
Property and other taxes	665,107	651,901	(13,206)	$101,388	$100,357	($1,031)
Charges for services	57,746	56,599	(1,147)	36,617	43,116	6,499
Licenses, permits and fees	24,119	23,640	(479)			
Fines and forfeitures	193,242	189,405	(3,837)	7,973	6,544	(1,429)
Intergovernmental	964,717	945,562	(19,155)	532,196	529,688	(2,508)
Special assessments						
Investment income	260,896	255,716	(5,180)	35,518	39,740	4,222
Other	226,933	222,427	(4,506)	271,407	297,292	25,885
Total revenues	8,095,997	7,935,246	(160,751)	985,098	1,016,737	31,639
Expenditures:						
Current:						
General government	1,345,859	1,329,108	16,751	25,000	1,076	23,924
Security of persons and property	4,144,903	4,102,595	42,308	110,000	108,881	1,119
Public health and welfare	329,142	325,504	3,638	24,100	19,339	4,761
Transportation	49,440	47,641	1,799	798,355	795,527	2,828
Community environment	284,130	283,055	1,075	197,769	179,195	18,574
Leisure time activity	257,703	255,666	2,037	7,254	7,214	40
Capital outlay				41,360	41,351	9
Debt service:						
Principal retirement						
Interest and fiscal charges						
Total expenditures	6,411,177	6,343,569	67,608	1,203,838	1,152,583	51,255
Excess of revenues over (under) expenditures	1,684,820	1,591,677	(93,143)	(218,740)	(135,846)	82,894
Other financing sources (uses):						
Proceeds from sale of fixed assets	77,794	76,250	(1,544)			
Operating transfers in	448,726	439,816	(8,910)	357,435	357,472	37
Operating transfers (out)	(1,977,250)	(1,851,750)	125,500	(61,032)	(59,604)	1,428
Total other financing sources (uses)	(1,450,730)	(1,335,684)	115,046	296,403	297,868	1,465
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	234,090	255,993	21,903	77,663	162,022	84,359
Fund balances, January 1	65,991	65,991		1,089,872	1,089,872	
Prior year encumbrances appropriated	13,208	13,208		150,387	150,387	
Fund balances, December 31	**$313,289**	**$335,192**	**$21,903**	**$1,317,922**	**$1,402,281**	**$84,359**

The notes to the general-purpose financial statements are an integral part of this statement.

Debt Service			Capital Projects			Totals (Memorandum Only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
						$5,703,237	$5,589,996	($113,241)
						766,495	752,258	(14,237)
						94,363	99,715	5,352
						24,119	23,640	(479)
						201,215	195,949	(5,266)
			$54,930	$50,839	($4,091)	1,551,843	1,526,089	(25,754)
$42,000	$35,223	($6,777)	109,674	106,286	(3,388)	151,674	141,509	(10,165)
						296,414	295,456	(958)
			246,557	207,442	(39,115)	744,897	727,161	(17,736)
42,000	35,223	(6,777)	411,161	364,567	(46,594)	9,534,256	9,351,773	(182,483)
						1,370,859	1,330,184	40,675
						4,254,903	4,211,476	43,427
						353,242	344,843	8,399
						847,795	843,168	4,627
						481,899	462,250	19,649
						264,957	262,880	2,077
			2,058,092	1,966,432	91,660	2,099,452	2,007,783	91,669
165,290	165,244	46				165,290	165,244	46
20,156	19,833	323				20,156	19,833	323
185,446	185,077	369	2,058,092	1,966,432	91,660	9,858,553	9,647,661	210,892
(143,446)	(149,854)	(6,408)	(1,646,931)	(1,601,865)	45,066	(324,297)	(295,888)	28,409
						77,794	76,250	(1,544)
150,000	150,960	960	1,065,111	982,625	(82,486)	2,021,272	1,930,873	(90,399)
			(27,828)	(27,827)	1	(2,066,110)	(1,939,181)	126,929
150,000	150,960	960	1,037,283	954,798	(82,485)	32,956	67,942	34,986
6,554	1,106	(5,448)	(609,648)	(647,067)	(37,419)	(291,341)	(227,946)	63,395
26,851	26,851		(31,996)	(31,996)		1,150,718	1,150,718	
			550,664	550,964	300	714,259	714,559	300
$33,405	**$27,957**	**($5,448)**	**($90,980)**	**($128,099)**	**($37,119)**	**$1,573,636**	**$1,637,331**	**$63,695**

CITY OF FOSTORIA
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1999

	Proprietary Fund Types		Fiduciary Fund Type	
	Enterprise	Internal Service	Nonexpendable Trust	Total (Memorandum Only)
Operating revenues:				
Charges for services	$3,357,765	$1,068,808	$6,863	$4,433,436
Other operating revenues	8,110			8,110
Total operating revenues	3,365,875	1,068,808	6,863	4,441,546
Operating expenses:				
Personal services	1,532,494	50,546		1,583,040
Contract services	191,252	1,764		193,016
Materials and supplies	153,830	56,147		209,977
Depreciation	643,151			643,151
Claims expense		968,842		968,842
Other operating expense	4,923			4,923
Total operating expenses	2,525,650	1,077,299		3,602,949
Operating income (loss)	840,225	(8,491)	6,863	838,597
Nonoperating revenues (expenses):				
Loss on sale of fixed assets	(240,658)			(240,658)
Interest expense and fiscal charges	(322,065)			(322,065)
Investment earnings		1,312		1,312
Total nonoperating revenues (expenses)	(562,723)	1,312		(561,411)
Net income (loss) before operating transfers	277,502	(7,179)	6,863	277,186
Operating transfers in	110,000			110,000
Operating transfers out	(110,000)			(110,000)
Net income (loss)	277,502	(7,179)	6,863	277,186
Addback of depreciation on assets acquired from contributed capital	169,878			169,878
Retained earnings/(accumulated deficit)/ fund balance at January 1 (restated)	7,538,677	(144,656)	209,279	7,603,300
Retained earnings/(accumulated deficit)/ fund balance at December 31	7,986,057	(151,835)	216,142	8,050,364
Contributed capital at January 1	3,072,107			3,072,107
Capital contributions from forgiveness of debt	4,500,000			4,500,000
Depreciation of fixed assets acquired by contributed capital	(169,878)			(169,878)
Capital contributions from other funds	857,036			857,036
Capital contributions from developers	218,023			218,023
Contributed capital at December 31	8,477,288			8,477,288
Total fund equity at December 31	**$16,463,345**	**($151,835)**	**$216,142**	**$16,527,652**

The notes to the general-purpose financial statements are an integral part of this statement.

CITY OF FOSTORIA
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1999

	Proprietary Fund Types		Fiduciary Fund Type	
	Enterprise	**Internal Service**	**Nonexpendable Trust**	**Total (Memorandum Only)**
Cash flows from operating activities:				
Cash received from charges for services	$3,337,105	$1,068,808	$6,863	$4,412,776
Cash received from other operations	8,110			8,110
Cash payments for personal services	(1,233,557)	(50,733)		(1,284,290)
Cash payments for contract services	(353,403)	(1,749)		(355,152)
Cash payments for materials and supplies	(276,335)	(52,391)		(328,726)
Cash payments for claims		(976,950)		(976,950)
Cash payments for other expenses	(4,923)			(4,923)
Net cash provided (used) by operating activities	1,476,997	(13,015)	6,863	1,470,845
Cash flows from noncapital financing activities:				
Transfers in from other funds	110,000			110,000
Transfers out to other funds	(110,000)			(110,000)
Net cash provided by noncapital financing activities				
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(1,011,129)			(1,011,129)
Principal payments-capital lease	(8,453)			(8,453)
Interest payments-capital lease	(2,410)			(2,410)
Principal retirement	(452,701)			(452,701)
Interest paid	(264,244)			(264,244)
Net cash used by capital and related financing activities	(1,738,937)			(1,738,937)
Cash flows from investing activities:				
Interest received		1,312		1,312
Net cash provided by investing activities		1,312		1,312
Net increase (decrease) in cash and cash equivalents	(261,940)	(11,703)	6,863	(266,780)
Cash and cash equivalents at January 1	1,268,797	24,878	209,279	1,502,954
Cash and cash equivalents at December 31	**$1,006,857**	**$13,175**	**$216,142**	**$1,236,174**

(Continued)

CITY OF FOSTORIA
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)

	Proprietary Fund Types		Fiduciary Fund Type	
	Enterprise	Internal Service	Nonexpendable Trust	Total (Memorandum Only)
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	$840,225	($8,491)	$6,863	$838,597
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	643,151			643,151
Changes in assets and liabilities:				
Decrease in materials and supplies inventory	9,050			9,050
Increase in accounts receivable	(20,660)			(20,660)
Decrease in prepayments	434	15		449
Increase in accounts payable	34,281	3,756		38,037
Decrease in claims payable		(8,108)		(8,108)
Decrease in accrued wages and benefits	(32,868)	(1,272)		(34,140)
Decrease in compensated absences payable	(55,800)	(30)		(55,830)
Increase in due to other governments	9,000			9,000
Increase in pension obligation payable	50,184	1,115		51,299
Net cash provided (used) by operating activities	**$1,476,997**	**($13,015)**	**$6,863**	**$1,470,845**
Noncash investing, capital, and financing activities:				
Contributed capital:				
From developers	$857,036			
From other funds	218,023			

The notes to the general-purpose financial statements are an integral part of this statement.

NOTE 1 - THE REPORTING ENTITY

The City of Fostoria (the City), located in Seneca County, is a politic and corporate body established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio and its charter. The City operates under a Council/Mayor form of government and provides the following services to its residents: public safety, public services, recreation and development.

The City includes in its reporting entity all funds, account groups, agencies and departments over which the City's executive or legislative branches (the Mayor or Council, respectively) exercise primary oversight responsibility. The City's reporting entity has been defined according to Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity. Based on application of the criteria set forth in GASB Statement No. 14, the City evaluated potential component units (PCU) for inclusion based on financial accountability, the nature and significance of their relationship to the City, and whether exclusion would cause the general-purpose financial statements to be misleading or incomplete. Among the factors considered were whether the City holds the PCU's corporate power, appoints a voting majority of the PCU's board, is able to impose its will on the PCU, or whether a financial benefit/burden relationship exists between the City and the PCU. To provide necessary services to its citizens, the City of Fostoria is divided into various departments including police, fire fighting and prevention, emergency medical services, street maintenance, parks and recreation, public service and planning, and zoning. The operation of each of these departments is directly controlled by the City through the budgetary process and therefore is included as a part of the reporting entity.

Based on the foregoing criteria, the financial activities of the following PCUs have been reflected in the accompanying financial statements as follows:

Jointly Governed Organizations

Fostoria Economic Development Corporation (FEDC) - The City of Fostoria is a participant in FEDC, which is an association of businesses and government within the City of Fostoria. The organization was formed for the purpose of fostering economic growth, encouraging new industries, and developing employment opportunities in the City of Fostoria. The governing board of FEDC includes two representatives of the City; in addition, the City Auditor sits on the finance committee. Financial information can be obtained from Dennis Hellman, who serves as director, at 121 North Main Street, Fostoria, Ohio 44830.

The City has entered into an open-ended mortgage with FEDC. Since November 1994, the City has loaned $863,300 for the purpose of building and maintaining a spec building in the Industrial Park of the City. Upon sale of the building to an industry, FEDC will repay the loan.

Related Organizations

Kaubisch Memorial Public Library - The Kaubisch Memorial Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the mayor of the City of Fostoria. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the City for operational subsidies. Although the City does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Kaubisch Memorial Public Library, c/o Clerk/Treasurer, at 205 Perry Street, Fostoria, Ohio 44830.

During the year ended December 31, 1999, the City collected an income tax for the purpose of supporting the Kaubisch Memorial Public Library. A total of $50,000 was paid to the Library.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and reporting practices of the City conform to generally accepted accounting principles (GAAP) as applicable to governmental entities. The following is a summary of its significant accounting policies:

A. Basis of Presentation - Fund Accounting

The accounts of the City are organized on the basis of fund or account groups, each of which is considered a separate account entity. The operations of each fund are accounted for with a set of self-balancing accounts which account for its assets, liabilities, fund equity, revenues, and expenditures/expenses, as appropriate.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts which records cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds themselves because they do not directly affect net expendable available financial resources. The following fund types and account groups are used by the City:

1. Governmental Fund Types

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the City's governmental fund types:

General Fund - This fund accounts for the general operating revenues and expenditures of the City not recorded elsewhere.

Special Revenue Funds - These funds are used to account for specific governmental revenues (other than for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Debt Service Funds - These funds are used to account for revenues received and used to pay principal and interest on debt reported to the City's general long-term obligations account group.

Capital Projects Funds - These funds are used to account for the acquisition or construction of major capital assets other than those financed by proprietary funds.

2. Proprietary Fund Types

The proprietary funds are used to account for the City's ongoing activities which are similar to those found in the private sector. The following are the City's proprietary fund types:

Enterprise Funds - These funds are established to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal Service Fund - This fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units, on a cost-reimbursement basis.

3. Fiduciary Fund Types

These funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The following are the City's fiduciary fund types:

Trust and Agency Funds - These funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and other funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for essentially the same manner as proprietary funds. Agency Funds have no measurement focus (i.e., assets equal liabilities), and are presented on a budgetary basis, with note disclosure, if applicable, regarding items which, in other funds, would be subject to accrual.

4. Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is used to present the general fixed assets of the City utilized in its general operations, exclusive of those accounted for in the enterprise funds. General fixed assets include land, buildings, building improvements, furniture and equipment owned by the City.

General Long-Term Obligations Account Group - This account group is used to account for all long-term obligations of the City, except those accounted for in the proprietary funds.

B. Basis of Accounting

The modified accrual basis of accounting is followed for the governmental funds and the expendable trust funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. Available means collectible within sixty days after year-end to be used to pay liabilities of the current year.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: reimbursements from other governments, amounts receivable from city income tax withholdings, charges for services, interest on investments and state-levied, locally-shared taxes. The City reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. Principal and interest on general and special assessment long-term debt are recorded as fund liabilities when due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds and the nonexpendable trust funds. Revenues are recognized when they are earned and become measurable and expenses are recognized when they are incurred, if measurable.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and the expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and nonexpendable trust funds are accounted for on a capital maintenance measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

C. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code (ORC) and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources. All funds, other than agency funds, legally are required to be budgeted and appropriated.

The legal level of budgetary control is at the object level within each department. Although statutes require that all funds be budgeted, it is not necessary to do so if City Council does not anticipate expenditure of the available funds.

Segregated cash accounts are not included in the budgetary presentation because they are not controlled by the City and the departments do not adopt separate budgets. Advances-in and advances-out are not required to be budgeted since they represent a cash flow resource. Budgetary modifications may only be made by resolution of the City Council.

1. Tax Budget

A budget of estimated revenues 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. The budget includes proposed expenditures and the means of financing for all funds. The express purpose of this budget document is to reflect the need for existing or increased tax rates.

2. Estimated Resources

The County Budget 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 about January 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal 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. 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 following fiscal year as authority for expenditure. Budgeted receipts as shown in the accompanying financial statements do not include January 1, 1999 unencumbered fund balances. However, those fund balances are available for appropriations.

3. Appropriations

Appropriation budgets are legally required for each organizational unit by major expenditure object. A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31.

An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified.

4. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the appropriated governmental and proprietary funds. Encumbrances outstanding at year-end are reported as reservations of fund balance for subsequent year expenditures on the modified accrual basis of accounting, compared to encumbrances outstanding at year-end reported as expenditures on the budget basis of accounting

Note 19 provides a reconciliation of the budget-basis and GAAP-basis of accounting.

D. Cash and Investments

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

During fiscal year 1999, investments were limited to STAR Ohio, U.S. Government Agency Securities, U.S. Treasury Notes, and a money market account.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit and repurchase agreements are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does not operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for December 31, 1999.

Following Ohio statutes and other legal provisions, the City Council has specified the funds to receive an allocation of interest earnings. The General fund was credited with more interest revenue than would have been received based upon its share of the City's internal investment pool during 1999 as follows:

	Interest Actually Received	Interest Based Upon Share of Cash Fund Balance	Interest Assigned from Other Funds
General	$219,839	$17,001	$202,838

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the County are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments, to the extent a specific fund has purchased the investment.

The City has segregated bank accounts for monies held separate from the City's central bank account. These interest bearing depository accounts are presented on the combined balance sheet as "cash with fiscal and escrow agents" or "cash in segregated accounts" since they are not required to be deposited into the City treasury.

The change in fair value of applicable investments during fiscal year 1999 per GASB Statement No. 31 is as follows:

Fair value at December 31, 1999	$1,488,746
Proceeds of investments sold and matured in fiscal year 1999	1,500,000
Cost of investments purchased in fiscal year 1999	(1,500,000)
Fair value at December 31, 1998	(1,505,890)
Change in fair value of investments during fiscal year 1999	$(17,144)

E. Inventories of Materials and Supplies

Inventories are valued at cost using the first in, first out method. The costs of inventory items are recognized as expenditures in governmental funds when purchased and as expenses in the proprietary funds when used. The total of inventories at year end is reported as a reservation of fund balance in the governmental funds because it does not represent available, spendable resources.

F. Property, Plant, Equipment, and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and disposals during the year in the general fixed assets account group. The City follows a policy of not capitalizing infrastructure, which is defined as assets that are immovable and of value only to the City, (i.e., roads, bridges, etc.). No depreciation is recognized for assets in the account group. Interest on debt issued to construct general fixed assets is not capitalized in the account group.

2. Enterprise Funds

Property, plant, and equipment reflected in the enterprise funds are stated at cost (or estimated historical cost) and updated for the cost of additions and disposals during the year. Contributed fixed assets are recorded at their fair market value as of the date donated. Depreciation and amortization have been provided on a straight-line basis over the following estimated useful lives:

Description	Estimated Life
Buildings	50
Machinery and equipment	5-20
Improvements Other Than Buildings	15-20
Utility in Service	80

The City also capitalizes the cost of major renovations which extend the useful life of an asset or which enable it to perform new or more valuable services. Interest on tax exempt debt issued to construct enterprise fund fixed assets is capitalized, net of interest earned on the proceeds of such debt.

G. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, Accounting for Compensated Absences, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) 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. A liability for sick leave is accrued using the vesting method, i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty (50) with 10 years service or any age with at least twenty (20) years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments.

Accumulated vacation and sick leave of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long-term obligations account group. Vacation and sick leave benefits for employees meeting the above requirements who are paid from proprietary funds are recorded as an expense when earned.

H. Intergovernmental Revenues

Unrestricted intergovernmental revenues received on the basis of entitlement are recorded as receivables and revenues when the entitlement occurs (to the extent they are intended to finance the current fiscal year). Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred.

I. Long-Term Obligations

Long-term obligations for general obligation bonds, vested sick and vacation leave, and any claims or judgement that are expected to be paid from the governmental funds are shown in the general long-term obligations account group, while those expected to be paid from proprietary funds are shown as a liability of those funds.

J. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.

2. Non recurring and non routine permanent transfers of equity are reported as residual equity transfers.

3. Reimbursements from one fund to another (quasi-external transactions) are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Amounts outstanding at year-end are reported on the combined balance sheet as due to/from other funds.

4. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as “interfund loans receivable or payable”. The City had no short-term interfund loans receivable or payable at December 31, 1999.

5. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of interfund transactions is presented in Note 5.

K. Fund Balance Reserves

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or use. The unreserved portions of fund equity reflected in the governmental funds are available for use within the specific purposes of the funds.

The City reports amounts representing material and supply inventories, budget stabilization, available debt service equity, termination benefits, prepaid items, encumbrances outstanding, mortgage receivable, nonexpendable trust corpus, long-term interfund obligations and loans receivable as reservations of fund balance in the governmental funds.

L. Bond Discounts, Premiums and Issuance Costs

When the proceeds from general obligation bonded debt are placed in a governmental fund type, any bond issuance costs are shown as capital outlay expenditures. Any premium or discount is included in "Other Financing Sources - Bond Proceeds" on the Statement of Revenues, Expenditures and Changes in Fund Balance. The long-term debt that appears in the general long-term obligations account group is reported at the bond's face value.

When the proceeds from general obligation bonded debt are placed in a proprietary fund type, and the debt will be serviced from revenues generated by that fund, then any material issuance costs will be reported as a deferred charge and amortized over the life of the bond using the effective interest method. Any material discounts or premiums are shown as additions to or deductions from the amount of the bond liability, are amortized using the effective interest method, and are reflected as interest income or expense in the Statement of Revenues, Expenses, and Changes in Total Fund Equity.

M. Statement of Cash Flows

The City's financial statements have been prepared in accordance with GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. The City has presented, in Exhibit 5, a statement of cash flows for its enterprise funds, internal service funds and nonexpendable trust funds. For purposes of the statement of cash flows, the City considers cash and cash equivalents to include "equity in pooled cash and investments" and "equity in pooled cash and investments - nonexpendable trust funds".

N. Prepaids

Prepayments for governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

O. Estimates

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

P. Financial Reporting for Proprietary and Similar Fund Types

The City's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. The City accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1999, unless those pronouncements conflict with or contradict GASB pronouncements.

Q. Total Columns on General-Purpose Financial Statements

Total columns on the general-purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Prior Period Adjustment

1. At December 31, 1998 the City presented the capital lease obligation of equipment as a GLTOAG liability. One-third of this lease is being paid by the General fund, while two-thirds of the lease is being paid by the Water and Sewer funds. The classification of the lease obligation will be restated in order to properly report the liability.

2. The City received $64,625 of proceeds in the Sewer fund from an OPWC loan in fiscal year 1998. Even though the proceeds were received, the corresponding liability was not reported at December 31, 1998.

The effect of the restatements are as follows:

	Enterprise Funds		GLTOAG
Retained Earnings as previously reported December 31, 1998	$7,649,047	Capital Lease Obligation as previously reported December 31, 1998	$80,086
Effect of Restatement	(110,370)	Effect of Restatement	(45,745)
Retained Earnings January 1, 1999	$7,538,677	Capital Lease Obligation January 1, 1999	$34,341

The effect of these adjustments on Net Loss as previously reported is as follows:

	Enterprise Funds
Net Loss as previously reported for the year ended December 31, 1998	($206,909)
Effect of Restatement	(110,370)
Net Loss as Restated	($317,279)

3. A mortgage receivable was overstated by $163,795 in the Special Revenue Fund Type. The effect of this restatement is as follows:

Special Revenue Funds	
Fund Balance as previously reported December 31, 1998	$2,491,731
Effect of Restatement	163,795
Fund Balance January 1, 1999	$2,655,526

The effect of this adjustment on the Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses as previously reported for the year ended December 31, 1999 is as follows:

	Special Revenue Funds
Excess as previously reported for the year ended December 31, 1998	$309,759
Effect of Restatement	163,795
Excess as Restated	$473,554

B. Deficit Retained Earnings/Fund Balances

Retained earnings/fund balances at December 31, 1999 included the following individual fund deficits:

	Deficit Fund Balance/ Retained Earnings
Capital Projects Funds	
Capital Improvement	$ (89,229)
Water and Sewer Extension	(109,955)
Internal Service Funds	
Service Garage	(7,641)
Health Insurance	(144,194)

These deficits are caused by the application of generally accepted accounting principles to these funds. These GAAP deficits will be funded by anticipated future revenues or other subsidies not recognized or recorded at December 31. The General fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

C. Legal Compliance

1. The following fund accounts had expenditures plus encumbrances in excess of appropriations contrary to Ohio Revised Code § 5705.41:

Fund Type/Fund/Account	**Excess**
Capital Projects Funds	
Street Maintenance Repair	
Capital Outlay	$ 9,000
Water and Sewer Extensions	
Capital Outlay	10,255
Internal Service Funds	
Health Insurance	
Claims	81,950

2. The following funds had appropriations in excess of estimated revenues plus available balances for the fiscal year ended December 31, 1999:

Fund Type/Fund	**Excess**
Special Revenue Funds	
DARE	$ 11,977
Street Construction, Maintenance and Repair	25,727
Drug Law Enforcement	13,000
Eddie Eagle	50
Buckley St. Tennis Courts	7,154
SCFCFC Townhouse	1,500
State Theater	793
CDBG	1,000
Court Security Grant	9,074
Debt Service Funds	
Fire Engine Loan	1,000
Capital Projects Funds	
Capital Improvements	4,711
Infrastructure	11,583
Water and Sewer Extensions	46,243
Airport Renovation	7,260
Park Expansion	2,274
Enterprise Funds	
Water	46,240
Sewer	330,716

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

A. Legal Requirements

Moneys held by the City are classified by State statute into two categories. Active moneys are public moneys determined to be necessary to meet current demand upon the City treasury. Active moneys 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.

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 City Auditor by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

Moneys held by the City which are not considered active are classified as inactive. Inactive moneys 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. Bond and other obligations of the State of Ohio;

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

6. The State Treasurer's investment pool (STAR Ohio).

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;

2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons;

3. Obligations of the City.

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 City Auditor or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements.

Deposits: At year-end, the carrying amount of the City's deposits was $408,236 and the bank balance was $445,912. Both amounts include payroll clearance accounts, cash in segregated accounts, and amounts held by fiscal agents. Of the bank balance:

1. $294,499 was covered by federal depository insurance; and
2. $161,413 was uninsured and uncollateralized. Although all State 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.

Investments: The City's investments are required to be categorized to give an indication of the level of risk assumed by the City at year end. Category 1 includes investments that are insured or registered, or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the City's name. STAR Ohio and the City's money market account are both unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category 2	Fair Value
U.S. Government Agency Securities	$ 983,869	$ 983,869
U.S. Treasury Note	504,877	504,877
Money Market	341,434	341,434
Amounts Not Subject to Categorization:		
Investment in State Treasurer's Investment Pool		1,212,593
Total Investments	$1,830,180	$3,042,773

The U.S. Treasury Note matures in March, 2001. The U.S. Government Agency securities mature in June, 2000, and June, 2001.

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, Reporting Cash Flows of Proprietary and

Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. Cash and cash equivalents are defined to include investments with original maturities of three months or less and funds included within the City's cash management pool.

A reconciliation between the classifications of cash and investments per GASB Statement No. 9 on the combined balance sheet and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Equity in Pooled Cash and Cash Equivalents	Investments
Per GASB Statement No. 9	$ 3,266,127	
Combined Balance Sheet Reclassifications:		
Money Market	(341,434)	$ 341,434
U.S. Government Agency Securities	(983,869)	983,869
U.S. Treasury Note	(504,877)	504,877
State Treasurer's Investment Pool	(1,212,593)	1,212,593
Total GASB Statement No. 3 Investments		$3,042,773
Cash in segregated accounts	34,007	
Cash with fiscal agent	150,875	
Total Carrying Amount of Deposits Per GASB Statement No. 3	$ 408,236	

NOTE 5 - INTERFUND TRANSACTIONS

A. The following is a summarized reconciliation of the City's operating transfers for 1999:

Fund	Transfers In	Transfers (Out)
General Fund	$ 55,480	$(1,519,000)
Special Revenue Funds		
Street	138,000	(2,287)
State Highway		(2,288)
Termination Benefits Reserve	100,000	(31,622)
Beautification	60,000	
Fire Asset Replacement	39,472	
Buckley Street Tennis Courts		(7,154)
City-Wide Clean-up	20,000	
DARE		(20,358)
SCFCFC Townhouse		(1,500)
OSHA		(432)
Total Special Revenue Funds	357,472	(65,641)
Debt Service Funds		
Kelly Addition	150,960	
Capital Project Funds		
Capital Improvement	465,263	
Airport		(7,260)
Park Expansion		(2,274)
Downtown Restoration		(4,711)
New Sidewalks		(11,582)

Infrastructure	183,293	(2,000)
Water and Sewer		
Extension and Improvement	200,000	
Street Maintenance		
Repair and Equipment	200,000	
Total Capital Projects Funds	1,048,556	(27,827)
Enterprise Funds		
Sewer Revenue		(110,000)
Sewer Plant	110,000	
Total Enterprise Funds	110,000	(110,000)
Total All Funds	$1,722,468	$(1,722,468)

B. Interfund balances at December 31, 1999, which relate to quasi-external transactions, consist of the following individual fund receivables and payables:

	Due From Other Funds	Due To Other Funds
General Fund	$14,877	
Special Revenue Funds		
Drug Law Enforcement	93	
DUI IDATF	92	
Court Special Projects	2,666	
	2,851	
Agency Fund		
Municipal Court		$17,728
Total	$17,728	$17,728

C. Interfund balances at December 31, 1999 consist of the following individual fund loans which are long-term in nature (outstanding greater than one year):

	Advances To Other Funds	Advances From Other Funds
General Fund	$223,250	
Capital Projects Funds		
Capital Improvement		$(150,000)
Internal Service Funds		
Health Insurance		(73,250)
Total Advances To/Advances From Other Funds	$223,250	$(223,250)

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Real property taxes and public utility taxes are levied after October 1 on the assessed value as of the prior January 1, the tax lien date. Assessed values are established by state law at 35 percent of appraised market value, as established by the County Auditor. All real property is required to be revalued every six years. The last revaluation was completed in 1994. Real property taxes are payable annually or semiannually. The first payment for 1999 was due January 1, with the remainder payable June 30.

Public utility real and tangible personal property taxes collected in one calendar year are levied on assessed values as of the prior January 1, the lien date. Public utility tangible personal property currently is assessed at "true value" which is approximately 100% of cost. "True value" is established by the State of Ohio. Public utility property taxes are payable on the same dates as real property taxes described previously.

Taxes collected on tangible personal property (other than public utility) in one calendar year are levied on the assessed values and at the close of the most recent fiscal year of the taxpayer (for businesses in operation more than one year) or December 31. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30, and if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. The first $10,000 of taxable value is exempt from taxation for each business by state law.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements.

The full tax rates applied to real property and tangible personal property for the fiscal year ended December 31, 1999 were as follows:

Seneca County	-	$4.80 per $1,000 of assessed valuation
Wood County	-	$4.30 per $1,000 of assessed valuation
Hancock County	-	$3.40 per $1,000 of assessed valuation

The effective tax rates per $1,000 of assessed valuation are the same as the voted tax rates.

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

The assessed values upon which the 1999 taxes were collected are as follows:

	Seneca County	Wood County	Hancock County
Real Property - 1997 Valuation [(1)]			
Residential/Agricultural	$41,331,380	$5,033,540	$21,005,310
Commercial/Industrial	26,015,650	4,975,760	8,978,230
Public Utilities	178,250		19,180
Totals	67,525,280	10,009,300	30,002,720

	Seneca County	Wood County	Hancock County
Tangible Personal Property - 1998 Valuation [1]			
General	37,175,495	2,794,986	9,044,635
Public Utilities	6,878,070	677,610	1,731,740
Totals	44,053,565	3,472,596	10,776,375
Total Valuation	$111,578,845	$13,481,896	$40,779,095

[1] Latest information available

The Hancock, Seneca and Wood County Treasurers collect property tax on behalf of all taxing districts within the counties. Taxes are payable to the county in two equal installments in February and July and, if not paid, become delinquent after December 31 of the year they are due. The county auditors periodically remit to the taxing districts their portions of the taxes collected.

NOTE 7 - LOCAL INCOME TAX

This locally levied tax of 2 percent is applied to gross salaries, wages and other personal service compensation earned by residents both in and out of the City, and to earnings of nonresidents (except certain transients) earned in the City. It also applies to net income of for-profit organizations conducting business within the City. Income tax revenue is reported to the extent that it was measurable and available to finance current operations at December 31. Income tax revenue for 1999 was $5,645,766.

NOTE 8 - RECEIVABLES

Receivables at December 31, 1999 consisted primarily of taxes, accounts (billings for user charged services), intergovernmental receivables, entitlement or shared revenues and interest on investments.

A summary of principal receivables follows:

General:	
City Income Taxes:	
Current	$ 638,955
Delinquent	129,346
Property Taxes and Assessments:	
Current	625,000
Delinquent	9,961
Total Taxes and Assessments	1,403,262
Due from Other Governments	35,745
Accrued Interest	9,994
Total General Fund	$1,449,001

Special Revenue Funds:	
Property Taxes and Assessments:	
Current	$ 104,720
Delinquent	1,659
Total Taxes and Assessments	106,379
Due from Other Governments	36,481
Total Special Revenue Funds	$ 142,860
Debt Service:	
Special Assessments:	
Current	$ 198,868
Total Debt Service Fund	$ 198,868
Capital Projects:	
Special Assessments:	
Current	$ 590,686
Total Capital Projects Fund	$ 590,686
Enterprise:	
Accounts:	
Billed - Unpaid	$ 287,177
Unbilled	377,751
Total Enterprise Funds	$ 664,928

The above receivable amounts are net of the applicable allowance for uncollectibles which are not material in relation to the respective receivable balances. City income taxes are accrued at December 31, 1999, to the extent that individual estimated payments and employee withholdings for the last quarter of 1999 (which are due by January 31, 1999) are collected within sixty days after year end. Residents are billed on a quarterly basis for water and sewer service based upon the actual cycle billings, pro-rated by the various reading dates at the end of the year.

NOTE 9 - LOANS RECEIVABLE

The Fostoria City Council created the Revolving Loan Committee and granted them the authority to act on behalf of the City of Fostoria in making loans from the City's Revolving Loan Fund to qualified applicants within the revolving loan fund geographic area. At the close of 1999, there were loans outstanding to four businesses with a total principal balance due of $315,002.

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

A summary of the changes in general fixed assets during the fiscal year by class is as follows:

	Balance 01/01/99	Additions	(Deletions)	Balance 12/31/99
Land	$ 2,062,116			$ 2,062,116
Land Improvements	369,606	$215,332		584,938
Buildings	7,132,632			7,132,632
Machinery and Equipment	1,712,514	216,578	$ (3,468)	1,925,624
Vehicles	1,135,847	370,441	(79,133)	1,427,155
Total General Fixed Assets	$12,412,715	$802,351	$(82,601)	$13,132,465

A summary of proprietary fund property, plant and equipment at December 31, 1999, by class and by individual fund is as follows:

	Water	Sanitary Sewer
Land	$ 3,132,990	$ 256,580
Buildings	5,058,468	7,289,261
Buildings - Contributed Capital	48,209	26,918
Improvements - Contributed Capital	3,089	571
Machinery, Equipment and Furniture	1,082,961	496,102
Machinery, Equipment and Furniture Contributed Capital	465,004	99,670
Vehicles	47,662	134,411
Vehicles - Contributed Capital	103,083	109,165
Infrastructure	3,520,257	3,334,586
Infrastructure - Contributed Capital	1,831,889	2,304,928
Subtotal	15,293,612	14,052,192
Less Accumulated Depreciation	(3,759,259)	(2,769,049)
Net Property, Plant and Equipment	$11,534,353	$11,283,143

NOTE 11 - CONTRIBUTED CAPITAL

Assets constructed or acquired by the governmental fund types and transferred to the Enterprise Funds, or assets partially financed through grants to the Enterprise Funds from other governmental entities, represents contributed capital to the enterprise operations. The City has performed a review of financial data in the Enterprise Funds during which contributed capital was identified and recorded.

Changes in contributed capital for the year ended December 31, 1999 are summarized by fund as follows:

	Water	Sewer
Contributed Capital, January 1, 1999	$1,928,763	$1,143,344
Current Contributions from Other Funds		857,036
Current Contributions from Developers		218,023
Current Depreciation Expense	(111,005)	(58,873)
Contributed Capital, December 31, 1999	$1,817,758	$2,159,530

In addition, during FY99 the Ohio Department of Natural Resources relinquished a $4,500,000 liability of the City for a reservoir project. This amount has been reflected as an increase in contributed capital from forgiveness of debt.

NOTE 12 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In the prior year, the City entered into capitalized lease agreements for the acquisition of a vehicle and heavy equipment. The terms of the lease agreement provides an option to purchase the equipment. This lease meets the criteria of a capital lease as defined by FASB Statement No. 13, Accounting for Leases, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances for the Governmental Fund Types and Expendable Trust Fund. General fixed assets acquired by lease have been capitalized in the general fixed assets account group in an amount equal to the present value of the future minimum lease payments at the time of acquisition. At inception, capital lease transactions are accounted for as a capital outlay expenditure or fixed asset addition and other financing source or non-operating revenue in the appropriate fund, and a corresponding liability is recorded in the general long-term obligations account group or enterprise fund.

Principal payments in 1999 totaled $4,227 in the general fund, $5,514 in the special revenue funds and $8,453 in the enterprise funds. Capital lease payments in governmental funds have been reclassified on the financial statements to reflect debt principal and interest retired. These payments are reported as program/function expenditures/expenses on the budgetary statement.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of December 31, 1999:

Year Ending December 31	General Long-Term Obligations	Enterprise
2000	$11,857	$10,868
2001	5,426	10,868
2002	5,425	10,867
2003	4,521	9,056
Total future minimum lease payments	27,229	41,659
Less: amount representing interest	(2,629)	(4,367)
Present value of future minimum lease payment	$24,600	$37,292

The City does not have capitalized lease obligations after fiscal year 2003.

NOTE 13 - ACCUMULATED UNPAID EMPLOYEE BENEFITS

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

All employees except firefighters: Sick leave accumulates at the rate of 4.6 hours of sick leave for 80 hours of work completed. Sick leave is accumulated and may be converted into cash upon retirement up to 135 days. Any employee who accumulates 120 sick days (960 hours) is paid on December 31st of each year a cash payment for any accumulated sick days over 120 days but such payment shall not exceed 15 days (120 hours). Individuals leaving the employment of the City prior to retirement or at retirement lose their accumulated sick leave. A liability has been recognized in the accompanying financial statements for sick leave for only the employees who are age 50 with 10 years of service or any age with twenty years service with local government employment.

Firefighters: Sick leave accumulates at the rate of 10 hours per month. Any firefighter who accumulates in excess of 960 hours receives a cash payment for the amount of the excess. A firefighter who retires from the department is eligible for cash payment of the sick leave balance. A liability has been recognized in the accompanying financial statements for sick leave for firefighters who are age 50 with 10 years of service or any age with twenty years service with local government employment.

A liability for accrued vacation for $420,175 has been recognized. Vacation is accumulated based upon length of service as follows:

Uniform Service	Employee Hours Earned / Bi-weekly	Non-Uniform Service	Time Off - (Hours)
After 1 year	80 Hours	After 1 year	40 Hours
After 8 years	120 Hours	After 2 years	80 Hours
After 12 years	160 Hours	After 5 years	98 Hours
After 18 years	200 Hours	After 8 years	120 Hours
After 25 years	240 Hours	After 10 years	136 Hours
		After 12 years	160 Hours
		After 15 years	176 Hours
		After 18 years	200 Hours
		After 20 years	216 Hours
		After 25 years	240 Hours

The accrued vacation and sick leave benefits recorded in the General Long-Term Obligations Account Group represent the non-current portion of the liability. The current portion has been recorded in the appropriate fund type.

NOTE 14 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

A. The following is a summary of the changes in the City's long-term obligations during 1999:

	Issue Date	Interest Rate	(Restated) Balance 12/31/98	Reductions	Outstanding 12/31/99
General Long-Term Obligations:					
General Obligation Loans:					
OPWC-Kelly Storm Sewer	5/8/98	NA	$ 154,613	$ 4,069	$ 150,544
Fire Engine Loan	9/25/97	6.15%	171,523	137,218	34,305
Total General Obligation Loans			326,136	141,287	184,849
Special Assessment Bonds:					
Main Street Improvement	6/1/83	11.625%	24,000	7,000	17,000
Plaza Drive	5/1/88	7.125%	145,000	14,000	131,000
Kelly Addition	7/23/98	5.95%	360,761	9,767	350,944
Total Special Assessment Bonds			529,761	30,767	498,994
Other Long-Term Obligations:					
Compensated Absences Payable			608,828	112,889	495,939
Capital Leases Payable (restated)			34,341	9,741	24,600
Total Other Long-Term Obligations			643,169	122,630	520,539
Total General Long-Term Obligations			1,499,066	294,684	1,204,382

Enterprise Fund Obligations:

General Obligation Bonds:					
Reservoir Refunding Bonds	12/1/89	3.80-4.90%	2,470,000	160,000	2,310,000
Sewer Refunding Bonds	4/21/95	2.70-4.50%	975,000	125,000	850,000
Total General Obligation Bonds			3,445,000	285,000	3,160,000
OWDA Loan		0%	4,500,000	4,500,000	
OWDA Loan		4.56%	4,709,329	101,547	4,607,782
OWDA Loan		0-5%	255,740	64,000	191,740
Total OWDA Loans			9,465,069	4,665,547	4,799,522
OPWC Loan					
CSO #1, Wood County (restated)		NA	64,625	2,154	62,471
Other Long-Term Obligations:					
Compensated Absences			287,108	55,800	231,308
Capital Leases Payable (restated)			45,745	8,453	37,292
Total Other Long-Term Obligations			332,853	64,254	268,600
Total Enterprise Fund Obligations			13,307,547	5,016,954	8,290,593
Total Long-Term Obligations			$ 14,806,613	$5,311,638	$9,494,975

B. The OWDA and OPWC loans are general obligations of the City, and will be repaid from the City's general operating revenues. Principal and interest payments are recorded in the debt service fund. The OPWC loans are interest free, providing repayment remains current.

Special assessment bonds will be paid from the proceeds of special assessments levied against the property owners who are primarily benefitted from the project. In the event that property owners fail to make their payments, the City is responsible for providing the resources to meet annual principal and interest payments.

On April 20, 1995, the City defeased 1993 Sewage System Refunding and Improvement Bonds in the amount of $6,160,000 with interest rates from 3.0% to 4.6%. The bonds are in an irrevocable trust with an escrow agent to provide for all future debt service payments, and considered defeased. The amount outstanding at December 31, 1999 is $6,035,000.

On December 31, 1997, the City defeased 1989 Reservoir #6 Refinanced Bonds in the amount of $2,360,000 with interest rates from 6.45% to 7.05%. The proceeds were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments. The amount outstanding at December 31, 1999 is $2,120,000.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $302,275. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2010 using the effective-interest method. $40,463 of the difference has been expensed by the City in 1999. The issue incurred issuance costs of $70,442. This charge was deferred, and is being charged to operations through the year 2010 using the effective-interest method. $9,430 has been amortized in 1999. The City completed the advance refunding to reduce its total debt service payments through

2010 by $148,035 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $115,117.

All of the Enterprise Debt is also general obligation debt but it is anticipated that user charges will pay-off all the outstanding bonds.

Capital leases will be paid from the fund that maintains custody of the related asset. The compensated absences liability will be paid from the fund from which the employees' salaries are paid.

C. A summary of the City's future debt service requirements as of December 31, 1999 follows:

Future Payment	Fire Engine Loan		OWDA Loans			OPWC Loans
Due In	Principal	Interest	Principal	Interest	Total	Principal Only
2000	$34,305	$356	$ 248,390	$ 211,581	$ 459,971	$ 14,599
2001			270,931	202,660	473,591	12,446
2002			281,068	192,013	473,081	12,445
2003			291,671	179,874	471,545	12,446
2004			251,616	166,224	417,840	12,445
2005-2009			1,443,229	645,972	2,089,201	62,228
2010-2014			1,808,186	281,018	2,089,204	57,925
2015-2019			204,431	4,490	208,921	28,481
Total	$34,305	$356	$4,799,522	$1,883,832	$6,683,354	$213,015

Future Payment	Special Assessment Bonds			General Obligation Bonds		
Due In	Principal	Interest	Total	Principal	Interest	Total
2000	$ 31,356	$ 32,042	$ 63,398	$ 295,000	$141,544	$ 436,544
2001	31,981	29,605	61,586	310,000	129,637	439,637
2002	28,645	27,132	55,777	325,000	116,618	441,618
2003	26,349	25,082	51,431	340,000	102,642	442,642
2004	28,094	23,339	51,433	345,000	87,683	432,683
2005-2009	138,326	87,803	226,129	1,285,000	234,875	1,519,875
2010-2014	105,011	50,435	155,446	260,000	12,740	272,740
2015-2019	109,232	15,122	124,354			
Total	$498,994	$290,560	$789,554	$3,160,000	$825,739	$3,985,739

D. 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 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, 1999, the City's total voted debt margin was $17,441,143, and the unvoted debt margin was $9,121,193; both amounts include available funds of $27,957.

NOTE 15 - SEGMENT INFORMATION FOR PROPRIETARY FUNDS

The City maintains three Enterprise Funds to account for water and sewer services. The operations of these Funds are accounted for, financed and recorded in a manner similar to that of private enterprises, whereby it is the City's intent that the costs of providing these goods or services be financed primarily through user charges.

Segment information as of and for the year ended December 31, 1999, is as follows:

	Water	Sewer	Sewer Plant Replacement	Total
Operating Revenues	$ 1,651,179	$ 1,712,646	$2,050	$ 3,365,875
Operating Expenses Before Depreciation	934,399	914,404	33,696	1,882,499
Depreciation Expense	458,075	185,076		643,151
Operating Income (Loss)	258,705	613,166	(31,646)	840,225
Operating Transfers In			110,000	110,000
Operating Transfers (Out)		(110,000)		(110,000)
Net Income (Loss)	(146,954)	346,102	78,354	277,502
Current Capital Contributions		1,075,059		1,075,059
Property, Plant and Equipment - Additions	454,910	556,219		1,011,129
Total Assets	12,344,266	12,224,052	337,136	24,905,454
Bonds and other Long-Term Liabilities	2,559,953	5,730,640		8,290,593
Net Working Capital	464,203	740,879	335,724	1,540,806
Total Equity	9,789,828	6,337,793	335,724	16,463,345
Encumbrances Outstanding	38,281	38,909	5,789	82,979

NOTE 16 - RISK MANAGEMENT

The City maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90% coinsured.

During 1984, the City decided not to purchase commercial insurance for hospitalization, dental, vision, prescription, and medical benefits for losses suffered by its employees. Instead, City management believes it is more economical to manage its benefits internally and set aside assets for claim settlement in its internal service fund, the Health Insurance Fund. This fund services all claims for risk of loss to which the employees are exposed. Under this program, the Fund provides coverage for up to a maximum of $35,000 for each claim. The City has purchased commercial insurance for claims in excess of these amounts.

The claims liability of $84,119 reported in the Fund at December 31, 1999 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims to be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. In the past, the City has purchased contracts from commercial insurers to satisfy liabilities and was on the cash basis of accounting; accordingly, no liability was reported for those claims.

Changes in the Fund's claims liability amount during 1999 and the past three fiscal years were as follows:

	Beginning of Year Liability	Current Year Claims	Claim Payments	Balance at Year End
1999	$92,227	$968,842	$976,950	$84,119
1998	55,745	872,386	835,904	92,227
1997	59,520	563,607	567,382	55,745
1996	53,387	577,333	571,200	59,520

NOTE 17 - DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System (PERS)

All City full-time employees, other than uniformed employees, participate in the Public Employees Retirement System of Ohio (PERS), a cost sharing multiple-employer public employee retirement system created by the State of Ohio. The PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 1999 was 8.5 percent for employees other than law enforcement. Law enforcement employees contributed 9.0 percent of covered salary. The employer contribution rate was 13.55 percent of covered payroll; 9.35 percent was the portion used to fund pension obligations for 1999. The law enforcement employer rate was 16.70 percent of covered payroll and 12.50 percent was the portion used to fund pension obligations for 1999. The City's contributions for pension obligations to the PERS for the years ended December 31, 1999, 1998, and 1997 were $401,530, $382,767, and $355,847, respectively; 74 percent has been contributed for 1999 and 100% was contributed for 1998 and 1997 respectively. $104,156, representing the unpaid contribution for 1999, is recorded as a liability within the respective funds.

B. Police and Fireman's Disability Pension Fund (PFDPF)

Full-time uniformed employees of the City participate in the Police and Fireman's Disability and Pension Fund of Ohio (PFDPF), a cost-sharing multiple employer defined benefit pension plan. The PFDPF provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by Ohio State Legislature and are codified by Ohio Revised Code Chapter 742. The PFDPF issues a publicly available financial report that includes financial statements and required supplementary information for the PFDPF. That report may be obtained by writing to the Police and Fireman's Disability and Pension Fund of Ohio, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary, while the City is required to contribute 19.5 percent and 24.0 percent for police officers and firefighters, respectively. The City's contributions for pension obligations to the PFDPF for the years ended December 31, 1999, 1998, and 1997 were $421,955, $451,827, and $437,675 respectively; 83 percent has been contributed for 1999 and 100% was contributed for 1998 and 1997 respectively. $72,217, which represents the unpaid contributions for 1999, is recorded as a liability within the respective funds.

NOTE 18 - POST-RETIREMENT BENEFIT PLANS

A. Public Employees Retirement Systems (PERS)

Public Employees Retirement System of Ohio provides post retirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, Disclosure of Information on Postemployment Benefits Other than Pension Benefits by State and Local Government Employers. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 1999 employer contribution rate for local employers was 13.55% of covered payroll and the rate for law enforcement employees was 16.70%; 4.2% was the portion that was used to fund health care for the year for both groups of employees.

The City's 1999 employer contributions to PERS totaled $401,530. Of this amount, $124,404 was used to fund health care for the year for regular employees.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS.

OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

Expenditures for OPEB during 1999 were $524 million. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were $9.8 billion. The number of benefit recipients eligible for OPEB at December 31, 1999 was 118,062.

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

B. Police and Fireman's Disability Pension Fund (PFDPF)

The PFDPF provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care cost paid from the funds of the PFDPF shall be included in the employer's contribution rate. The total police officer employer contribution rate is 19.5% of covered payroll and the total firefighter's employer contribution rate is

24% of covered payroll. Health care funding and accounting is on a pay-as-you-go basis. Currently, 6.5% of covered payroll, the Board-defined allocation, is used to pay retiree health care expenses.

The number of participants eligible to receive health care benefits as of December 31, 1999, is 11,424 for police officers and 9,186 for firefighters. The amount of employer contributions used to pay postemployment benefits for police officers and firefighters were $87,860 and $51,749, respectively. The PFDPF's total health care expenses for the year ending December 31, 1999, were $79 million.

NOTE 19 - BUDGETARY BASIS OF ACCOUNTING

The City's budgetary process is based upon accounting for transactions on a cash basis. The differences between the cash basis (budget basis) and the modified accrual basis (GAAP basis) are that revenues are recorded when actually received (budget) as opposed to when susceptible to accrual (GAAP) and the expenditures are recorded when paid (budget) as opposed to when incurred (GAAP). Additionally, the City reflects outstanding encumbrances as expenditures on the budgetary basis of accounting. Adjustments necessary to convert the results of operations at the end of the year on the budget basis to the GAAP basis are as follows:

EXCESS OF REVENUES AND OTHER FINANCING SOURCES
OVER (UNDER) EXPENDITURES AND OTHER USES

	General	Special Revenue	Debt Service	Capital Projects
Budget Basis	$255,993	$162,022	$1,106	$(647,067)
Adjustments:				
Net Adjustment for Revenue Accruals	54,729	(147,014)		1,671
Net Adjustment for Expenditure Accruals	16,330	135,568		9,158
Net adjustment for Other Financing Sources/ (Uses) Accruals	(51,586)	(6,036)		65,931
Encumbrances	20,910	5,380		348,925
GAAP Basis	$296,376	$149,920	$1,106	$(221,382)

NOTE 20 - CONTINGENT LIABILITIES

A. Grants

The City receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 1999.

B. Litigation

Several claims and lawsuits are pending against the City. In the opinion of the City Law Director, any potential liability would not have a material effect on the general-purpose financial statements.

NOTE 21 - CONDUIT DEBT

The City has issued conduit debt on behalf of the Fostoria Community Hospital for the purpose of acquiring property and equipment and for capital improvements. Fostoria Community Hospital will repay the debt through lease payments on the property financed. Upon repayment of the debt, the ownership of the acquired property transfers to Fostoria Community Hospital. The aggregate amount of the debt outstanding as of December 31, 1999, is $3,191,610. The City is not obligated in any manner for repayment of the debt. Accordingly, the debt is not reported as a liability in the accompanying financial statements.

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REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

City of Fostoria
Seneca County
213 South Main Street
P. O. Box 1007
Fostoria, Ohio 44830-1007

To the City Council:

We have audited the financial statements of the City of Fostoria, Seneca County, (the City) as of and for the year ended December 31, 1999, and have issued our report thereon dated September 18, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City of Fostoria in a separate letter dated September 18, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated September 18, 2000.

This report is intended for the information and use of the audit committee, management, and the City Council, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

September 18, 2000

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CITY OF FOSTORIA

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
OCTOBER 19, 2000