



**CITY OF FOSTORIA  
SENECA COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**



**CITY OF FOSTORIA  
SENECA COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
Combined Balance Sheet - All Fund Types and Account Groups for the Year Ended December 31, 2000 .....	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental and Similar Fiduciary Fund Types – For the Year Ended December 31, 2000 .....	8
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual Comparison (Non-GAAP Budgetary Basis) – All Governmental Fund Types – For the Year Ended December 31, 2000 .....	10
Combined Statement of Revenues, Expenses and Changes in Fund Equity All Proprietary Similar Fiduciary Fund Types – For the Year Ended December 31, 2000 .....	12
Combined Statements of Cash Flows – All Proprietary Similar Fiduciary Fund Types – For the Year Ended December 31, 2000 .....	13
Notes to the Financial Statements .....	15
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	45
Schedule of Findings .....	47

**This page intentionally left blank.**



STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

One Government Center  
Room 1420  
Toledo, Ohio 43604-2246  
Telephone 419-245-2811  
800-443-9276  
Facsimile 419-245-2484  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

## 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 (the City) as of and for the year ended December 31, 2000. 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.

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

We were not able to obtain sufficient evidential matter supporting the compensated absences liability of the General Long-Term Obligation Account Group. The Compensated Absences included on the General Long-Term Obligation account group comprise \$519,733 for fiscal year 2000.

In our opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary had we been able to obtain the sufficient evidential matter supporting the compensated absences liability of the General Long-Term Obligation Account Group 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, 2000, 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 accounting principles generally accepted in the United States of America.

As described in Note 3 to the accompanying general-purpose financial statements, during fiscal year 2000, the City reevaluated their General Fixed Assets as well as Enterprise Assets.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2001, 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 17, 2001

**This page intentionally left blank.**

**CITY OF FOSTORIA  
SENECA COUNTY**

COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>ASSETS AND OTHER DEBITS</b>				
<b>Assets:</b>				
Equity in pooled cash, cash equivalents and investments	\$436,625	\$1,503,319	\$20,255	\$562,253
Equity in pooled cash, cash equivalents and investments - nonexpendable trust fund				
Cash with fiscal agent		171,813	8,990	
Cash in segregated accounts				
Receivables (net of allowances for uncollectibles):				
Taxes	1,476,961	119,825		
Accounts				
Loans		326,527		
Mortgage		740,000		
Special assessments			166,558	559,597
Advances to other funds	150,000			
Due from other funds	11,080	2,319		
Due from other governments	37,514	35,880		
Prepayments	13,843	6,988		
Materials and supplies inventory		62,799		
Unamortized bond issue costs				
Deferred charges				
Property, plant and equipment (net of accumulated depreciation where applicable)				
<b>Other debits:</b>				
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	<u>\$2,126,023</u>	<u>\$2,969,470</u>	<u>\$195,803</u>	<u>\$1,121,850</u>



<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Total (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$807,691	\$64,953	\$24,541			\$3,419,637
		218,153			218,153
		29,770			180,803
					29,770
					1,596,786
655,327		588			655,915
					326,527
					740,000
					726,155
					150,000
					13,399
					73,394
2,402	102				23,335
27,979					90,778
80,988					80,988
180,638					180,638
22,891,757			\$13,556,973		36,448,730
				\$20,255	20,255
				476,303	476,303
				1,122,897	1,122,897
<u>\$24,646,782</u>	<u>\$65,055</u>	<u>\$273,052</u>	<u>\$13,556,973</u>	<u>\$1,619,455</u>	<u>\$46,574,463</u>

(Continued)

**CITY OF FOSTORIA  
SENECA COUNTY**

COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(Continued)

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>				
<b>Liabilities:</b>				
Accounts payable	\$2,352	\$10,248		
Contracts payable	9,475	9,261		\$50,485
Accrued wages and benefits	125,372	13,572		
Compensated absences payable	13,023	4,705		
Pension obligation payable	172,371	9,564		
Deferred revenue	856,836	119,825	\$166,558	559,597
Due to other governments	394			
Advances from other funds				150,000
Matured bonds payable			8,990	
Claims and judgements payable				
Due to other funds				
Deposits held and due to others				
Capital lease obligations				
Refunding bonds payable				
Special assessment debt with government commitment				
OWDA loan payable				
OPWC loan payable				
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>1,179,823</u>	<u>167,175</u>	<u>175,548</u>	<u>760,082</u>
<b>Equity and other credits:</b>				
Investment in general fixed assets				
Contributed capital				
Retained earnings - unreserved				
Fund balances:				
Reserved for encumbrances	30,856	73,246		66,454
Reserved for principal endowment				
Reserved for materials and supplies inventory		62,799		
Reserved for loans		326,527		
Reserved for advances	150,000			
Reserved for budget stabilization	401,433			
Reserved for prepayments	13,843	6,988		
Reserved for mortgage receivable		740,000		
Reserved for debt service			20,255	
Reserved for termination benefits		214,050		
Unreserved-undesignated	<u>350,068</u>	<u>1,378,685</u>		<u>295,314</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total equity and other credits	<u>946,200</u>	<u>2,802,295</u>	<u>20,255</u>	<u>361,768</u>
<b>Total liabilities, equity and other credits</b>	<u><b>\$2,126,023</b></u>	<u><b>\$2,969,470</b></u>	<u><b>\$195,803</b></u>	<u><b>\$1,121,850</b></u>

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

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Total (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
					\$14,396
\$1,796					199,081
129,860					190,554
49,803	\$1,807				783,347
244,590	1,296			\$519,733	217,950
34,894	1,121				1,702,816
		\$11,932			12,326
					150,000
					8,990
	301,192				301,192
		13,399			13,399
		15,814			15,814
28,340				458,238	486,578
2,865,000					2,865,000
				476,303	476,303
5,384,611					5,384,611
56,008				165,181	221,189
<u>8,794,902</u>	<u>305,416</u>	<u>41,145</u>		<u>1,619,455</u>	<u>13,043,546</u>
			\$13,556,973		13,556,973
5,047,738					5,047,738
10,804,142	(240,361)				10,563,781
		218,153			170,556
					218,153
					62,799
					326,527
					150,000
					401,433
					20,831
					740,000
					20,255
					214,050
		13,754			2,037,821
<u>15,851,880</u>	<u>(240,361)</u>	<u>231,907</u>	<u>13,556,973</u>		<u>33,530,917</u>
<u>\$24,646,782</u>	<u>\$65,055</u>	<u>\$273,052</u>	<u>\$13,556,973</u>	<u>\$1,619,455</u>	<u>\$46,574,463</u>

**CITY OF FOSTORIA  
SENECA COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000

	<b>Governmental Fund Types</b>	
	<b>General</b>	<b>Special Revenue</b>
<b>Revenues:</b>		
Municipal income tax	\$5,656,513	
Property and other taxes	564,230	\$85,379
Charges for services	67,281	
Licenses, permits and fees	19,096	
Fines and forfeitures	153,876	6,486
Special assessments		
Intergovernmental	778,560	382,778
Investment income	159,236	57,557
Other	670,256	367,847
	<u>8,069,048</u>	<u>900,047</u>
Total revenue		
<b>Expenditures:</b>		
Current Operations:		
General government	1,259,121	95,354
Security of persons and property	4,253,367	106,113
Public health and welfare	342,166	13,777
Transportation	45,729	691,460
Community environment	227,866	124,099
Leisure time activity	224,463	60
Other	109,172	
Capital outlay		731,787
Debt service:		
Principal retirement	4,476	228,143
Interest and fiscal charges	955	18,465
	<u>6,467,315</u>	<u>2,009,258</u>
Total expenditures		
Excess of revenues over (under) expenditures	<u>1,601,733</u>	<u>(1,109,211)</u>
<b>Other financing sources (uses):</b>		
Proceeds from sale of fixed assets	4,373	
Inception or proceeds of capital lease		666,257
Operating transfers in	29,328	463,883
Operating transfers out	(1,531,392)	(29,328)
	<u>(1,497,691)</u>	<u>1,100,812</u>
Total other financing sources (uses)		
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>104,042</u>	<u>(8,399)</u>
Fund balances, January 1	842,158	2,805,214
Increase in reserve for inventory		5,480
<b>Fund balances, December 31</b>	<b>\$946,200</b>	<b>\$2,802,295</b>

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

<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
			\$5,656,513
			649,609
			67,281
			19,096
			160,362
\$33,668	\$76,450		110,118
	358,340		1,519,678
			216,793
	9,587		1,047,690
<u>33,668</u>	<u>444,377</u>		<u>9,447,140</u>
			1,354,475
			4,359,480
		\$121	356,064
			737,189
			351,965
			224,523
			109,172
	1,140,281		1,872,068
50,212	21,239		304,070
11,550	21,316		52,286
<u>61,762</u>	<u>1,182,836</u>	<u>121</u>	<u>9,721,292</u>
<u>(28,094)</u>	<u>(738,459)</u>	<u>(121)</u>	<u>(274,152)</u>
			4,373
			666,257
20,392	1,047,117		1,560,720
	(4,308)		(1,565,028)
<u>20,392</u>	<u>1,042,809</u>		<u>666,322</u>
(7,702)	304,350	(121)	392,170
27,957	57,418	13,875	3,746,622
			5,480
<u>\$20,255</u>	<u>\$361,768</u>	<u>\$13,754</u>	<u>\$4,144,272</u>

**CITY OF FOSTORIA  
SENECA COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
Income taxes	\$5,650,000	\$5,675,283	\$25,283			
Property and other taxes	625,000	564,230	(60,770)	\$112,246	\$85,378	(\$26,868)
Charges for services	70,669	67,281	(3,388)	46,848	39,663	(7,185)
Licenses, permits and fees	25,250	19,096	(6,154)			
Fines and forfeitures	187,300	157,672	(29,628)	8,043	7,017	(1,026)
Intergovernmental	919,250	776,789	(142,461)	630,560	532,353	(98,207)
Special assessments						
Investment income	182,000	145,640	(36,360)	60,198	57,557	(2,641)
Other	725,958	672,390	(53,568)	290,747	235,646	(55,101)
<b>Total revenues</b>	<b>8,385,427</b>	<b>8,078,381</b>	<b>(307,046)</b>	<b>1,148,642</b>	<b>957,614</b>	<b>(191,028)</b>
<b>Expenditures:</b>						
Current:						
General government	1,322,284	1,286,468	35,816	106,000	95,437	10,563
Security of persons and property	4,361,751	4,287,345	74,406	121,440	103,778	17,662
Public health and welfare	349,975	343,763	6,212	29,700	22,742	6,958
Transportation	48,900	47,766	1,134	756,288	748,774	7,514
Community environment	234,455	241,408	(6,953)	147,080	186,609	(39,529)
Leisure time activity	241,886	230,575	11,311	100	60	40
Capital outlay				304,233	306,865	(2,632)
Debt service:						
Principal retirement						
Interest and fiscal charges						
<b>Total expenditures</b>	<b>6,559,251</b>	<b>6,437,325</b>	<b>121,926</b>	<b>1,464,841</b>	<b>1,464,265</b>	<b>576</b>
Excess of revenues over (under) expenditures	1,826,176	1,641,056	(185,120)	(316,199)	(506,651)	(190,452)
<b>Other financing sources (uses):</b>						
Proceeds from sale of fixed assets	46,202	4,373	(41,829)	75,000	75,000	
Operating transfers in	528,778	728,778	200,000	463,913	463,883	(30)
Operating transfers (out)	(1,801,463)	(2,230,842)	(429,379)	(38,328)	(29,328)	9,000
Refund of prior year receipts	(110,000)	(109,172)	828			
<b>Total other financing sources (uses)</b>	<b>(1,336,483)</b>	<b>(1,606,863)</b>	<b>(270,380)</b>	<b>500,585</b>	<b>509,555</b>	<b>8,970</b>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	489,693	34,193	(455,500)	184,386	2,904	(181,482)
Fund balances, January 1	335,192	335,192		1,402,281	1,402,281	
Prior year encumbrances appropriated	20,910	20,910		5,380	5,380	
<b>Fund balances, December 31</b>	<b>\$845,795</b>	<b>\$390,295</b>	<b>(\$455,500)</b>	<b>\$1,592,047</b>	<b>\$1,410,565</b>	<b>(\$181,482)</b>

*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)
						\$5,650,000	\$5,675,283	\$25,283
						737,246	649,608	(87,638)
						117,517	106,944	(10,573)
						25,250	19,096	(6,154)
						195,343	164,689	(30,654)
\$35,150	\$33,669	(\$1,481)	\$235,828	\$358,340	\$122,512	1,785,638	1,667,482	(118,156)
			76,484	76,449	(35)	111,634	110,118	(1,516)
						242,198	203,197	(39,001)
			11,259	11,258	(1)	1,027,964	919,294	(108,670)
35,150	33,669	(1,481)	323,571	446,047	122,476	9,892,790	9,515,711	(377,079)
						1,428,284	1,381,905	46,379
						4,483,191	4,391,123	92,068
						379,675	366,505	13,170
						805,188	796,540	8,648
						381,535	428,017	(46,482)
						241,986	230,635	11,351
			1,210,361	1,268,676	(58,315)	1,514,594	1,575,541	(60,947)
52,500	50,211	2,289				52,500	50,211	2,289
12,750	11,552	1,198				12,750	11,552	1,198
65,250	61,763	3,487	1,210,361	1,268,676	(58,315)	9,299,703	9,232,029	67,674
(30,100)	(28,094)	2,006	(886,790)	(822,629)	64,161	593,087	283,682	(309,405)
						121,202	79,373	(41,829)
30,250	20,392	(9,858)	1,066,000	1,047,117	(18,883)	2,088,941	2,260,170	171,229
						(1,839,791)	(2,260,170)	(420,379)
						(110,000)	(109,172)	828
30,250	20,392	(9,858)	1,066,000	1,047,117	(18,883)	260,352	(29,799)	(290,151)
150	(7,702)	(7,852)	179,210	224,488	45,278	853,439	253,883	(599,556)
27,957	27,957		(128,099)	(128,099)		1,637,331	1,637,331	
			348,925	348,925		375,215	375,215	
<b>\$28,107</b>	<b>\$20,255</b>	<b>(\$7,852)</b>	<b>\$400,036</b>	<b>\$445,314</b>	<b>\$45,278</b>	<b>\$2,865,985</b>	<b>\$2,266,429</b>	<b>(\$599,556)</b>

**CITY OF FOSTORIA  
SENECA COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
<b>Operating revenues:</b>				
Charges for services	\$3,478,769	\$1,078,685	\$10,286	\$4,567,740
Other operating revenues	21,993	66,105		88,098
Total operating revenues	3,500,762	1,144,790	10,286	4,655,838
<b>Operating expenses:</b>				
Personal services	1,859,854	212,663		2,072,517
Contract services	310,048	24,341	7,375	341,764
Materials and supplies	663,897	69,624	900	734,421
Depreciation	592,486			592,486
Claims expense		1,000,526		1,000,526
Other operating expense	3,500			3,500
Total operating expenses	3,429,785	1,307,154	8,275	4,745,214
Operating income (loss)	70,977	(162,364)	2,011	(89,376)
<b>Nonoperating revenues (expenses):</b>				
Loss on sale of fixed assets	(9,014)			(9,014)
Interest expense and fiscal charges	(409,442)			(409,442)
Investment earnings		588		588
Total nonoperating revenues (expenses)	(418,456)	588		(417,868)
Net income (loss) before operating transfers	(347,479)	(161,776)	2,011	(507,244)
Operating transfers in	59,308			59,308
Operating transfers out	(55,000)			(55,000)
Net income (loss)	(343,171)	(161,776)	2,011	(502,936)
Addback of depreciation on assets acquired from contributed capital	157,962			157,962
Retained earnings/(Accumulated Deficit)/ Fund balance at January 1 (Restated)	10,989,351	(78,585)	216,142	11,126,908
Retained earnings/(Accumulated Deficit)/ Fund balance at December 31	10,804,142	(240,361)	218,153	10,781,934
Contributed capital at January 1 (Restated)	5,203,944			5,203,944
Depreciation on fixed assets acquired by contributed capital	(157,962)			(157,962)
Capital contributions from other funds	1,756			1,756
Contributed capital at December 31	5,047,738			5,047,738
<b>Total fund equity at December 31</b>	<b>\$15,851,880</b>	<b>(\$240,361)</b>	<b>\$218,153</b>	<b>\$15,829,672</b>

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



**CITY OF FOSTORIA  
SENECA COUNTY**

COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
<b>Cash flows from operating activities:</b>				
Cash received from charges for services	\$3,488,370	\$1,078,685	\$10,286	\$4,577,341
Cash received from other operations	21,993	66,105		88,098
Cash payments for personal services	(1,857,465)	(212,139)		(2,069,604)
Cash payments for contract services	(349,414)	(24,341)	(7,375)	(381,130)
Cash payments for materials and supplies	(475,620)	(73,667)	(900)	(550,187)
Cash payments for claims		(783,453)		(783,453)
Cash payments for other expenses	(3,500)			(3,500)
Net cash provided by (used in) operating activities	<u>824,364</u>	<u>51,190</u>	<u>2,011</u>	<u>877,565</u>
<b>Cash flows from noncapital financing activities:</b>				
Transfers in from other funds	59,308			59,308
Transfers out to other funds	(55,000)			(55,000)
Net cash provided by noncapital financing activities	<u>4,308</u>			<u>4,308</u>
<b>Cash flows from capital and related financing activities:</b>				
Proceeds of notes	843,118			843,118
Acquisition of capital assets	(946,210)			(946,210)
Principal payments-capital lease	(8,952)			(8,952)
Interest payments-capital lease	(1,911)			(1,911)
Principal retirement	(557,337)			(557,337)
Interest paid	(356,546)			(356,546)
Net cash used in capital and related financing activities	<u>(1,027,838)</u>			<u>(1,027,838)</u>
<b>Cash flows from investing activities:</b>				
Interest received		588		588
Net cash provided by investing activities		<u>588</u>		<u>588</u>
Net increase (decrease) in cash and cash equivalents	(199,166)	51,778	2,011	(145,377)
Cash and cash equivalents at January 1	1,006,857	13,175	216,142	1,236,174
<b>Cash and cash equivalents at December 31</b>	<b><u>\$807,691</u></b>	<b><u>\$64,953</u></b>	<b><u>\$218,153</u></b>	<b><u>\$1,090,797</u></b>

(Continued)

**CITY OF FOSTORIA  
SENECA COUNTY**

COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(Continued)

	Proprietary Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
Operating income (loss)	\$70,977	(\$162,364)	\$2,011	(\$89,376)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	592,486			592,486
Changes in assets and liabilities:				
Decrease in materials and supplies inventory	73,181			73,181
Decrease in accounts receivable	9,601			9,601
Decrease in accounts payable	(45,130)	(4,043)		(49,173)
Increase in contracts payable	129,860			129,860
Increase in claims payable		217,073		217,073
Increase in accrued wages and benefits	7,941	622		8,563
Increase (decrease) in compensated absences payable	13,282	62		13,344
Decrease in due to other governments	(9,000)			(9,000)
Decrease in pension obligation payable	(18,834)	(160)		(18,994)
<b>Net cash provided by (used in) operating activities</b>	<b>\$824,364</b>	<b>\$51,190</b>	<b>\$2,011</b>	<b>\$877,565</b>
<b>Noncash investing, capital, and financing activities:</b>				
Contributed Capital:				
From other funds	\$1,756			

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

**CITY OF FOSTORIA  
SENECA COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000

**1. THE REPORTING ENTITY**

The City of Fostoria, Ohio (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

**CITY OF FOSTORIA  
SENECA COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(Continued)

solely by the Board of Trustees. Financial information can be obtained from the Kaubisch Memorial Public Library, c/o Clerk/Treasurer, at 205 Perry St., Fostoria, Ohio 44830.

During the year ended December 31, 2000, 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.

**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:

**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.

**CITY OF FOSTORIA  
SENECA COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(Continued)

**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.

**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.

**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.

**CITY OF FOSTORIA  
SENECA COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(Continued)

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.

**CITY OF FOSTORIA  
SENECA COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(Continued)

**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.

**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, 2000 unencumbered fund balances. However, those fund balances are available for appropriations.

**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. Appropriations lapse at year-end.

**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 (Exhibit 1), compared to encumbrances outstanding at year-end reported as expenditures on the budget basis of accounting (Exhibit 3).

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

**CITY OF FOSTORIA  
SENECA COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(Continued)

**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 2000, 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, 2000.

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 2000 as follows:

	<u>Interest Actually Received</u>	<u>Interest Based upon Share of Cash Fund Balance</u>	<u>Interest Assigned from Other Funds</u>
General	\$159,236	\$25,691	\$133,545

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 City 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 utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance of this account at December 31, 2000 was \$8,990. This depository account is presented on the combined balance sheet as "Cash with Fiscal Agent". The City has a segregated bank account for Municipal Court monies held separate from the City's central bank account. This interest bearing depository account is presented on the combined balance sheet as "Cash in Segregated Accounts" since it is not required to be deposited into the City treasury.

The change in fair value of applicable investments during fiscal year 2000 per GASB Statement No. 31 is as follows:



**CITY OF FOSTORIA  
SENECA COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(Continued)

Fair Value at December 31, 2000	\$ 1,003,193
Proceeds of investments sold and matured in fiscal year 2000	500,000
Cost of investments purchased in fiscal year 2000	0
Fair value at December 31, 1999	<u>(1,488,746)</u>
Change in fair value of investments during fiscal year 2000	<u>\$ 14,447</u>

**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.

**CITY OF FOSTORIA  
SENECA COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(Continued)

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) or older with at least ten (10) years of service or any age with 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.

**CITY OF FOSTORIA  
SENECA COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(Continued)

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, 2000.
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. 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

**CITY OF FOSTORIA  
SENECA COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(Continued)

future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

**N. 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.

**O. 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.

**P. 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.

**3. ACCOUNTABILITY AND COMPLIANCE**

**A. Prior Period Adjustments**

1. The City has presented a restatement of the General Long-Term Obligations Account Group to properly reflect the outstanding balances of OPWC loans, Special Assessment bonds, and the Fire Engine note payable at January 1, 2000. The effect of each statement is as follows:

	Balances as Previously Reported <u>December 31, 1999</u>	<u>Adjustment</u>	Restated Balances <u>January 1, 2000</u>
General Long-term Obligations Account Group:			
OPWC Loans payable	\$150,544	\$25,305	\$175,849
Special Assessment Loans payable	498,994	8,880	507,874
Fire Engine Note payable	34,305	(5,093)	29,212

**CITY OF FOSTORIA  
SENECA COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(Continued)

2. The City has presented a restatement of retained earnings for the Enterprise funds to properly reflect the outstanding balance of the OPWC loan payable in the Sewer Fund at January 1, 2000. The effect of this restatement is as follows:

	<u>Balances as Previously Reported December 31, 1999</u>	<u>Adjustment</u>	<u>Restated Balances January 1, 2000</u>
OPWC Loan payable	\$62,470	\$(2,154)	\$60,316
Retained earnings	7,986,057	2,154	7,988,211

3. The City has presented a restatement of General fixed assets, as well as fixed assets, accumulated depreciation, contributed capital, retained earnings, and total fund equity in the Enterprise funds, as previously reported at December 31, 1999. The City reevaluated their General Fixed Assets as well as Enterprise Assets. The effect of this restatement is as follows:

	<u>Balances as Previously Reported December 31, 1999</u>	<u>Adjustment</u>	<u>Restated Balances January 1, 2000</u>
<u>General Fixes Asset Account Group</u>	\$13,132,465	\$42,892	\$13,175,357
<u>Enterprise Funds</u>			
Fixed assets	29,345,804	1,128,946	30,474,750
Accumulated depreciation	(6,528,308)	(1,401,151)	(7,929,459)
Contributed capital	8,477,288	(3,273,344)	5,203,944
Retained earnings	7,988,211	3,001,140	10,989,351
Total fund equity	16,463,345	(270,050)	16,193,295

The effect of this change on the net income can not be determinable because reevaluation of assets affected more than one year.

4. Advances payable/receivable were overstated in the General and Internal Service fund types as of December 31, 1999. The effect of the adjustment on the excess of revenues over expenditures and the fund balance as previously reported at December 31, 1999 is as follows:

**CITY OF FOSTORIA  
SENECA COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(Continued)

<u>Fund Balance:</u>	<u>General Fund</u>	<u>Internal Service Fund</u>
Balance as previously reported	\$915,408	(\$151,835)
Adjustment	<u>(73,250)</u>	<u>73,250</u>
Adjusted balance as of January 1, 2000	<u>\$842,158</u>	<u>(\$78,585)</u>
 Excess of Revenues over Expenditures:		
Amount previously reported	\$1,683,645	(\$7,179)
Adjustment	<u>(73,250)</u>	<u>73,250</u>
Adjusted amount as of December 31, 1999	<u>\$1,610,395</u>	<u>\$66,071</u>

**B. Deficit Retained Earnings/Fund Balances**

Retained earnings/fund balances at December 31, 2000 included the following individual fund deficits:

	<u>Deficit Fund Balance/ Retained Earnings</u>
<u>Capital Projects Funds</u>	
Capital Improvement	\$(3,504)
 <u>Internal Service Funds</u>	
Service Garage	(4,122)
Health Insurance EHBC	(309,489)

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. Budgetary Noncompliance**

- The following funds had expenditures plus encumbrances in excess of appropriations contrary to § 5705.41, Ohio Revised Code:

<u>Fund Type/Fund</u>	<u>Excess</u>
General Fund	\$285,715
 <u>Internal Service Funds</u>	
Health Insurance	68,887

**CITY OF FOSTORIA  
SENECA COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(Continued)

2. The following funds had appropriations in excess of estimated revenues plus available balances for the fiscal year ended December 31, 2000:

<u>Fund Type/Fund</u>	<u>Excess</u>
<u>Enterprise Funds</u>	
Water	\$65,381
<u>Internal Service Fund</u>	
Service Garage	24,815

In addition, the City had expenditures that were certified after the expenditure was incurred, which is a violation of State law.

**4. EQUITY IN POOLED CASH AND INVESTMENTS**

**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;

**CITY OF FOSTORIA  
SENECA COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(Continued)

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.

Cash in Segregated Accounts - At year end, \$29,770 was on deposit in segregated accounts for the Municipal Court and other city departments, and included in the total amount of deposits reported below; however, this amount is not part of the internal cash pool reported on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents".

Cash with Fiscal Agent: At year end, \$8,990 was on deposit with the City's fiscal agent for matured principal and interest on bonded debt and \$171,813 was on deposit with the City's fiscal agent for undistributed permissive tax receipts. Both amounts are included in the total amount of deposits reported below; however, this amount is not part of the internal cash pool reported on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents".

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 \$1,065,226 and the bank balance was \$715,124. Both amounts include payroll clearance accounts, cash in segregated accounts, and amounts held by fiscal agents. Of the bank balance:

1. \$245,703 was covered by federal depository insurance; and
2. \$469,421 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.



**CITY OF FOSTORIA  
SENECA COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(Continued)

*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 is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	<u>Category 2</u>	<u>Fair Value</u>
U.S. Government Agency Security	\$498,296	\$498,296
U.S. Treasury Note	504,897	504,897
Money Market	501,117	501,117
Amounts Not Subject to Categorization:		
Investment in State Treasurer's Investment Pool	_____	<u>1,278,827</u>
<b>Total Investments</b>	<b><u>\$1,504,310</u></b>	<b><u>\$2,783,137</u></b>

The U.S. Treasury Note matures in March, 2001. The U.S. Government Agency security matures in 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 on the combined balance sheet per GASB Statement No. 9 and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Equity in Pooled Cash and Cash Equivalents</u>	<u>Investments</u>
Per GASB Statement No. 9	\$3,637,790	
Combined Balance Sheet Reclassifications:		
Money Market	(501,117)	\$ 501,117
U.S. Government Agency Security	(498,296)	498,296
U.S. Treasury Note	(504,897)	504,897
State Treasurer's Investment Pool	<u>(1,278,827)</u>	<u>1,278,827</u>
<b>Total GASB Statement No.3 Investments</b>		<b><u>\$2,783,137</u></b>
Cash in segregated accounts	\$29,770	
Cash with fiscal agent	<u>180,803</u>	
<b>Total Carrying Amount of Deposits</b>		
Per GASB Statement No. 3	<b><u>\$ 1,065,226</u></b>	

**CITY OF FOSTORIA  
SENECA COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(Continued)

**5. INTERFUND TRANSACTIONS**

A. The following is a summarized reconciliation of the City's operating transfers for 2000:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers (Out)</u>
General Fund	\$29,328	\$(1,531,392)
<u>Special Revenue Funds</u>		
Street Construction & Maintenance	138,000	
COPS More Grant	4,220	
Hancock County Park Grant	1,463	
Termination Benefits Reserve		(29,328)
Fire Department Asset Replacement	240,200	
Beautification	60,000	
City Clean-up	<u>20,000</u>	
Total Special Revenue Funds	<u>463,883</u>	<u>(29,328)</u>
<u>Debt Service Funds</u>		
Fire Engine	20,392	
<u>Capital Projects Funds</u>		
General Capital Improvement	370,117	
Street Maintenance Capital	200,000	
Infrastructure Capital Improvement	200,000	
Sewer and Water Extension	<u>277,000</u>	<u>(4,308)</u>
Total Capital Projects Funds	<u>1,047,117</u>	<u>(4,308)</u>
<u>Enterprise Funds</u>		
Sewer	4,308	(55,000)
Sewer Plant Replacement	<u>55,000</u>	
Total Enterprise Funds	<u>59,308</u>	<u>(55,000)</u>
Total All Funds	<u>\$1,620,028</u>	<u>\$(1,620,028)</u>

B. Interfund balances at December 31, 2000 which relate to quasi-external transactions, consist of the following individual fund receivables and payables:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$11,080	
<u>Special Revenue Funds</u>		
DUI IDATF	259	
Court Special Projects	<u>2,060</u>	
Total Special Revenue Funds	<u>2,319</u>	
<u>Agency Fund</u>		
Municipal Court		<u>\$13,399</u>
Total All Funds	<u>\$13,399</u>	<u>\$13,399</u>

**CITY OF FOSTORIA  
SENECA COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(Continued)

- C. Interfund balances at December 31, 2000 consist of the following individual fund loans which are long-term in nature (outstanding longer than one year):

	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
General Fund	\$150,000	
<u>Capital Projects Funds</u>		
Capital Improvement	_____	\$(150,000)
Total All Funds	<u>\$150,000</u>	<u>\$(150,000)</u>

**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 2000 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, 2000 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.

**CITY OF FOSTORIA  
SENECA COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(Continued)

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 2000 taxes were collected are as follows:

	<u>Seneca County</u>	<u>Wood County</u>	<u>Hancock County</u>
Real Property - 1999 Valuation			
Residential/Agricultural	\$54,048,970	\$7,305,260	\$24,142,750
Commercial/Industrial	31,335,800	6,325,850	8,891,510
Public Utilities	<u>189,570</u>		<u>20,480</u>
Totals	85,574,340	13,631,110	33,054,740
Tangible Personal Property - 1999 Valuation			
General	42,611,007	3,390,604	9,272,407
Public Utilities	<u>6,448,290</u>	<u>729,860</u>	<u>2,144,970</u>
Totals	<u>49,059,297</u>	<u>4,120,464</u>	<u>11,417,377</u>
Total Valuation	<u>\$134,633,637</u>	<u>\$17,751,574</u>	<u>\$44,472,117</u>

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.

**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 2000 was \$5,656,513.

**8. RECEIVABLES**

Receivables at December 31, 2000 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:

<u>General:</u>	
City Income Taxes:	
Current	\$ 620,125
Delinquent	169,748
Property Taxes and Assessments:	
Current	665,000
Delinquent	<u>22,088</u>
Total Taxes and Assessments	<u>1,476,961</u>

**CITY OF FOSTORIA  
SENECA COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(Continued)

Due from Other Governments	37,514
Total General Fund	\$1,514,475
 <u>Special Revenue Funds:</u>	
Property Taxes and Assessments:	
Current	\$ 116,000
Delinquent	3,825
Total Taxes and Assessments	119,825
 Due from Other Governments	 35,880
Total Special Revenue Funds	\$ 155,705
 <u>Debt Service:</u>	
Special Assessments:	
Current	\$ 166,558
Total Debt Service Fund	\$ 166,558
 <u>Capital Projects:</u>	
Special Assessments:	
Current	\$ 559,597
Total Capital Projects Fund	\$ 559,597
 <u>Enterprise:</u>	
Accounts:	
Billed - Unpaid	\$ 300,895
Unbilled	354,432
Total Enterprise Funds	\$ 655,327

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, 2000, to the extent that individual estimated payments and employee withholdings for the last quarter of 2000 (which are due by January 31, 2001) 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.

**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 2000, there were loans outstanding to four businesses with a total principal balance due of \$326,527.

**CITY OF FOSTORIA  
SENECA COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(Continued)

**10. PROPERTY, PLANT AND EQUIPMENT**

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

	<u>Balance 01/01/00</u>	<u>Additions</u>	<u>(Deletions)</u>	<u>Balance 12/31/00</u>
Land	\$2,062,117		\$(118,181)	\$1,943,936
Land Improvements	419,649	\$ 90,400		510,049
Buildings	7,275,196	48,086	(444,475)	6,878,807
Machinery and Equipment	1,956,465	200,387	(82,417)	2,074,435
Vehicles	<u>1,461,930</u>	<u>724,085</u>	<u>(36,269)</u>	<u>2,149,746</u>
Total General Fixed Assets	<u>\$13,175,357</u>	<u>\$1,062,958</u>	<u>\$(681,342)</u>	<u>\$13,556,973</u>

A summary of proprietary fund property, plant and equipment at December 31, 2000, by class and by individual fund is as follows:

	<u>Water</u>	<u>Sanitary Sewer</u>
Land	\$3,132,990	\$256,510
Buildings	5,057,773	7,291,642
Buildings - Contributed Capital Improvements	48,904	26,918 571
Improvements - Contributed Capital	3,089	
Machinery, Equipment and Furniture	1,071,216	473,941
Machinery, Equipment and Furniture Contributed Capital	609,552	131,378
Vehicles	47,663	167,768
Vehicles - Contributed Capital	103,083	109,165
Infrastructure	5,728,769	1,954,093
Infrastructure - Contributed Capital	<u>1,972,650</u>	<u>3,210,931</u>
Subtotal	17,775,689	13,622,917
Less Accumulated Depreciation	<u>(5,317,110)</u>	<u>(3,189,739)</u>
Net Property, Plant and Equipment	<u>\$12,458,579</u>	<u>\$10,433,178</u>

**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, 2000 are summarized by fund as follows:

	<u>Water</u>	<u>Sewer</u>
Contributed Capital, January 1, 2000 (Restated)	\$2,099,091	\$3,104,853
Current Contributions from Other Funds		1,756
Current Depreciation Expense	<u>(99,752)</u>	<u>(58,210)</u>
Contributed Capital, December 31, 2000	<u>\$1,999,339</u>	<u>\$3,048,399</u>

**CITY OF FOSTORIA  
SENECA COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(Continued)

**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. In the current year, the City entered into a capitalized lease agreement for the acquisition of a fire engine.

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. Fixed assets acquired by lease have been capitalized in the general fixed assets account group and in the enterprise funds 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, respectively.

Principal payments in 2000 totaled \$4,476 in the general fund, \$228,143 in the special revenue funds and \$8,952 in the enterprise funds. Capital lease payments in governmental funds have been reclassified on the financial statements to reflect debt principal and interest retired. In the enterprise funds, principal payments have been reclassified to reduce the capital lease liability, and interest payments have been reclassified as interest and fiscal charges expense.

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, 2000:

<u>Year Ending December 31</u>	<u>General Long-Term Obligations</u>	<u>Enterprise</u>
2001	\$245,603	\$10,868
2002	245,603	10,868
2003	<u>4,522</u>	<u>9,057</u>
Total future minimum lease payments	495,728	30,793
Less: amount representing interest	<u>(37,490)</u>	<u>(2,453)</u>
Present value of future minimum lease payment	<u>\$458,238</u>	<u>\$28,340</u>

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

**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.

**CITY OF FOSTORIA  
SENECA COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(Continued)

**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 or older, with ten years with local government employment or any age with twenty years of service.

**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 or older, or have twenty years with local government employment.

A liability for accrued vacation for \$269,337 has been recognized. Vacation is accumulated based upon length of service as follows:

<u>Uniform Service</u>	<u>Employee Hours Earned / Bi-weekly</u>	<u>Non-Uniform Service</u>	<u>Time Off - (Hours)</u>
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.

**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 2000:

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>(Restated) Balance 1/1/00</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 12/31/00</u>
<b><u>General Long-Term Obligations:</u></b>						
<u>General Obligation Loans:</u>						
OPWC-Kelly Storm Sewer	5/8/98	NA	\$ 175,849		\$ (10,668)	\$ 165,181
Fire Engine Loan	9/25/97	6.15%	<u>29,212</u>	_____	<u>(29,212)</u>	_____
Total General Obligation Loans			<u>205,061</u>	_____	<u>(39,880)</u>	<u>165,181</u>



**CITY OF FOSTORIA  
SENECA COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(Continued)**

Special Assessment Bonds:						
Main Street Improvement	6/1/83	11.625%	17,000		(7,000)	10,000
Plaza Drive	5/1/88	7.125%	131,000		(14,000)	117,000
Kelly Addition	7/23/98	5.95%	<u>359,874</u>		<u>(10,571)</u>	<u>349,303</u>
Total Special Assessment Bonds			<u>507,874</u>		<u>(31,571)</u>	<u>476,303</u>
Other Long-Term Obligations:						
Compensated Absences Payable			495,939	\$ 23,794		519,733
Capital Leases Payable (restated)			<u>24,600</u>	<u>666,257</u>	<u>(232,619)</u>	<u>458,238</u>
Total Other Long-Term Obligations			<u>520,539</u>	<u>690,051</u>	<u>(232,619)</u>	<u>977,971</u>
Total General Long-Term Obligations			<u>1,233,474</u>	<u>690,051</u>	<u>(304,070)</u>	<u>1,619,455</u>
<b>Enterprise Fund Obligations:</b>						
General Obligation Bonds:						
Reservoir Refunding Bonds	12/1/89	3.80-4.90%	2,310,000		(170,000)	2,140,000
Sewer Refunding Bonds	4/21/95	2.70-4.50%	<u>850,000</u>		<u>(125,000)</u>	<u>725,000</u>
Total General Obligation Bonds			<u>3,160,000</u>		<u>(295,000)</u>	<u>2,865,000</u>
OWDA Loans payable:						
OWDA Loan	10/15/00	4.66%		843,118		843,118
OWDA Loan	7/1/95	4.56%	4,607,782		(210,094)	4,397,688
OWDA Loan	1/1/99	0-5%	<u>191,740</u>		<u>(47,935)</u>	<u>143,805</u>
Total OWDA Loans			<u>4,799,522</u>	<u>843,118</u>	<u>(258,029)</u>	<u>5,384,611</u>
OPWC Loan:						
CSO #1, Wood County (restated)		NA	60,316		(4,308)	56,008
Other Long-Term Obligations:						
Compensated Absences			231,308	13,282		244,590
Capital Leases Payable			<u>37,292</u>		<u>(8,952)</u>	<u>28,340</u>
Total Other Long-Term Obligations			<u>268,600</u>	<u>13,282</u>	<u>(8,952)</u>	<u>272,930</u>
Total Enterprise Fund Obligations			<u>8,288,438</u>	<u>856,400</u>	<u>(566,289)</u>	<u>8,578,549</u>
Total Long-Term Obligation			<u>\$9,521,912</u>	<u>\$1,546,451</u>	<u>\$(870,359)</u>	<u>\$10,198,004</u>

- 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, 2000 is \$6,005,000.

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, 2000 is \$1,985,000.

**CITY OF FOSTORIA  
SENECA COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(Continued)

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, 2000 follows:

Future Payment Due In	OWDA Loans (1)			OPWC Loans
	Principal	Interest	Total	Principal Only
2001	\$ 267,718	\$ 202,371	\$ 470,089	\$ 17,507
2002	277,855	191,756	469,611	17,506
2003	288,458	179,714	468,172	17,507
2004	251,616	166,224	417,840	17,506
2005	263,221	154,619	417,840	14,976
2006-2010	1,509,791	579,411	2,089,202	62,227
2011-2015	1,682,834	197,450	1,880,284	53,616
2016-2019				20,344
Total	<u>\$4,541,493</u>	<u>\$1,671,545</u>	<u>\$6,213,038</u>	<u>\$221,189</u>

(1) The OWDA Loan proceeds received in 2000 are not included, because the City had not received the entire proceeds for the water plant upgrade project.

Future Payment Due In	Special Assessment Bonds			General Obligation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2001	\$ 32,269	\$ 30,115	\$ 62,384	\$ 310,000	\$129,637	\$ 439,637
2002	28,950	27,625	56,575	325,000	116,618	441,618
2003	26,671	25,556	52,227	340,000	102,642	442,642
2004	28,384	23,846	52,230	345,000	87,683	432,683
2005	29,245	21,917	51,162	365,000	72,257	437,257
2006-2010	130,166	79,678	209,844	1,180,000	175,358	1,355,358
2011-2015	114,190	45,242	159,432			
2016-2019	86,428	9,230	95,658			
Total	<u>\$476,303</u>	<u>\$263,209</u>	<u>\$739,512</u>	<u>\$2,865,000</u>	<u>\$684,195</u>	<u>\$3,549,195</u>

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, 2000, the City's total voted debt margin was \$20,690,274, and the unvoted debt margin was \$10,827,153; both amounts include available funds of \$20,255.

**CITY OF FOSTORIA  
SENECA COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(Continued)

**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, 2000, is as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Sewer Plant Replacement</u>	<u>Total</u>
Operating Revenues	\$ 1,668,540	\$ 1,829,747	\$ 2,475	\$ 3,500,762
Operating Expenses Before Depreciation	1,467,182	1,294,815	75,302	2,837,299
Depreciation Expense	352,733	239,753		592,486
Operating Income (Loss)	(151,375)	295,179	(72,827)	70,977
Operating Transfers:				
In		4,308	55,000	59,308
(Out)		(55,000)		(55,000)
Net Income (Loss)	(309,727)	(15,617)	(17,827)	(343,171)
Current Capital Contributions		1,756		1,756
Property, Plant and Equipment - Additions	892,869	58,300		951,169
Total Assets	13,172,145	11,156,740	317,897	24,646,782
Bonds and other Long-Term Liabilities	2,983,118	5,322,501		8,305,619
Net Working Capital	326,645	622,739	317,897	1,267,281
Total Equity	9,869,374	5,664,609	317,897	15,851,880
Encumbrances Outstanding	218,917	61,842	4,377	285,136

**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 \$301,192 reported in the Fund at December 31, 2000 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.

**CITY OF FOSTORIA  
SENECA COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(Continued)

Changes in the Fund's claims liability amount during 2000 and the past three fiscal years were as follows:

	<u>Beginning of Year Liability</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at Year End</u>
2000	\$84,119	\$1,000,526	\$783,453	\$301,192
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

**17. DEFINED BENEFIT PENSION PLANS**

**A. Public Employees Retirement System**

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 2000 was 8.5 percent for employees other than law enforcement. Law enforcement employees contribute 9.0 percent of covered salary. The PERS Retirement Board instituted a temporary employer rate rollback for calendar year 2000. The rate rollback was 20% for local government subdivisions and 6% for law enforcement divisions. The employer contribution rate for employees other than law enforcement was 10.84 percent of covered payroll; 6.54 percent was the portion used to fund pension obligations for 2000. The employer contribution rate for law enforcement employees was 15.70 percent of covered payroll; 11.40 percent was the portion used to fund pension obligations for 2000. The City's contributions for pension obligations to PERS for the years ended December 31, 2000, 1999, and 1998 were \$440,248, \$401,530 and \$382,767, respectively; 76 percent has been contributed for 2000 and 100 percent for 1999 and 1998. \$104,156, representing the unpaid contribution for 2000, is recorded as a liability within the respective funds.

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

Full-time uniformed employees of the City participate in the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple employer defined benefit pension plan. The OP&F 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 OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the OP&F. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

**CITY OF FOSTORIA  
SENECA COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(Continued)

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 OP&F for the years ended December 31, 2000, 1999, and 1998 were \$512,314, \$421,955, and \$451,827 respectively; 75 percent has been contributed for 2000 and 100% was contributed for 1999 and 1998 respectively. \$128,288, which represents the unpaid contributions for 2000, is recorded as a liability within the respective funds.

**18. POSTEMPLOYMENT BENEFITS**

**A. Public Employees Retirement System**

PERS provides post-retirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit. 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 employer contribution rate was rolled back for the year 2000. The 2000 employer contribution rate for local government employers was 10.84% of covered payroll; 4.30% was the portion that was used to fund health care. The law enforcement employer rate for 2000 was 15.70% of covered payroll; 4.30% was the portion used to fund health care.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS. The City's contribution actually made to fund post employment benefits was \$174,637.

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.

As of December 31, 1999 (the latest information available), the unaudited estimated net assets available for future OPEB payments were \$10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$12,473.6 million and \$1,668.1 million, respectively, at December 31, 1999 (the latest information available). The number of benefit recipients eligible for OPEB at December 31, 1999 (the latest information available) was 401,339.

During 2000, the PERS Retirement Board enacted a temporary employer contribution rate rollback for calendar year 2000. The decision to rollback rates was based upon a December 31, 1998 actuarial study, which indicated that actuarial assets exceeded actuarial liabilities. The temporary rate rollback was 20% for both the state and local government divisions and 6% for law enforcement divisions. The Board reallocated employer contributions from 4.20% to 4.30% at the beginning of the year to improve health care financing. The proportion of contributions dedicated to funding OPEB increased during the year for those reasons.

**CITY OF FOSTORIA  
SENECA COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(Continued)

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

The Ohio Police and Fire Pension Fund (OP&F) 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 OP&F 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, 2000, is 12,467 for police officers and 9,807 for firefighters. The amount of employer contributions used to pay postemployment benefits for police officers and firefighters were \$86,101 and \$56,854, respectively. The OP&F's total health care expenses for the year ending December 31, 2000, were \$95 million.

**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 FINANCING USES			
	Governmental Fund Types			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget Basis	\$ 34,193	\$ 2,904	\$(7,702)	\$224,488
Adjustments:				
Net Adjustment for Revenue Accruals	(9,333)	(132,567)	(1)	(1,670)
Net Adjustment for Expenditure Accruals	(73,067)	(637,747)	1	(31,099)

**CITY OF FOSTORIA  
SENECA COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(Continued)

Net adjustment for Other Financing Sources/ (Uses) Accruals	109,172	666,257	_____	(4,308)
Encumbrances	<u>43,077</u>	<u>92,754</u>	_____	<u>116,939</u>
GAAP Basis	<u>\$104,042</u>	<u>\$ (8,399)</u>	<u>\$(7,702)</u>	<u>\$304,350</u>

**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, 2000.

**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.

**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, 2000, is \$3,023,256. 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.

**This page intentionally left blank.**





STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

One Government Center  
Room 1420  
Toledo, Ohio 43604-2246  
Telephone 419-245-2811  
800-443-9276  
Facsimile 419-245-2484  
www.auditor.state.oh.us

**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 as of and for the year ended December 31, 2000, and have issued our report thereon dated September 17, 2001 which was qualified for our inability to obtain sufficient evidential matter supporting the Compensated Absences of the General Long-Term Obligation account group. As described in Note 3 to the accompanying general-purpose financial statements, during fiscal year 2000, the City reevaluated their General Fixed Assets as well as Enterprise Assets. Except as discussed in the first sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**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 the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of finding as items 2000-20574-001 and 2000-20574-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated September 17, 2001.

**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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Fostoria's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2000-20574-003 and 2000-20574-004.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2000-20574-003 and 2000-20574-004 to be material weaknesses. We also 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 of Fostoria in a separate letter dated September 17, 2001.

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 17, 2001

**CITY OF FOSTORIA  
SENECA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2000**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2000-20574-001**

**Finding Repaid Under Audit**

A city employee's salary was incorrectly calculated for the period under audit. As a result, an overpayment in the amount of \$1,033.62 was calculated.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code § 117.28, a Finding for Recovery for illegal expenditures is hereby issued against Charles Gerristen in the amount of one thousand and thirty-three dollars and sixty-two cents (\$1,033.62), and in favor of the City of Fostoria.

The finding was repaid during the audit in the amount of one thousand and thirty-three dollars and sixty-two cents.

**FINDING NUMBER 2000-20574-002**

**Noncompliance Citation**

Ohio Revised Code § 5705.41 (D) states no orders or contracts involving the expenditure of money is to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides two "exceptions" to the above requirement:

- a. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- b. If the amount involved is less than \$1000, the fiscal officer may authorize it to be paid without the affirmation of the Council, if such expenditure is otherwise valid.

Forty -three percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred and neither of the exceptions provided for were used. To improve controls over disbursements, we recommend the City's disbursements receive certification of the fiscal officer that the funds are or will be available.

**FINDING NUMBER 2000-20574-003**

**Material Weakness - Compensated Absences**

Vacation and sick leave records and balances were not updated to the automated payroll records in the auditor's office. Employees were not always properly "stepped up" to the next vacation accrual rate when allowed by their contract per years of service.

These weaknesses resulted in incorrect vacation and sick leave balances. These incorrect records were used when calculating the City's compensated absences liability.

To ensure accurate accounting over the payroll process we recommend payroll records for sick and vacation leave in the auditor's office be updated on a bi-weekly basis. In addition procedures should be implemented to detect when an employee should be "stepped up" to the next level for vacation and sick accrual. We recommend the City payroll department (automated records) reconcile accrual rates and balances with City departments (manual records) on a periodic basis. The individual department reconciliations do not need to be as of December 31, but may be performed as of October or November. This reconciliation should be documented and the necessary adjustments made to the City payroll system or department records.

**FINDING NUMBER 2000-20574-004**

**Material Weakness - Segregation of Duties**

The payroll records were not reviewed by an individual other than the payroll clerk. The lack of segregation of duties resulted in the following weaknesses:

1. Several hire dates and birth dates were incorrectly input into the auditor's office computer system. This could allow an individual to receive more (or less) vacation leave than he/she is entitled to receive. This also could allow an individual to retire at an earlier date than he/she is eligible to retire.
2. Education incentives given to employees were incorrectly calculated. This resulted in an overpayment of \$1,033.62 to one employee and an underpayment of \$523.93 to another employee. A finding for recovery was issued for the overpayment.
3. Fire department employees were given credit for double the amount of vacation allowed according to their contract for the pay period September 30, 2000. This could result in an employee using more vacation leave than they are entitled to.

We recommend, at minimum, payroll records be reviewed frequently to verify the accuracy of the information contained in the payroll records by a person other than the payroll clerk.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**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 9, 2001**