



Dave Yost • Auditor of State

**City of Fostoria
Seneca County**

**Fiscal Emergency Analysis
As of December 31, 2015 and February 29, 2016**

Local Government Services

City of Fostoria, Seneca County

Fiscal Emergency Analysis

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Declaration of Fiscal Emergency

The Auditor of State performed a fiscal analysis of the City of Fostoria pursuant to Section 118.03 of the Ohio Revised Code. This analysis indicates and it is hereby declared that a fiscal emergency exists at the City of Fostoria as defined in Sections 118.03(A)(5) and 118.03(B) of the Ohio Revised Code.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted and filed with Eric Keckler, Mayor of the City of Fostoria; Doug Pahl, President of Council of the City of Fostoria; John Kasich, Governor; Timothy S. Keen, Director of the Office of Budget and Management; John Husted, Secretary of State; Josh Mandel, Treasurer of State; and Julie Adkins, Secretary of the Seneca County Budget Commission.

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

Dave Yost
Auditor of State

May 26, 2016

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City of Fostoria, Seneca County

Fiscal Emergency Analysis

Introduction

As provided by Sections 118.021 and 118.04(A) of the Ohio Revised Code, Mayor Eric Keckler requested that a fiscal analysis be performed by the Auditor of State for the City of Fostoria, Seneca County (the City). The purpose of the analysis was to determine if the financial condition of the City justifies the declaration of a fiscal emergency.

A city is placed in fiscal emergency if any one of six conditions described in Section 118.03 of the Ohio Revised Code exists. The six conditions are: 1) default on any debt obligation; 2) failure to make payment of all payroll; 3) an increase in the minimum levy of the city which results in the reduction in the minimum levy of another subdivision; 4) significant past due accounts payable; 5) substantial deficit balances in city funds; and 6) a sizeable deficiency in the city's treasury when the balance is compared to the positive cash balances of the city's funds.

The existence of the conditions described under Condition 4, 5, and 6 of this report at year-end do not constitute a basis for the declaration of fiscal emergency if the City clearly demonstrates to the satisfaction of the Auditor of State that the conditions no longer exist at the time of the determination.

This report identifies the procedures performed and the conclusions reached with respect to each condition as of December 31, 2015, and February 29, 2016.

Condition One - Default on Any Debt Obligation

Section 118.03(A)(1) of the Ohio Revised Code defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under Section 118.04 of the Revised Code, of a default on any debt obligation for more than thirty days.

A summary of the City's outstanding debt as of February 29, 2016, is as follows:

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Issue Amount</u>
<u>Special Assessment Bonds</u>			
Kelly Addition	5.95%	7/23/1998	\$360,761
<u>Loans Payable</u>			
OPWC Northridge Storm Drain System	0.00	5/8/1998	162,751
OPWC Sewer Separation	0.00	12/1/2000	30,751
OPWC Sandusky Street Sanitary Sewer Pump Station	0.00	6/9/2010	96,946
OPWC East Fremont Street Pump Station Replacement	0.00	5/10/2001	70,189
OPWC Reservoir Rehabilitation	0.00	4/23/2004	68,515
OPWC Columbus Avenue Sanitary Sewer Pump Station	0.00	1/1/2009	93,308
OPWC Culbertson Street Water Tower Cleaning and Painting	0.00	1/1/2011	62,536
OPWC North Poplar Street Sanitary Sewer and Waterline	0.00	7/1/2012	74,770
OPWC Zeller Road South Water Tower Clean and Paint	0.00	7/1/2012	196,743
OPWC Spruce Street Waterline Improvements	0.00	7/1/2012	14,996
OPWC Jackson Street Waterline Improvements	0.00	6/1/2015	37,309

(continued)

City of Fostoria, Seneca County

Fiscal Emergency Analysis

Debt Issue	Interest Rate	Issue Date	Issue Amount
<u>Loans Payable</u> (continued)			
OPWC Vine Street and Arbor Street Improvements	0.00%	12/17/2015	\$28,742
OWDA Wastewater Refinancing	4.56	3/30/1995	5,444,248
OWDA Water Treatment Plant Improvements	4.66	1/27/2000	1,092,854
OWDA Lime Sludge Press	0.00	11/19/2009	992,857
OWDA LTCP Sewer Cleaning/Testing	3.25	6/24/2010	1,479,012
OWDA WWTP Final Clarifiers Improvements	2.57	7/25/2013	4,397,947
Fire Equipment	3.00	12/7/2012	51,565
Ambulance	3.00	10/22/2013	252,036
<u>Capital Leases Payable</u>			
Dump Truck	5.95	12/4/2012	65,398
Salt Truck	3.72	12/19/2012	124,368

We obtained a list of outstanding debt and the amortization schedules to identify the last scheduled payments due before February 29, 2016, and reviewed the council minutes for any debt issued.

Conclusion: A fiscal emergency condition does not exist under Ohio Revised Code Section 118.03(A)(1). The City had not defaulted on any of its debt obligations for more than thirty days as of February 29, 2016.

Condition Two - Payment of All Payroll

Section 118.03(A)(2) of the Ohio Revised Code defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under Section 118.04 of the Revised Code, of a failure for lack of cash in the funds to make payment of all payroll to employees of the municipal corporation, county, or township in the amounts and at the times required by laws, ordinances, resolutions, or agreements, which failure of payment has continued:

- a. For more than thirty days after such time for payment, or
- b. Beyond a period of extension, or beyond the expiration of ninety days from the original time for payment, whichever first occurs, if the time for payment has been extended for more than thirty days by the written consent of at least two-thirds of the employees affected by such failure to pay, acting individually or by their duly authorized representatives.

We reviewed the payroll records of the City as of February 29, 2016. We reviewed the council minutes, ordinances, resolutions, and had a discussion with the Finance Director to determine the employees of the City, pay rates, frequency of payroll, and whether any extensions for the payment of payroll existed. We reviewed the cash journal and cancelled checks to determine whether City employees had been paid within the time specified by Sections 118.03(A)(2) of the Ohio Revised Code. We determined that adequate cash was in the bank account to cover payroll.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(2) of the Ohio Revised Code as of February 29, 2016. All employees have been paid in amounts and at the times required by City ordinance.

Condition Three - Increase in Minimum Levy

Section 118.03(A)(3) of the Ohio Revised Code defines a fiscal emergency condition as:

An increase, by action of the county budget commission pursuant to division (D) of Section 5705.31 of the Revised Code, in the minimum levy of the municipal corporation, county, or township for the current or next fiscal year which results in a reduction in the minimum levies for one or more other subdivisions or taxing districts.

We confirmed with the Seneca County Budget Commission whether there had been an increase, pursuant to division (D) of Section 5705.31 of the Ohio Revised Code, in the minimum levy of the City for 2016 which resulted in a reduction in the minimum levies for one or more other subdivisions or taxing districts. The confirmation received from the Seneca County Budget Commission indicated that the County Budget Commission had not taken any action to increase the inside millage of the City for 2016.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(3) of the Ohio Revised Code as of February 29, 2016. The Seneca County Budget Commission has not taken any action to increase the inside millage of the City by reducing another subdivision's inside millage.

Condition Four - Past Due Accounts Payable from the General Fund and All Funds

Section 118.03(A)(4) of the Ohio Revised Code defines a fiscal emergency condition as:

The existence of a condition in which all accounts that, at the end of its preceding fiscal year, were due and payable from the general fund and that either had been due and payable at least thirty days at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, including, but not limited to, final judgments, fringe benefits payments due and payable, and amounts due and payable to persons and other governmental entities and including any interest and penalties thereon, less the year-end balance in the general fund, exceeded one-sixth of the general fund budget for that year, or in which all accounts that, at the end of its preceding fiscal year, were due and payable from all funds of the municipal corporation, county, or township and that either had been due and payable for at least thirty days as at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year less the year-end balance in the general fund and in the respective special funds lawfully available to pay such accounts exceeded one-sixth of the available revenues during the preceding fiscal year, excluding nonrecurring receipts, of the general fund and of all special funds from which such accounts lawfully are payable. Accounts due and payable shall not include any account, or portion thereof, that is being contested in good faith.

City of Fostoria, Seneca County

Fiscal Emergency Analysis

We prepared a schedule of accounts payable as of December 31, 2015, that were due and payable from the general fund, and that had been due and payable for at least thirty days, or to which a penalty had been added for failure to pay as of December 31, 2015, including, but not limited to, final judgments, fringe benefits payments due and payable, and amounts due and payable to persons and other governmental entities, including any interest and penalties. From this amount, we subtracted the year-end balance in the general fund to determine if the accounts payable in excess of the available balance exceeded one-sixth of the general fund receipts for that year. General fund receipts were used for this calculation due to the variance between actual receipts and the general fund budget.

Schedule I

General Fund Accounts Payable Over 30 Days Past Due
Ohio Revised Code Section 118.03(A)(4)
As of December 31, 2015

Fund	Payables Over 30 Days Past Due	General Fund Balance Available	Payables in Excess of Available Balance	One-Sixth of Receipts	Accounts Payable in Excess of Receipts
General	\$14,458	\$0	\$14,458	\$1,037,260	\$0

From invoices provided to us, a schedule of accounts payable was prepared (as defined above) for all funds which were at least thirty days past due or to which a penalty was added as of December 31, 2015. From this amount, we subtracted the year-end fund balance available to pay such outstanding bills. We then determined if the accounts payable in excess of the available fund balance exceeded one-sixth of the available revenues during 2015, excluding non-recurring receipts, of the general fund and of all special funds from which such accounts are lawfully payable.

Schedule II

All Funds Accounts Payable Over 30 Days Past Due
Ohio Revised Code Section 118.03(A)(4)
As of December 31, 2015

Funds	Payables Over 30 Days Past Due	Fund Balance Available	Payables in Excess of Available Balance	One-Sixth of Receipts	Accounts Payable in Excess of Receipts
General	\$14,458	\$0	\$14,458	\$1,037,260	\$0
Street Maintenance and Repair	13	15,160	0	105,234	0
Police Donations	1,266	67,952	0	34,076	0
Grants -					
Fire Department	16,872	24,302	0	112,666	0
Water	36,367	1,357,699	0	594,387	0
Sewer	2,252	578,900	0	468,044	0
Totals	\$71,228	\$2,044,013	\$14,458	\$2,351,667	\$0

Conclusion: Schedules I and II indicate that a fiscal emergency condition does not exist under section 118.03(A)(4) of the Ohio Revised Code. Accounts payable from the general fund and from all funds which were at least thirty days past due at December 31, 2015, did not exceed the available fund balances. An analysis as of the date of determination was not made because a fiscal emergency condition did not exist at year-end.

City of Fostoria, Seneca County

Fiscal Emergency Analysis

Condition Five - Deficit Fund Balances

Section 118.03(A)(5) of the Ohio Revised Code defines a fiscal emergency condition as:

The existence of a condition in which the aggregate of deficit amounts of all deficit funds at the end of its preceding fiscal year, less the total of any year-end balance in the general fund and in any special fund that may be transferred as provided in Section 5705.14 of the Revised Code to meet such deficit, exceeded one-sixth of the total of the general fund budget for that year and the receipts to those deficit funds during that year other than from transfers from the general fund.

We computed the adjusted aggregate sum of all deficit funds at December 31, 2015, by subtracting all accounts payable and encumbrances from the year-end cash fund balance of each fund. We then determined if the aggregate deficit fund balance exceeded one-sixth of the general fund receipts and the receipts to those deficit funds. We then identified funds that may be transferred, as provided in Section 5705.14 of the Ohio Revised Code, to meet such deficits to arrive at the unprovided portion of the aggregate deficit.

Schedule III

Deficit Fund Balances
Ohio Revised Code Section 118.03(A)(5)
As of December 31, 2015

Funds	Cash Fund Balances	Less Accounts Payable and Encumbrances	Adjusted Aggregate Sum of Funds with Deficit Balances	One-Sixth of Receipts	Unprovided Portion of Aggregate Deficit
General	(\$390,050)	(\$208,008)	(\$598,058)	\$1,037,260	\$439,202
Grants - Airport	(69,486)	(19,329)	(88,815)	13,191	(75,624)
Grants - Brownfield	(37,192)	(3,591)	(40,783)	27,016	(13,767)
Parks and Recreation	(45,850)	(705)	(46,555)	7,419	(39,136)
General Capital	(60,342)	(26,956)	(87,298)	0	(87,298)
Street Maintenance Capital	(11,949)	0	(11,949)	0	(11,949)
Infrastructure Capital Improvement	(175,724)	(48,267)	(223,991)	0	(223,991)
Subtotal	<u>(\$790,593)</u>	<u>(\$306,856)</u>	<u>(\$1,097,449)</u>	<u>\$1,084,886</u>	<u>(12,563)</u>
Funds Available for Transfer					<u>0</u>
Total Unprovided Portion of Aggregate Deficit Funds					<u>(\$12,563)</u>

City of Fostoria, Seneca County

Fiscal Emergency Analysis

Section 118.03(B) of the Ohio Revised Code, provides in part:

Any year-end condition described in division (A)(5) of this section shall not constitute a fiscal emergency condition if the municipal corporation, county, or township clearly demonstrates to the satisfaction of the Auditor of State prior to the time of the Auditor of State's determination that such condition no longer exists at the time of the determination pursuant to Section 118.04 of the Revised Code. For the purpose of such demonstration, rather than at the end of the fiscal year, there shall be taken into account the moneys and marketable securities in the treasury of the municipal corporation, county, or township at the time of such demonstration that are, in the case of division (A)(5) of this section, held for the general fund or any special fund that may be transferred as provided in Section 5705.14 of the Revised Code to meet such deficit, provided that changes from the year-end condition resulting from transfers not authorized pursuant to Chapter 5705 of the Revised Code. Borrowings or advances between funds shall not be taken into account to demonstrate improvement in any fiscal emergency condition.

We computed the adjusted aggregate sum of all deficit funds at February 29, 2016, by subtracting all accounts payable and encumbrances from the year-end cash fund balance of each fund. We then determined if the aggregate deficit fund balance exceeded one-sixth of the general fund budget and the budget to those deficit funds. We then identified funds that may be transferred, as provided in Section 5705.14 of the Ohio Revised Code, to meet such deficits to arrive at the unprovided portion of the aggregate deficit.

Schedule IV

Deficit Fund Balances
Ohio Revised Code Section 118.03(B)
As of February 29, 2016

Funds	Cash Fund Balances	Less Accounts Payable and Encumbrances	Adjusted Aggregate Sum of Funds with Deficit Balances	One-Sixth of Budget	Unprovided Portion of Aggregate Deficit
General	(\$450,830)	(\$527,775)	(\$978,605)	\$995,719	\$17,114
Grants - Airport	(69,486)	(19,329)	(88,815)	55,920	(32,895)
Grants - Brownfield	(37,192)	(3,591)	(40,783)	19,000	(21,783)
Parks and Recreation	(40,593)	(16,392)	(56,985)	11,754	(45,231)
CDBG	(5,760)	(5,739)	(11,499)	16,667	5,168
General Capital	(53,964)	(165,815)	(219,779)	0	(219,779)
Infrastructure					
Capital Improvement	(177,606)	(30,318)	(207,924)	0	(207,924)
Subtotal	<u>(\$835,431)</u>	<u>(\$768,959)</u>	<u>(\$1,607,390)</u>	<u>\$1,099,060</u>	<u>(505,330)</u>
Funds Available for Transfer					0
Total Unprovided Portion of Aggregate Deficit Funds					<u>(\$505,330)</u>

Conclusion: A fiscal emergency condition exists under section 118.03(A)(5) and 118.03(B) of the Ohio Revised Code as of December 31, 2015, and February 29, 2016, respectively. The total unprovided portion of the aggregate deficit funds as of December 31, 2015, and February 29, 2016, are \$12,563 and \$505,330, respectively.

City of Fostoria, Seneca County

Fiscal Emergency Analysis

Condition Six - Treasury Deficiency

Section 118.03(A)(6) of the Ohio Revised Code defines a fiscal emergency condition as:

The existence of a condition in which, at the end of the preceding fiscal year, moneys and marketable investments in or held for the unsegregated treasury of the municipal corporation, county, or township, minus outstanding checks and warrants were less in amount than the aggregate of the positive balances of the general fund and those special funds the purposes of which the unsegregated treasury is held to meet and such deficiency exceeded one-sixth of the total amount received into the unsegregated treasury during the preceding fiscal year.

We verified the City's reconciled bank balance to its statement of cash position for all funds as of December 31, 2015, which included subtracting reconciling factors to arrive at the treasury balance. We then determined the aggregate sum of all positive fund cash balances, the purpose of which the unsegregated treasury is held to meet, to determine the treasury deficit. No further calculations were necessary because positive cash balances were greater than the treasury deficit at December 31, 2015.

Schedule V

Treasury Balance
Ohio Revised Code Section 118.03(A)(6)
as of December 31, 2015

	Amounts at December 31, 2015
Account Balances	
General Checking Account	\$1,862,985
Revolving Loan Fund Account	441,008
Money Market Account	2,028,289
Employee Health Benefits Account	12,324
STAR Ohio - Revolving Loan Fund Account	1,280,482
STAR Ohio - General Account	70,768
Total Account Balances	<u>5,695,856</u>
Less Reconciling Factors for	
Outstanding Checks - General Checking Account	(14,624)
Outstanding Checks - Payroll Account	(74,621)
Outstanding Checks - Employee Health Benefits Account	(430)
Deposits in Transit	1,698
Miscellaneous Reconciling Item	(114)
Total Treasury Balance	<u>5,607,765</u>

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City of Fostoria, Seneca County

Fiscal Emergency Analysis

Schedule V

Treasury Balance
Ohio Revised Code Section 118.03(A)(6)
as of December 31, 2015

	Amounts at December 31, 2015
Positive Cash Fund Balances	
Street Maintenance and Repair	\$35,145
State Highway	126,571
Police Donations	67,952
Drug Law Enforcement	29,341
DUI IDATF	75,962
Chaplain Fund	186
Hancock County Park Grant	3,318
Prosecutors Law Enforcement	5,453
Grants - Fire Department	25,152
Veterans Chapel Maintenance	277
Cemetary Podium Project	892
Veterans Chapel Pavers	3,514
Community Development	3,593
Fostoria RLF	441,008
Fostoria Revolving Loan	1,276,192
Beautification	7,030
Fostoria Housing Revolving Loan	32,646
City Cleanup	24,052
Tax Incentive Review	2,822
Charter Government	8,799
Iron Triangle Rail Park	20,428
Court Special Programs	86,854
Prosecutor's County Contributions	35,614
Job Creation Grant Program	100,000
Indigent Drivers Interlock	19,586
Veteran's Memorial Chappel	50
Sewer and Water Extension	231
Water	1,613,242
Sewer	838,717
Storm Water Management System	815,884
Sewer Plant Replacement	459,898
Health Insurance EHBC	32,035
Trust and Agent Pill	120,409
Brubaker Trust	600
Cemetery Trust	60,920
Fire Insurance Trust	11,681
Henry H. Geary Jr. Trust	7,300
Laverne May Trust	1,998
Beard Flower Trust Fund	338
Fostoria Community Trust	2,668
Total Positive Cash Fund Balances	<u>6,398,358</u>
Treasury Deficit	(790,593)
One-Sixth Treasury Receipts	<u>2,663,523</u>
Treasury Balance	<u>\$1,872,930</u>

Conclusion: A fiscal emergency condition does not exist under section 118.03(A)(6) of the Ohio Revised Code. There was no treasury deficiency at December 31, 2015.

Summary

A fiscal emergency is the existence of at least one of the conditions defined above. This analysis indicates that a fiscal emergency exists at the City of Fostoria as defined in Sections 118.03(A)(5) and 118.03(B) of the Ohio Revised Code as presented in Schedules III and IV as of December 31, 2015, and February 29, 2016.

Because the above procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported to you.

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CITY OF FOSTORIA

SENECA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 26, 2016**