

CITY OF WARREN, OHIO

*Single Audit Report
for the Year Ended
December 31, 1999*



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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City Council
City of Warren
Warren, Ohio 44483

We have reviewed the Independent Auditor's Report of the City of Warren, Trumbull County, prepared by Deloitte & Touche, LLP, for the audit period January 1, 1999 through December 31, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

October 11, 2000

CITY OF WARREN, OHIO

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of the
City Council of the City of Warren, Ohio

We have audited the accompanying general purpose financial statements of the City of Warren, Ohio (the "City") as of December 31, 1999, and for the year then ended, listed in the foregoing table of contents. These general purpose financial statements are the responsibility of the management of the City. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such general purpose financial statements present fairly, in all material respects, the financial position of the City as of December 31, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the City taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133 "Audits of States, Local Governments and Non-Profit Organizations," and is not a required part of the general purpose financial statements. This schedule is the responsibility of the management of the City. Such information has been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the general purpose financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2000, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

June 30, 2000

CITY OF WARREN, OHIO

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 1999**

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Total Memorandum (Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Agency	General Fixed Assets	
ASSETS AND OTHER DEBITS									
ASSETS:									
Equity in pooled cash and cash equivalents	\$ 60,591	\$ 3,123,590	\$ 1,052	\$ 840,255	\$ 9,284,635	\$ 2,004,912	\$ 1,511,909		\$ 16,826,944
Cash with fiscal and escrow agents					968,504		162,997		162,997
Investments (restricted)									968,504
Receivables (net of allowances for uncollectibles):									
Income taxes	1,977,434								1,977,434
Real and other taxes		292,196	1,410,390						1,702,586
Accounts	573,987				2,506,188				3,080,175
Notes		6,051,771			948,485	1,800,000			8,800,256
Bonds						309,960			309,960
Special assessments	103,122	247,416	20,317	104,488	5,363				376,218
Due from other governments	460,670	198,819			74,069				838,046
Prepayments	576								576
Materials and supplies inventory	20,408	57,853			56,890				135,151
Bond issuance costs and other deferred charges					668,472				668,472
Property, plant and equipment, net					58,838,031	446,274		\$ 20,181,973	79,466,278
OTHER DEBITS:									
Amount available in debt service fund								\$ 1,052	1,052
Amount to be provided for retirement of general long-term obligations								19,424,011	19,424,011
TOTAL ASSETS AND OTHER DEBITS	<u>\$ 3,196,788</u>	<u>\$ 9,971,645</u>	<u>\$ 1,431,759</u>	<u>\$ 944,743</u>	<u>\$ 73,350,637</u>	<u>\$ 4,561,146</u>	<u>\$ 1,674,906</u>	<u>\$ 20,181,973</u>	<u>\$ 134,738,660</u>

The notes to the general purpose financial statements are an integral part of these statements.

(Continued)

CITY OF WARREN, OHIO

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 1999**

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Total (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Agency	General		Long-Term
								Fixed Assets		Obligations
LIABILITIES, EQUITY AND OTHER CREDITS										
LIABILITIES:										
Accounts payable	\$ 86,492	\$ 623,015		\$ 34,112	\$ 242,682	\$ 33,088			\$ 1,019,389	
Accrued wages and benefits	237,075	32,400			107,998	2,853			380,326	
Compensated absences payable	152,448	8,638			1,164,156	47,935		\$ 3,257,268	4,630,445	
Deferred revenue	464,749	539,612	\$ 1,430,707						2,435,068	
Retainage payable					395,492				395,492	
Due to other governments	41,264	4,782			26,738	91,788	\$ 1,440,895		1,605,467	
Deposits held and due to others							234,011		234,011	
Claims and judgments payable						540,708			540,708	
Accrued interest payable					605,289				605,289	
General obligation notes payable		300,000		300,000	1,400,000				2,000,000	
General obligation bonds payable	309,960				7,790,000			15,182,795	23,282,755	
Revenue bonds payable					11,110,000			985,000	11,110,000	
Loans payable					16,675,368				17,660,368	
Installment purchase obligation						181,249			181,249	
Total liabilities	<u>1,291,988</u>	<u>1,508,447</u>	<u>1,430,707</u>	<u>334,112</u>	<u>39,517,723</u>	<u>897,621</u>	<u>1,674,906</u>	<u>19,425,063</u>	<u>66,080,567</u>	
EQUITY AND OTHER CREDITS:										
Investment in general fixed assets								\$ 20,181,973	20,181,973	
Retained earnings - unreserved					33,832,914	3,663,525			37,496,439	
Fund balances:										
Reserved for encumbrances	244	654,762		2,098,695					2,753,701	
Reserved for materials and supplies inventory	20,408	57,853							78,261	
Reserved for notes receivable		6,051,771							6,051,771	
Reserved for prepayments	576								576	
Reserved for debt service			1,052						1,052	
Unreserved-undesignated	<u>1,883,572</u>	<u>1,698,812</u>	<u>1,052</u>	<u>(1,488,064)</u>	<u>33,832,914</u>	<u>3,663,525</u>	<u>-</u>	<u>-</u>	<u>2,094,320</u>	
Total equity and other credits	<u>1,904,800</u>	<u>8,463,198</u>	<u>1,052</u>	<u>610,631</u>	<u>33,832,914</u>	<u>3,663,525</u>	<u>-</u>	<u>-</u>	<u>68,658,093</u>	
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	<u>\$ 3,196,788</u>	<u>\$ 9,971,645</u>	<u>\$ 1,431,759</u>	<u>\$ 944,745</u>	<u>\$ 73,350,637</u>	<u>\$ 4,561,146</u>	<u>\$ 1,674,906</u>	<u>\$ 19,425,063</u>	<u>\$ 134,738,660</u>	

The notes to the general purpose financial statements are an integral part of these statements. (Concluded)

CITY OF WARREN, OHIO

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

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
REVENUES:					
Income taxes	\$ 14,031,496				\$ 14,031,496
Property and other taxes	904,201	\$ 190,160	\$ 917,634		2,011,995
Charges for services	1,687,065	246,406			1,933,471
Licenses, permits and fees	1,477,200	41,925			1,519,125
Fines and forfeitures	932,421	236,374			1,168,795
Special assessments		1,014	940		1,954
Intergovernmental	2,681,088	4,266,747	124,599	\$ 2,209,148	9,281,582
Investment income	164,984	148,479	10,949	70,832	395,244
Rental income	123,283				123,283
Other	456,861	144,683		314,339	915,883
Total revenues	<u>22,458,599</u>	<u>5,275,788</u>	<u>1,054,122</u>	<u>2,594,319</u>	<u>31,382,828</u>
EXPENDITURES:					
Current Operations:					
General government	6,194,220	122,677	22,798	47,240	6,386,935
Security of persons and property	12,774,687	151,331			12,926,018
Public health and welfare	339,617				339,617
Transportation		2,091,105			2,091,105
Community environment	1,617,439				1,617,439
Leisure time activity	560,031				560,031
Economic development		2,632,464			2,632,464
Capital outlay		473,080		3,496,605	3,969,685
Debt service:					
Principal retirement			939,880		939,880
Interest and fiscal charges		41,987	820,177	14,875	877,039
Total expenditures	<u>21,485,994</u>	<u>5,512,644</u>	<u>1,782,855</u>	<u>3,558,720</u>	<u>32,340,213</u>
Revenues over (under) expenditures	<u>972,605</u>	<u>(236,856)</u>	<u>(728,733)</u>	<u>(964,401)</u>	<u>(957,385)</u>
OTHER FINANCING SOURCES (USES):					
Proceeds of bonds and loans		985,000		324,800	1,309,800
Operating transfers in	260,770	984,000	492,599	790,064	2,527,433
Operating transfers out	(1,753,079)	(775,080)			(2,528,159)
Total other financing sources (uses)	<u>(1,492,309)</u>	<u>1,193,920</u>	<u>492,599</u>	<u>1,114,864</u>	<u>1,309,074</u>
Revenues and other financing sources over (under) expenditures and other uses	(519,704)	957,064	(236,134)	150,463	351,689
FUND BALANCE, JANUARY 1	2,414,309	7,512,805	237,186	460,168	10,624,468
INCREASE (DECREASE) IN RESERVE FOR INVENTORY	<u>10,195</u>	<u>(6,671)</u>			<u>3,524</u>
FUND BALANCE, DECEMBER 31	<u>\$ 1,904,800</u>	<u>\$ 8,463,198</u>	<u>\$ 1,052</u>	<u>\$ 610,631</u>	<u>\$ 10,979,681</u>

The notes to the general purpose financial statements are an integral part of these statements.

CITY OF WARREN, OHIO

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS ALL PROPRIETARY FUND TYPES FOR THE YEAR ENDED DECEMBER 31, 1999

	<u>Proprietary Fund Types</u>		Total (Memorandum Only)
	Enterprise	Internal Service	
OPERATING REVENUES:			
Charges for services	\$ 19,578,971	\$ 3,841,550	\$ 23,420,521
Other operating revenues	<u>71,613</u>	<u>30,662</u>	<u>102,275</u>
Total operating revenues	<u>19,650,584</u>	<u>3,872,212</u>	<u>23,522,796</u>
OPERATING EXPENSES:			
Personal services	7,441,641	194,838	7,636,479
Contract services	3,666,890	259,525	3,926,415
Materials and supplies	1,531,640	26,838	1,558,478
Depreciation	3,301,463	17,165	3,318,628
Claims expense, net of \$1.4 million workers' compensation premium refund		2,822,068	2,822,068
Administration	1,274,878	145,475	1,420,353
Utilities	1,278,205	32,499	1,310,704
Other operating expense	<u>33,783</u>		<u>33,783</u>
Total operating expenses	<u>18,528,500</u>	<u>3,498,408</u>	<u>22,026,908</u>
OPERATING INCOME	<u>1,122,084</u>	<u>373,804</u>	<u>1,495,888</u>
NONOPERATING REVENUES (EXPENSES):			
Interest expense and fiscal charges	(2,682,617)	(7,539)	(2,690,156)
Investment earnings	563,176	160,214	723,390
Other nonoperating revenue	630,957		630,957
Special assessments	6,226		6,226
Loss on sale of assets	<u>(40,758)</u>	<u>(4,592)</u>	<u>(45,350)</u>
Total nonoperating revenues (expenses)	<u>(1,523,016)</u>	<u>148,083</u>	<u>(1,374,933)</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	(400,932)	521,887	120,955
OPERATING TRANSFERS IN	1,230,151		1,230,151
OPERATING TRANSFERS OUT	<u>(1,133,751)</u>	<u>(95,674)</u>	<u>(1,229,425)</u>
NET INCOME (LOSS)	(304,532)	426,213	121,681
RETAINED EARNINGS, JANUARY 1	<u>34,137,446</u>	<u>3,237,312</u>	<u>37,374,758</u>
RETAINED EARNINGS, DECEMBER 31	<u>\$ 33,832,914</u>	<u>\$ 3,663,525</u>	<u>\$ 37,496,439</u>

The notes to the general purpose financial statements are an integral part of these statements.

CITY OF WARREN, OHIO

COMBINED STATEMENT OF CASH FLOWS ALL PROPRIETARY FUND TYPES FOR THE YEAR ENDED DECEMBER 31, 1999

	<u>Proprietary Fund Types</u>		Total (Memorandum Only)
	Enterprise	Internal Service	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 18,843,240	\$ 3,844,555	\$ 22,687,795
Cash received from other operations	71,613	30,662	102,275
Cash payments for personal services	(7,308,250)	(191,174)	(7,499,424)
Cash payments for contract services	(3,673,497)	(244,144)	(3,917,641)
Cash payments for administrative costs	(1,274,878)	(599,202)	(1,874,080)
Cash payments for supplies and materials	(1,432,746)	(26,838)	(1,459,584)
Cash payments for claims expense, net of \$1.4 million workers' compensation premium refund		(2,524,360)	(2,524,360)
Cash payments for utilities	(1,278,205)	(32,499)	(1,310,704)
Cash payments for other expenses	(32,227)		(32,227)
Net cash provided by operating activities	<u>3,915,050</u>	<u>257,000</u>	<u>4,172,050</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in from other funds	1,161,251		1,161,251
Transfers out to other funds	(1,494,636)	(95,674)	(1,590,310)
Cash received from nonoperating activities	<u>639,868</u>		<u>639,868</u>
Net cash provided by (used in) noncapital financing activities	<u>306,483</u>	<u>(95,674)</u>	<u>210,809</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	(2,575,542)	(90,718)	(2,666,260)
Proceeds from OWDA loans	411,422		411,422
Principal retirement of bonds and notes	(1,338,211)		(1,338,211)
Interest and fiscal charges paid	<u>(1,831,445)</u>	<u>(7,539)</u>	<u>(1,838,984)</u>
Net cash used in capital and related financing activities	<u>(5,333,776)</u>	<u>(98,257)</u>	<u>(5,432,033)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments	(16,125)		(16,125)
Purchase of notes and bonds of other City funds	(200,000)	(2,109,960)	(2,309,960)
Interest received	562,135	160,214	722,349
Principal payments received on notes receivable	<u>250,000</u>	<u>1,500,000</u>	<u>1,750,000</u>
Net cash provided by (used in) investing activities	<u>596,010</u>	<u>(449,746)</u>	<u>146,264</u>
NET DECREASE IN POOLED CASH AND CASH EQUIVALENTS	(516,233)	(386,677)	(902,910)
POOLED CASH AND CASH EQUIVALENTS, JANUARY 1	<u>9,800,868</u>	<u>2,391,589</u>	<u>12,192,457</u>
POOLED CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 9,284,635</u>	<u>\$ 2,004,912</u>	<u>\$ 11,289,547</u>

(Continued)

CITY OF WARREN, OHIO

COMBINED STATEMENT OF CASH FLOWS ALL PROPRIETARY FUND TYPES FOR THE YEAR ENDED DECEMBER 31, 1999

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
RECONCILIATION OF OPERATING INCOME TO CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income	\$ 1,122,084	\$ 373,804	\$ 1,495,888
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	3,301,463	17,165	3,318,628
Changes in assets and liabilities:			
Decrease in materials and supplies inventory	80,466		80,466
Increase in accounts receivable	(80,635)		(80,635)
Increase in notes receivable	(748,485)		(748,485)
Increase (decrease) in accounts payable	(28,272)	15,381	(12,891)
Increase in retainage payable	96,443		96,443
Increase in accrued wages and benefits	36,648	711	37,359
Increase in due from other governments	93,919	3,005	96,924
Increase in compensated absences payable	90,722	2,853	93,575
Decrease in due to other governments	(49,303)	(453,627)	(502,930)
Increase in claims payable		297,708	297,708
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 3,915,050</u>	<u>\$ 257,000</u>	<u>\$ 4,172,050</u>

The notes to the general purpose financial statements are an integral part of these statements.

(Concluded)

CITY OF WARREN, OHIO

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

	General			Special Revenue			Debt Service			Capital Projects			Total (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:															
Income taxes	\$ 14,280,500	\$ 13,785,771	\$ (494,729)												\$ (494,729)
Property and other taxes	897,250	904,140	6,890												7,091
Charges for services	1,587,000	1,556,608	(30,392)												(31,398)
Licenses, permits and fees	1,367,500	1,445,868	78,368												52,293
Fines and forfeitures	1,028,500	952,243	(76,257)												(78,403)
Intergovernmental	2,592,487	2,586,076	(6,411)												(6,18,047)
Special assessments															(3,546)
Investment income	206,000	169,651	(36,349)												12,798
Rental income	125,000	123,283	(1,717)												(1,717)
Other	403,000	430,002	27,002												463,929
Total revenues	22,487,237	21,953,642	(533,595)	6,504,384	5,741,749	(762,635)	1,288,846	1,290,518	1,672	1,920,000	2,522,829	602,829	32,200,467	31,508,738	(691,729)
EXPENDITURES:															
Current:															
General government	6,538,019	6,266,278	271,741												308,429
Security of persons and property	12,703,466	12,631,013	72,453												181,243
Public health and welfare	426,487	354,040	72,447												72,447
Transportation															56,029
Community environment	1,727,747	1,638,055	89,692												89,692
Leisure time activity	600,538	558,853	41,705												41,705
Economic development															507,855
Capital outlay															507,855
Debt service:															
Principal retirement															1,145,393
Interest and fiscal charges															4,147
Total expenditures	21,996,277	21,448,239	548,038	8,761,593	8,346,314	415,279	2,965,516	2,969,880	(4,364)	5,579,885	5,739,354	(159,469)	40,316,892	38,011,422	2,305,470
Revenues over (under) expenditures	490,960	505,403	14,443	(2,257,209)	(1,104,565)	1,152,644	(2,690,291)	(2,686,997)	3,294	(3,659,885)	(3,216,525)	443,360	(8,116,425)	(6,502,684)	1,613,741
OTHER FINANCING SOURCES (USES):															
Proceeds of bonds		309,960	309,960												309,960
Proceeds of notes															774,800
Operating transfers in	310,000	260,770	(49,230)												(49,230)
Operating transfers out	(1,736,141)	(1,753,079)	(16,938)												(16,938)
Total other financing sources (uses)	(1,126,141)	(1,182,349)	(56,208)												(56,208)
Revenues and other financing sources over (under) expenditures and other financing (uses)	(635,181)	(676,946)	(41,765)	(918,411)	389,355	1,307,766	1,307,766	262	262	(873,984)	(2,166,536)	(1,292,552)	(2,427,576)	(2,453,865)	(26,289)
FUND BALANCE, JANUARY 1	15,619	15,619		1,262,513	1,262,513		790	790		(585,902)	(585,902)		693,020	693,020	
PRIOR YEAR ENCUMBRANCES	635,182	635,182		727,081	727,081					1,459,886	1,459,886		2,822,149	2,822,149	
FUND BALANCE, DECEMBER 31	\$ 15,620	\$ (26,145)	\$ (41,765)	\$ 1,071,183	\$ 2,378,949	\$ 1,307,766	\$ 790	\$ 1,052	\$ 262	\$ (1,292,552)	\$ (1,292,552)	\$ (1,292,552)	\$ 1,087,593	\$ 1,061,304	\$ (26,289)

The notes to the general purpose financial statements are an integral part of these statements.

CITY OF WARREN, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 1999

1. DESCRIPTION OF THE CITY

The City of Warren, Ohio (the "City") was created in 1834. It is located in Trumbull County and 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. The City operates under a Council-Mayor form of government and provides the following services to its residents: public safety (police and fire), public health, municipal court, highways and streets, public improvements, community development (planning and zoning), water, sewers, sanitation, parks and recreation, and general administrative services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity - For financial reporting purposes, the City's general purpose financial statements include all funds, agencies, boards, commissions, and departments for which the City is financially accountable. Financial accountability, as defined by the GASB, exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the City. The City may also be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The City also took into consideration other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's general purpose financial statements to be misleading or incomplete. Based upon the foregoing criteria, the City has no component units.

Included as part of the City's primary government in the determination of the City's reporting entity is the Warren Municipal Court (the "Court"). The Court's operations are not legally separate from the City. In addition, the City is responsible for budgeting and appropriating funds for the operation of the Court and is ultimately responsible for any operating deficits sustained by the Court. The City's share of the fines collected by the Court along with its share of the Court's administrative and operating costs are recorded in the City's general fund. Monies held by the Court in a fiduciary capacity are included in an agency fund in the accompanying general purpose financial statements.

Basis of Presentation - Fund Accounting - The accounts of the City are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses, as appropriate. The various funds are summarized by type in the general purpose financial statements.

A fund is defined as a fiscal and accounting entity with a self balancing set of accounts recording 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 because they do not directly affect net expendable available financial resources.

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 is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - These funds are used to account for specific governmental revenues (other than for major capital projects) that are legally restricted or designated to be expended for specific purposes.

Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of, general obligation and special assessment long-term debt principal, interest and related costs.

Capital Projects Fund - This fund is used to account for the acquisition or construction of major capital assets other than those financed by proprietary funds.

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 Funds - These funds are 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 is the City's fiduciary fund type:

Agency Funds - These funds are used to account for assets held by the City as an agent for individuals, private organizations, other governmental units, and other funds. Agency funds are purely custodial in nature and do not involve the measurement of results of operations.

Account Groups - Account groups are used to establish accounting control and accountability for the City's general fixed assets and general long-term obligations. 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, computer equipment, vehicles, and 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.

Basis of Accounting - Basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the general purpose financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All financial transactions for governmental fund types and agency funds are recorded on the modified accrual basis of accounting. Under this accounting method, revenues are recognized when susceptible to accrual (both measurable and available to finance current City operations), while expenditures are generally recognized when the related fund liability is incurred, with the exception of accumulated unpaid sick and vacation pay, which is not payable from current expendable financial resources, and unmatured interest on general long-term debt, which is recognized when due.

In applying the "susceptible to accrual" concept under the modified accrual basis of accounting, the following major 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. All other revenues are recorded when received, as they are generally not measurable until received.

Special assessments and property tax receivables which are measurable, but not available to pay liabilities as of year-end, are recorded as receivables and equally offset by deferred revenues which are recognized as revenue when the amounts become available.

The accrual basis of accounting is utilized for reporting purposes by the proprietary 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 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 are accounted for on the flow of economic resources 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., total net assets) is segregated into contributed capital and retained earnings components (if any). Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

In accordance with Statement No. 20 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the City has elected not to apply the provisions of the Statements and Interpretations of the Financial Accounting Standards Board issued after November 30, 1989. The City will continue to apply all applicable pronouncements issued by the Governmental Accounting Standards Board.

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.

A budget of estimated revenues and expenditures is submitted to the County Auditor by July 20 of each year for the period January 1 to December 31 of the following year.

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.

Appropriation budgets are legally required for each fund by major expenditure object which is the City's legal level of budgetary control. 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 the total of current estimated resources, as certified and the fund balance at the beginning of the year.

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 utilized during the year for budget control purposes. Encumbrances outstanding at year-end are reported as expenditures under the City's budgetary basis of accounting. For GAAP reporting purposes, encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

Cash and Investments - For reporting purposes, the City considers all highly liquid investments with a maturity of three months or less when purchased to be "Equity in pooled cash and cash equivalents;" instruments with a maturity date of more than 90 days from date of purchase to be "Investments;" and all cash, deposits and investments not held by the City Treasurer to be "Cash with fiscal and escrow agents." The City Treasurer, by statute, invests all short-term cash surpluses. Investments are reported at fair value.

Materials and Supplies Inventory - Inventories are valued at cost using the first in, first out (FIFO) method and consist of expendable supplies held for consumption and items held for resale. The cost of inventory items is 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.

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 General Fixed Assets Account Group, nor is interest capitalized on debt issued to construct general fixed assets. The City has established a capitalization threshold of \$1,000 for general fixed assets.
2. *Proprietary Fund Fixed Assets* - Property, plant, and equipment reflected in the proprietary 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
Autos and trucks	5
Machinery, equipment, furniture and fixtures	10
Building improvements	15
Sewer and water treatment plants and buildings	20
Other buildings	40
Sewer and water mains	70

The City also capitalizes the cost of major renovations which extend the useful life of an asset or 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. The City has established a capitalization threshold of \$1,000 for proprietary fixed assets.

Compensated Absences - City employees earn vacation leave at graduated rates based on length of service. They also earn sick leave which, if not taken, accumulates until retirement. 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.

The City accrues vacation and sick pay benefits as earned by its employees in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. This statement requires the portion of the compensated absence liability relating to governmental fund types that is not expected to be liquidated with expendable, available financial resources to be recorded in the General Long-Term Obligations Account Group.

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. Intergovernmental receivables are reported as revenue if they are both measurable and available and intended to finance fiscal 1999 operations. Intergovernmental receivables that are measurable as of December 31, 1999, but are intended to finance 2000 operations, whose availability is indeterminable, have been recorded as deferred revenue.

Long-Term Obligations - Long-term obligations for general obligation bonds, revenue bonds, OWDA loans, vested sick and vacation leave, and claims or judgments 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.

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. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as “interfund loans receivable or payable.”
4. Interfund charges from the Internal Service Fund for insurance, workers’ compensation and risk management are reported as revenue in the Internal Service Fund and expenditures/expenses in the respective fund.

Fund Balance Reserves - 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 materials and supplies inventory, available debt service equity, prepayments, encumbrances outstanding and notes receivable as reservations of fund balance in the governmental funds.

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, premiums or discounts are included in “Other Financing Sources (Uses) – Proceeds of Bonds” on the Combined Statement of Revenues, Expenditures and Changes in Fund Balances. The long-term debt that appears in the general long-term obligations account group is reported at 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, any material issuance costs will be reported as a deferred charge and amortized over the life of the bond. Any material discounts or premiums are shown as additions to or deductions from the amount of the bond liability, are amortized using the interest method, and are reflected as interest expense in the Combined Statement of Revenues, Expenses, and Changes in Retained Earnings.

Total Columns on General Purpose Financial Statements - Total columns on the accompanying 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 eliminations have not been made in the aggregation of this data.

3. OTHER REQUIRED FUND DISCLOSURES

Deficit Retained Earnings - The following funds had significant deficit fund balances or retained earnings as of December 31, 1999:

	Deficit Fund Balances And Retained Earnings
Enterprise Fund - Sanitation	\$ 444,537
Internal Service Fund - Life Insurance and Hospital	304,777

The deficit retained earnings in the Sanitation enterprise fund is caused by the application of GAAP, namely in the requirement to report bonds as a fund liability rather than as an “other financing source.” The deficit will be eliminated through the application of user charges.

The deficit retained earnings in the Life Insurance and Hospital internal service fund is a result of the three large claims occurring during 1999. The deficit will be eliminated as premiums charged to the departments of the City are collected to pay the claims. In addition, charges to departments have been adjusted for 2000 to cover the deficit.

These funds complied with Ohio State law, which does not permit a cash basis deficit at year end.

4. EQUITY IN POOLED CASH AND INVESTMENTS

The City maintains a cash and investment pool used by all funds. Each fund type’s portion of this pool is displayed on the combined balance sheet as “Equity in pooled cash and cash equivalents.” The types of investments permitted require the classification of monies held by the City into three categories:

Active Monies: those monies required to be kept in a “cash” or “near-cash” status for immediate use by the City. Such monies must by law be maintained either as cash in the City treasury; in depository accounts payable or withdrawable on demand; including negotiable order of withdrawal (NOW) account; or in money market deposit accounts.

Inactive Monies: those monies not required for use within the current two year period of designation of depositories. Inactive monies may be deposited or invested as certificates of deposit maturing not later than the end of the current period of designation of depositories or as savings or deposit accounts including, but not limited to, passbook accounts.

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

In accordance with the Ohio Revised Code, public depositories must provide security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation or may pledge a pool of securities with a statutory value of at least 110 percent of the total uninsured amount of public monies on deposit at the institution.

Under the provisions of GASB Statement No. 3, all deposits are categorized as to credit risk as either (1) insured or collateralized with securities held by the entity or by its agent in the entity's name; (2) collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name; or (3) uncollateralized, including any bank balance that is secured with investments held by the pledging financial institution, or by its trust department or agent but not in the entity's name. At December 31, 1999, the carrying amount of the City's deposits was \$11,718,742 and the bank balance was \$12,755,033, of which \$602,787 was insured by the Federal Deposit Insurance Corporation. The remaining \$12,152,246 is uncollateralized as defined by the GASB even though it was covered by collateral held by third party trustees pursuant to Section 135.181, Ohio Revised Code, in single institution collateral pools securing all public funds on deposit with specific depository institutions.

The City's investments are categorized as follows in accordance with the provisions of GASB Statement No. 3 to give an indication of the level of credit 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. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer'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 broker or dealer or by its trust department but not in the City's name. The U.S. Government Money Market Mutual Funds are unclassified investments since they are not evidenced by securities that exist in either physical or book entry form.

	Category 1	Category 2	Category 3	Carrying/ Market Value
Repurchase Agreements	<u>\$</u>	<u>\$</u>	<u>\$ 4,283,285</u>	\$ 4,283,285
U.S. Government Money Market Mutual Funds				<u>1,956,418</u>
Total Investments				<u>\$ 6,239,703</u>

A reconciliation between the classifications of pooled cash and investments on the combined balance sheet and the classifications of deposits and investments presented in this footnote is as follows:

A summary of deposits and investments as of December 31, 1999 follows:

Deposits	\$ 11,718,742
Investments	<u>6,239,703</u>
Total	<u>\$ 17,958,445</u>

The above amounts are classified in the combined balance sheet as follows:

Equity in pooled cash and cash equivalents	\$ 16,826,944
Cash with fiscal and escrow agents	162,997
Investments (restricted)	<u>968,504</u>
Total	<u>\$ 17,958,445</u>

5. INTERFUND TRANSACTIONS

The following is a summary of the City's operating transfers for 1999:

	Transfer In	Transfer Out
General Fund	\$ 260,770	\$ 1,753,079
Special Revenue Funds:		
Motor Vehicle Levy	51,500	160,118
Street Construction, Maintenance and Repair	932,500	
Police Pension		130,385
Fire Pension		130,385
Community Development Block Grant	<u> </u>	<u>354,192</u>
Total Special Revenue Funds	<u>984,000</u>	<u>775,080</u>
Debt Service Fund	492,599	
Capital Projects Fund	790,064	
Enterprise Funds:		
Water	677,251	719,629
Packard Music Hall	115,000	
Sewer	350,000	383,422
Downtown Parking	83,400	
City Redevelopment	<u>4,500</u>	<u>30,700</u>
Total Enterprise Funds	<u>1,230,151</u>	<u>1,133,751</u>
Internal Service Fund - Data Processing	<u> </u>	<u>95,674</u>
Total	<u>\$ 3,757,584</u>	<u>\$ 3,757,584</u>

6. PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Taxes collected from real property (other than public utility) in one calendar year are levied on January 1 in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years with a triennial update. The last revaluation was completed in 1997. Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20, with the remainder payable June 20. In certain instances, State statute permits earlier or later payment dates to be established.

Personal property (other than public utility) taxes are levied in October of the preceding calendar year based on tax rates determined in the preceding year and assessed values determined at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the current calendar year. 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 semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in October of the preceding calendar year on assessed values determined as of January 1 of the preceding year, the lien date.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Warren. The County Auditor periodically remits to the City its portion of the taxes collected with final settlement in June and December for taxes payable in the first and second halves of the year, respectively.

The assessed value upon which the 1998 levy (collected in 1999) was based was \$453,712,717. Ohio law limits unvoted property taxation, combined for all overlapping taxing authorities, to 10 mills. The City's current share of property tax is 3.5 mills of assessed value, all of which is unvoted.

Real and other taxes receivable represent real, tangible personal, public utility, and related delinquent taxes outstanding which were measurable and unpaid as of December 31, 1999. Although total property tax collections for the next fiscal year are measurable, the amounts will not be available to finance current City operations and are not intended to finance 1999 operations. Accordingly, the receivable is offset by a credit to "Deferred Revenue."

7. LOCAL INCOME TAX

The 1.5 percent City income tax, which is not subject to renewal, is levied on substantially all income earned within the City. In addition, the residents of the City are required to pay City income tax on income they earn outside the City; however, full credit is allowed for all income taxes these residents pay to other municipalities. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City at least quarterly. Major employers are required to remit withholdings to the City monthly. Corporations and self-employed individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually with the City. Income tax revenue is recognized to the extent that it is measurable and available to finance current operations.

8. FIXED ASSETS

Proprietary Fund Type Fixed Assets - A summary of the proprietary fund type fixed assets at December 31, 1999 is as follows:

	Enterprise	Internal Service	Total
Land	\$ 402,610		\$ 402,610
Buildings and improvements	51,682,124	\$ 156,896	51,839,020
Water and sewer lines	39,557,337		39,557,337
Furniture and equipment	1,911,666	405,414	2,317,080
Vehicles	2,328,685		2,328,685
Construction in progress	10,063,292		10,063,292
Less: accumulated depreciation	<u>(47,107,683)</u>	<u>(116,036)</u>	<u>(47,223,719)</u>
Total fixed assets - net	<u>\$ 58,838,031</u>	<u>\$ 446,274</u>	<u>\$ 59,284,305</u>

Included in the December 31, 1999 construction in progress balance are costs associated with the biosolids processing facility construction, waterline alternate intake project, and various other projects.

General Fixed Assets - A summary of the changes in the general fixed assets is as follows:

	Balance at January 1, 1999	Additions	Disposals/ Transfers	Balance at December 31, 1999
Land	\$ 1,130,737			\$ 1,130,737
Buildings	8,499,220			8,499,220
Building Improvements	499,268			499,268
Computer Equipment	647,254	\$ 93,376	\$ (41,362)	699,268
Furniture and Equipment	1,504,938	15,377	(14,716)	1,505,599
Vehicles	3,930,338	343,067	(381,715)	3,891,690
Construction in Progress	<u>2,499,626</u>	<u>1,456,565</u>	<u> </u>	<u>3,956,191</u>
Total fixed assets	<u>\$18,711,381</u>	<u>\$1,908,385</u>	<u>\$ (437,793)</u>	<u>\$20,181,973</u>

9. VACATION AND SICK LEAVE LIABILITY

Vacation and sick leave accumulated by governmental fund type employees has been recorded in the general long-term obligations account group to the extent they will not be paid using current expendable available resources. Vacation and sick leave earned by proprietary fund type employees is expensed when earned and has been recorded in the proprietary funds. Upon termination of employment, a fully vested employee is entitled to be paid a percentage of his or her accumulated sick leave based on his or her years of service.

At December 31, 1999, benefits for vacation leave for governmental fund type employees, net of amounts which will be paid using current expendable available resources, totaled \$2,065,322 and vested benefits for sick leave, net of amounts which will be paid using current expendable available resources, totaled \$1,191,946. For proprietary fund types, benefits for vacation leave totaled \$662,013 and vested benefits for sick leave totaled \$550,078 at December 31, 1999. Included in the liability for sick leave is an additional liability to accrue and record termination (severance) payments for employees expected to become eligible to retire in the future in accordance with GASB Statement No. 16.

10. LONG-TERM OBLIGATIONS

General Long-Term Obligations - The City's general long-term obligations at year-end consist of the following:

	Interest Rates	Balance Outstanding January 1, 1999	Additions	Reductions	Balance Outstanding December 31, 1999
General Obligation Bonds:					
Correctional Facility	4.50%-5.85%	\$ 1,182,875		\$ 89,880	\$ 1,092,995
Various Purpose Refunding	4.10%-5.50%	7,755,000		355,000	7,400,000
Multiple Purpose Refunding	3.80%-6.25%	3,830,000		245,000	3,585,000
Fire Issues	5.96%	465,000		55,000	410,000
Streets Improvement Issues	5.52%	190,000		20,000	170,000
Vehicles Acquisition	5.52%	155,000		75,000	80,000
Land Acquisition	3.85%-4.75%	740,000		35,000	705,000
Communication System	3.85%-4.75%	1,480,000		65,000	1,415,000
Energy Conservation	4.20 %		<u>\$ 324,800</u>		<u>324,800</u>
Total General Obligation Bonds		15,797,875	324,800	939,880	15,182,795
Other Long-Term Obligations -					
Reinvestment Partnership					
Corporation Loan			985,000		985,000
Compensated Absences Payable		<u>3,131,783</u>	<u>125,485</u>		<u>3,257,268</u>
Total General Long-Term Obligations		<u>\$18,929,658</u>	<u>\$ 1,435,285</u>	<u>\$ 939,880</u>	<u>\$19,425,063</u>

In accordance with State of Ohio law, the City may not incur non-exempt general long-term indebtedness in excess of 10.5 percent of the total value of all property listed and assessed for taxation and 5.5 percent of such value without voter approval. At December 31, 1999, the City legally could issue approximately \$9.8 million of additional, unvoted, general obligation debt.

On November 11, 1995, Trumbull County issued general obligation bonds to finance the construction of a new correctional facility. The City entered into an agreement with Trumbull County to service a portion of the bonds. As part of this agreement, the City is allocated a portion of the correctional facility bonds. The City's share of the bonds at December 31, 1999 was \$1,092,995. These bonds are scheduled to mature December 1, 2010.

In 1993, the City issued \$2,575,000 in general obligation storm drainage bonds that were to mature in 2013. The City planned to use the proceeds to create a storm drainage utility. However, this did not occur, so on November 15, 1996, the City used the proceeds to purchase U.S. Government, State, and Local Government Series Securities ("SLGS") that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the storm drainage bonds. The total amount of funds available in the trust at December 31, 1999 was \$1,934,000. The refunded bonds, which have an outstanding balance of \$2,025,000 at December 31, 1999, are not included in the City's outstanding debt since the City has satisfied its obligations through the advance refunding.

The following is a summary of the City's future, annual debt service requirements for the general obligation bonds:

Due In	General Obligation Bonds		
	Principal	Interest	Total
2000	\$ 1,026,650	\$ 791,668	\$ 1,818,318
2001	1,059,965	741,195	1,801,160
2002	1,130,860	687,109	1,817,969
2003	1,174,510	634,032	1,808,542
2004	1,067,180	574,261	1,641,441
Thereafter	<u>9,723,630</u>	<u>2,314,229</u>	<u>12,037,859</u>
Total	<u>\$15,182,795</u>	<u>\$ 5,742,494</u>	<u>\$20,925,289</u>

On April 29, 1999, the City received a \$985,000 loan from the Reinvestment Partnership Corporation. This loan was made through the Federal 108 Loan Guarantee Program. In 2000, the City will begin disbursing the loan proceeds for economic development and housing rehabilitation projects throughout the City. Interest payments (at 6.09 percent) on the loan began in 1999, however, principal payments will not begin until August 1, 2002. Principal and interest payments will be made out of the Guarantee Loan special revenue fund using future grant receipts and principal and interest payments received on amounts the City loans for economic development and housing rehabilitation.

The following is a summary of the City's future annual debt service principal and interest requirements for general obligation loans payable:

Due In	Loans Payable		
	Principal	Interest	Total
2000		\$ 60,000	\$ 60,000
2001		60,000	60,000
2002	\$ 40,000	60,000	100,000
2003	40,000	57,840	97,840
2004	45,000	55,641	100,641
Thereafter	<u>860,000</u>	<u>397,007</u>	<u>1,257,007</u>
Total	<u>\$ 985,000</u>	<u>\$ 690,488</u>	<u>\$ 1,675,488</u>

Enterprise Fund Obligations - The City had the following general obligation bonds, revenue bonds, and long-term loans payable outstanding at year-end related to enterprise fund operations:

	Interest Rates	Balance Outstanding January 1, 1999	Additions	Reductions	Balance Outstanding December 31, 1999
General Obligation Bonds:					
Sewer Improvements	2.90%-4.15%	\$ 115,000		\$ 115,000	
Sewer Improvements	2.90%-5.20%	6,405,000		190,000	\$ 6,215,000
Sanitation	3.85%-4.60%	<u>1,855,000</u>		<u>280,000</u>	<u>1,575,000</u>
Total General Obligation Bonds		<u>8,375,000</u>	<u>-</u>	<u>585,000</u>	<u>7,790,000</u>
Revenue Bonds - Water System	3.80%-5.00%	<u>11,220,000</u>		<u>110,000</u>	<u>11,110,000</u>

	Interest Rates	Balance Outstanding January 1, 1999	Additions	Reductions	Balance Outstanding December 31, 1999
OWDA Loans:					
Sewer System	10.16%	5,897,612		214,841	5,682,771
Buckeye	3.54%	1,164,260		6,434	1,157,826
Warren Commerce Park - Phase I	4.80%	176,508		12,893	163,615
Downtown Sewer Separation	3.20%	29,313	\$ 41,076	70,389	
Waste Water Treatment Plant and Pump Station Improvements	3.04%	983,997		35,504	948,493
Biosolids Facility	3.04%	6,480,173	370,346	252,078	6,598,441
Griswold Street Sanitary Sewer	4.12%	1,385,754		43,964	1,341,790
Warren Commerce Park - Phase II	3.04%	<u>789,540</u>		<u>7,108</u>	<u>782,432</u>
Total OWDA Loans		<u>16,907,157</u>	<u>411,422</u>	<u>643,211</u>	<u>16,675,368</u>
Total Enterprise Fund Obligations		<u>\$36,502,157</u>	<u>\$ 411,422</u>	<u>\$1,338,211</u>	<u>\$35,575,368</u>

General obligation and revenue bonds are expected to be retired with revenues of the enterprise funds. General obligation bonds are also secured by the City's ability to levy a voted or unvoted property tax within limitations of Ohio law.

On November 15, 1993, the City issued \$10,430,000 in general obligation sewer system improvement bonds. The bonds bear interest at rates ranging from 2.90 percent to 5.20 percent per annum and mature at various installments through November 15, 2013. A portion of the proceeds of the bonds was used for the advance refunding of the 1990 sewer system improvement bonds. The proceeds were used to purchase SLGS that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The total amount of funds available in the trust at December 31, 1999 was \$5,780,000. The refunded bonds, which have an outstanding balance of approximately \$8,240,000 at December 31, 1999, are not included in the City's outstanding debt since the City has satisfied its obligations through the advance refunding. The principal balance of the general obligation sewer system improvement bonds at December 31, 1999 was \$6,215,000.

On December 30, 1997, the City issued \$11,380,000 in water system revenue bonds. The bonds bear interest at rates ranging from 3.80 percent to 5.00 percent per annum and mature at various installments through November 1, 2022. A portion of the proceeds of the bonds was used for the advance refunding of the 1992 water system improvement bonds. The proceeds were used to purchase SLGS that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The total amount of funds available in the trust at December 31, 1999 was \$5,098,923. The refunded bonds, which have an outstanding balance of approximately \$5,450,000 at December 31, 1999, are not included in the City's outstanding debt since the City has satisfied its obligations through the advance refunding. The principal balance of the water system revenue bonds at December 31, 1999 was \$11,110,000.

The 1992 water system improvement bonds advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$463,893. This difference, reported in the accompanying combined balance sheet as a deferred charge, is being charged to interest expense through the year 2012.

The assets held in trust as a result of the advance refundings described above are not included in the accompanying combined balance sheet.

The following is a summary of the City's future annual debt service principal and interest requirements for enterprise fund obligations:

	Bonds Payable			OWDA Loans Payable		
	Principal	Interest	Total	Principal	Interest	Total
2000	\$ 690,000	\$ 936,088	\$ 1,626,088	\$ 900,896	\$ 980,314	\$ 1,881,210
2001	705,000	907,015	1,612,015	895,696	961,808	1,857,504
2002	680,000	876,647	1,556,647	944,578	909,924	1,854,502
2003	1,030,000	846,585	1,876,585	996,998	860,502	1,857,500
2004	1,070,000	800,737	1,870,737	1,053,267	804,264	1,857,531
Thereafter	<u>14,725,000</u>	<u>6,888,751</u>	<u>21,613,751</u>	<u>13,881,392</u>	<u>4,139,479</u>	<u>18,020,871</u>
Total	<u>\$18,900,000</u>	<u>\$11,255,823</u>	<u>\$30,155,823</u>	<u>\$18,672,827</u>	<u>\$ 8,656,291</u>	<u>\$27,329,118</u>

The City has entered into debt financing arrangements through the Ohio Water Development Authority ("OWDA") to fund construction projects. The amounts due to the OWDA are payable solely from sewer revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 1999, the City has outstanding borrowings of \$16,675,368. The total permissible borrowings under the financing arrangements at December 31, 1999 were \$18,672,827. The loan agreements require semi-annual payments based on the permissible borrowings rather than the actual amount loaned. These payments are reflected in the future maturities of principal and interest table and are subject to revision if the total amount is not drawn down.

11. INTERNAL NOTES AND BONDS PAYABLE

The City had the following notes and bonds payable at December 31, 1999:

	Interest Rate	Issue Date	Maturity Date	Balance Outstanding December 31, 1999
General Fund:				
<i>General Obligation Bonds:</i>				
Police Car Acquisition	5.00%	09/15/99	09/15/00	<u>\$ 309,960</u>
Special Revenue Fund:				
<i>General Obligation Notes:</i>				
Court Computer Acquisition	3.75%	09/28/99	09/28/00	<u>\$ 300,000</u>
Capital Projects Funds:				
<i>General Obligation Notes:</i>				
Community Service Building Repair	4.70%	12/14/99	12/14/00	\$ 100,000
East Market Street Redevelopment	4.20%	05/15/99	05/15/00	<u>200,000</u>
Total Capital Projects Fund				<u>\$ 300,000</u>
Enterprise Funds:				
<i>General Obligation Notes:</i>				
Downtown Parking Deck	4.50%	10/10/99	10/10/00	\$ 1,100,000
Market/High Street Development	4.70%	12/14/99	12/14/00	200,000
High Street Redevelopment	4.70%	07/12/99	07/12/00	<u>100,000</u>
Total Enterprise Funds				<u>\$1,400,000</u>

The City had the following note activity for fiscal year 1999:

	Balance Outstanding January 1, 1999	Additions	Reductions	Balance Outstanding December 31, 1999
General Fund:				
<i>General Obligation Bonds:</i>				
Police Car Acquisition	<u>\$</u>	<u>\$ 309,960</u>	<u>\$</u>	<u>\$ 309,960</u>
Special Revenue Fund				
<i>General Obligation Notes:</i>				
Court Computer Acquisition	<u>\$</u>	<u>\$ 300,000</u>	<u>\$</u>	<u>\$ 300,000</u>
Capital Projects Funds:				
<i>General Obligation Notes:</i>				
Community Service Building Repair	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
East Market Street Redevelopment	<u>250,000</u>	<u>200,000</u>	<u>250,000</u>	<u>200,000</u>
Total Capital Projects Fund	<u>\$ 350,000</u>	<u>\$ 300,000</u>	<u>\$ 350,000</u>	<u>\$ 300,000</u>
Enterprise Funds:				
<i>General Obligation Notes:</i>				
Downtown Parking Deck	\$1,100,000	\$1,100,000	\$1,100,000	\$1,100,000
Market/High Street Development	200,000	200,000	200,000	200,000
High Street Redevelopment	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Total Enterprise Funds	<u>\$1,400,000</u>	<u>\$1,400,000</u>	<u>\$1,400,000</u>	<u>\$1,400,000</u>

All notes and bonds payable at December 31, 1999 are internal City of Warren notes and bonds that represent amounts borrowed from other funds of the City. These notes and bonds are structured in essentially the same manner as note and bond agreements with outside institutions. The funds which loaned the monies (Enterprise Funds and Internal Service Funds) have reported "notes receivable" and "bonds receivable" on the combined balance sheet for the principal amounts outstanding at December 31, 1999.

12. INSTALLMENT PURCHASE OBLIGATION

On January 1, 1998, the City entered into an installment purchase obligation for the acquisition of a computer system. The agreement has varying interest rates between 4.66 percent and 6.78 percent with the final payment due April 1, 2002. During 1999, the City made principal and interest payments of \$50,970 and \$7,539, respectively. The computer system is reflected in the Data Processing Internal Service Fund's fixed assets at December 31, 1999. The balance of the principal payments due on this installment purchase obligation at December 31, 1999 is \$181,249.

The following is a summary of the City's future annual debt service principal and interest requirements under the installment purchase obligation:

Due In	Installment Purchase Obligation		
	Principal	Interest	Total
2000	\$ 69,305	\$ 6,200	\$ 75,505
2001	73,351	2,154	75,505
2002	<u>38,593</u>	<u>1,580</u>	<u>40,173</u>
Total	<u>\$ 181,249</u>	<u>\$ 9,934</u>	<u>\$ 191,183</u>

13. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City maintains seven enterprise funds, which are intended to be self-supported through user fees charged for services provided to consumers. These enterprise funds include waterworks, wastewater, sanitation, Packard Music Hall, parking, stormwater utility and City re-development. Segment information for the year ended December 31, 1999 was as follows:

	Sewer Fund	Water Fund	Sanitation Fund	Packard Music Hall Fund	Downtown Parking	City Re-development	Stormwater Utility	Total
Operating revenues	\$ 9,026,330	\$ 7,768,877	\$ 2,622,298	\$ 88,289	\$ 102,093	\$ 42,697		\$ 19,650,584
Operating expenses before depreciation	5,255,442	7,292,035	2,261,684	293,240	121,225	3,282	\$ 129	15,227,037
Depreciation expense	2,238,040	744,836	252,131	3,436	48,229	14,791		3,301,463
Operating income (loss)	1,532,848	(267,994)	108,483	(208,387)	(67,361)	24,624	(129)	1,122,084
Net income (loss)	(41,337)	(412,222)	41,913	158,123	(46,706)	(4,174)	(129)	(304,532)
Additions to property, plant and equipment	722,582	1,846,207	1,654	1,700	3,399			2,575,542
Net working capital	3,319,518	7,470,144	607,578	155,028	5,132	12,752	33,236	11,603,388
Total assets	36,228,472	33,184,108	1,300,260	201,709	1,818,046	584,806	33,236	73,350,637
Bonds and other long term liabilities payable from operating revenues	22,890,368	11,110,000	1,575,000					35,575,368
Total equity (deficit)	12,017,071	21,061,017	(444,537)	175,408	506,132	484,587	33,236	33,832,914

14. RETIREMENT PLANS

Employees and Plans - All full-time employees of the City and certain part-time employees belong to one of two state operated, cost-sharing, multiple-employer, defined benefit pension plans. Non-uniformed employees are members of the Public Employees Retirement System of Ohio (PERS). Full-time police and fire personnel are members of the Ohio Police and Fire Pension Fund (OP&F). The Ohio Revised Code requires participation by the above mentioned employees. Elected officials can participate in PERS on a voluntary basis.

Public Employees Retirement System of Ohio (PERS) - Effective July 1, 1991, all non-uniformed employees of the City are required to be members of PERS. PERS provides 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. PERS issues a stand-alone financial report that includes financial statements and required supplementary information. The financial report may be obtained by making a written request to the Public Employees Retirement System of Ohio, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085.

The Ohio Revised Code provides statutory authority for employee and employer contributions. Employees other than law enforcement personnel are required to contribute 8.5 percent of their covered payroll to PERS. The current employer contribution rate for local government employer units is 13.55 percent of covered payroll including 4.2 percent that is used to fund postretirement health care benefits. The City's total contributions to PERS for the years ended December 31, 1999, 1998 and 1997 were \$1,681,529, \$1,597,145 and \$1,553,630, respectively, which were equal to the required contributions for each year. \$478,217, representing the unpaid contribution for 1999, is recorded as a fully funded liability within the agency funds and was paid within the allotted timeframe.

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

Members of the OP&F become partially vested after 15 years of service and fully vested after 25 years of service. Members are eligible for normal retirement benefits at age 48 with 25 years of service credit or at age 62 with 15 years of service credit. The normal retirement benefit is equal to 2.5 percent of annual earnings for each of the first 20 years of service, 2.0 percent for each of the next five years of service, and 1.5 percent for each year of service thereafter; however, this normal retirement benefit is not to exceed 72 percent of the member's average annual salary for the three years during which total earnings were the greatest. Early retirement with reduced benefits is available to members with 15 years of service credit who have attained age 48 or 25 years from the date the member became a qualified employee. The reduced benefit is equal to 1.5 percent of the average annual salary multiplied by the number of complete years of service.

Plan members are required to contribute 10.0 percent of their annual covered salary while employers are required to contribute 19.5 percent and 24.0 percent for police officers and firefighters, respectively. The City's contributions to OP&F for the years ended December 31, 1999, 1998 and 1997 were \$1,487,147, \$1,511,737 and \$1,398,643, respectively, which was equal to the required contributions for each year. \$378,754, representing the unpaid contributions for 1999, is recorded as a fully funded liability within the agency funds and was paid within the allotted timeframe.

Postretirement Health Care Benefits - Other postretirement health care benefits provided by PERS and OP&F are as follows:

- In addition to the pension benefits described previously, PERS provides postretirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is also available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12.

A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postretirement health care through their contributions to PERS. The portion of the employer contribution rate used to fund health care for 2000 and 1999 was 4.2 percent of covered payroll in each year. During 1999 \$521,212 of the City's total contribution to PERS was used for postretirement benefits. At December 31, 1999, the City was not responsible for paying premiums, contributions, or claims for OPEB under PERS for any retirees, terminated employees, or other beneficiaries.

OPEBs 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.

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

- 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 two-thirds basis. The Ohio Revised Code provides that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate.

Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by OP&F is used to pay retiree health care expenses. This percentage was 7.0 percent of covered payroll in 1999. The percentage is 7.25 percent in 2000. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

Total state-wide participants eligible to receive health care benefits as of December 31, 1998 (latest information available) were 11,424 police and 9,186 firefighters. The City's 1999 contributions for postretirement health care benefits were \$219,303 and \$224,586 for police and firefighters, respectively. OP&F's total health care costs for the year ended December 31, 1998 were \$78.6 million (net of member contributions of \$5.3 million). Expenditures for postretirement health care benefits cannot reasonably be estimated.

15. BUDGETARY BASIS OF ACCOUNTING

The City's budgetary process accounts for certain transactions on a cash basis (budgetary basis) rather than generally accepted accounting principles (GAAP basis). The differences between the budgetary basis and the 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 or encumbered (budget) as opposed to when incurred (GAAP). Actual results included in the accompanying Combined Statement of Revenues and Expenditures – Budget and Actual (Non-GAAP Budgetary Basis) – All Governmental Fund Types are presented in accordance with the City's budgetary process to provide a meaningful comparison of actual results with the budget. A reconciliation of the results of operations for the year from the GAAP basis to the budgetary basis is as follows:

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

	General	Special Revenue	Debt Service	Capital Projects
Budget Basis	\$ (676,946)	\$ 389,355	\$ 262	\$ (2,166,536)
Adjustments:				
Revenue accruals	504,957	(465,961)	(236,396)	71,490
Expenditure accruals	(128,525)	586,132	2,194,660	42,315
Other financing uses accruals	(309,960)	(300,000)	(2,194,660)	64,875
Encumbrances	<u>86,736</u>	<u>744,641</u>	<u> </u>	<u>2,132,807</u>
GAAP Basis	<u>\$ (523,738)</u>	<u>\$ 954,167</u>	<u>\$ (236,134)</u>	<u>\$ 144,951</u>

16. CONTINGENT LIABILITIES

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.

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

17. RISK MANAGEMENT

The City is exposed to various risks of loss during the normal course of its operations including, but not limited to, loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. The City utilizes three funds relating to its risk management program. All of the funds have been classified as internal service funds.

The City maintains a Hospitalization Self-Insurance Fund which has been classified as an Internal Service Fund in the accompanying general purpose financial statements. The purpose of this fund is to pay the cost of medical benefits provided to City employees and their covered dependents for which the City is self-insured. The City is self-insured for the first \$75,000 per participant; annual claims above such amount are paid for by stop-loss insurance which the City maintains.

During the past three years, the City had one occurrence in which settled claims exceeded the self-insurance amount. The liability for unpaid claims of \$540,708 reported in the Internal Service Fund at December 31, 1999 is based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, as amended by GASB Statement No. 30, *Risk Financing Omnibus*, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

The City maintains a Risk Management Fund which has also been classified as an Internal Service Fund in the accompanying general purpose financial statements. The purpose of this fund is to pay any general liability claims the City may have levied against it, except for police liability, which remains insured through a private insurance carrier.

Another self-insurance fund which the City maintains is the Workers' Compensation Fund. This fund is used to account for claims applicable to years in which the City elects to be partially self-insured under a retrospective rating plan with the State of Ohio. The initial premium savings between a retrospective plan and a fully insured plan for a given year is transferred into the Workers' Compensation Fund from other City funds. Subsequent claims for a ten-year period are then the City's responsibility (subject to a stop-loss maximum) and are paid from the fund.

Changes in fund liabilities during 1999 are as follows:

Fund	Beginning Of Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	End of Year Liability
Hospitalization self-insurance	\$ 243,000	\$ 3,552,941	\$ 3,255,233	\$ 540,708
Risk management		146,129	146,129	
Workers' compensation	545,415	215,500	669,127	91,788

The City purchases insurance policies in varying amounts for general liability, property damage, and employee and public officials' liability, including errors and omissions of the City's safety forces. Settled claims have not exceeded the City's insurance coverage in any of the past three years.

18. NOTES RECEIVABLE

Notes receivable represents low interest loans made by the City for development projects and small businesses under the Federal Community Block Development Grant (CDBG) program and Home Investment Partnership (HIP) program. The loans bear interest at annual rates ranging between 4 and 9 percent. The loans are to be repaid over periods ranging from 5 to 20 years. The loans are recorded net of a \$1,218,936 allowance for doubtful notes.

19. NEW ACCOUNTING STANDARDS

The Governmental Accounting Standards Board has issued Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, and Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. These statements establish accounting standards for non-exchange transactions such as grants and other assistance provided to the City by other governmental units and revise accounting and reporting standards for general purpose external financial reporting by governmental units. Statement No. 33 is effective for the City's year ending December 31, 2001 and Statement No. 34 is effective for the year ending December 31, 2003. The City has not completed an analysis of the impact of these two statements on its reported financial condition and results of operations.

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CITY OF WARREN, OHIO

SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 1999

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Grantor Number	Federal CFDA Number	Cash Disbursements
<i>U.S. Department of Housing and Urban Development</i>			
Direct Programs:			
Community Development Block Grant Entitlement Grants		14.218	\$ 2,254,543
Home Investment Partnership Program		14.239	<u>1,336,812</u>
Total Department of Housing and Urban Development			<u>3,591,355</u>
<i>U.S. Department of Justice</i>			
Direct Programs:			
Victims of Crime Act Grant (VOCA)		16.575	<u>34,852</u>
<i>U.S. Environmental Protection Agency</i>			
Passed-Through Ohio Water Development Authority:			
Environmental Protection Agency Capitalization Grant for State Revolving Funds	C5391831-14	66.458	<u>41,076</u>
<i>U.S. Department of Health and Human Services</i>			
Passed-Through Ohio Department of Health:			
Maternal and Child Health Services Block Grant to the States	78-2-01-F-AJ-320	93.994	<u>30,011</u>
Total Expenditures of Federal Awards			<u>\$ 3,697,294</u>

See notes to supplemental schedule of expenditures of federal awards.

CITY OF WARREN, OHIO

NOTES TO SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 1999

1. BASIS OF PRESENTATION

The accompanying Supplemental Schedule of Expenditures of Federal Awards (the "Schedule") reflects the expenditures of the City of Warren, Ohio under programs financed by the U.S. government for the year ended December 31, 1999. The Schedule has been prepared using the cash basis of accounting.

The information presented in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Catalog of Federal Domestic Assistance (CFDA) Numbers or Primary Grant Numbers are presented for those programs for which such numbers are available.

2. NOTES OUTSTANDING

As shown in the table below, the City of Warren had notes receivable outstanding at December 31, 1999 under the Community Development Block Grant Entitlement Grants and Home Investment Partnership Program. The balance of loans from previous years were not included in federal expenditures presented in the Schedule because the provisions of the grant agreements pertaining to such loans do not impose continuing compliance requirements. Also included as expenditures under these programs is \$407,008 of administrative costs.

Program Title	Federal CFDA No.	Loan Amounts Outstanding at December 31, 1999
Community Development Block Grant Entitlement Grants	14.218	\$ 3,299,826
Home Investment Partnership Program	14.239	\$ 3,958,381

3. SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, the City provided federal awards to subrecipients as follows:

Program Title	Federal CFDA No.	1999 Grant Expenditures
Community Development Block Grant Entitlement Grants	14.218	\$ 185,753
Home Investment Partnership Program	14.239	451,489

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND
INTERNAL CONTROL OVER COMPLIANCE APPLICABLE
TO EACH MAJOR FEDERAL AWARD PROGRAM**

The Honorable Mayor and Members of the
City Council of the City of Warren, Ohio

Compliance

We have audited the compliance of the City of Warren, Ohio (the "City") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 1999. The City's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 1999.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over compliance that have been reported to the management of the City in a separate letter dated June 30, 2000.

This report is intended solely for the information and use of City Council, management, federal awarding agencies, state funding agencies, pass-through entities and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

June 30, 2000



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Mayor and Members of the
City Council of the City of Warren, Ohio

We have audited the financial statements of City of Warren, Ohio (the "City") as of and for the year ended December 31, 1999 and have issued our report thereon dated June 30, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the City in a separate letter dated June 30, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that have been reported to the management of the City in a separate letter dated June 30, 2000.

This report is intended solely for the information and use of City Council, management, federal awarding agencies, state funding agencies, pass-through entities and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

June 30, 2000

CITY OF WARREN, OHIO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 1999

Summary of Auditors' Results

- Type of Report issued on the General Purpose Financial Statements as of and for the year ended December 31, 1999 - Unqualified.
- Reportable Conditions in Internal Control Disclosed by the Audit of the General Purpose Financial Statements - N/A (none reported).
- Noncompliance Noted that is Material to the General Purpose Financial Statements of the City - None.
- Reportable Conditions in Internal Control Over Major Federal Award Programs Disclosed by the Audit of the General Purpose Financial Statements - N/A (none reported).
- Type of Report Issued on Compliance for Major Federal Award Programs - Unqualified.
- The audit did not disclose any audit findings which are required to be reported under Section 501(a) of OMB Circular A-133.
- The City's major programs were:

Name of Federal Program	CFDA Number
Community Development Block Grant Entitlement Grants	CFDA #14.218

- Dollar Threshold Used to Distinguish Between Type A and Type B Programs - \$300,000.
- The City is considered to be a Low Risk Auditee as defined under OMB Circular A-133.

Findings Related to the General Purpose Financial Statements that are Required to be Reported Under Government Auditing Standards

None

Findings and Questioned Costs Relating to Federal Awards

None

CITY OF WARREN, OHIO

**STATUS OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 1999**

There were no significant prior year comments on internal control or legal compliance.



STATE OF OHIO
OFFICE OF THE AUDITOR

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CITY OF WARREN

TRUMBULL 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 24, 2000**