



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CITY OF WARREN
TRUMBULL COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

City of Warren
Trumbull County
391 Mahoning Avenue
Warren, Ohio 44483

To the City Council:

We have audited the accompanying general-purpose financial statements of the City of Warren, Trumbull County, (the City) as of and for the year ended December 31, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Warren, Trumbull County, as of December 31, 2000, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2002 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.

We performed our audit to form an opinion on the general-purpose financial statements of the City, taken as a whole. The accompanying schedule of federal awards expenditures is presented for 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. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Jim Petro
Auditor of State

February 5, 2002

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CITY OF WARREN, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2000

	Governmental Fund Types				Proprietary Fund Types	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
<u>ASSETS AND OTHER DEBITS</u>						
ASSETS:						
Equity in pooled cash and cash equivalents . . .	\$1,192,874	\$3,523,966	\$27,684	\$1,182,121	\$7,044,385	\$3,787,124
Cash with fiscal and escrow agents						
Receivables (net of allowances for uncollectibles):						
Income taxes	1,916,780					
Real and other taxes		340,198	1,640,920			
Accounts	334,909				2,662,378	
Loans		5,394,169				
Notes					632,748	1,000,000
Bonds						256,420
Special assessments	68,410	226,975	13,700		3,261	
Due from other funds	44,292	18,869				
Due from other governments	437,579	170,796		9,000		
Materials and supplies inventory	10,431	55,564			56,429	118
Bond issuance costs and other deferred charges					619,954	
Property, plant and equipment (net of accumulated depreciation where applicable)					52,887,526	414,218
Restricted assets:						
Investments					974,750	
OTHER DEBITS:						
Amount available in debt service fund						
Amount to be provided for retirement of general long-term obligations						
Total assets and other debits	<u>\$4,005,275</u>	<u>\$9,730,537</u>	<u>\$1,682,304</u>	<u>\$1,191,121</u>	<u>\$64,881,431</u>	<u>\$5,457,880</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	
Agency			
	\$867,265		\$17,625,419
	183,040		183,040
			1,916,780
			1,981,118
			2,997,287
			5,394,169
			1,632,748
			256,420
			312,346
2,311			65,472
			617,375
			122,542
			619,954
	\$20,480,334		73,782,078
			974,750
		\$27,684	27,684
		<u>19,378,102</u>	<u>19,378,102</u>
<u>\$1,052,616</u>	<u>\$20,480,334</u>	<u>\$19,405,786</u>	<u>\$127,887,284</u>

CITY OF WARREN, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2000

	Governmental Fund Types				Proprietary Fund Types	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
LIABILITIES, EQUITY AND OTHER CREDITS						
LIABILITIES:						
Accounts payable	\$837,282	\$140,664			\$440,486	\$21,266
Accrued wages and benefits	226,520	32,309			116,957	2,867
Compensated absences payable	128,760	6,369			1,076,613	45,663
Deferred revenue	307,086	558,727	\$1,613,876			
Contracts payable		44,100		\$63,281	161,275	
Retainage payable.					395,492	
Due to other funds						
Due to other governments	56,470	77,668			27,895	628,749
Deposits held and due to others.						
Claims and judgements payable.						899,755
Accrued interest payable					498,518	
General obligation notes payable		300,000			700,000	
General obligation bonds payable	256,420				7,170,000	
Revenue bonds payable.					11,040,000	
Loans payable.					15,969,302	
Installment purchase obligation.						111,944
Total liabilities	1,812,538	1,159,837	1,613,876	63,281	37,596,538	1,710,244
EQUITY AND OTHER CREDITS:						
Investment in general fixed assets						
Retained earnings - unreserved					27,284,893	3,747,636
Fund balances:						
Reserved for encumbrances	535,124	228,817		1,346,725		
Reserved for materials and supplies inventory	10,431	55,564				
Reserved for loans.		5,394,169				
Reserved for debt service			27,684			
Reserved for tax advance		8,446	40,744			
Unreserved-undesignated	1,647,182	2,883,704		(218,885)		
Total equity and other credits	2,192,737	8,570,700	68,428	1,127,840	27,284,893	3,747,636
Total liabilities, equity and other credits.	\$4,005,275	\$9,730,537	\$1,682,304	\$1,191,121	\$64,881,431	\$5,457,880

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	
Agency			
\$6,000			\$1,445,698
			378,653
		\$2,963,882	4,221,287
			2,479,689
			268,656
			395,492
65,472			65,472
862,798			1,653,580
118,346			118,346
			899,755
			498,518
			1,000,000
		14,156,145	21,582,565
			11,040,000
		2,285,759	18,255,061
			111,944
<u>1,052,616</u>		<u>19,405,786</u>	<u>64,414,716</u>
	\$20,480,334		20,480,334
			31,032,529
			2,110,666
			65,995
			5,394,169
			27,684
			49,190
			4,312,001
	<u>20,480,334</u>		<u>63,472,568</u>
<u>\$1,052,616</u>	<u>\$20,480,334</u>	<u>\$19,405,786</u>	<u>\$127,887,284</u>

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

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
Income tax	\$14,275,386				\$14,275,386
Property and other taxes		\$266,372	\$1,285,562		1,551,934
Charges for services	1,552,163	317,010			1,869,173
Licenses, permits and fees	1,370,103	94,330			1,464,433
Fines and forfeitures	913,095	349,427			1,262,522
Special assessments		28,227	1,243		29,470
Intergovernmental	3,302,685	4,485,356	138,462	\$1,143,010	9,069,513
Investment income	127,216	252,142	30,733	51,261	461,352
Rental income	129,890				129,890
Other	431,475	153,052		28,790	613,317
Total revenue	22,102,013	5,945,916	1,456,000	1,223,061	30,726,990
Expenditures:					
Current Operations:					
General government	5,841,222	571,224	23,108	14,079	6,449,633
Security of persons and property	11,518,292	159,495			11,677,787
Public health and welfare	313,128				313,128
Transportation		2,231,622			2,231,622
Community environment	1,289,926				1,289,926
Leisure time activity	239,038				239,038
Economic development		1,639,421			1,639,421
Capital outlay		899,977		3,427,812	4,327,789
Debt service:					
Principal retirement		71,250	1,087,058		1,158,308
Interest and fiscal charges	18,210		818,830	13,100	850,140
Total expenditures	19,219,816	5,572,989	1,928,996	3,454,991	30,176,792
Excess (deficiency) of revenues over (under) expenditures	2,882,197	372,927	(472,996)	(2,231,930)	550,198
Other financing sources (uses):					
Proceeds of notes				1,361,137	1,361,137
Proceeds from the sale of fixed assets			261,251		261,251
Operating transfers in	380,223	1,266,505	279,121	1,460,977	3,386,826
Operating transfers out	(2,964,506)	(1,022,159)		(72,975)	(4,059,640)
Total other financing sources (uses)	(2,584,283)	244,346	540,372	2,749,139	949,574
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	297,914	617,273	67,376	517,209	1,499,772
Fund balances, January 1 (restated)	1,904,800	7,955,716	1,052	610,631	10,472,199
Decrease in reserve for inventory	(9,977)	(2,289)			(12,266)
Fund balances, December 31	\$2,192,737	\$8,570,700	\$68,428	\$1,127,840	\$11,959,705

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

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, 2000

	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	\$14,450,000	\$14,336,040	(\$113,960)	\$1,183,840	\$1,244,817	\$60,977	\$1,183,840	\$1,244,817	\$60,977						
Property and other taxes		\$257,926	(\$1,080)												
Charges for services	1,658,264	1,678,076	19,812	655,200	662,129	6,929	655,200	662,129	6,929						
Licenses, permits and fees	1,343,000	1,371,860	28,860	100,000	94,330	(5,670)	100,000	94,330	(5,670)						
Fines and forfeitures	872,000	867,145	(4,855)	496,305	330,558	(165,747)	496,305	330,558	(165,747)						
Intergovernmental	3,218,986	3,280,685	61,699	4,422,693	4,513,379	90,686	4,422,693	4,513,379	90,686						
Special assessments		0	0	0	0	0	0	0	0						
Investment income	122,000	127,216	5,216	13,000	151,454	28,227	13,000	151,454	28,227						
Rental income	130,000	129,890	(110)												
Other	371,000	466,681	95,681	334,750	153,052	(181,698)	334,750	153,052	(181,698)						
Total revenues	22,165,250	22,257,593	92,343	6,280,954	6,191,055	(89,899)	6,280,954	6,191,055	(89,899)	1,319,007	1,415,254	96,247	2,204,722	1,318,549	(886,173)
Expenditures:															
Current:															
General government	6,212,231	5,941,052	271,179	579,872	23,107	2,893	579,872	23,107	2,893						
Security of persons and property	11,357,479	11,230,676	126,803	436,472	162,486	273,986	436,472	162,486	273,986						
Public health and welfare	352,402	325,247	27,155	2,449,671	2,255,805	193,866	2,449,671	2,255,805	193,866						
Transportation															
Community environment	1,355,797	1,318,129	37,668												
Leisure time activity	271,644	249,935	21,709	2,231,875	1,712,098	519,777	2,231,875	1,712,098	519,777						
Economic development				2,858,304	1,687,524	1,170,780	2,858,304	1,687,524	1,170,780						
Capital outlay															
Debt service:															
Principal retirement				300,000	300,000	0	3,141,696	3,135,598	6,098						
Interest and fiscal charges				11,250	71,250	(60,000)	996,981	975,448	21,533						
Total expenditures	19,549,553	19,065,039	484,514	9,007,582	6,769,035	2,238,547	4,164,677	4,134,153	30,524	7,882,807	4,822,728	3,060,079	40,604,619	34,790,955	5,813,664
Excess (deficiency) of revenues over (under) expenditures	2,615,697	3,192,554	576,857	(2,726,628)	(577,980)	2,148,648	(2,845,670)	(2,718,899)	126,771	(5,678,085)	(3,504,179)	2,173,906	(8,634,686)	(3,608,504)	5,026,182
Other financing sources (uses):															
Proceeds of notes				300,000	300,000	0	1,000,000	700,000	(300,000)						
Proceeds from sale of fixed assets							0	261,251	261,251						
Operating transfers in	365,000	380,223	15,223	1,377,819	1,326,507	(51,312)	1,845,670	1,784,280	(61,390)	1,919,345	1,147,877	(771,468)	5,507,834	4,638,887	(868,947)
Operating transfers (out)	(3,034,414)	(3,036,256)	(1,842)	(1,206,928)	(1,082,161)	124,767				(100,000)	(72,975)	27,025	(4,341,342)	(4,191,392)	149,950
Total other financing sources (uses)	(2,669,414)	(2,656,033)	13,381	470,891	544,346	73,455	2,845,670	2,745,531	(100,139)	4,095,278	2,436,039	(1,659,239)	4,742,425	3,069,883	(1,672,542)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(53,717)	536,521	590,238	(2,255,737)	(33,634)	2,222,103	0	26,632	26,632	(1,582,807)	(1,068,140)	514,667	(3,892,261)	(538,621)	3,353,640
Fund balances, January 1	(26,145)	(26,145)	0	2,378,949	2,378,949	0	1,052	1,052	0	(1,292,552)	(1,292,552)	0	1,061,304	1,061,304	0
Prior year encumbrances appropriated	86,736	86,736	0	744,641	744,641	0	0	0	0	2,132,807	2,132,807	0	2,964,184	2,964,184	0
Fund balances, December 31	\$6,874	\$597,112	\$590,238	\$867,853	\$3,089,956	\$2,222,103	\$1,052	\$27,684	\$26,632	(\$742,552)	(\$227,885)	\$514,667	\$133,227	\$3,886,867	\$3,353,640

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

CITY OF WARREN, OHIO
COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Operating revenues:			
Charges for services	\$17,763,688	\$4,953,535	\$22,717,223
Other operating revenues	87,321	18,817	106,138
Total operating revenues	17,851,009	4,972,352	22,823,361
Operating expenses:			
Personal services	7,871,837	195,534	8,067,371
Contract services	4,269,725	265,642	4,535,367
Materials and supplies	1,525,697	13,657	1,539,354
Depreciation	3,152,876	14,266	3,167,142
Claims expense		3,818,119	3,818,119
Administration	1,231,865	655,014	1,886,879
Utilities	609,865	30,388	640,253
Other operating expense	33,075	3,431	36,506
Total operating expenses	18,694,940	4,996,051	23,690,991
Operating loss	(843,931)	(23,699)	(867,630)
Nonoperating revenues (expenses):			
Interest expense and fiscal charges	(1,884,704)	(6,200)	(1,890,904)
Investment earnings	522,395	224,674	747,069
Loss on sale of assets	(30,354)	(5,222)	(35,576)
Other nonoperating revenue	409,165		409,165
Other nonoperating expenses	(155,915)	(17,268)	(173,183)
Special assessments	7,638		7,638
Total nonoperating revenues (expenses)	(1,131,775)	195,984	(935,791)
Net income (loss) before operating transfers	(1,975,706)	172,285	(1,803,421)
Operating transfers in	885,904		885,904
Operating transfers out	(124,916)	(88,174)	(213,090)
Net income (loss)	(1,214,718)	84,111	(1,130,607)
Retained earnings, January 1 (restated)	28,499,611	3,663,525	32,163,136
Retained earnings, December 31	<u>\$27,284,893</u>	<u>\$3,747,636</u>	<u>\$31,032,529</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

CITY OF WARREN, OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Cash flows from operating activities:			
Cash received from customers	\$17,797,290	\$4,953,535	\$22,750,825
Cash received from other operations	87,321	18,817	106,138
Cash payments for personal services	(7,950,600)	(197,783)	(8,148,383)
Cash payments for contract services	(4,096,908)	(280,895)	(4,377,803)
Cash payments for administrative costs.	(1,231,865)	(118,062)	(1,349,927)
Cash payments for materials and supplies	(1,504,090)	(13,775)	(1,517,865)
Cash payments for claims expense		(3,459,072)	(3,459,072)
Cash payments for utilities.	(596,658)	(30,388)	(627,046)
Cash payments for other expenses	(34,631)		(34,631)
Net cash provided by operating activities	<u>2,469,859</u>	<u>872,377</u>	<u>3,342,236</u>
Cash flows from noncapital financing activities:			
Transfers in from other funds	770,037		770,037
Transfers out to other funds	(1,129,358)	(88,174)	(1,217,532)
Cash received from nonoperating activities.	418,905		418,905
Cash used for nonoperating activities.	(155,915)		(155,915)
Net cash used in noncapital financing activities	<u>(96,331)</u>	<u>(88,174)</u>	<u>(184,505)</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(2,411,213)	(74,005)	(2,485,218)
Principal retirement	(1,101,066)		(1,101,066)
Interest and fiscal charges paid	(1,817,648)	(6,200)	(1,823,848)
Net cash used in capital and related financing activities.	<u>(5,329,927)</u>	<u>(80,205)</u>	<u>(5,410,132)</u>
Cash flows from investing activities:			
Purchase of investments	(6,246)		(6,246)
Internal note disbursements		(1,000,000)	(1,000,000)
Principal payments received on internal notes and bonds	200,000	1,853,540	2,053,540
Interest received	522,395	224,674	747,069
Net cash provided by investing activities.	<u>716,149</u>	<u>1,078,214</u>	<u>1,794,363</u>
Net increase (decrease) in cash and cash equivalents	(2,240,250)	1,782,212	(458,038)
Cash and cash equivalents at January 1	9,284,635	2,004,912	11,289,547
Cash and cash equivalents at December 31	<u>\$7,044,385</u>	<u>\$3,787,124</u>	<u>\$10,831,509</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating loss.	(\$843,931)	(\$23,699)	(\$867,630)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation	3,152,876	14,266	3,167,142
Changes in assets and liabilities:			
(Increase) decrease in materials and supplies inventory.	461	(118)	343
Increase in accounts receivable	(156,190)		(156,190)
Decrease in note receivable	115,737		115,737
Increase (decrease) in accounts payable	197,804	(11,822)	185,982
Increase in contracts payable.	6,460		6,460
Increase in due from other governments.	74,069		74,069
Increase in accrued wages and benefits.	8,959	14	8,973
Decrease in compensated absences payable	(87,543)	(2,272)	(89,815)
Increase in due to other governments.	1,157	536,961	538,118
Increase in claims payable		359,047	359,047
Net cash provided by operating activities	<u>\$2,469,859</u>	<u>\$872,377</u>	<u>\$3,342,236</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

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CITY OF WARREN, OHIO

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

NOTE 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements (GPFS) of the City have been prepared in conformity with generally accepted accounting principles (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 City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the City’s accounting policies are described below.

A. Reporting Entity

For financial reporting purposes, the City’s GPFS 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 GPFS to be misleading or incomplete. Based upon the foregoing criteria, the City has no component units.

CITY OF WARREN, OHIO

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 GPFS.

B. Basis of Presentation - Fund Accounting

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

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 FUNDS:

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:

CITY OF WARREN, OHIO

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

Debt Service Fund - This fund is used to account for revenues received and used to pay principal and interest on debt reported to the City's general long-term obligations account group.

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

PROPRIETARY FUNDS:

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 FUNDS:

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

CITY OF WARREN, OHIO

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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:

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

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

C. Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenditures (expenses) are recognized in the accounts and reported in the GPFS. Basis of accounting related to the timing of the measurements made, regardless of the measurement focus applied.

All financial transactions for governmental funds 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.

CITY OF WARREN, OHIO

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

In applying the “susceptible to accrual” concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: reimbursements from other governments, amounts receivable from city income tax withholdings, charges for services, interest on investments and state-levied, locally-shared taxes (including motor vehicle license fees), gasoline tax and local government assistance. 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 measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are recognized when the related liability is expected to be liquidated with expendable available financial resources with the following exceptions: general long-term obligation principal and interest is reported only when paid; and the costs of accumulated unpaid vacation and sick leave are reported in the period due rather than in the period earned by employees.

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., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

CITY OF WARREN, OHIO

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. 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 appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources. All funds, other than agency funds, legally are required to be budgeted and appropriated.

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.

The amounts set forth as "revised budget" revenues and other financing sources in the combined statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund types represent estimated revenues from the final amended official certificate of resources issued during 2000.

Appropriation budgets are legally required for each fund by major expenditure object. This is known as the legal level of budgetary control. Appropriation modifications outside the legal level of budgetary control must be approved by City Council. 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.

CITY OF WARREN, OHIO

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified and the fund balance at the beginning of the year. Supplemental appropriations were legally enacted by City Council in 2000.

Amounts shown as “revised budget” expenditures and other financing uses in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types represent the original appropriated budget and all supplemental appropriations.

E. 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 for governmental funds since they do not constitute expenditures or liabilities.

F. Cash and Investments

To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the City’s records. Each fund’s interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents” on the combined balance sheet.

During fiscal year 2000, investments were limited to U.S. government money market mutual funds, repurchase agreements and certificates of deposit.

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

CITY OF WARREN, OHIO

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Following Ohio statutes, the Council has, by resolution, specified the funds to receive an allocation of interest earnings. The following funds were credited with more interest revenue than would have been received based upon their share of the City's cash fund balance during 2000:

	<u>Interest Actually Received</u>	<u>Interest Based upon Share of Cash Fund Balance</u>	<u>Interest Assigned by Other Funds</u>
General	\$127,216	\$42,176	\$85,040
<u>Special Revenue Funds</u>			
Motor Vehicle Levy	2,366	964	1,402
Special Projects - Courts	3,221	2,008	1,213
Legal Research	1,143	421	722
General Bond Payment	30,733	967	29,766
<u>Enterprise Funds</u>			
Sanitation	19,351	12,124	7,227
<u>Internal Service</u>			
Data Processing	13,576	11,187	2,389

The City has segregated bank accounts for monies held separate from the City's central bank account. These interest bearing depository accounts are presented on the combined balance sheet as "Cash with Fiscal Escrow Agents" since they are not required to be deposited into the City treasury.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City, are considered to be cash equivalents. Investments with maturities greater than three months at the time of purchase are not reported as investments.

An analysis of the Treasurer's investment account at year end is provided in Note 4.

CITY OF WARREN, OHIO

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. Materials and Supplies Inventory

Inventories for governmental funds are stated at cost while inventories of proprietary funds are stated at lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recognized as expenditures in governmental funds when purchased and as expenses in the proprietary funds when used. The total of inventories at year-end is reported as a reservation of fund balance in the governmental funds because it does not represent available spendable resources even though it is a component of net current assets.

H. Property, Plant, Equipment, and Depreciation

1. *General Fixed Assets Account Group*

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

<u>Description</u>	<u>Estimated Life</u>
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

CITY OF WARREN, OHIO

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The City also capitalizes the cost of major renovations which extend the useful life of an asset or which enable it to perform new or more valuable services. Interest on tax exempt debt issued to construct enterprise fund fixed assets is capitalized, net of interest earned on the proceeds of such debt. The City has established a capitalization threshold of \$1,000 for proprietary fixed assets.

I. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty (50) or greater with at least ten (10) years of service or any employee with at least twenty (20) years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments. City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation and sick leave at various rates. Payment of vacation and sick leave recorded in the general long-term obligations account group is dependent upon many factors; therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payment of vacation and sick leave when such payments become due.

CITY OF WARREN, OHIO

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

J. 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 2000 operations. Intergovernmental receivables that are measurable as of December 31, 2000, but are intended to finance 2001 operations, whose availability is indeterminable, have been recorded as deferred revenue.

K. Long-Term Obligations

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

Under Ohio law, a debt retirement fund must be created and used for the payment of all debt principal and interest. GAAP requires the allocation of the debt liability among the capital projects and enterprise funds, and the general long-term obligations account group, with principal and interest payments on matured general obligation long-term debt being reported in the debt service fund. To comply with GAAP reporting requirements, the City's debt retirement fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

CITY OF WARREN, OHIO

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

L. 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. Intrafund transfers have been eliminated for GAAP reporting.
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 balances, related to changes for goods and services rendered, are reflected as "due to/from other funds."
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.

An analysis of interfund transactions is presented in Note 5.

M. 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 material and supplies inventory, available debt service equity, prepayments, encumbrances outstanding, loans receivable, and tax advance unavailable for appropriation as reservations of fund balance in the governmental funds.

CITY OF WARREN, OHIO

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

N. Bond Discounts, Premiums and Issuance Costs

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

When the proceeds from general obligation bonded debt are placed in a proprietary fund type, and the debt will be serviced from revenues generated by that fund, then any material issuance costs will be reported as a deferred charge and amortized over the life of the bond using the straight-line method. 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 income or expense in the Statement of Revenues, Expenses, and Changes in Retained Earnings.

O. Estimates

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

P. Total Columns on General Purpose Financial Statements

Total columns on the GPFS 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 GAAP. Neither is such data comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

CITY OF WARREN, OHIO

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Prior Period Adjustments

The City overstated loans receivable at December 31, 1999. The effect of this adjustment on fund balance as previously reported as of December 31, 1999 is as follows:

	<u>Special Revenue</u>
Fund balance as previously reported	\$8,463,198
Restatement for overstated loans receivable	<u>(507,482)</u>
Restated fund balance as of January 1, 2000	<u>\$7,955,716</u>

The City overstated the fixed assets in the enterprise funds at December 31, 1999. A prior period adjustment is required to properly state the enterprise fixed assets of the City at December 31, 1999. The adjustment had the following effect on retained earnings as previously reported at December 31, 1999.

	<u>Enterprise</u>
Retained earnings as previously reported	\$33,832,914
Restatement for overstatement of fixed assets	<u>(5,333,303)</u>
Restated retained earnings as of January 1, 2000	<u>\$28,499,611</u>

B. Deficit Fund Balance/Retained Earnings

The following funds had a deficit fund balance/retained earnings as of December 31, 2000:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Court Computerization	\$281,872
<u>Enterprise Funds</u>	
Sanitation	337,631
<u>Internal Service Funds</u>	
Life Insurance and Hospital	547,826

CITY OF WARREN, OHIO

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

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

The deficit fund balance in the Court Computerization, Special Revenue Fund, is caused by the application of GAAP, namely in the requirement to report a note payable as a fund liability rather than as an "other financing source". The deficit balance will be eliminated as resources become available to repay the note.

The deficit retained earnings in the Sanitation, Enterprise Fund, is caused by the application of GAAP, namely in the requirement to report general obligation bonds payable as a fund liability rather than as an "other financing source." The deficit will be eliminated as revenues are collected to repay the bonds.

The deficit retained earnings in the Life Insurance and Hospital, Internal Service Fund, is a result of the application of GAAP, namely in the recognition of a fund liability for claims incurred as of December 31, 2000, but not paid until 2001. The deficit will be eliminated as premiums are collected to pay the claims.

NOTE 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." Statutes 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.

CITY OF WARREN, OHIO

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

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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 accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio).
7. High grade commercial paper for a period not to exceed 180 days in an amount not to exceed twenty-five percent of the City's interim monies available for investment; and
8. Bankers acceptances for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the City's interim monies available for investment.

CITY OF WARREN, OHIO

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

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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

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

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 market value of at least 105% of the total uninsured amount of public monies on deposit at the institution.

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

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

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

CITY OF WARREN, OHIO

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

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

Deposits: At year-end, the carrying amount of the City’s deposits, including nonnegotiable certificates of deposit and cash with fiscal and escrow agents, was \$15,346,386 and the bank balance, including nonnegotiable certificates of deposit and cash with fiscal and escrow agents, was \$16,684,078. Of the bank balance:

1. \$881,281 was covered by federal depository insurance; and
2. \$15,802,797 was 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. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

Investments: The City’s investments are required to be categorized to give an indication of the level of risk assumed by the City at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City’s name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty’s trust department or agent in the City’s name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the City’s name. The U.S. Government Money Market Mutual Funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category			Reported	Fair
	1	2	3	Amount	Value
Repurchase Agreements	<u>\$ - - -</u>	<u>\$ - - -</u>	<u>\$1,587,247</u>	\$1,587,247	\$1,587,247
U.S. Government Money Market Mutual Funds				<u>1,849,576</u>	<u>1,849,576</u>
Total Investments				<u>\$3,436,823</u>	<u>\$3,436,823</u>

The classification of cash and cash equivalents on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, “Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.”

CITY OF WARREN, OHIO

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

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

A reconciliation between the classifications of pooled cash and cash equivalents 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, 2000:

Deposits	\$15,346,386
Investments	<u>3,436,823</u>
Total	<u>\$18,783,209</u>

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

Equity in pooled cash and cash equivalents	\$17,625,419
Cash with fiscal and escrow agents	183,040
Investments (restricted)	<u>974,750</u>
Total	<u>\$18,783,209</u>

NOTE 5 - INTERFUND TRANSACTIONS

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

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 380,223	\$2,964,506
<u>Special Revenue Funds</u>		
Motor Vehicle Levy	15,000	151,764
Street Construction, Maintenance and Repair	1,180,000	---
Police Pension	---	141,112
Fire Pension	---	141,112
Drug Law Enforcement	35,000	26,172
Community Development Block Grant	---	438,999
Probation - Municipal Court	---	30,000
Special Projects - Courts	36,505	33,000
Legal Research	<u>---</u>	<u>60,000</u>
Total Special Revenue Funds	<u>1,266,505</u>	<u>1,022,159</u>
Debt Service Fund	279,121	---
Capital Projects Fund	1,460,977	72,975

CITY OF WARREN, OHIO

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

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Enterprise Funds</u>		
Water	\$ ---	\$ 52,190
Sewer	---	27,334
Packard Music Hall	75,000	---
Downtown Parking	706,204	---
City Redevelopment	104,700	36,000
Sanitation	<u>---</u>	<u>9,392</u>
 Total Enterprise Funds	 <u>885,904</u>	 <u>124,916</u>
<u>Internal Service Funds</u>		
Data Processing	<u>---</u>	<u>88,174</u>
 Total	 <u>\$4,272,730</u>	 <u>\$4,272,730</u>

- B.** Interfund balances at December 31, related to charges for goods and services rendered, consist of the following amounts due to and from other funds:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$44,292	\$ ---
<u>Special Revenue Funds</u>		
Driver's Alcohol Treatment	510	---
Enforcement and Education	91	---
Court Computerization	7,380	---
Legal Research	3,927	---
Special Projects - Courts	4,315	---
Probation - Municipal Court	<u>2,646</u>	<u>---</u>
 Total Special Revenue Funds	 <u>18,869</u>	 <u>---</u>
<u>Agency Funds</u>		
Highway Patrol Fines	2,311	---
Municipal Court	<u>---</u>	<u>65,472</u>
 Total Agency Funds	 <u>2,311</u>	 <u>65,472</u>
 Total	 <u>\$65,472</u>	 <u>\$65,472</u>

CITY OF WARREN, OHIO

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

NOTE 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% 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.

Taxpayers (other than public utilities) become liable for tangible personal property taxes on January 1st of the current 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% of its true value. Amounts paid by multi-City taxpayers are due September 20. Single City 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. Under Ohio law personal property taxes do not attach as a lien on the personal property. Public utility real and tangible personal property taxes collected in one calendar year are levied on January 1 in 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 City, 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 1999 levy (collected in 2000) was based was \$482,013,814. 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.

Accrued taxes receivable represent delinquent taxes outstanding and real, tangible personal, and public utility taxes which were measurable and unpaid as of December 31, 2000. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2001 operations. Accordingly, the receivable is offset by a credit to "Deferred Revenue."

CITY OF WARREN, OHIO

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

NOTE 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 reported to the extent that it is measurable and available to finance current operations at December 31, 2000. Income tax revenue for 2000 was \$14,275,386.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2000, consisted of taxes, loans, notes, bonds, accounts (billings for user charged services), special assessments and intergovernmental receivables arising from grants, entitlements and shared revenue. All intergovernmental receivables have been classified as "Due From Other Governments" on the combined balance sheet and all interfund transactions related to charges for goods and services rendered have been classified as "Due From Other Funds" on the combined balance sheet. The notes and bonds receivable are internal City of Warren instruments which are further described in Note 14. Receivables have been recorded to the extent that they are both measurable and available at December 31, 2000, as well as intended to finance fiscal 2000 operations.

A summary of the principal items of receivables follows:

<u>Fund/Description</u>	<u>Amount</u>
<u>General Fund</u>	
Income taxes	\$1,916,780
Accounts	334,909
Special assessments	68,410
Due from other funds	44,292
Intergovernmental	437,579

CITY OF WARREN, OHIO

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

NOTE 8 - RECEIVABLES - (Continued)

<u>Fund/Description</u>	<u>Amount</u>
<u>Special Revenue Funds</u>	
Real and other taxes	\$ 340,198
Loans	5,394,169
Special assessments	226,975
Due from other funds	18,869
Intergovernmental	170,796
<u>Debt Service Funds</u>	
Real and other taxes	1,640,920
Special assessments	13,700
<u>Capital Projects Funds</u>	
_Intergovernmental	9,000
<u>Enterprise Funds</u>	
Accounts	2,662,378
Notes	632,748
Special assessments	3,261
<u>Internal Service Funds</u>	
Notes	1,000,000
Bonds	256,420
<u>Agency Funds</u>	
Due from other funds	2,311

NOTE 9 - LOANS RECEIVABLE

Loans receivable represent 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 period ranging from 5 to 20 years.

CITY OF WARREN, OHIO

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

NOTE 10 - FIXED ASSETS

A. Proprietary Fixed Assets

A summary of the proprietary fixed assets at December 31, 2000, follows:

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Total</u>
Land	\$ 402,610	\$ ---	\$ 402,610
Buildings and improvements	51,707,106	156,896	51,864,002
Water and sewer lines	43,531,677	---	43,531,677
Computer equipment	542,819	365,409	908,228
Furniture and equipment	1,717,120	38,314	1,755,434
Vehicles	2,438,322	---	2,438,322
Construction in progress	2,373,034	---	2,373,034
Less: accumulated depreciation	<u>(49,825,162)</u>	<u>(146,401)</u>	<u>(49,971,563)</u>
Total net assets	<u>\$ 52,887,526</u>	<u>\$ 414,218</u>	<u>\$ 53,301,744</u>

B. General Fixed Assets

A summary of the changes in general fixed assets during 2000 follows:

	<u>Balance at 1/1/00</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 12/31/00</u>
Land	\$ 1,130,737	\$ 5,362	\$ ---	\$ 1,136,099
Buildings	8,499,220	---	(10,795)	8,488,425
Building Improvements	499,268	11,800	---	511,068
Computer Equipment	699,268	208,668	(252,125)	655,811
Furniture and Equipment	1,505,599	69,059	(68,377)	1,506,281
Vehicles	3,891,690	14,700	(226,614)	3,679,776
Construction in Progress	<u>3,956,191</u>	<u>546,683</u>	<u>---</u>	<u>4,502,874</u>
Total fixed assets	<u>\$20,181,973</u>	<u>\$856,272</u>	<u>\$(557,911)</u>	<u>\$20,480,334</u>

CITY OF WARREN, OHIO

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

NOTE 11 - 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 were not paid using current expendable available resources. Vacation and sick leave earned by proprietary funds type employees is expensed when earned and has been recorded in the fund. Upon termination of City service, a fully vested employee is entitled to a percentage of their accumulated sick leave based on their years of service. At December 31, 2000, vested benefits for vacation leave for governmental fund type employees, net of amounts paid using current expendable available resources, totaled \$1,919,201 and vested benefits for sick leave, net of amounts paid using current expendable available resources, totaled \$1,044,681. For proprietary fund types, vested benefits for vacation leave totaled \$611,544 and vested benefits for sick leave totaled \$510,732 at December 31, 2000. Included in the vested benefits for sick leave figures 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.

NOTE 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% and 6.78% with the final payment due April 1, 2002. During 2000, the City made principal and interest payments of \$69,305 and \$6,200, respectively. The computer system is reflected in the Data Processing internal service fund's fixed assets at December 31, 2000. The balance of the principal payments due on this installment purchase obligation at December 31, 2000, is \$111,944.

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

<u>Year Ended</u>	<u>Installment Purchase Obligation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 73,351	\$2,154	\$ 75,505
2002	<u>38,593</u>	<u>1,580</u>	<u>40,173</u>
Total	<u>\$111,944</u>	<u>\$3,734</u>	<u>\$115,678</u>

CITY OF WARREN, OHIO

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

NOTE 13 - LONG-TERM OBLIGATIONS

A. General Long-Term Obligations

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

	<u>Interest Rates</u>	<u>Balance Outstanding 1/1/00</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Outstanding 12/31/00</u>
<u>General Obligation Bonds</u>					
Correctional Facility	4.50% - 5.85%	\$ 1,092,995	\$ ---	\$ (94,160)	\$ 998,835
Various Purpose Refunding	4.10% - 5.50%	7,400,000	---	(370,000)	7,030,000
Multiple Purpose Refunding	3.80% - 6.25%	3,585,000	---	(250,000)	3,335,000
Fire Issues	5.96%	410,000	---	(60,000)	350,000
Streets Improvement Issues	5.52%	170,000	---	(25,000)	145,000
Vehicles Acquisition	5.52%	80,000	---	(80,000)	0
Land Acquisition	3.85% - 4.75%	705,000	---	(35,000)	670,000
Communication System	3.85% - 4.75%	1,415,000	---	(65,000)	1,350,000
Energy Conservation	4.20%	<u>324,800</u>	---	<u>(47,490)</u>	<u>277,310</u>
Total General Obligation Bonds		<u>\$15,182,795</u>	<u>\$ ---</u>	<u>\$(1,026,650)</u>	<u>\$14,156,145</u>
<u>Other Long-Term Obligations</u>					
Reinvestment Partnership					
Corporation Loan		\$ 985,000	\$ ---	\$ ---	\$ 985,000
OWDA Loan		0	1,361,167	(60,408)	1,300,759
Compensated Absences Payable		<u>3,257,268</u>	---	<u>(293,386)</u>	<u>2,963,882</u>
Total Other Long-Term Obligations		<u>\$ 4,242,268</u>	<u>\$1,361,167</u>	<u>\$(353,794)</u>	<u>\$ 5,249,641</u>
Total General Long-Term Obligations		<u>\$19,425,063</u>	<u>\$1,361,167</u>	<u>\$(1,380,444)</u>	<u>\$19,405,786</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.

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, 2000 was \$998,835. These bonds are scheduled to mature December 1, 2010.

CITY OF WARREN, OHIO

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

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

On May 15, 1993, the City issued \$7,990,000 general obligation various purpose refunding bonds. The bonds bear interest at rates ranging from 4.10 percent to 5.50 percent per annum and mature in various installments through November 15, 2013. The proceeds of the bonds were used to advance refund all the City's 1988 general obligation term bonds by purchasing 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 refunded debt. The refunded bonds 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 various purpose refunding bonds at December 31, 2000 was \$7,030,000.

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 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 refunded bonds are not included in the City's outstanding debt since the City has satisfied its obligations through the advance refunding.

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

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

<u>Year Ended</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2005	1,467,635	518,063	1,985,698
2006-2010	5,805,995	1,538,179	7,344,174
2011-2013	<u>2,450,000</u>	<u>257,987</u>	<u>2,707,987</u>
Total	<u>\$14,156,145</u>	<u>\$4,950,826</u>	<u>\$19,106,971</u>

CITY OF WARREN, OHIO

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

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

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 began 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 the general obligation loan payable:

<u>Year Ended</u>	<u>Loan Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2005	50,000	53,130	103,130
Thereafter	<u>810,000</u>	<u>343,877</u>	<u>1,153,877</u>
Total	<u>\$985,000</u>	<u>\$630,488</u>	<u>\$1,615,488</u>

During fiscal year 2000, the City entered into a debt financing arrangement through the Ohio Water Development Authority (OWDA) to fund the Mahoningside Redevelopment Project. The loan agreement functions similar to a line-of-credit agreement. At December 31, 2000, the City had outstanding borrowings of \$1,300,759. The General Capital Projects fund received proceeds beginning May 31, 2000. The total permissible borrowing under the financing arrangements at December 31, 2000 was \$1,418,925. The loan agreement requires 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. The principal and interest payments will be made out of the debt service fund.

CITY OF WARREN, OHIO

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

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

B. 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:

	<u>Interest Rates</u>	<u>Balance Outstanding 1/1/00</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Outstanding 12/31/00</u>
<u>General Obligation Bonds</u>					
Sewer Improvements	2.90% - 5.20%	\$ 6,215,000	\$ ---	\$ (325,000)	\$ 5,890,000
Sanitation	3.85% - 4.60%	<u>1,575,000</u>	<u>---</u>	<u>(295,000)</u>	<u>1,280,000</u>
Total General Obligation Bonds		<u>\$ 7,790,000</u>	<u>\$ ---</u>	<u>\$ (620,000)</u>	<u>\$ 7,170,000</u>
<u>Revenue Bonds</u>					
Water System	3.80% - 5.00%	<u>\$11,110,000</u>	<u>\$ ---</u>	<u>\$ (70,000)</u>	<u>\$11,040,000</u>
Total Revenue Bonds		<u>\$11,110,000</u>	<u>\$ ---</u>	<u>\$ (70,000)</u>	<u>\$11,040,000</u>
<u>OWDA Loans</u>					
Sewer System	10.16%	\$ 5,682,771	\$ ---	\$ (245,891)	\$ 5,436,880
Buckeye	3.54%	1,157,826	---	(59,689)	1,098,137
Warren Commerce Park - Phase I	4.80%	163,615	---	(2,686)	160,929
Waste Water Treatment Plant and Pump Station Improvements	3.04%	948,493	---	(41,771)	906,722
Biosolids Facility	3.04%	6,598,441	---	(294,133)	6,304,308
Griswold Street Sanitary Sewer		1,341,790	---	(37,874)	1,303,916
Warren Commerce Park - Phase II	3.04%	<u>782,432</u>	<u>---</u>	<u>(24,022)</u>	<u>758,410</u>
Total OWDA Loans		<u>\$16,675,368</u>	<u>\$ ---</u>	<u>\$ (706,066)</u>	<u>\$15,969,302</u>
Total Enterprise Fund Obligations		<u>\$35,575,368</u>	<u>\$ ---</u>	<u>\$(1,396,066)</u>	<u>\$34,179,302</u>

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

CITY OF WARREN, OHIO

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

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

On November 15, 1993, the City issued \$10,430,000 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 were 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 refunded bonds 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, 2000 was \$5,890,000.

On December 30, 1997, the City issued \$11,380,000 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 were 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 refunded bonds 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, 2000 was \$11,040,000.

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 financial statements as a deduction from bonds payable, is being charged to interest expense through the year 2012 using the straight-line method.

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

CITY OF WARREN, OHIO

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

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

The City has entered into debt financing arrangements through the 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, 2000, the City has outstanding borrowings of \$15,969,302. The total permissible borrowings under the financing arrangements at December 31, 2000 were \$16,353,001. 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.

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

Year Ended	Bonds Payable			OWDA Loans Payable		
	Principal	Interest	Total	Principal	Interest	Total
2001	\$ 705,000	\$ 907,015	\$ 1,612,015	\$ 768,804	\$ 909,776	\$ 1,678,580
2002	680,000	876,647	1,556,647	812,884	865,696	1,678,580
2003	1,030,000	846,585	1,876,585	860,317	818,172	1,678,489
2004	1,070,000	800,737	1,870,737	911,415	767,168	1,678,583
2005	770,000	749,877	1,519,877	966,498	712,080	1,678,578
2006 - 2010	4,430,000	3,146,904	7,576,904	5,826,235	2,586,555	8,412,790
2011 - 2015	4,415,000	1,920,720	6,335,720	4,645,884	731,888	5,377,772
2016 - 2020	3,470,000	947,250	4,417,250	1,560,964	73,775	1,634,739
2021 - 2022	<u>1,640,000</u>	<u>124,000</u>	<u>1,764,000</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total	<u>\$18,210,000</u>	<u>\$10,319,735</u>	<u>\$28,529,735</u>	<u>\$16,353,001</u>	<u>\$7,465,110</u>	<u>\$23,818,111</u>

CITY OF WARREN, OHIO

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

NOTE 14 - INTERNAL NOTES AND BONDS PAYABLE

The City had the following internal notes and bonds payable at December 31, 2000:

	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance Outstanding 12/31/00</u>
<u>General Fund</u>				
<i>General Obligation Bonds</i>				
Police Car Acquisition	5.00%	9/15/99	12/1/04	<u>\$256,420</u>
<u>Special Revenue Funds</u>				
<i>General Obligation Notes</i>				
Court Computer Acquisition	5.25%	9/28/00	9/28/01	<u>\$300,000</u>
<u>Enterprise Funds</u>				
<i>General Obligation Notes</i>				
Downtown Parking Deck	4.50%	10/10/00	10/10/01	<u>\$700,000</u>

CITY OF WARREN, OHIO

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

NOTE 14 - INTERNAL NOTES AND BONDS PAYABLE - (Continued)

The City had the following note and bond activity for fiscal year 2000:

	<u>Balance Outstanding 1/1/00</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Outstanding 12/31/00</u>
<u>General Fund</u>				
<i>General Obligation Bonds</i>				
Police Car Acquisition	\$ 309,960	\$ - - -	\$ (53,540)	\$ 256,420
<u>Special Revenue Funds</u>				
<i>General Obligation Notes</i>				
Court Computer Acquisition	\$ 300,000	\$300,000	\$ (300,000)	\$ 300,000
<u>Capital Projects Fund</u>				
<i>General Obligation Notes</i>				
Community Service Building Repair	\$ 100,000	\$ - - -	\$ (100,000)	\$ 0
East Market Street Redevelopment	200,000	- - -	(200,000)	0
Total Capital Projects Fund	<u>\$ 300,000</u>	<u>\$ - - -</u>	<u>\$ (300,000)</u>	<u>\$ 0</u>
<u>Enterprise Funds</u>				
<i>General Obligation Notes</i>				
Downtown Parking Deck	\$1,100,000	\$700,000	\$(1,100,000)	\$700,000
Market/High Street Development	200,000	- - -	(200,000)	0
High Street Redevelopment	100,000	- - -	(100,000)	0
Total Enterprise Funds	<u>\$1,400,000</u>	<u>\$700,000</u>	<u>\$(1,400,000)</u>	<u>\$ 700,000</u>

All notes and bonds payable at December 31, 2000 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 fund which loaned the monies (The Workers Compensation Retro Plan internal service fund) has reported "notes receivable" and "bonds receivable" on the combined balance sheet for the principal amounts outstanding at December 31, 2000.

CITY OF WARREN, OHIO

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

NOTE 15 - 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 Wastewater, Waterworks, Sanitation, Packard Music Hall, Downtown Parking, City Redevelopment and Stormwater Utility. Segment information for the year ended December 31, 2000 was as follows:

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Sanitation Fund</u>	<u>Packard Music Hall Fund</u>	<u>Downtown Parking</u>	<u>City Redevelopment</u>	<u>Stormwater Utility</u>	<u>Total</u>
Operating revenues	\$ 7,069,783	\$ 7,749,379	\$2,822,799	\$ 84,334	\$ 82,003	\$ 42,711	\$ 0	\$17,851,009
Operating expenses before depreciation	5,469,344	7,205,496	2,428,653	303,496	125,984	4,879	4,212	15,542,064
Depreciation expense	2,082,514	781,787	221,720	3,665	48,399	14,791	0	3,152,876
Operating income (loss)	(482,075)	(237,904)	172,426	(222,827)	(92,380)	23,041	(4,212)	(843,931)
Net income (loss)	(1,516,066)	(319,433)	106,906	(136,134)	566,932	87,260	(4,183)	(1,214,718)
Additions to property, plant and equipment	298,438	2,246,264	9,944	11,382	---	---	---	2,566,028
Net working capital	2,144,817	5,653,977	651,970	16,675	10,207	14,623	29,053	8,521,322
Total assets	30,064,908	31,243,815	1,113,222	72,747	1,781,641	571,847	33,251	64,881,431
Bonds and other long term liabilities payable from operating revenues	21,859,302	11,040,000	1,280,000	---	---	---	---	34,179,302
Total equity	6,734,476	19,174,811	(337,631)	39,274	1,073,063	571,847	29,053	27,284,893

NOTE 16 - 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.

CITY OF WARREN, OHIO

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

NOTE 16 - RISK MANAGEMENT - (Continued)

The City maintains a Hospitalization Self-Insurance Fund which has been classified as an internal service fund in the accompanying GPFS. 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.

In the last three years, the City had one occurrence in which settled claims exceeded the self-insurance amount. The liability for unpaid claims of \$899,755 reported in the internal service fund at December 31, 2000, is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by FASB 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 GPFS. 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 which is classified as an internal service fund in the accompanying GPFS. 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 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. In fiscal year 2000, the City switched from the retrospective rating plan to an experience rating plan. Under the experience rating plan, the City pays a fixed premium plus the expected claims based upon the City's prior four years claims history. The premiums and claims are paid from the Workers' Compensation Fund.

CITY OF WARREN, OHIO

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

NOTE 16 - RISK MANAGEMENT - (Continued)

Changes in the fund's liability during 2000 is as follows:

<u>Fund</u>	<u>Beginning Of Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>End of Year Liability</u>
Hospitalization self-insurance	\$540,708	\$3,679,882	\$(3,320,835)	\$899,755
Risk management	0	186,486	(186,486)	0
Workers' compensation	91,788	674,768	(138,237)	628,319

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.

NOTE 17 - DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System

All City full-time employees, other than uniformed employees, participate in the Public Employees Retirement System of Ohio (PERS), a cost sharing multiple-employer public employee retirement system created by the State of Ohio. The PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

CITY OF WARREN, OHIO

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

NOTE 17 - DEFINED BENEFIT PENSION PLANS - (Continued)

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 2000 was 8.5 percent for employees other than law enforcement. Law enforcement employees contribute 9.0 percent of covered salary. The PERS Retirement Board instituted a temporary employees contribution rate rollback for calendar year 2000. The rate rollback was 20% for local government divisions and 6% for law enforcement divisions. The employer contribution rate for employees other than law enforcement was 10.84 percent of covered payroll; 6.54 percent was the portion used to fund pension obligations for 2000. The employer contribution rate for law enforcement employees was 15.70 percent of covered payroll; 11.40 percent was the portion used to fund pension obligations for 2000. The City's contributions for pension obligations to the PERS for the years ended December 31, 2000, 1999, and 1998 were \$1,270,854, \$1,681,529, and \$1,597,145, respectively; 83 percent has been contributed for 2000 and 100 percent for 1999 and 1998. \$222,643, representing the unpaid contribution for 2000, is recorded as a liability within the agency funds and was paid within the allotted timeframe.

B. Ohio Police and Fire Pension Fund

Full-time uniformed employees of the City participate in the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple employer defined benefit pension plan. The OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by 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 statements 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.

Plan members are required to contribute 10.0 percent of their annual covered salary, while the City is required to contribute 19.50 percent and 24.0 percent for police officers and firefighters, respectively. The City's contributions for pension obligations to the OP&F for the years ended December 31, 2000, 1999, and 1998 were \$1,309,296, \$1,487,147, and \$1,511,737, respectively; 76 percent has been contributed for 2000 and 100 percent for the years 1999 and 1998. \$324,138, representing the unpaid contributions for 2000, is recorded as a liability within the agency funds and was paid within the allotted timeframe.

CITY OF WARREN, OHIO

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

NOTE 18 - POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement System

PERS provides post-retirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. Healthcare Funding and accounting is on a pay-as-you-go basis. The employer contribution rate was rolled back for the year 2000. The 2000 employer contribution rate for local government employers was 10.84% of covered payroll; 4.30% was the portion that was used to fund health care. The law enforcement employer rate for 2000 was 15.70% of covered payroll; 4.30% was the portion used to fund health care.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS. The City's contribution actually made to fund postemployment benefits was \$504,121.

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

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

CITY OF WARREN, OHIO

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

NOTE 18 - POSTEMPLOYMENT BENEFITS - (Continued)

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

Additional information on the PERS, including historical trend information showing the progress in accumulating sufficient assets to pay benefits when due is available in the PERS December 31, 2000, Comprehensive Annual Financial Report.

B. Ohio Police and Fire Pension Fund

OP&F provides post-retirement 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 school full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other than Pension Benefits by State and Local Government Employers". The Ohio Revised Code provides that health care cost paid from the funds of the OP&F shall be included in the employer's contribution rate. The total police officer employer contribution rate is 19.5% of covered payroll and the total firefighter's employer contribution rate is 24.0% of covered payroll. The Ohio Revised Code provides the authority allowing OP&F's Board of Trustees to provide health care coverage to all eligible individuals. Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.0 percent and 7.25 percent of covered payroll in 1999 and 2000, respectively. 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.

CITY OF WARREN, OHIO

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

NOTE 18 - POSTEMPLOYMENT BENEFITS - (Continued)

The number of participants eligible to receive health care benefits as of December 31, 1999 (the latest information available), is 12,467 for police officers and 9,807 for firefighters. The amount of employer contributions used to pay postemployment benefits for police officers and firefighters were \$204,904 and \$188,117, respectively. OP&F's total health care expenses for the year ending December 31, 1999 (the latest information available), was \$95.005 million which was net of member contributions of \$5.518 million.

NOTE 19 - BUDGETARY BASIS OF ACCOUNTING

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

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget Basis	\$ 536,521	\$(33,634)	\$ 26,632	\$(1,068,140)
Adjustments:				
Net Adjustment for Revenue Accruals	(155,580)	(245,139)	40,746	(95,488)
Net Adjustment for Expenditure Accruals	(750,539)	775,842	2,205,157	(42,269)
Net adjustment for Other Financing Sources/ (Uses) Accruals	71,750	(300,000)	(2,205,159)	313,100
Encumbrances	<u>595,762</u>	<u>420,204</u>	<u>- - -</u>	<u>1,410,006</u>
GAAP Basis	<u>\$ 297,914</u>	<u>\$ 617,273</u>	<u>\$ 67,376</u>	<u>\$ 517,209</u>

CITY OF WARREN, OHIO

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

NOTE 20 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2000.

B. Litigation

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

NOTE 21 - SIGNIFICANT SUBSEQUENT EVENT

On August 28, 2001, the City and Austin Village Plaza entered into a \$350,000 promissory note with Second National Bank.

On April 3, 1995, the City and Avalon South Management, Inc. entered into a \$425,000 promissory note. On February 13, 2002 the City approved an agreement with Second National Bank to refinance this note internally.

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CITY OF WARREN
TRUMBULL COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
YEAR ENDED DECEMBER 31, 2000

<u>Program Title</u>	<u>Pass-Through Grantor Number</u>	<u>Federal CFDA Number</u>	<u>Cash Disbursements</u>
<i>U.S. Department of Housing and Urban Development</i>			
Direct Programs:			
Community Development Block Grant Entitlement 351		14.218	
Grant Year 1993	B-93-MC-390022		578
Grant Year 1994	B-94-MC-390022		4,229
Grant Year 1995	B-95-MC-390022		1,032
Grant Year 1996	B-96-MC-390022		58,548
Grant Year 1997	B-97-MC-390022		21,332
Grant Year 1998	B-98-MC-390022		129,078
Grant Year 1999	B-99-MC-390022		562,283
Grant Year 2000	B-00-MC-390022		<u>1,077,372</u>
Total Expenditures for Community Development Block Grant			1,854,452
Home Investment Partnership Program 218		14.239	
Grant Year 1992	M-92-DC-390202		175,840
Grant Year 1993	M-93-DC-390202		0
Grant Year 1994	M-94-DC-390202		10,901
Grant Year 1995	M-95-DC-390202		107,159
Grant Year 1996	M-96-DC-390202		71,489
Grant Year 1997	M-97-DC-390202		49,360
Grant Year 1998	M-98-DC-390202		359,865
Grant Year 1999	M-99-DC-390202		355,666
Grant Year 2000	M-00-DC-390202		<u>49,400</u>
Total Expenditures for Home Investment Partnership Program			1,179,680
<i>U.S. Department of Justice</i>			
Direct Programs:			
Victims of Crime Act Grant (VOCA) 214		16.575	33,518
<i>U.S. Department of Health and Human Services</i>			
Passed-Through Ohio Department of Health:			
Dental Sealant Grant		93.994	<u>25,460</u>
Total Expenditures of Federal Awards			<u><u>3,093,110</u></u>

The accompanying notes to this schedule are an integral part of this schedule.

**CITY OF WARREN
TRUMBULL COUNTY
FOR THE YEAR ENDED December 31, 2000**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Government's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B— SUBRECIPIENTS

The City passes-through certain Federal assistance received from the United States Department of Housing and Urban Development to other governments or not-for-profit agencies (subrecipients). As described in Note A, the City records expenditures of Federal awards to subrecipients when paid in cash.

The subrecipient agencies have certain compliance responsibilities related to administering these Federal Programs. Under Federal Circular A-133, the City is responsible for monitoring subrecipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations and the provisions of contracts or grant agreements, and that performance goals are achieved.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

City of Warren
Trumbull County
391 Mahoning Avenue
Warren, Ohio 44483

To the City Council:

We have audited the financial statements of the City of Warren, Trumbull County, (the City) as of and for the year ended December 31, 2000, and have issued our report thereon dated February 5, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2000-21178-001 through 2000-21178-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated February 5, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated February 5, 2002.

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

Jim Petro
Auditor of State

February 5, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

City of Warren
Trumbull County
391 Mahoning Avenue
Warren, Ohio 44483

To the City Council:

Compliance

We have audited the compliance of the City of Warren, Trumbull County, (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, 2000. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. 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 of compliance in accordance with auditing standards generally accepted in the United States of America; 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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. 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, 2000.

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. We noted a matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the City in a separate letter dated February 5, 2002.

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

Jim Petro
Auditor of State

February 5, 2002

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

**CITY OF WARREN
TRUMBULL COUNTY
DECEMBER 31, 2000**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Community Development Block Grant CFDA# 14.218
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

Noncompliance Citations

Finding Number 2000-21178-001	
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The City entered into a contract with Avalon South Management, in September 1989, for Avalon South Management to manage the Avalon Golf Course. This contract was amended November 15, 1993 which is seven years prior to our audit.

Section 9, of the Avalon South Management contract, states in part that, "In the event, however, that a change in existing law or by ruling of the Ohio Tax Commission said premises should become taxable during the term hereof, then the Operator agrees to assume and pay all of such taxes in addition to the considerations herein before stipulated." In 1994 a tax exempt application was rejected by the Tax Commission on the basis that the structure of the Agreement between the parties was a lease rental rather than a management contract. Because of the ruling issued by the Tax Commissioner, the property in question was determined not to be tax exempt and the taxes were to be paid by Avalon South Management, Tony Joy, Operator, in accordance with the contract. Trumbull County sent out tax bills to the City for payment. These taxes were paid by the City rather than by Avalon South Management for the period 1989 through 1998. The total amount paid by the City was \$189,700.89.

Avalon South Management entered into an agreement with Trumbull County for the delinquent taxes owed for the years 1999 and 2000. However, in accordance with the contract between the City and Avalon South Management, the taxes are to be paid for all four parcels of land. The agreement between Avalon South Management and Trumbull County for the delinquent taxes are for one parcel of land. The taxes for other three parcels of land are in negotiations between Avalon South Management, City of Warren and Trumbull County.

This resulted in the City paying property taxes which contractually were to be paid by the Operator of Avalon South Management.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code 117.28, a finding for recovery for public monies due the City but not collected, is hereby returned against Tony Joy, Operator of Avalon South Management in the amount of one hundred eighty-nine thousand seven hundred dollars and eighty-nine cents (\$189,700.89) in favor of the General Fund of the City of Warren. This amount represents the amount of taxes paid by the City for the period of 1989 through 1998 for all four parcels of land in accordance with the contract between Avalon South Management and City of Warren. This amount does not reflect the 1999 and 2000 delinquent taxes owed by Avalon South Management in their agreement with Trumbull County nor the taxes due on the other three parcels of land which are under dispute between the City of Warren, Avalon South Management and Trumbull County.

**Noncompliance Citations
(Continued)**

Finding Number 2000-21178-002	
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As noted in finding 2000-21178-001 above, the City entered into a contract with Avalon South Management, in September 1989, for Avalon South Management to manage the Avalon Golf Course. This contract was amended November 15, 1993. The contract states in part that, "The Operator does hereby agree to pay the City an annual fee for the management, operation and maintenance of the Avalon South Golf Course as a municipal recreational facility."

During the course of the audit, it was determined that Avalon South Management, Inc. had not paid the City in accordance with the contract. It was noted the fees were not paid for the years 1996 and 2000 in the amount of \$69,363.38 and \$73,458.31 respectively. The fees for 2001 have not been paid to the City and, as of the date of this report, the amount has not been determined. This resulted in the City not receiving the rent fees agreed upon by the contract with Avalon South Management, Inc.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code 117.28, a finding for recovery for public monies due the City but not collected, is hereby returned against Tony Joy, Operator of Avalon South Management in the amount of one hundred forty-two thousand, eight hundred twenty-one dollars and sixty-nine cents (\$142,821.69) in favor of the General Fund of the City of Warren.

Finding Number 2000-21178-003	
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Ohio Rev. Code § 5705.41(D), states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

This section also provides two exceptions to the above requirements:

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

Our test of disbursements indicated that 25% of expenditures tested were committed prior to the City Auditor certifying availability of funds. Neither exception listed above was followed, contrary to Ohio Revised Code § 5705.41(D). This condition does not provide adequate accountability over the City's disbursements as obligations may be incurred which the City cannot afford.

We recommend that the City ensure departments be advised that a purchase order with the certificate of the City Auditor be obtained prior to making an order involving the expenditure of money.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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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
FEBRUARY 28, 2002**