



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO



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January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

**CITY OF WARREN
TRUMBULL COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Balances Sheet - All Fund Types and Account Groups	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types	8
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types	10
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings/ - All Proprietary Fund	12
Combined Statement of Cash Flows - All Proprietary Fund Types	13
Notes to the General-Purpose Financial Statements	15
Schedule of Federal Awards Expenditures	55
Notes to the Federal Schedule Awards Expenditures	56
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	57
Report of Independent Accountants on Compliance with Requirements Applicable to Major Federal Programs and Internal Control Over Compliance in Accordance with OMB - Circular A-133	59
Schedule of Findings	61
Schedule of Prior Audit Findings	63

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REPORT OF INDEPENDENT ACCOUNTANTS

Members of Council
City of Warren
391 Mahoning Avenue
Warren, Ohio 44483

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, 2001, 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, 2001, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

During the year ended December 31, 2001, the Government adopted Governmental Accounting Statement No. 33.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2002 on our consideration of the Government'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.

The accompanying Schedule of Federal Awards Expenditures replaces the Schedule in the City of Warren's year ended December 31, 2001 report package. The Schedule was revised to include the Federal Highway Planning Construction Program (CFDA # 20.205), which previously was omitted from the Schedule.

A handwritten signature in black ink, appearing to read "Jim Petro", with a stylized, cursive script.

Jim Petro
Auditor of State

December 16, 2002, except for the last two paragraphs, which are dated August 15, 2003.

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CITY OF WARREN, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2001

	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 . . .	\$1,892,994	\$3,532,782	\$77,289	\$2,043,039	\$6,018,441	\$2,973,674
Cash with fiscal and escrow agents	-	-	-	-	-	-
Receivables (net of allowances for uncollectibles):						
Income taxes	2,614,478	-	-	-	-	-
Real and other taxes	-	341,882	1,650,116	-	-	-
Accounts	525,491	-	-	-	2,869,230	-
Loans	-	3,939,072	-	-	-	-
Notes	-	-	-	-	401,274	2,080,000
Bonds	-	-	-	-	-	196,930
Special assessments	55,940	355,763	13,075	-	408	-
Due from other funds	58,285	40,249	-	-	-	-
Due from other governments	1,240,840	689,389	69,406	-	-	-
Materials and supplies inventory	21,329	79,083	-	-	98,785	-
Bond issuance costs and other deferred charges	-	-	-	-	571,436	-
Property, plant and equipment (net of accumulated depreciation where applicable)	-	-	-	-	51,399,001	412,512
Restricted assets:						
Investments	-	-	-	-	954,539	-
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>\$6,409,357</u>	<u>\$8,978,220</u>	<u>\$1,809,886</u>	<u>\$2,043,039</u>	<u>\$62,313,114</u>	<u>\$5,663,116</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			
\$1,194,926	\$ -	\$ -	\$17,733,145
234,282	-	-	234,282
-	-	-	2,614,478
-	-	-	1,991,998
-	-	-	3,394,721
-	-	-	3,939,072
-	-	-	2,481,274
-	-	-	196,930
-	-	-	425,186
2,454	-	-	100,988
-	-	-	1,999,635
-	-	-	199,197
-	-	-	571,436
-	20,772,907	-	72,584,420
-	-	-	954,539
-	-	77,289	77,289
-	-	18,393,669	18,393,669
<u>\$1,431,662</u>	<u>\$20,772,907</u>	<u>\$18,470,958</u>	<u>\$127,892,259</u>

CITY OF WARREN, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2001

	Governmental Fund Types				Proprietary Fund Types	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
LIABILITIES, EQUITY AND OTHER CREDITS						
LIABILITIES:						
Accounts payable	\$498,936	\$159,396	\$ -	\$82,104	\$305,129	\$14,048
Accrued wages and benefits	367,600	28,818	-	-	147,617	3,541
Compensated absences payable	187,522	5,820	-	-	1,131,672	78,779
Deferred revenue	1,651,621	1,153,310	1,703,117	-	-	-
Contracts payable	-	187,043	-	93,510	90,644	-
Retainage payable.	-	-	-	-	395,492	-
Due to other funds	-	-	-	-	-	-
Due to other governments	140,464	4,323	-	-	22,128	66,547
Deposits held and due to others.	-	-	-	-	-	-
Claims and judgements payable	-	-	-	-	-	349,299
Accrued interest payable	-	-	-	-	467,809	-
General obligation notes payable	1,500,000	180,000	-	-	400,000	-
General obligation bonds payable	196,930	-	-	-	6,540,000	-
Revenue bonds payable.	-	-	-	-	10,965,000	-
Loans payable.	-	-	-	-	15,200,410	-
Installment purchase obligation.	-	-	-	-	-	38,593
Total liabilities	4,543,073	1,718,710	1,703,117	175,614	35,665,901	550,807
EQUITY AND OTHER CREDITS:						
Investment in general fixed assets	-	-	-	-	-	-
Retained earnings - unreserved	-	-	-	-	26,647,213	5,112,309
Fund balances:						
Reserved for encumbrances	285,442	1,956,344	-	2,874,065	-	-
Reserved for materials and supplies inventory	21,329	79,083	-	-	-	-
Reserved for loans.	-	3,939,072	-	-	-	-
Reserved for debt service	-	-	77,289	-	-	-
Reserved for tax advance	-	6,108	29,480	-	-	-
Unreserved-undesignated (deficit)	1,559,513	1,278,903	-	(1,006,640)	-	-
Total equity and other credits	1,866,284	7,259,510	106,769	1,867,425	26,647,213	5,112,309
Total liabilities, equity and other credits.	\$6,409,357	\$8,978,220	\$1,809,886	\$2,043,039	\$62,313,114	\$5,663,116

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			
\$ -	\$ -	\$ -	\$1,059,613
-	-	-	547,576
-	-	3,202,023	4,605,816
-	-	-	4,508,048
-	-	-	371,197
-	-	-	395,492
100,988	-	-	100,988
1,091,325	-	-	1,324,787
239,349	-	-	239,349
-	-	-	349,299
-	-	-	467,809
-	-	-	2,080,000
-	-	13,096,180	19,833,110
-	-	-	10,965,000
-	-	2,172,755	17,373,165
-	-	-	38,593
<u>1,431,662</u>	<u>-</u>	<u>18,470,958</u>	<u>64,259,842</u>
-	20,772,907	-	20,772,907
-	-	-	31,759,522
-	-	-	5,115,851
-	-	-	100,412
-	-	-	3,939,072
-	-	-	77,289
-	-	-	35,588
-	-	-	1,831,776
<u>-</u>	<u>20,772,907</u>	<u>-</u>	<u>63,632,417</u>
<u>\$1,431,662</u>	<u>\$20,772,907</u>	<u>\$18,470,958</u>	<u>\$127,892,259</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, 2001

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
Income tax	\$15,413,120	\$ -	\$ -	\$ -	\$15,413,120
Property and other taxes	-	259,984	1,254,898	-	1,514,882
Charges for services	1,631,501	82,989	-	-	1,714,490
Licenses, permits and fees	1,323,005	84,017	-	-	1,407,022
Fines and forfeitures	806,631	326,711	-	-	1,133,342
Special assessments	-	10,511	15	-	10,526
Intergovernmental	3,227,485	4,335,858	138,812	2,118,824	9,820,979
Investment income	204,418	218,740	16,201	69,998	509,357
Rental income	45,818	-	-	-	45,818
Other	901,542	68,107	-	3,426	973,075
Total revenue	23,553,520	5,386,917	1,409,926	2,192,248	32,542,611
Expenditures:					
Current Operations:					
General government	6,789,612	85,594	24,108	26,847	6,926,161
Security of persons and property	12,856,511	75,363	-	-	12,931,874
Public health and welfare	375,277	-	-	-	375,277
Transportation	-	2,122,212	-	-	2,122,212
Community environment	1,577,698	-	-	-	1,577,698
Leisure time activity	274,719	-	-	-	274,719
Economic development	-	1,467,464	-	-	1,467,464
Capital outlay	-	1,618,612	-	1,815,060	3,433,672
Debt service:					
Principal retirement	-	-	1,172,939	-	1,172,939
Interest and fiscal charges	12,821	75,752	780,960	-	869,533
Total expenditures	21,886,638	5,444,997	1,978,007	1,841,907	31,151,549
Excess (deficiency) of revenues over (under) expenditures	1,666,882	(58,080)	(568,081)	350,341	1,391,062
Other financing sources (uses):					
Operating transfers in	296,190	1,510,720	606,422	693,239	3,106,571
Operating transfers out	(2,574,641)	(1,016,382)	-	(303,995)	(3,895,018)
Loss on write-off of loans receivable	-	(1,812,450)	-	-	(1,812,450)
Total other financing sources (uses)	(2,278,451)	(1,318,112)	606,422	389,244	(2,600,897)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	(611,569)	(1,376,192)	38,341	739,585	(1,209,835)
Fund balances, January 1 (restated)	2,466,955	8,612,183	68,428	1,127,840	12,275,406
Increase in reserve for inventory	10,898	23,519	-	-	34,417
Fund balances, December 31	\$1,866,284	\$7,259,510	\$106,769	\$1,867,425	\$11,099,988

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

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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, 2001

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Income taxes	\$16,000,500	\$15,386,485	(\$614,015)	\$ -	\$ -	\$ -
Property and other taxes	-	-	-	260,488	262,322	1,834
Charges for services	1,718,750	1,682,296	(36,454)	400,000	240,214	(159,786)
Licenses, permits and fees	1,281,800	1,359,593	77,793	90,000	76,773	(13,227)
Fines and forfeitures	760,000	792,987	32,987	386,000	312,575	(73,425)
Intergovernmental	3,359,244	3,217,144	(142,100)	5,891,420	4,235,994	(1,655,426)
Special assessments	-	-	-	-	-	-
Investment income	175,000	204,418	29,418	69,000	230,748	161,748
Rental income	120,000	45,818	(74,182)	-	-	-
Other	732,501	790,468	57,967	118,000	78,618	(39,382)
Total revenues	<u>24,147,795</u>	<u>23,479,209</u>	<u>(668,586)</u>	<u>7,214,908</u>	<u>5,437,244</u>	<u>(1,777,664)</u>
Expenditures:						
Current:						
General government	7,116,434	6,916,635	199,799	283,135	184,763	98,372
Security of persons and property	14,554,965	13,630,911	924,054	258,565	109,061	149,504
Public health and welfare	424,041	393,063	30,978	-	-	-
Transportation	-	-	-	2,696,494	2,555,582	140,912
Community environment	1,753,045	1,550,190	202,855	-	-	-
Leisure time activity	299,735	289,596	10,139	-	-	-
Economic development	-	-	-	3,106,444	2,199,347	907,097
Capital outlay	-	-	-	3,753,512	2,967,238	786,274
Debt service:						
Principal retirement	-	-	-	300,000	300,000	0
Interest and fiscal charges	-	-	-	75,752	75,752	0
Total expenditures	<u>24,148,220</u>	<u>22,780,395</u>	<u>1,367,825</u>	<u>10,473,902</u>	<u>8,391,743</u>	<u>2,082,159</u>
Excess (deficiency) of revenues over (under) expenditures	(425)	698,814	699,239	(3,258,994)	(2,954,499)	304,495
Other financing sources (uses):						
Proceeds of notes	1,499,464	1,500,000	536	180,000	180,000	0
Operating transfers in	250,000	296,190	46,190	1,685,574	1,570,722	(114,852)
Operating transfers out	(2,919,268)	(2,646,952)	272,316	(1,138,410)	(1,076,384)	62,026
Total other financing sources (uses)	<u>(1,169,804)</u>	<u>(850,762)</u>	<u>319,042</u>	<u>727,164</u>	<u>674,338</u>	<u>(52,826)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(1,170,229)	(151,948)	1,018,281	(2,531,830)	(2,280,161)	251,669
Fund balances, January 1	597,112	597,112	0	3,089,956	3,089,956	0
Prior year encumbrances appropriated	595,762	595,762	0	420,204	420,204	0
Fund balances, December 31	<u>\$22,645</u>	<u>\$1,040,926</u>	<u>\$1,018,281</u>	<u>\$978,330</u>	<u>\$1,229,999</u>	<u>\$251,669</u>

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

Debt Service			Capital Projects			Total		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$16,000,500	\$15,386,485	(\$614,015)
1,255,973	1,266,162	10,189	-	-	-	1,516,461	1,528,484	12,023
-	-	-	-	-	-	2,118,750	1,922,510	(196,240)
-	-	-	-	-	-	1,371,800	1,436,366	64,566
-	-	-	-	-	-	1,146,000	1,105,562	(40,438)
139,000	138,812	(188)	2,950,000	2,127,824	(822,176)	12,339,664	9,719,774	(2,619,890)
0	15	15	-	-	-	0	15	15
10,000	16,201	6,201	0	69,998	69,998	254,000	521,365	267,365
-	-	-	-	-	-	120,000	45,818	(74,182)
-	-	-	0	3,426	3,426	850,501	872,512	22,011
1,404,973	1,421,190	16,217	2,950,000	2,201,248	(748,752)	35,717,676	32,538,891	(3,178,785)
23,133	24,108	(975)	114,572	26,847	87,725	7,537,274	7,152,353	384,921
-	-	-	-	-	-	14,813,530	13,739,972	1,073,558
-	-	-	-	-	-	424,041	393,063	30,978
-	-	-	-	-	-	2,696,494	2,555,582	140,912
-	-	-	-	-	-	1,753,045	1,550,190	202,855
-	-	-	-	-	-	299,735	289,596	10,139
-	-	-	-	-	-	3,106,444	2,199,347	907,097
-	-	-	4,985,434	4,752,406	233,028	8,738,946	7,719,644	1,019,302
2,236,067	2,229,172	6,895	-	-	-	2,536,067	2,529,172	6,895
904,563	890,803	13,760	-	-	-	980,315	966,555	13,760
3,163,763	3,144,083	19,680	5,100,006	4,779,253	320,753	42,885,891	39,095,474	3,790,417
(1,758,790)	(1,722,893)	35,897	(2,150,006)	(2,578,005)	(427,999)	(7,168,215)	(6,556,583)	611,632
500,000	400,000	(100,000)	-	-	-	2,179,464	2,080,000	(99,464)
1,258,790	1,372,498	113,708	1,050,000	693,239	(356,761)	4,244,364	3,932,649	(311,715)
-	-	-	(310,000)	(303,995)	6,005	(4,367,678)	(4,027,331)	340,347
1,758,790	1,772,498	13,708	740,000	389,244	(350,756)	2,056,150	1,985,318	(70,832)
0	49,605	49,605	(1,410,006)	(2,188,761)	(778,755)	(5,112,065)	(4,571,265)	540,800
27,684	27,684	0	(227,885)	(227,885)	0	3,486,867	3,486,867	0
0	0	0	1,410,006	1,410,006	0	2,425,972	2,425,972	0
\$27,684	\$77,289	\$49,605	(\$227,885)	(\$1,006,640)	(\$778,755)	\$800,774	\$1,341,574	\$540,800

CITY OF WARREN, OHIO
COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Operating revenues:			
Charges for services	\$18,797,182	\$6,648,183	\$25,445,365
Other operating revenues	60,254	25,058	85,312
Total operating revenues	18,857,436	6,673,241	25,530,677
Operating expenses:			
Personal services	8,838,260	244,205	9,082,465
Contract services	4,052,793	292,148	4,344,941
Materials and supplies	1,196,557	14,021	1,210,578
Depreciation	3,180,155	32,749	3,212,904
Claims expense	-	3,995,360	3,995,360
Administration	1,300,864	98,629	1,399,493
Utilities	520,422	27,152	547,574
Other operating expense	59,487	716,486	775,973
Total operating expenses	19,148,538	5,420,750	24,569,288
Operating income (loss)	(291,102)	1,252,491	961,389
Nonoperating revenues (expenses):			
Interest expense and fiscal charges	(1,866,871)	(2,154)	(1,869,025)
Investment earnings	333,074	206,105	539,179
Loss on sale of assets	(175,833)	(3,595)	(179,428)
Other nonoperating revenue	460,481	-	460,481
Special assessments	25,950	-	25,950
Total nonoperating revenues (expenses)	(1,223,199)	200,356	(1,022,843)
Net income (loss) before operating transfers	(1,514,301)	1,452,847	(61,454)
Operating transfers in	1,322,329	-	1,322,329
Operating transfers out	(445,708)	(88,174)	(533,882)
Net income (loss)	(637,680)	1,364,673	726,993
Retained earnings, January 1	27,284,893	3,747,636	31,032,529
Retained earnings, December 31	<u>\$26,647,213</u>	<u>\$5,112,309</u>	<u>\$31,759,522</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, 2001

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Cash flows from operating activities:			
Cash received from customers	\$18,822,164	\$6,648,183	\$25,470,347
Cash received from other operations	59,860	25,058	84,918
Cash payments for personal services	(8,747,924)	(210,300)	(8,958,224)
Cash payments for contract services	(4,324,078)	(301,815)	(4,625,893)
Cash payments for administrative costs.	(1,193,840)	(660,946)	(1,854,786)
Cash payments for materials and supplies	(1,300,864)	(13,903)	(1,314,767)
Cash payments for claims expense	-	(4,545,816)	(4,545,816)
Cash payments for utilities.	(533,629)	(27,152)	(560,781)
Cash payments for other expenses	(36,406)	(714,037)	(750,443)
Net cash provided by operating activities	<u>2,745,283</u>	<u>199,272</u>	<u>2,944,555</u>
Cash flows from noncapital financing activities:			
Transfers in from other funds	1,622,944	-	1,622,944
Transfers out to other funds	(1,440,088)	(88,174)	(1,528,262)
Cash received from nonoperating activities.	489,284	-	489,284
Net cash provided by (used in) noncapital financing activities	<u>672,140</u>	<u>(88,174)</u>	<u>583,966</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(1,867,463)	(110,143)	(1,977,606)
Principal retirement	(1,171,591)	-	(1,171,591)
Interest and fiscal charges paid	(1,757,598)	-	(1,757,598)
Net cash used in capital and related financing activities.	<u>(4,796,652)</u>	<u>(110,143)</u>	<u>(4,906,795)</u>
Cash flows from investing activities:			
Internal note disbursements	-	(2,080,000)	(2,080,000)
Principal payments received on internal notes and bonds	-	1,059,490	1,059,490
Interest received	353,285	206,105	559,390
Net cash provided by (used in) investing activities.	<u>353,285</u>	<u>(814,405)</u>	<u>(461,120)</u>
Net decrease in cash and cash equivalents	(1,025,944)	(813,450)	(1,839,394)
Cash and cash equivalents at January 1	7,044,385	3,787,124	10,831,509
Cash and cash equivalents at December 31	<u>\$6,018,441</u>	<u>\$2,973,674</u>	<u>\$8,992,115</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	(\$291,102)	\$1,252,491	\$961,389
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	3,180,155	32,749	3,212,904
Changes in assets and liabilities:			
(Increase) decrease in materials and supplies inventory.	(42,356)	118	(42,238)
Increase in accounts receivable	(206,852)	-	(206,852)
Decrease in note receivable	231,474	-	231,474
Decrease in accounts payable.	(135,357)	(7,218)	(142,575)
Decrease in contracts payable.	(64,099)	-	(64,099)
Increase in due from other governments	3,447	-	3,447
Increase in accrued wages and benefits.	24,145	674	24,819
Increase in compensated absences payable	55,042	33,116	88,158
Decrease in due to other governments	(9,214)	(562,202)	(571,416)
Decrease in claims payable.	-	(550,456)	(550,456)
Net cash provided by operating activities	<u>\$2,745,283</u>	<u>\$199,272</u>	<u>\$2,944,555</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, 2001

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 accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The 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, 2001

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:

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

CITY OF WARREN, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

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

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:

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.

CITY OF WARREN, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

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

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

The accounting and 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 are generally 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 a 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.

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Governmental and agency funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting. Differences between the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the reporting of expenses and expenditures.

CITY OF WARREN, OHIO

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

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

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (see Note 7). Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: interest, federal and state grants and subsidies, state-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), fines and forfeitures, licenses and permits, and fees for services.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Delinquent property taxes and property taxes for which there is an enforceable legal claim as of December 31, 2001, but which were levied to finance year 2002 operations, have been recorded as deferred revenues. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

CITY OF WARREN, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

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

On the modified accrual basis of accounting, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

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.

CITY OF WARREN, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

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

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 2001.

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.

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 2001.

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.

CITY OF WARREN, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

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

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 2001, investments were limited to U.S. government money market mutual funds, repurchase agreements, STAR Ohio 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.

The City has invested funds in STAR Ohio during fiscal 2001. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2001.

Following Ohio statutes, the Council has, by resolution, specified the funds to receive an allocation of interest earnings. During fiscal year 2001, interest revenue in the general fund amounted to \$204,418 which includes \$119,078 assigned from other City funds.

The City has segregated bank accounts for monies held separate from the City's central bank account. These interest bearing depository accounts are presented on the combined balance sheet as "Cash with Fiscal and Escrow Agents" 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.

CITY OF WARREN, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

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

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

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.

CITY OF WARREN, OHIO

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

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

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

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.

CITY OF WARREN, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is 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. Sick leave benefits were accrued using the "vesting" method.

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.

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.

CITY OF WARREN, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

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

J. 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.

K. 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.

CITY OF WARREN, OHIO

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

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

An analysis of interfund transactions is presented in Note 5.

L. 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.

M. Estimates

The preparation of the GPFS 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.

N. 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, 2001

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principle

GASB Statement No. 33, “Accounting and Financial Reporting for Nonexchange Transactions”, and GASB Statement No. 36, “Recipient Reporting for Certain Shared Nonexchange Revenues”, were implemented during fiscal 2001. These statements pertain to the financial reporting of certain types of revenue received by the City for which no value is given in return, including derived tax revenues, imposed nonexchange transactions, government-mandated nonexchange transactions and voluntary nonexchange transactions. The adoption of this statement had the following effect on fund balances as previously reported by the City at December 31, 2000.

	<u>General</u>	<u>Special Revenue</u>
Fund balance as previously reported	\$2,192,737	\$8,570,700
GASB Statement No. 33 and No. 36 Implementation	274,218	41,483
Restated fund balance as of January 1, 2001	\$2,466,955	\$8,612,183

B. Deficit Fund Balance/Retained Earnings

The following funds had a deficit fund balance/retained earnings as of December 31, 2001:

	<u>Deficit Balance</u>
<u>Special Revenue Fund</u>	
Court Computerization	\$171,778
<u>Enterprise Fund</u>	
Sanitation	122,791

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

CITY OF WARREN, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

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.

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.

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;

CITY OF WARREN, OHIO

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

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

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.

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; and
3. Obligations of the City.

CITY OF WARREN, OHIO

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

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

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".

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 \$14,775,810 and the bank balance, including nonnegotiable certificates of deposit and cash with fiscal and escrow agents, was \$15,954,996. Of the bank balance:

1. \$952,000 was covered by federal depository insurance; and

CITY OF WARREN, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

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

2. \$15,002,996 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 and STAR Ohio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category			Reported Amount	Fair Value
	1	2	3		
Repurchase Agreements	\$ -	\$ -	\$1,619,618	\$1,619,618	\$1,619,618
U.S. Government Money Market Mutual Funds				1,485,797	1,485,797
STAR Ohio				1,040,741	1,040,741
Total Investments				\$4,146,156	\$4,146,156

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”.

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:

CITY OF WARREN, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

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

A summary of deposits and investments as of December 31, 2001:

Deposits	\$14,775,810
Investments	<u>4,146,156</u>
Total	<u>\$18,921,966</u>

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

Equity in pooled cash and cash equivalents	\$17,733,145
Cash with fiscal and escrow agents	234,282
Investments (restricted)	<u>954,539</u>
Total	<u>\$18,921,966</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. The following is a summarized breakdown of the City's operating transfers for 2001:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 296,190	\$2,574,641
<u>Special Revenue Funds</u>		
Motor Vehicle Levy	2,500	153,824
Street Construction, Maintenance and Repair	1,400,000	-
Police Pension	-	143,241
Fire Pension	-	143,241
Court Computerization	92,500	-
Community Development Block Grant	15,720	475,576
Probation - Municipal Court	-	8,000
Special Projects - Courts	<u>-</u>	<u>92,500</u>
Total Special Revenue Funds	<u>1,510,720</u>	<u>1,016,382</u>
Debt Service Fund	606,422	-
Capital Projects Fund	693,239	303,995

CITY OF WARREN, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Enterprise Funds</u>		
Sewer	\$ 668,079	\$ 399,000
Packard Music Hall	267,500	-
Downtown Parking	386,750	-
City Redevelopment	-	45,000
Stormwater Utility	<u> </u>	<u>1,708</u>
Total Enterprise Funds	<u>1,322,329</u>	<u>445,708</u>
<u>Internal Service Funds</u>		
Data Processing	<u> </u>	<u>88,174</u>
Total	<u>\$4,428,900</u>	<u>\$4,428,900</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	\$ 58,285	\$ -
<u>Special Revenue Funds</u>		
Driver's Alcohol Treatment	350	-
Enforcement and Education	119	-
Court Computerization	7,912	-
Legal Research	2,374	-
Special Projects - Courts	26,411	-
Probation - Municipal Court	<u>3,083</u>	<u> </u>
Total Special Revenue Funds	<u>40,249</u>	<u> </u>
<u>Agency Funds</u>		
Highway Patrol Fines	2,454	-
Municipal Court	<u> </u>	<u>100,988</u>
Total Agency Funds	<u>2,454</u>	<u>100,988</u>
Total	<u>\$100,988</u>	<u>\$100,988</u>

CITY OF WARREN, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

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 2000 levy (collected in 2001) was based was \$476,729,175. 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, 2001. 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, 2001**

NOTE 7 - LOCAL INCOME TAX

Income tax was 1.5 percent from January 2001 through June 2001 and 2.0 percent from July 2001 through December 2001. 1.5 of the income tax is not subject to renewal, the remaining .5% will be subject to renewal after Dec. 31, 2004. 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, 2001. Income tax revenue for 2001 was \$15,413,120. Income tax revenue is reported in the general fund.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2001, 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 eligibility requirements have been met by year-end and the amounts are measurable.

A summary of the principal items of receivables follows:

<u>Fund/Description</u>	<u>Amount</u>
<u>General Fund</u>	
Income taxes	\$2,614,478
Accounts	525,491
Special assessments	55,940
Due from other funds	58,285
Intergovernmental	1,240,840

CITY OF WARREN, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 8 - RECEIVABLES - (Continued)

<u>Fund/Description</u>	<u>Amount</u>
<u>Special Revenue Funds</u>	
Real and other taxes	\$ 341,882
Loans	3,939,072
Special assessments	355,763
Due from other funds	40,249
Intergovernmental	689,389
 <u>Debt Service Fund</u>	
Real and other taxes	1,650,116
Special assessments	13,075
Intergovernmental	69,406
 <u>Enterprise Funds</u>	
Accounts	2,869,230
Notes	401,274
Special assessments	408
 <u>Internal Service Funds</u>	
Notes	2,080,000
Bonds	196,930
 <u>Agency Funds</u>	
Due from other funds	2,454

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. During the fiscal year 2001, the City has reported a loss of \$1,812,450 due to the write-off of certain Sunshine Housing loans under the HIP program and CDBG Revolving loans that were deemed uncollectible. In accordance with FASB Statement No. 5 "Accounting for Contingencies", this loss has been reported since the asset has been impaired and the amount has been determined.

CITY OF WARREN, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 10 - FIXED ASSETS

A. Proprietary Fixed Assets

A summary of the proprietary fixed assets at December 31, 2001, follows:

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Total</u>
Land	\$ 402,610	\$ -	\$ 402,610
Buildings and improvements	51,767,146	156,896	51,924,042
Water and sewer lines	43,739,598	-	43,739,598
Computer equipment	426,333	394,449	820,782
Furniture and equipment	1,914,292	37,212	1,951,504
Vehicles	2,456,843	-	2,456,843
Construction in progress	3,590,445	-	3,590,445
Less: accumulated depreciation	<u>(52,898,266)</u>	<u>(176,045)</u>	<u>(53,074,311)</u>
Total net assets	<u>\$ 51,399,001</u>	<u>\$ 412,512</u>	<u>\$ 51,811,513</u>

B. General Fixed Assets

A summary of the changes in general fixed assets during 2001 follows:

	<u>Balance at 1/1/01</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 12/31/01</u>
Land	\$ 1,136,099	\$ 8,000	\$ (1,156)	\$ 1,142,943
Buildings	8,488,425	-	-	8,488,425
Building Improvements	511,068	-	-	511,068
Computer Equipment	655,811	224,390	(132,096)	748,105
Furniture and Equipment	1,506,281	258,333	(73,558)	1,691,056
Vehicles	3,679,776	153,657	(163,102)	3,670,331
Construction in Progress	<u>4,502,874</u>	<u>18,105</u>	<u>-</u>	<u>4,520,979</u>
Total fixed assets	<u>\$20,480,334</u>	<u>\$662,485</u>	<u>\$(369,912)</u>	<u>\$20,772,907</u>

CITY OF WARREN, OHIO

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

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, 2001, vested benefits for vacation leave for governmental fund type employees, net of amounts paid using current expendable available resources, totaled \$2,183,095 and vested benefits for sick leave, net of amounts paid using current expendable available resources, totaled \$1,018,928. For proprietary fund types, vested benefits for vacation leave totaled \$670,932 and vested benefits for sick leave totaled \$539,519 at December 31, 2001. 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 2001, the City made principal and interest payments of \$73,351 and \$2,154, respectively. The computer system is reflected in the Data Processing internal service fund's fixed assets at December 31, 2001. The balance of the principal payments due on this installment purchase obligation at December 31, 2001, is \$38,593.

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>
2002	<u>\$38,593</u>	<u>\$1,580</u>	<u>\$40,173</u>

CITY OF WARREN, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

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 Rate</u>	<u>Balance Outstanding 1/1/01</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Outstanding 12/31/01</u>
<u>General Obligation Bonds</u>					
Correctional Facility	4.50% - 5.85%	\$ 998,835	\$ -	\$ (98,975)	\$ 899,860
Various Purpose Refunding	4.10% - 5.50%	7,030,000	-	(390,000)	6,640,000
Multiple Purpose Refunding	3.80% - 6.25%	3,335,000	-	(270,000)	3,065,000
Fire Issues	5.96%	350,000	-	(100,000)	250,000
Streets Improvement Issues	5.52%	145,000	-	(40,000)	105,000
Land Acquisition	3.85% - 4.75%	670,000	-	(35,000)	635,000
Communication System	3.85% - 4.75%	1,350,000	-	(75,000)	1,275,000
Energy Conservation	4.20%	<u>277,310</u>	<u>-</u>	<u>(50,990)</u>	<u>226,320</u>
Total General Obligation Bonds		<u>\$14,156,145</u>	<u>\$ -</u>	<u>\$(1,059,965)</u>	<u>\$13,096,180</u>
<u>Other Long-Term Obligations</u>					
<u>Reinvestment Partnership</u>					
Corporation Loan		\$ 985,000	\$ -	\$ -	\$ 985,000
OWDA Loan		1,300,759	-	(113,004)	1,187,755
Compensated Absences Payable		<u>2,963,882</u>	<u>238,141</u>	<u>-</u>	<u>3,202,023</u>
Total Other Long-Term Obligations		<u>\$ 5,249,641</u>	<u>\$238,141</u>	<u>\$(113,004)</u>	<u>\$ 5,374,778</u>
Total General Long-Term Obligations		<u>\$19,405,786</u>	<u>\$238,141</u>	<u>\$(1,172,969)</u>	<u>\$18,470,958</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, 2001 was \$899,860. 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, 2001

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, 2001 was \$6,640,000.

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:

Year Ended	General Obligation Bonds		
	Principal	Interest	Total
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	1,488,935	444,546	1,933,481
2007-2011	5,317,060	1,230,895	6,547,955
2012-2014	1,450,000	120,725	1,570,725
Total	\$13,096,180	\$4,209,631	\$17,305,811

CITY OF WARREN, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

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>
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
2006	55,000	50,296	105,296
Thereafter	<u>755,000</u>	<u>293,581</u>	<u>1,048,581</u>
Total	<u>\$985,000</u>	<u>\$570,488</u>	<u>\$1,555,488</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, 2001, the City had outstanding borrowings of \$1,187,755. The loan agreement requires semi-annual payments. 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, 2001

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

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

<u>Year Ended</u>	<u>OWDA Loan Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 121,066	\$ 43,416	\$ 164,482
2003	125,649	38,833	164,482
2004	130,405	34,077	164,482
2005	135,341	29,141	164,482
2006	140,463	24,019	164,482
2007 - 2011	<u>534,831</u>	<u>40,857</u>	<u>575,688</u>
Total	<u>\$1,187,755</u>	<u>\$210,343</u>	<u>\$1,398,098</u>

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 Rate</u>	<u>Balance Outstanding 1/1/01</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Outstanding 12/31/01</u>
<u>General Obligation Bonds</u>					
Sewer Improvements	2.90% - 5.20%	\$ 5,890,000	\$ -	\$ (330,000)	\$ 5,560,000
Sanitation	3.85% - 4.60%	<u>1,280,000</u>	<u>-</u>	<u>(300,000)</u>	<u>980,000</u>
Total General Obligation Bonds		<u>\$ 7,170,000</u>	<u>\$ -</u>	<u>\$ (630,000)</u>	<u>\$ 6,540,000</u>
<u>Revenue Bonds</u>					
Water System	3.80% - 5.00%	<u>\$11,040,000</u>	<u>\$ -</u>	<u>\$ (75,000)</u>	<u>\$10,965,000</u>
Total Revenue Bonds		<u>\$11,040,000</u>	<u>\$ -</u>	<u>\$ (75,000)</u>	<u>\$10,965,000</u>
<u>OWDA Loans</u>					
Sewer System	10.16%	\$ 5,436,880	\$ -	\$ (270,873)	\$ 5,166,007
Buckeye	3.54%	1,098,137	-	(61,821)	1,036,316
Warren Commerce Park - Phase I	4.80%	160,929	-	(9,168)	151,761
Waste Water Treatment Plant and Pump Station Improvements	3.04%	906,722	-	(43,051)	863,671
Biosolids Facility	3.04%	6,304,308	-	(303,145)	6,001,163
Griswold Street Sanitary Sewer		1,303,916	-	(50,090)	1,253,826
Warren Commerce Park - Phase II	3.04%	578,318	-	(21,661)	556,657
Warren Commerce Park - Phase II	3.79%	<u>180,092</u>	<u>-</u>	<u>(9,083)</u>	<u>171,009</u>
Total OWDA Loans		<u>\$15,969,302</u>	<u>-</u>	<u>\$ (768,892)</u>	<u>\$15,200,410</u>
Total Enterprise Fund Obligations		<u>\$34,179,302</u>	<u>\$ -</u>	<u>\$(1,473,892)</u>	<u>\$32,705,410</u>

CITY OF WARREN, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

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.

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, 2001 was \$5,560,000.

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, 2001 was \$980,000.

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, 2001

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, 2001, the City has outstanding borrowings of \$15,200,410. The total permissible borrowings under the financing arrangements at December 31, 2001 were \$15,528,386. 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:

<u>Year Ended</u>	<u>Bonds Payable</u>			<u>OWDA Loans Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 680,000	\$ 876,647	\$ 1,556,647	\$ 810,586	\$ 863,603	\$ 1,674,189
2003	1,030,000	846,585	1,876,585	857,930	816,167	1,674,097
2004	1,070,000	800,737	1,870,737	908,934	765,254	1,674,188
2005	770,000	749,877	1,519,877	963,926	710,260	1,674,186
2006	805,000	712,392	1,517,392	1,023,273	650,915	1,674,188
2007 - 2011	4,650,000	2,927,692	7,577,692	6,189,372	2,201,457	8,390,829
2012 - 2016	4,020,000	1,683,040	5,703,040	3,915,384	500,232	4,415,616
2017 - 2021	3,640,000	773,750	4,413,750	858,981	26,395	885,376
2022	<u>840,000</u>	<u>42,000</u>	<u>882,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$17,505,000</u>	<u>\$9,412,720</u>	<u>\$26,917,720</u>	<u>\$15,528,386</u>	<u>\$6,534,283</u>	<u>\$22,062,669</u>

CITY OF WARREN, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 14 - INTERNAL NOTES AND BONDS PAYABLE

The City had the following internal notes and bonds payable at December 31, 2001:

	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance Outstanding 12/31/01</u>
<u>General Fund</u>				
<i>General Obligation Bonds</i>				
Police Car Acquisition	5.00%	9/15/99	12/1/04	<u>\$ 196,930</u>
<i>General Obligation Notes</i>				
Equipment and Capital Improvements	3.80%	9/01/01	9/01/02	<u>\$1,500,000</u>
<u>Special Revenue Funds</u>				
<i>General Obligation Notes</i>				
Court Computer Acquisition	3.80%	9/28/01	9/28/02	<u>\$ 180,000</u>
<u>Enterprise Funds</u>				
<i>General Obligation Notes</i>				
Downtown Parking Deck	3.80%	10/10/00	10/10/01	<u>\$ 400,000</u>

The City had the following note and bond activity for fiscal year 2001:

	<u>Balance Outstanding 1/1/01</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Outstanding 12/31/01</u>
<u>General Fund</u>				
<i>General Obligation Bonds</i>				
Police Car Acquisition	<u>\$256,420</u>	<u>\$ -</u>	<u>\$ (59,490)</u>	<u>\$ 196,930</u>
<i>General Obligation Notes</i>				
Equipment and Capital Improvements	<u>\$ 0</u>	<u>\$1,500,000</u>	<u>\$ -</u>	<u>\$1,500,000</u>
<u>Special Revenue Funds</u>				
<i>General Obligation Notes</i>				
Court Computer Acquisition	<u>\$300,000</u>	<u>\$ 180,000</u>	<u>\$(300,000)</u>	<u>\$ 180,000</u>
<u>Enterprise Funds</u>				
<i>General Obligation Notes</i>				
Downtown Parking Deck	<u>\$700,000</u>	<u>\$ 400,000</u>	<u>\$(700,000)</u>	<u>\$ 400,000</u>

CITY OF WARREN, OHIO

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

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

All notes and bonds payable at December 31, 2001 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, 2001.

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, 2001 was as follows:

	Sewer Fund	Water Fund	Sanitation Fund	Packard Music Hall Fund	Downtown Parking	City Redevelopment	Stormwater Utility	Total
Operating revenues	\$ 6,886,760	\$ 8,784,860	\$2,988,736	\$ 86,594	\$ 69,051	\$ 41,419	\$ 16	\$18,857,436
Operating expenses before depreciation	5,388,255	7,619,648	2,534,719	294,419	123,466	7,876	-	15,968,383
Depreciation expense	2,071,469	821,172	219,896	4,428	48,399	14,791	-	3,180,155
Operating income (loss)	(572,964)	344,040	234,121	(212,253)	(102,814)	18,752	16	(291,102)
Net income (loss)	(1,345,758)	203,635	214,840	65,483	252,059	(26,248)	(1,691)	(637,680)
Additions to property, plant and equipment	60,435	1,793,869	2,446	10,713	-	-	-	1,867,463
Net working capital	1,872,826	5,731,057	786,628	80,880	10,665	3,166	27,362	8,512,584
Total assets	27,353,377	31,471,705	1,037,513	140,077	1,733,317	545,599	31,526	62,313,114
Bonds and other long term liabilities payable from operating revenues	20,760,410	10,965,000	980,000	-	-	-	-	32,705,410
Total equity	5,388,718	19,378,446	(122,791)	104,757	1,325,122	545,599	27,362	26,647,213

CITY OF WARREN, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

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.

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 \$349,299 reported in the internal service fund at December 31, 2001, 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. In fiscal year 2001, the City switched back to the retrospective rating plan from an experience rating plan (this plan was used for fiscal year 2000 only). 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.

CITY OF WARREN, OHIO

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

NOTE 16 - RISK MANAGEMENT - (Continued)

Changes in the fund's liability during 2001 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	\$899,755	\$3,522,770	\$(4,073,226)	\$349,299
Risk management	0	215,692	(215,692)	0
Workers' compensation	628,319	66,002	(628,319)	66,002

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, 2001

NOTE 17 - DEFINED BENEFIT PENSION PLANS - (Continued)

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 2001 was 8.5% for employees other than law enforcement. In January 2001, House Bill 416 divided the PERS law enforcement program into two separate divisions with separate employee contribution rates and benefits. The law enforcement classification consisted of sheriffs, deputy sheriffs, and township police with an employee contribution rate of 10.1%. All other members of the PERS law enforcement program were placed in a newly named public safety division and continued to contribute at 9%. The employer contribution rate for employees other than law enforcement was 13.55% of covered payroll; 9.25% was the portion used to fund pension obligations for 2001. The employer contribution rate for law enforcement and public safety divisions was 16.70% of covered payroll; 12.40% was the portion used to fund pension obligations for 2001. The City's contributions for pension obligations to the PERS for the years ended December 31, 2001, 2000, and 1999 were \$1,622,607, \$1,270,859, and \$1,681,529, respectively; 75.02% has been contributed for 2001 and 100% for 2000 and 1999. \$405,398, representing the unpaid contribution for 2001, is recorded as a liability within the agency funds and was paid within the allotted time frame.

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% of their annual covered salary, while the City is required to contribute 19.50% and 24.0% for police officers and firefighters, respectively. The City's contributions for pension obligations to the OP&F for the years ended December 31, 2001, 2000, and 1999 were \$1,476,728, \$1,309,296, and \$1,487,147, respectively; 73.88 % has been contributed for 2001 and 100% for the years 2000 and 1999. \$385,734, representing the unpaid contributions for 2001, is recorded as a liability within the agency funds and was paid within the allotted time frame.

CITY OF WARREN, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 18 - POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement System

The PERS provides post-retirement health care coverage to age and service retirees 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. Health care funding is on a pay-as-you-go basis. The Ohio Revised Code provides statutory authority for employer contributions. The PERS law enforcement program was separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The 2001 employer contribution rate for local government employers was 13.55% of covered payroll; 4.30% was the portion that was used to fund health care for the year. The law enforcement employer rate for 2001 was 16.70% of covered payroll; 4.30% was the portion used to fund health care for the year.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to the PERS. The City's contribution actually made to fund postemployment benefits was \$524,208.

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, 2000 (the latest information available), the unaudited estimated net assets available for future OPEB payments were \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$14,364.6 million and \$2,628.7 million, respectively, at December 31, 2000 (the latest information available). The number of benefit recipients eligible for OPEB at December 31, 2000 (the latest information available), was 411,076.

CITY OF WARREN, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 18 - POSTEMPLOYMENT BENEFITS - (Continued)

In January 2001, House Bill 416 divided the PERS law enforcement program into two separate divisions with separate employee contribution rates and benefits. The law enforcement classification consisted of sheriffs, deputy sheriffs, and township police with an employee contribution rate of 10.1%. All other members of the PERS law enforcement program were placed in a newly named public safety division and continue to contribute at 9.0%. The employer contribution rate for both the law enforcement and public safety divisions is 16.70%.

Law enforcement officer benefits permit age and service retirement at an earlier age with a different formula than that for PERS members not covered under this division.

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, 2001, Comprehensive Annual Financial Report.

B. Ohio Police and Fire Pension Fund

The 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% and 7.25% of covered payroll in 2000 and 2001, respectively. The allocation is 7.75% in 2002. 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, 2001

NOTE 18 - POSTEMPLOYMENT BENEFITS - (Continued)

The number of participants eligible to receive health care benefits as of December 31, 2000 (the latest information available), is 12,853 for police officers and 10,037 for firefighters. The amount of employer contributions used to pay postemployment benefits for police officers and firefighters were \$251,383 and \$257,844, respectively. OP&F's total health care expenses for the year ending December 31, 2000 (the latest information available), was \$106,160,054, which was net of member contributions of \$5,657,431.

NOTE 19 - BUDGETARY BASIS OF ACCOUNTING

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

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

	General	Special Revenue	Debt Service	Capital Projects
Budget Basis	\$ (151,948)	\$(2,280,161)	\$ 49,605	\$(2,188,761)
Adjustments:				
Net Adjustment for Revenue Accruals	74,311	(50,327)	(11,264)	(9,000)
Net Adjustment for Expenditure Accruals	41,689	643,963	1,166,076	(112,333)
Net adjustment for Other Financing Sources/ (Uses) Accruals	(1,427,689)	(1,992,450)	(1,166,076)	-
Encumbrances	<u>852,068</u>	<u>2,302,783</u>	<u>-</u>	<u>3,049,679</u>
 GAAP Basis	 <u>\$ (611,569)</u>	 <u>\$ (1,376,192)</u>	 <u>\$ 38,341</u>	 <u>\$ 739,585</u>

CITY OF WARREN, OHIO

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

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, 2001.

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.

C. Debt

On August 28, 2001, the City and Austin Village Plaza entered into a \$350,000 promissory note with Second National Bank. In the event of default by Austin Village Plaza, the City may be called upon to repay the outstanding debt obligation. At this time, it is not determinable whether the City will sustain a liability related to these matters, therefore, in accordance with FASB Statement No. 5, "Accounting or Contingencies," a liability has not been reported in the financial statements.

**CITY OF WARREN
TRUMBULL COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2001**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block Grant		14.218	
Grant Year 1991	BC-91-MC-390022		2,455
Grant Year 1994	BC-94-MC-390022		25,750
Grant Year 1995	BC-95-MC-390022		39,696
Grant Year 1996	BC-96-MC-390022		138
Grant Year 1997	BC-97-MC-390022		21,876
Grant Year 1998	BC-98-MC-390022		57,351
Grant Year 1999	BC-99-MC-390022		367,632
Grant Year 2000	BC-00-MC-390022		485,320
Grant Year 2001	BC-01-MC-390022		<u>1,020,594</u>
Sub -Total Community Development Block Grant			2,020,812
Home Investment Partnership Program		14.239	
Grant Year 2000	M-00-DC-390202		676,367
Grant Year 2001	M-00-DC-390202		<u>376,317</u>
Sub -Total Home Investment Partnership Program			1,052,684
Total U.S. Department of Housing and Urban Development			<u>3,073,496</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Passed through Ohio Department of Transportation</i>			
Federal Highway Planning Construction Program		20.205	<u>631,898</u>
Total U.S. Department of Transportation			631,898
<u>U.S. DEPARTMENT OF JUSTICE</u>			
<i>Passed Through Ohio Department of Justice:</i>			
Victims of Crime Act Grant		16.575	36,868
Total U.S. Department of Justice			<u>36,868</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<i>Passed Through Ohio Department of Health and Human Service:</i>			
Dental Sealant Grant		93.994	32,538
Total U.S. Department of Health and Human Services			<u>32,538</u>
Total			<u><u>\$3,774,800</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, 2001**

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.

NOTE C – REVISION TO REPORT

The accompanying Schedule of Federal Awards Expenditures replaces the Schedule in the City of Warren's year ended December 31, 2001 report package. The Schedule was revised to include the Federal Highway Planning Construction Program (CFDA # 20.205), which previously was omitted from the schedule.



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**

Members of Council
City of Warren
391 Mahoning Avenue
Warren, Ohio 44483

We have audited the financial statements of the City of Warren (the City) as of and for the year ended December 31, 2001, and have issued our report thereon dated December 16, 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 the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City of Warren in a separate letter dated December 16, 2002

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our considerations of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness.

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 considered to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of City in a separate letter dated December 16, 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.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large loop at the end of the last name.

Jim Petro
Auditor of State

December 16, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Members of Council
City of Warren
391 Mahoning Avenue
Warren, Ohio 44483

Compliance

We have audited the compliance of the City of Warren 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, 2001. The City of Warren'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 its major federal programs is the responsibility of the City of Warren's management. Our responsibility is to express an opinion on the City of Warren'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 of Warren'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 of Warren's compliance with those requirements.

In our opinion, the City of Warren complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2001. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings as items 2001-21178-001 and 2001-21178-002.

Internal Control Over Compliance

The management of the City of Warren 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 of Warren'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.

The accompanying Schedule of Federal Awards Expenditures replaces the Schedule in the City of Warren's year ended December 31, 2001 report package. The Schedule was revised to include the Federal Highway Planning Construction Program (CFDA # 20.205), a major program which previously was omitted from the Schedule.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

December 16, 2002, except for the second to last paragraph which is dated August 15, 2003.

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

**CITY OF WARREN
TRUMBULL COUNTY
DECEMBER 31, 2001**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	UnQualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA #14.239-Home Improvement Partnerships Program. CDFA # 20.205 - Federal Highway Planning Construction Program.
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Finding Number	2001-21178-001
CFDA Title and Number	Home Improvement Partnerships Program (HOME) CFDA # 14.239
Federal Award Number / Year	M-01-DC 390202, August 1, 2000 to July 31, 2002
Federal Agency	Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Noncompliance Finding

24 C.F.R. Section 92.218 requires that each participating jurisdiction must make contributions to housing that qualifies as affordable housing under the Home program. The contribution must total not less than 25% of the funds drawn from the jurisdiction Home Investment Trust Fund Treasury account in the fiscal year excluding administrative and planning cost.

The County has not matched their portion of 2000 and 2001 grant award monies of \$83,980 and \$93,910 respectively.

We recommend the City request matching monies from the County for the Home Investment Partnership Program as prescribed in the Action Plan.

Finding Number	2001-21178-002
CFDA Title and Number	Home Improvement Partnerships Program (HOME) CFDA # 14.239
Federal Award Number / Year	M-01-DC 390202, August 1, 2000 to July 31, 2002
Federal Agency	Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Noncompliance Finding

24 C.F.R. Section 92.220, requires eligible forms of matching contributions must be made from non-federal resources.

The City used monies from the City's Community Development Fund's which are federal grant funds to assist in reaching the City's portion of matching funds for the Home Investment Partnership Program.

We recommend the City use non-federal monies for matching purposes for the Home Investment Partnership Program.

**CITY OF WARREN
TRUMBULL COUNTY
JANUARY 1, 2001 THROUGH DECEMBER 31, 2001**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 §.315 (b)**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-21178-001	Finding for Recovery against Tony Joy, Operator of Avalon South Management, Inc. in the amount of \$189,700.89 and in favor of the City of Warren. The finding was based on Section 9, of the Avalon South Management, Inc. contract with the City that requires Avalon South Management to pay real estate taxes on four parcels of land,	No	This matter is subject to litigation between Mr. Joy and the City of Warren.
2000-21178-002	Finding for Recovery against Tony Joy, Operator of Avalon South Management, Inc. in the amount of \$142,821.69 and in favor of the City of Warren. The finding was based on the contract between Avalon South Management, Inc. and the City of Warren which required an annual fee be paid to the City by the Operator of Avalon South Management, Inc.	No	This matter is subject to litigation between Mr. Joy and the City of Warren.
2000-21178-003	<u>Proper Certification:</u> Ohio Rev Code Section 5705.41 (D), states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached.	Yes	This finding was not reissued.



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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
SEPTEMBER 2, 2003**