

INTRODUCTORY SECTION

CITY OF HUBBARD, OHIO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2001

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MICHAEL C. VILLANO, CPA
AUDITOR

June 17, 2002

The Honorable Mayor, Members of City Council, and
The Citizens of the City of Hubbard, Ohio:

The Comprehensive Annual Financial Report (CAFR) of the City of Hubbard, Ohio, (the "City") for the fiscal year ended December 31, 2001, is hereby presented. As required by State of Ohio law, general purpose local governments presenting a CAFR are required to publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP). Accordingly, this report has been prepared in accordance with GAAP as set forth by the Governmental Accounting Standards Board (GASB).

This report consists of management's representations concerning the finances of the City. Responsibility for the accuracy, reliability, completeness and fairness of the presentation, including all disclosures, rests with the management of the City, and in particular, the City Auditor's Office. To provide a reasonable basis for making these assertions, management of the City has established an internal control framework that is designed both to protect the government's assets from loss, theft, or misuse, and to assure adequate reliable financial information is available for the compilation of the City's financial statements in accordance with GAAP. The costs of an internal control framework should not outweigh the benefits. And as such, the City's internal control structure has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of our knowledge and belief, the enclosed representations are accurate in all material respects and are presented in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities and status have been included.

The CAFR is presented in the following three sections:

1. *Introductory Section* — This section introduces the reader to the report and contains a title page, table of contents, this transmittal letter, an organizational chart of the City government, a list of principal City officials, and the 2000 City of Hubbard Certificate of Achievement for Excellence in Financial Reporting. This section is unaudited.
2. *Financial Section* — This section includes the general purpose financial statements (GPFS), the combining and individual fund and account group financial statements and schedules, as well as the report of independent accountants on these financial statements and schedules. The GPFS are the City's basic financial statements and provide an overview for the users who require less detailed information than is contained in the remaining portions of the report. Additional detail relative to the GPFS is provided with the combining and individual fund and account group statements and schedules.
3. *Statistical Section* — This section, which is unaudited, presents selected financial, economic, and demographic information relative to the City, generally presented on a multi-year basis.

REPORTING ENTITY

For financial reporting purposes, the City includes all funds, account groups, agencies, boards, commissions, and departments for which the City is financially accountable. The City is the only governmental unit in the reporting entity; it has no component units.

In determining what constitutes the City's reporting entity, criteria established by GASB Statement No. 14, "The Financial Reporting Entity", were used. The City is comprised of all entities not legally separate from the City. Trumbull County, Hubbard Township, and the Hubbard Exempted Village School District are separate governmental jurisdictions that overlap the City's boundaries. However, these entities are not included in the City's financial reports.

The City participates in the Municipal Energy Services Agency which is an Intergovernmental Joint Venture Agreement which is described further in Note 2A of the GPFS.

The City maintains an equity interest participation in the Ohio Municipal Electric Generation Agency Joint Ventures One and Five (OMEGA JV1 and OMEGA JV5). The City's electric enterprise fund participates in OMEGA JV1 with 21 other municipal electric systems for the purpose of providing electric power and energy to its participants on a cooperative basis. The City electric enterprise fund also participates in OMEGA JV5 with 41 other municipal electric systems for the purpose of acquiring, constructing, and installing a 42 megawatt hydroelectric power generation facility along with related transmission and fossil-fired backup electric generation facilities. The Ohio Municipal Electric Generation Agency Joint Ventures (OMEGA JV1 and OMEGA JV5) are described and discussed further in Note 2A of the GPFS.

The City has entered into a contractual agreement with Hubbard Township (the "Township") and the Hubbard Volunteer Fire Department, Inc. (HVFD) to provide fire protection services to the citizens of the City and the Township. The City and the Township share equally (fifty percent) in the cost of operating the HVFD. The City's share of costs is reported as a separate special revenue fund in the City's GPFS. The contractual agreement with the HVFD is further described in Note 2A of the GPFS.

In the December 2001, the City entered into a contractual agreement with Hubbard Township forming the Hubbard Township-City of Hubbard Joint Economic Development District (J.E.D.D.). The J.E.D.D. is a means to facilitate economic growth, create jobs, and expand overall employment opportunities within the City and Township without the need for land annexation. The City's participation is classified as a joint venture with equity interest and is further described in Note 2A of the GPFS.

A complete discussion of the City's reporting entity is provided in Note 2 of the GPFS.

PROFILE OF THE GOVERNMENT

The City of Hubbard, Ohio, incorporated in 1868, is located in the Northeastern part of the State of Ohio. The City currently occupies a land area of 3.50 square miles and serves a population of 8,284 with direct proxemic access to Interstate 80, United States Route 62, and State Routes 7, 616, and 304. The City's location provides direct exposure to four urban market areas—each with a population in excess of 20,000 people—Warren, Youngstown, Niles, and Sharon, Pennsylvania. The City's location in southeast Trumbull County places it adjacent to the City of Youngstown and Mahoning County to the south, and the State of Pennsylvania to the east. As a result, these neighboring communities have provided social and economic influences affecting the development patterns within the City.

The City is empowered to levy a property tax on real, personal, and public utility properties located within its boundaries. It is also empowered by State Statute to extend its corporate limits by annexation, which occurs periodically when petitioned by the landowner and deemed appropriate by City Council.

The City has operated under the council-mayor form of government since June 20, 1868. Policymaking and legislative authority are vested in the Mayor and City Council, respectively. The City Council is responsible, among other things, for all legislative activities including passing ordinances and resolutions, adopting the annual appropriation ordinance (budget), and appointing legislative committees. The Mayor is elected at-large to serve a four-year term. The Mayor is responsible for administrating the policies and ordinances adopted by the City Council, for overseeing the day-to-day operations of the City, and for appointing the superintendents of various departments. The eight members of City Council are elected every two years with one serving as the President of Council, four serving as ward councilpersons, and three serving at-large.

Aside from the Mayor and Council, citizens elect three other at-large City administrative officials, each of whom is independent within the limits of Ohio law affecting the particular office. These officials, elected to four-year terms, are the Auditor, Treasurer, and Law Director.

The Auditor serves as the chief financial officer of the City. As chief financial officer, no contract or obligation involving the City can be made without the Auditor's certification that appropriations are sufficient and that funds are available, or are in the process of collection, to satisfy the contract or obligation. The Auditor is the central disbursing agent for the City who, by the issuance of warrants, distributes funds to creditors in payment of liabilities incurred by the City and its departments. In addition, the Auditor is responsible for the preparation of the City payroll, maintaining a permanent accounting system and records, and conducting internal audits.

The Treasurer is the custodian of all City funds. The Treasurer is responsible for the investment of active, inactive, and interim funds as specified by Ohio law. In addition, the Treasurer serves as an internal control function for the Auditor's office as the Treasurer co-signs all budgetary and payroll warrants, as well as performs monthly bank reconciliations.

The Law Director serves as the prosecuting attorney for all cases arising in the mayor's court as well as cases transferred to municipal court. The Law Director is also responsible for the preparation of all contracts, bonds, legislation, and other instruments in writing. As designated by Ohio law, the Law Director serves as chief legal counsel for all City officials, directors, departments, and boards.

In addition to general government activities, the City provides a full range of municipal services, including police and fire protection; the construction and maintenance of streets, state highways, and sidewalks; parks and recreational facilities including the senior citizen center; cemetery; planning and zoning; and electric, water, and sewer utility services.

ECONOMIC CONDITION AND OUTLOOK

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

The City benefits from its highly accessible location with regard to the number of substantial arterials and highways intersecting the City and immediate surrounding area. The City is a component of the large regional Cleveland-Pittsburgh American manufacturing belt. Within 75 miles of the City, there are approximately 11,700 manufacturing plants, 12,500 wholesale distribution centers, and 46 Fortune 500 industrial, service, and corporate world headquarters. The residents greatly benefit from and have easy access to employment, educational, recreational, medical, and cultural facilities afforded by the Greater Youngstown-Warren Metropolitan area. Employment in the City and surrounding area is primarily in the manufacturing sector and within that sector largely in the automobile and steel industries. Since 1983, there have been overall decreases in manufacturing sector employment and increased employment in the non-manufacturing sector. However, the City experiences economic growth and expansion despite the transition of workforce demographics.

During 2001, the economic condition of the City satisfied expectations despite the overall national economic recession. Although extensive lay-offs in the manufacturing sector occurred during 2001, the City collected \$961,723 in local income taxes. Following the September 11, 2001, terrorist attacks, a much greater economic impact was anticipated with regard to income tax collections and investment earnings on idle funds—the actual impact experienced was not as severe as the anticipated effect.

In an effort to encourage business ventures to enter into long-term commitments within the City, the City actively participates in the Enterprise Zone Program sponsored by Trumbull County and the State of Ohio. Since 1983, Trumbull County has assisted businesses expand or locate within the County through the use of this aggressive economic development program. The Enterprise Zone Program permits ad valorem property tax abatements for new real and personal property. Trumbull County's Enterprise Zone is one of the largest and most successful in the State of Ohio with over 100 agreements in seventeen local communities. During 2001, the City of Hubbard participated with three Enterprise Zone Agreements for businesses located within the City.

The United States Can Company, the City's second largest employer, participated in an Enterprise Zone Agreement with the City and County by pledging creation of 25 new jobs and a personal property investment commitment of \$2,500,000. In 2001, US Can created 6 new jobs, in addition to the 20 previously created under the agreement, and made actual personal property investments of \$3,844,313. J.P. Marsh and Company created 6 new jobs under an Enterprise Zone Agreement with investments of \$368,000 in the construction and improvements to real property.

Lighting Products, Inc., an Enterprise Zone Program participant since August 2000, initially pledged to create 157 new jobs and agreed to invest \$6,225,000 in their project. Based upon the 2001 review of Lighting Products' agreement, 39 employees had been transferred from their Mentor, Ohio facility, and 17 new jobs were created. In addition, the company's plan to invest an additional \$5,225,000 over three years in real/personal property at the site yielded a real property renovation investments of \$1,111,040 and personal property investments of \$1,726,650 during 2001.

In addition to the City's participation in the Enterprise Zone Program sponsored by Trumbull County, the City entered into a Joint Economic Development District (J.E.D.D.) agreement with Hubbard Township in December 2001. The J.E.D.D. agreement allows the City and Township to jointly pursue economic development projects. As part of the agreement, the City provides utility services to the site of commercial or industrial development, and the Township retains possession of the land. The tax sharing component of the agreement allows for the City to collect its enacted one percent income tax within the J.E.D.D. property boundary, while the Township retains all property taxes paid on the site. The Hubbard Township-City of Hubbard Joint Economic Development District is the tenth agreement of its kind to be enacted between local government agencies in the State of Ohio.

Following the creation of the J.E.D.D., plans were announced by Flying J, Inc. of Ogden, Utah to locate an \$8.5 million travel plaza and service center within the district. Flying J began in 1968 as a small petroleum marketing company with four local gas stations. Today, Flying J is ranked 46th among *Forbes'* 500 largest privately owned companies with 2001 sales exceeding \$4.2 billion nationwide. The company services its 149 travel plazas and fuel centers throughout the United States and Canada with over 10,000 employees. Project planning continued throughout 2001 and construction of the facility is anticipated to begin in the summer of 2002.

In addition to efforts to promote commercial development within the City, residential expansion also contributes to the City's economic vitality. Since 1998, the City gained approximately 93 new housing units comprised largely of single-family homes and condos ranging in value from \$100,000 to over \$250,000. Current single-family home construction is primarily based in four new subdivisions—Eastwood Meadows, Jerry Drive, Timberpoint, and Woodland Ridge. Likewise, development of condo and villa communities continued with new units constructed in the Timberpoint development. During 2001, the City has also experienced six units of commercial construction and renovation. The largest commercial development project was the construction of a new CVS Pharmacy with a market value of \$2.792 million.

Beyond the commercial and residential development within the City, zoning issues were finalized with regard to annexation of 153.633 acres now known as Pine Lakes Golf Course. Restoration of the Powell Estate on the property neared completion in 2001, and will re-open as Julia's Bed and Breakfast. The golf course construction and rehabilitation continued during 2001 with two new golf holes opening. Preliminary plans were reviewed for the proposed residential and condominium development slated to be known as Pine Lakes Estates. Construction and development on the project is anticipated to continue for seven to ten years.

Also, adjacent to Pine Lakes Golf Course the City authorized annexation of 7.108 acres of land including the Bell Wick Bowling Alley.

In order to better illustrate the number of building permits (including commercial, industrial, both remodeling and new construction) and estimated value of the construction over the past five years, the following table has been compiled (for further detail see Statistical Section pages S18-S19):

<u>Year</u>	<u>Number of Permits</u>	<u>Approximate Value</u>
2001	21	\$ 3,088,000
2000	24	2,940,408
1999	32	2,962,000
1998	29	2,993,130
1997	22	1,944,500

Aside from commercial and residential development, the City has also engaged in localized utility rehabilitation projects in order to provide improved service and quality control. The City Water and Electric Departments engaged in various rebuild and waterline replacement projects throughout 2001 to insure the highest quality service for the utilities' new as well as existing customers.

The residential and commercial growth throughout the City and surrounding area support a positive economic trend which is expected to continue into the future.

MAJOR INITIATIVES – CURRENT AND FUTURE PROJECTS

Throughout 2001, a number of projects were initiated enabling the City to operate with increased efficiency as well as compete for commercial and industrial development promoting an atmosphere conducive for job retention and growth.

PUBLIC SAFETY

Underscoring the City administration's commitment to making public safety our number one priority, the City's Department of Public Safety continued its effort to improve the quality of equipment for its safety forces. During 2001, Sergeant James Taafe secured one of two Local Law Enforcement Block grants awarded in the State of Ohio by the Office of Criminal Justice Services. The grant enabled the City to purchase and install various new pieces of computer equipment for expansion of the City's Ohio Incident Based Reporting System (OIBRS). Also, the Department of Public Safety sponsored several training programs to enhance the officer's skills in various areas of public safety.

In July 2001, the Hubbard Volunteer Fire Department, in conjunction with Hubbard Township and the City of Hubbard, placed into service a new Sutphen fire engine.

PUBLIC WORKS

Expanding the commitment to public safety, the installation of a fourth severe weather emergency warning system on the east side of the City was completed during the Summer of 2001. The warning system is located at Triangle Drive in the City's Fourth Ward. This site was selected due to the densely populated Hubbard Estates area. The City maintains three other emergency warning systems located at the fire station, Street Department, Hubbard High School.

The City engaged in an annual street resurfacing program focusing resources in areas of the community where streets required rehabilitation and resurfacing to prevent further damage. In 2001, the City sponsored a paving program that improved the Gulf View Heights neighborhood along Acacia Drive, Juniper Drive, Palmetto Drive, Buckeye Drive, Dogwood Drive, and Maple Leaf Drive. In addition to these streets, the City also paved a portion of Fifth Avenue as well as Corll Street and Princeton Avenue. A total of 1.43 miles of roadway were paved at a cost of \$64,172.42 paid from City revenues and \$19,131.90 paid through Federal Community Development Block Grant (CDBG) program monies.

Storm water improvement projects continued with the replacement of damaged storm sewers in the Fairchild Drive neighborhood.

UTILITY SERVICE

The goals of the City Utility Service departments are improving service and increasing quality while controlling costs. During 2001, various programs were undertaken to achieve these objectives.

The City Light Department completed engineering and construction of three-phase rebuild work on North Main Street to convert the Truck World complex service from underground to overhead lines. This project was initiated due to significant deterioration of the underground infrastructure and continual interruptions throughout the service area. Also, the Department completed single-phase overhead rebuilds along Christian Avenue to repair deteriorated facilities and provide increased load capacities. Engineering and construction was completed of three-phase underground feeder line extensions to service new villas in the Timberpoint Development.

In order to insure a more stable electrical system, financing and engineering for the construction of 5.5 megawatts of electric generation capacity began in late 2001. This additional capacity will have the capability of servicing nearly 1/3 of the entire City's load. The project is anticipated to be completed during the summer of 2002.

During 2001, the Light Department completed the installation of a second 23KV delivery point on Caroline Avenue for increased citywide system reliability.

The City Water Department engaged in a variety of projects during 2001 to improve quality and efficiency of water service throughout the City. The Myron Street Waterline Replacement Project was finalized in October 2001 completing replacement of 3,915 feet of 12" water main distribution line and 150 feet of 8" service lines. The project cost was paid with a \$151,528 grant and a \$157,713 loan through the Ohio Public Works Commission Issue II program and the City of Hubbard Water Department paid the remaining \$138,934 of project costs as a local match. The City also secured over \$900,000 in Issue II funding for the upgrade and replacement of the North Main Street water main.

In June 2001, the City opened its newly constructed Water Department storage and operations building. The facility was built on City's public works and utility service center property located at 820 North Main Street. The building features over 5,000 square feet of office, storage, and garage space housing the City's Water Department.

The Water Department completed several valve replacements throughout the community as well as installation of over 20 new fire hydrants. Also during the year, the Water Department installed three new water meter pits for servicing the sprinkler system at Hubbard High School as well as repairing 42 water breaks and completion of various new water taps throughout the City and Township service areas.

The City of Hubbard Sewer Department upgraded sanitary sewer service on West Water Street with the replacement of 200 feet of sewer main repairing separated tile and eliminating root infiltration. Also, sewer mains were repaired along Hillcrest Street, Oak Knoll Drive, Parkview Drive, South Main Street, and North Main Street.

In order to improve waste water treatment plant efficiency and capacity, grit channel and collectors were rebuilt. Also, a new polymer feeder was installed as well as rebuilding of plant effluent pumps and blowers. A new sampler was installed in the MCC room. Further, new air lines and filtration systems were installed in the clarifier bunker. These upgrades will aid in the continued operation of the plant while meeting or exceeding the standards as required by the Ohio Environmental Protection Agency for the processing and treatment of waste water.

GENERAL GOVERNMENT

In 2001 the City introduced a Direct Debit payment program for acceptance of utility payments as well as Direct Deposit for payroll. Both programs have experienced participation far exceeding initial expectations. In addition to offering new payment alternatives in the Utility Billing Division, the City also introduced a redesigned utility bill. The new form increases customer privacy, expedites processing, and enables the United States Postal Service to automate sorting.

FINANCIAL INFORMATION

BASIS OF ACCOUNTING

The City's accounting system is organized on the basis of fund or account groups, each of which is considered a distinct, self-balancing accounting entity. Although the City maintains its day to day accounting records on a cash basis, the City has prepared its CAFR for the year ended December 31, 2001, on a modified accrual basis of accounting for the governmental and agency funds, and on an accrual basis for proprietary funds according to GAAP. The modified accrual basis of accounting recognizes revenue when measurable and available and expenditures when goods or services are received. The accrual basis of accounting recognizes revenue when measurable and available and expenditures when incurred. The basis of accounting for the City's various funds and account groups is fully described in Note 2C of the GPFS.

INTERNAL CONTROL

The City is committed to the highest standards of integrity and excellence in its financial reporting and accounting procedures. In order to maintain a high level of confidence in the City's financial reporting system, management believes that internal controls provide reasonable assurance that assets are safeguarded, transactions are recorded and reported appropriately, and policies are followed. The concept of reasonable assurance recognizes that the cost of a control procedure should not exceed the benefit derived from its implementation. As a part of the City's control structure, management continually promotes internal control consciousness throughout the organization.

BUDGETARY CONTROL

The annual appropriation ordinance, or budget, serves as the foundation for the City's financial planning and control. In June of each year, the City Auditor provides each department an estimate of revenue receipts for the following fiscal year. All departments of the City are then required to submit requests for appropriation to the City Auditor by the first week of August. The City Auditor uses these requests as a starting point for developing a proposed budget. A complete budget proposal and revenue forecast is presented to City Council for their review prior to September 30th. The Council holds public hearings with regard to each department's proposed budget and the final budget is adopted by December 31st—the close of the City's fiscal year. Periodically, Council operates for the first three months of the budgetary year on a temporary budget, passing the final budget by the March 30th statutory deadline. However, this practice is limited for use during periods of uncertain and adverse

budgetary conditions. Generally, the City adopts its final budget prior to December 31st of the preceding budgetary year. The appropriated budget is prepared by fund, function (i.e. security of persons and property), department (i.e. police), and line item (i.e. salaries). This is known as the legal level of budgetary control. Any changes in appropriations outside of the legal level of budgetary control require the approval of Council by an appropriation amendment ordinance. Budget-to-actual comparisons are provided in this report for all funds for which an appropriated annual budget has been adopted by City Council.

The City uses a fully automated accounting system. In order to maintain proper budgetary control, all expenditures are subjected to the controls afforded by the purchasing procedure. Purchase requisitions are submitted to the City Auditor's Office by department heads following approval by the Service or Safety Director; the purchase order is generated encumbering the necessary funds; revenue resources are certified as available and properly appropriated for expense by the City Auditor; the purchase order is released to the vendor. Those purchase requisitions which, if issued as a purchase order, exceed the available line item appropriations authorized are rejected until additional resources are secured. A computerized appropriation system enables the City Auditor's office to ascertain the status of a department's appropriations prior to authorizing additional purchases from a particular line item. Encumbrances do not lapse at year-end and are included as expenditures in the current budget year (non-GAAP budgetary basis). Additional information regarding the City's budgetary accounting controls can be found in the Note 2D of the GPFS.

Virtually all general government services of the City (i.e. administration, street construction and maintenance, cemetery, police and fire protection) have been financed with resources from the general fund and special revenue funds. Utility operations are financed with resources generated by their respective enterprise funds.

General fund revenues include property taxes, 65% of net City income tax collections, shared intergovernmental taxes, inheritance taxes, allocations of investment earnings, and other revenues provided by the residents of the City. The special revenue funds used for general services include property taxes for fire protection and intergovernmental as well as intragovernmental revenues for streets.

GENERAL GOVERNMENT FUNCTIONS

The following schedule presents a summary of revenue by source for the fiscal year ended December 31, 2001 for all governmental fund types (governmental fund types are comprised of the general, special revenue, and capital projects funds). Also presented are the amounts and percentages of increases and decreases in relation to revenues by source for the year ended December 31, 2000.

<u>Revenue by Source</u>	<u>2001 Amount</u>	<u>Percent of Total</u>	<u>2000 Amount</u>	<u>Percent of Total</u>	<u>Increase or (Decrease)</u>	<u>Percent Change</u>
Municipal Income Tax	\$ 952,071	38.12%	\$ 994,671	38.04%	\$ (42,600)	-4.28%
Property and Other	316,350	12.67%	316,478	12.10%	(128)	-0.04%
Local Taxes						
Charges for Services	300	0.00%	300	0.01%	-	0.0%
Licenses, Permits, and Fees	52,631	2.11%	36,407	1.39%	16,224	44.56%
Fines and Forfeitures	70,669	2.83%	51,310	1.96%	19,359	37.73%
Intergovernmental	726,369	29.08%	705,513	26.99%	20,856	2.96%
Investment Income	340,155	13.62%	441,245	16.88%	(101,090)	-22.91%
Other	39,220	1.57%	68,590	2.63%	(29,370)	-42.82%
Total Revenues	<u>\$ 2,497,765</u>	100.00%	<u>\$ 2,614,514</u>	100.00%	<u>\$ (116,749)</u>	-4.47%

Municipal income tax, property and other taxes, and intergovernmental revenues are the major components of the City's general government revenues and represent \$1,994,790 or 79.87% and \$2,016,662 or 77.12% of fiscal 2001 and 2000 revenues respectively. Property and other local taxes include real estate taxes and personal property taxes.

The \$42,600 or 4.28% decrease in municipal income tax collections was primarily due to national economic downturn as well as the local impact of increased unemployment and joblessness as well as increasing numbers of retirees living within the City.

The decrease of \$128 or 0.04% in property and other local taxes is a result of the slight increase in delinquent property taxes due to the County at the end of 2001.

Charges for services are composed of fees charged by the Mayor for marriages. During 2001, the Mayor performed the same number of weddings as in 2000.

Licenses, Permits and Fees increased by \$16,224 or 44.56% in 2001 because of continued growth in zoning permit requests for residential construction in various housing developments throughout the City as well as the large commercial construction projects at the Hubbard Public Library, CVS Pharmacy, and Kelley-Robb Funeral Home.

The \$19,359 or 37.73% growth of revenue from Fines and Forfeitures was a result of significantly more citations and cases processed by the City of Hubbard Mayor's Court during 2001.

Intergovernmental revenues are primarily comprised of State and local grants, local government and local government revenue assistance funds, motor vehicle taxes, license taxes, inheritance taxes, and other State shared revenues designed to assist the City with major operations for the general benefit of the residents of the City. Intergovernmental revenues increased by \$20,856 or 2.96% from 2000 to 2001 due to the City's receipt of an Ohio Office of Criminal Justice Services Local Law Enforcement Block Grant in the amount of \$5,950. Also, the City received increased allocations of local government and local government revenue assistance monies from Trumbull County during 2001.

The City did not have any special assessments during the reporting year.

Investment income decreased in 2001 by \$101,090 or 22.91% over 2000 investment earnings due to drastic cuts in interest rates by the Federal Reserve Bank throughout the year—especially the aggressive monetary policy actions following the September 11, 2001, terrorist attacks.

The decrease of \$29,370 or 42.82% in Other Miscellaneous Revenues was the result of the Bureau of Workers Compensation discontinuance of its premium reimbursement program in the 2001 policy year.

The following schedule presents a summary of expenditures by function for the fiscal year ended December 31, 2001 for all governmental fund types (governmental fund types are comprised of the general, special revenue, and capital projects funds). Also presented are the amounts and percentages of increases and decreases in relation to expenditures by function for the year ended December 31, 2000.

<u>Expenditures by Function</u>	<u>2001 Amount</u>	<u>Percent of Total</u>	<u>2000 Amount</u>	<u>Percent of Total</u>	<u>Increase or (Decrease)</u>	<u>Percent Change</u>
<i>Current:</i>						
General Government	\$ 339,749	13.50%	\$ 348,155	13.30%	\$ (8,406)	-2.41%
Security of Persons and Property	1,374,984	54.66%	1,324,594	50.57%	50,390	3.80%
Public Health and Welfare	29,314	1.17%	27,857	1.06%	1,457	5.23%
Transportation	515,212	20.48%	502,597	19.19%	12,615	2.51%
Community Environment	1,600	0.06%	3,445	0.13%	(1,845)	-53.56%
Leisure Time Activities	26,500	1.05%	29,427	1.12%	(2,927)	-9.95%
Economic Development	-	0.00%	200	0.01%	(200)	-100.00%
Other	983	0.04%	985	0.04%	(2)	-0.20%
Capital Outlay	211,397	8.40%	362,308	13.83%	(150,911)	-41.65%
<i>Debt Service:</i>						
Principal Retirement	6,335	0.25%	17,646	0.67%	(11,311)	-64.10%
Interest and Fiscal Charges	9,697	0.39%	2,224	0.08%	7,473	336.02%
Total Expenditures	<u>\$ 2,515,771</u>	100.00%	<u>\$ 2,619,438</u>	100.00%	<u>\$ (103,667)</u>	-3.96%

General government, security of persons and property, and transportation are the major components of the City's expenditures and represent \$2,229,945 or 88.64% and \$2,175,346 or 83.05% of fiscal 2001 and 2000 expenditures respectively.

General government expenditures decreased due to the focus on spending reductions as a component of budget stabilization. Security of persons and property and transportation expenditures increased primarily due to contractual wage increases of 3%. General government expenditures also reflect the City's completion of its 2001 financial audit and first year CAFR for a total cost to the general fund of \$29,202 in 2001 and \$21,601 in 2000. Also, a contribution of \$7,500 was made to the Hubbard Union Cemetery to aid with the cost of developing a new section of the cemetery.

Security of persons and property expenditures increased due to contractual 3% wages increases and the advancement of two police officers to the third hourly wage level tier of the union contract.

Transportation costs increased primarily due to the 3% wage increase resulting from the current union contract. Also, in September 2001 the City paid a contractual three-year retirement buy-out for a retirement of a Street Department employee. The Street Department's cost of the Public Employees Retirement System service credit buy-out totaled \$16,279.

Community environment experienced a \$1,845 or 53.56% decrease in expenditures due to legal fees for zoning litigation which occurred, and were paid, in 2000.

Expenditures decreased for leisure time activities during 2001 due to fewer maintenance and repair projects in the Recreation Department.

Capital expenditures decreased by \$150,911 or 41.65% in 2001 due to fewer capital acquisitions. The City made final payment of \$33,837 to the Sutphen Corporation in June 2001 upon delivery of the new fire engine. The decrease can also be attributed to expenditures in 2000 relating to the City's deposit on the construction of the fire engine of \$105,750 as well as the purchase of two new police cars at a cost of \$40,930. However, in 2001, the City incurred expenditures of \$64,172 paid to Diorio Paving for the 2001 street resurfacing program and \$19,132 expenditure to Butch & McCree Paving for the CDBG street resurfacing program.

GENERAL FUND

General fund revenues under the modified accrual basis of accounting totaled \$2,054,788 during 2001. The primary sources of revenue to the general fund were income taxes, investment income, and intergovernmental revenues which amounted to \$1,698,706 or 82.67% of total revenue.

General fund expenditures under the modified accrual basis of accounting totaled \$1,600,512 during 2001. General government and security of persons and property functions accounted for \$339,749 or 21.23% and \$1,233,732 or 77.08% of general fund expenditures, respectively.

General fund other financing sources and uses include \$35 in proceeds from the sale of fixed assets. During 2001, the general fund made operating transfers out of \$402,372 to various funds.

General fund balance increased \$53,289 from \$883,713 at December 31, 2000 to \$937,002 at December 31, 2001. The General fund balance at December 31, 2000, was restated due to the implementation of GASB Statements No. 33 and 36 (see Note 3A of the GPFS for further detail).

SPECIAL REVENUE FUNDS

Revenue receipts in the special revenue funds totaled \$423,845 during 2001. Of this total, property and other taxes and intergovernmental revenues represent \$88,331 or 20.84% and \$299,011 or 70.55%, respectively. Property and other tax revenues increased by \$156 from \$88,175 in 2000 to \$88,331 in 2001 primarily due to new residential development throughout the City. Intergovernmental revenues consist primarily of shared license and gasoline excise taxes from both the State of Ohio and Trumbull County to be used for the repair of local roads and state highways located within the corporation limits of the City. The intergovernmental revenues are comprised primarily of State and Federal grants for the security of persons and property in the form of United States Department of Justice Community Oriented Policing (COPS) Universal Hiring Program grant and State of Ohio Office of Criminal Justice Services Ohio Incident Based Reporting System (OIBRS) Local Law Enforcement Block Grant (LLEBG).

Special revenue fund expenditures under the modified accrual basis of accounting totaled \$777,174 during 2001. Special revenue incurred costs for transportation, security of persons and property, and capital outlays amounting to \$515,212 or 66.29%, \$141,252 or 18.18%, and \$73,312 or 9.43%, of total special revenue fund expenditures respectively during 2001.

Special revenue funds' other financing sources and uses include \$600 in proceeds from the sale of fixed assets. The special revenue funds received operating transfers in of \$316,448.

The implementation of GASB Statements No. 33 and No. 36 had an effect on the special revenue fund balance as previously reported at December 31, 2000. This restatement is described in further detail in Note 3A of the GPFS.

CAPITAL PROJECTS FUNDS

The primary sources of revenue for capital projects funds are income tax allocations and State and Federal grants. During 2001, the capital projects funds received \$19,132 of CDBG formula funds spent on behalf of the City by Trumbull County. Capital outlay expenditures totaled \$138,085.

Capital projects funds received operating transfers in of \$85,924 comprised of general fund transfers and income tax allocations.

ENTERPRISE FUNDS

The City operates and maintains three municipal utilities—electric, water, and sewer. The electric distribution system serves approximately 3,958 customers throughout the City and surrounding Township areas. The City is a member of American Municipal Power of Ohio (AMP-Ohio) who acts as the electric supplier for its 90 member municipal electric systems in Ohio, Pennsylvania, and West Virginia. The electric distribution system is comprised of 50.82 miles of conductor that provide the 159,380 kilowatt hours of daily average electric system consumption.

The City also operates a municipal water distribution system that serves approximately 3,568 water customers throughout the City and Township. Since the City does not own or operate a water treatment plant, water supply is purchased in bulk from the Consumers Pennsylvania Water Company which is treated at their Shenango Reservoir treatment plant. The City consumes an average of 1.09 million gallons per day. The treatment facility produces an average of 10.2 million gallons per day. The City services its water distribution territory with 50.1 miles of water lines ranging in size from ¾" to 20" in diameter. The oldest portions of the distribution system were installed over 90 years ago. Substantial upgrades and repairs were made to the system during the 1990's as well as during 2001.

In addition to electric and water systems, the City operates and maintains a sanitary sewer collection and treatment system that serves approximately 3,239 customers in its service area. The system contains 29.51 miles of sewer lines ranging in size from 4" to 42" in diameter. The current system was originally constructed in 1932 and incurred significant rehabilitations in 1953 and 1988—at which time a new treatment plant and main interceptor lines were reconstructed. The current system processes 2.12 million gallons of sanitary sewage per day.

The City's enterprise operations reported operating income and net income of \$597,434 and \$520,857, respectively, for the year ended December 31, 2001. Retained earnings for the enterprise funds increased \$520,857 from \$6,971,118 at December 31, 2000 to \$7,491,975 at December 31, 2001. Total fund equity for the electric, water, sewer, and guarantee trust funds at December 31, 2001 were \$4,487,474, \$1,434,385, \$1,486,573, and \$83,543, respectively.

INTERNAL SERVICE FUNDS

These funds 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.

The City maintains one internal service fund to account for the City's self-insured hospitalization plan used to provide health insurance and medical benefits to employees of the City. In 2001, the City changed its method of estimating claims payable for the self-insurance program. This change in estimate required a restatement of retained earnings as previously reported at December 31, 2001, (see Note 3B of the GPFS for detail). During 2001, the fund had operating revenues of \$472,472 and operating expenses of \$531,151. The fund's net loss of \$58,679 decreased total fund equity from \$366,258 at December 31, 2000 to \$307,579 at December 31, 2001.

FIDUCIARY FUNDS

Fiduciary funds account for assets held by the City in a trustee capacity, or as an agent, for individuals, private organizations, other governmental units, and/or other funds. The fiduciary funds maintained by the City are three non-expendable trust funds and two agency funds.

During 2001, the non-expendable trust funds received \$85 of investment earnings increasing total combined fund equity from \$8,908 at December 31, 2000 to \$8,993 at December 31, 2001.

At December 31, 2001 assets held in the agency funds totaled \$1,888.

GENERAL FIXED ASSETS

The general fixed assets of the City as of December 31, 2001 total \$2,717,063 and include all fixed assets of the City except those recorded in the proprietary funds. Such assets are accounted for at historical cost. Depreciation is not recognized on general fixed assets. Infrastructure is not reported in the general fixed assets account group.

GENERAL LONG-TERM OBLIGATIONS

The general long-term obligations account group is used to account for all long-term obligations of the City except those accounted for in a proprietary fund. At December 31, 2001, the City had \$265,485 in general long-term obligations outstanding. The December 31, 2001, general long-term obligation balance of \$265,485 is comprised of \$258,678 in compensated absences and \$6,807 in capital lease obligation payable.

PENSION PLANS

Full-time uniformed employees of the City participate in the Ohio Police and Firemen's Disability Pension Fund (OPFDPF), a cost sharing multiple employer defined benefit pension plan. The City's required contributions for pension obligations to the OPFDPF for the years ended December 31, 2001, 2000, and 1999 were \$120,312, \$117,524, and \$108,107, respectively.

All other full-time and part-time employees of the City 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 City's required contributions for pension obligations to PERS for the years ended December 31, 2001, 2000, and 1999 were \$227,550, \$177,199, and \$192,870, respectively. These pension plans are described further in Notes 17 and 18 of the GPFS.

DEBT ADMINISTRATION

Various debt obligations existed at December 31, 2001 for the City. During fiscal year 2000, the City entered into two loan agreements with the Second National Bank of Warren, Ohio, for the purchase of a fire truck and two new police cars. The \$105,750 fire truck loan was repaid in full and a new loan agreement with Sky Bank was executed for \$87,000 in November 2001. The Fire District special revenue fund will repay the \$87,000 loan with revenues derived from a 1-mill special voted property tax levy for the purpose of supporting the fire department. The operating revenues of the General fund support the debt associated with the second loan. At December 31, 2001, the fire truck loan had an outstanding principal balance of \$87,000, and the police car loan had a \$13,882 balance.

Also outstanding at December 31, 2001, was a general obligation note of the Street Construction special revenue fund. This debt was issued in May 1998 for the acquisition of a new dump truck for the Street Department. At December 31, 2001, the Street Construction general obligation note had an outstanding principal balance of \$4,990.

The City's other long-term obligations are reported in the enterprise funds. These include \$19,646 in general obligation notes for the purchase of water meters, \$4,830,000 in sewer system mortgage revenue refunding bonds used to partially fund the construction of the City's waste water treatment plant, \$424,898 in Ohio Public Works Commission loans for the construction of a sanitary sewer lift station and force main as well as replacement and looping of waterlines, \$2,100,000 in one-year renewable notes for the construction of 5.5 megawatts of backup electric generation capacity, and a \$2,290,520 Ohio Water Development Authority loan used to construct the City's main water transmission line. These obligations are being repaid through enterprise operations and are intended to be self-supporting through such utility operations.

The City's sewer system mortgage revenue refunding bonds are rated *Aaa* by Moody's Investor Services and *AAA* by Standard and Poor's Rating Service.

CASH MANAGEMENT

The City pools all idle cash to achieve maximum investment efficiency and to enhance accountability. The City Treasurer, as custodian of all City monies, is responsible for investing idle funds and directing the investments of the City.

The City strives to minimize credit and market risks while maintaining a competitive yield on its portfolio. During 2001, the City's cash resources were limited to bank deposits, repurchase agreements, certificates of deposit, United States Government money market mutual funds, and the State Treasury Asset Reserve of Ohio (STAR Ohio).

Approximately 99% of all available monies are continuously maintained in interest-bearing activities. At December 31, 2001, the City maintained \$761,089 in U.S. Government money market mutual funds, \$289,706 in STAR Ohio, \$3,694,791 in repurchase agreements, \$11,726 in segregated savings accounts, and \$5,095,200 in certificates of deposit. Investment income from primary investment activities amounted to \$333,356 for 2001 compared to \$411,116 for 2000.

The City's cash management account average monthly balance in 2001 was \$3,445,228 with an average monthly yield of 4.06%. The City's three certificate of deposit investments ended 2001 with balances of \$2,038,097, \$2,037,671, and \$1,019,432, earning monthly compounded interest of 4.51%, 2.50%, 4.60%, with annual percentage yields of 4.60%, 2.53% and 4.70%, respectively. In accordance with State of Ohio constitutional and statutory requirements, interest receipts are deposited primarily in the general fund.

RISK MANAGEMENT

The City maintains comprehensive insurance coverage with the Ohio Government Risk Management Plan carried through the Love Insurance Agency. The plan insures against losses related to property, general liability, wrongful acts, law enforcement professional liability, automobile, bond, crime, inland marine, and EDP liability. Automobile policies include \$5,000,000 of liability coverage for bodily injury and property damage as well as \$1,000,000 for uninsured/underinsured motorists. Real property and contents are insured by blanket coverage in the amount of \$17,044,986. General liability, public officials, and law enforcement professional liability insurances provide for \$5,000,000 per occurrence with \$7,000,000 aggregate coverage. There is no per occurrence deductible for general liability coverage and a \$2,500 deductible for both public officials and law enforcement professional liability coverage.

The City operates and manages an employee hospitalization and health benefit plan on a self-insured basis. The City maintains an internal service fund to account for and finance its hospitalization claims liabilities as well as financing any uninsured risks of loss in the program. In order to mitigate the City's maximum health insurance liabilities, stop-loss insurance is carried with coverage of \$37,500 per individual and an aggregate amount of \$342,153. The City's risk management programs are further discussed in Note 16 of the GPFS.

OTHER INFORMATION

INDEPENDENT AUDIT

Included in this report is an unqualified audit opinion rendered on the City's GPFS as of and for the year ended December 31, 2001, by our auditor, State of Ohio, Jim Petro, Auditor of State. The City is not required to participate in the Federal single audit program.

City management intends to continue to subject the GPFS to an annual independent audit as part of the preparation of the Comprehensive Annual Financial Report (CAFR). The auditor's report on the GPFS and combining and individual fund statements and schedules are included in the financial section of this report. The annual audit serves to maintain and strengthen the City's accounting and budgetary controls.

USE OF THE REPORT

The report is published to provide City Council and administration, as well as our citizens and other interested persons, detailed information concerning the financial condition of the City with particular emphasis placed on the utilization of resources during the past fiscal year. It is also intended that this report serve as a guide in formulating policies and in conducting the City's future day-to-day activities. We believe the information, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial activity of the City's various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

Use of this report by the various officials and departments of the City is encouraged when furnishing information pertaining to the City and its associated activities. Copies of this report are available in the City Auditor's Office for public inspection.

SUBMISSION TO THE CERTIFICATE OF ACHIEVEMENT PROGRAM

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Hubbard for its comprehensive annual financial report for the year ended December 31, 2000. This was the first year for the City to receive this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

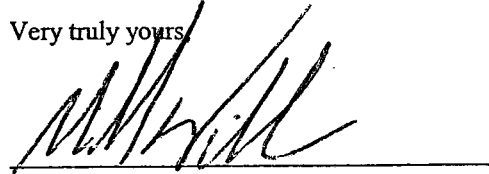
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to meet the Certificate of Achievement Program's requirements and this report will be submitted to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

The presentation of this Comprehensive Annual Financial Report would not have been possible without the continued commitment of City Council and its Finance Committee, City officials, and departments. The expertise of Steven Julian, CPA and Carrie Simmons of Trimble, Julian, & Grube, Inc. continues to insure the successful preparation of this report. Also, sincere appreciation is extended to David A. Hines, *Trumbull County Auditor*, and his staff, particularly Adrian Biviano, CPA, *Chief Deputy Auditor*, Mark DelFrate, CPA, and Marie Woloszyn. A very special thanks to Patty Tahos and Joseph Smith for their creative contributions to this CAFR.

Lastly, and certainly most importantly, the accomplishment of this report would not have been possible without the commitment and dedicated service of the Auditor's Office staff—Jo Ann Oaks, Joyce Schiraldi, and Daisy Evans—your professionalism and enthusiasm continues to be a great source and inspiration and is always appreciated.

Very truly yours,



Michael C. Villano, CPA, CMA
Auditor of City

CITY OF HUBBARD, OHIO
ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2001

ELECTED OFFICIALS

Executive Branch

Mayor	George P. Praznik
Auditor	Michael C. Villano
Treasurer	Marsha A. Ruha
Law Director	Gary M. Gilmartin

Legislative Branch

Council Member – Council President	John D. Darko
Council Member – 1 st Ward	Bonnie L. Viele
Council Member – 2 nd Ward	John R. Marshall
Council Member – 3 rd Ward	Lisha A. Baumiller
Council Member – 4 th Ward	John G. LaCivita
Council Member – At-Large	David A. Bolchalk
Council Member – At-Large	Douglas L. Rohrer
Council Member – At-Large	William J. Williams

APPOINTED OFFICIALS

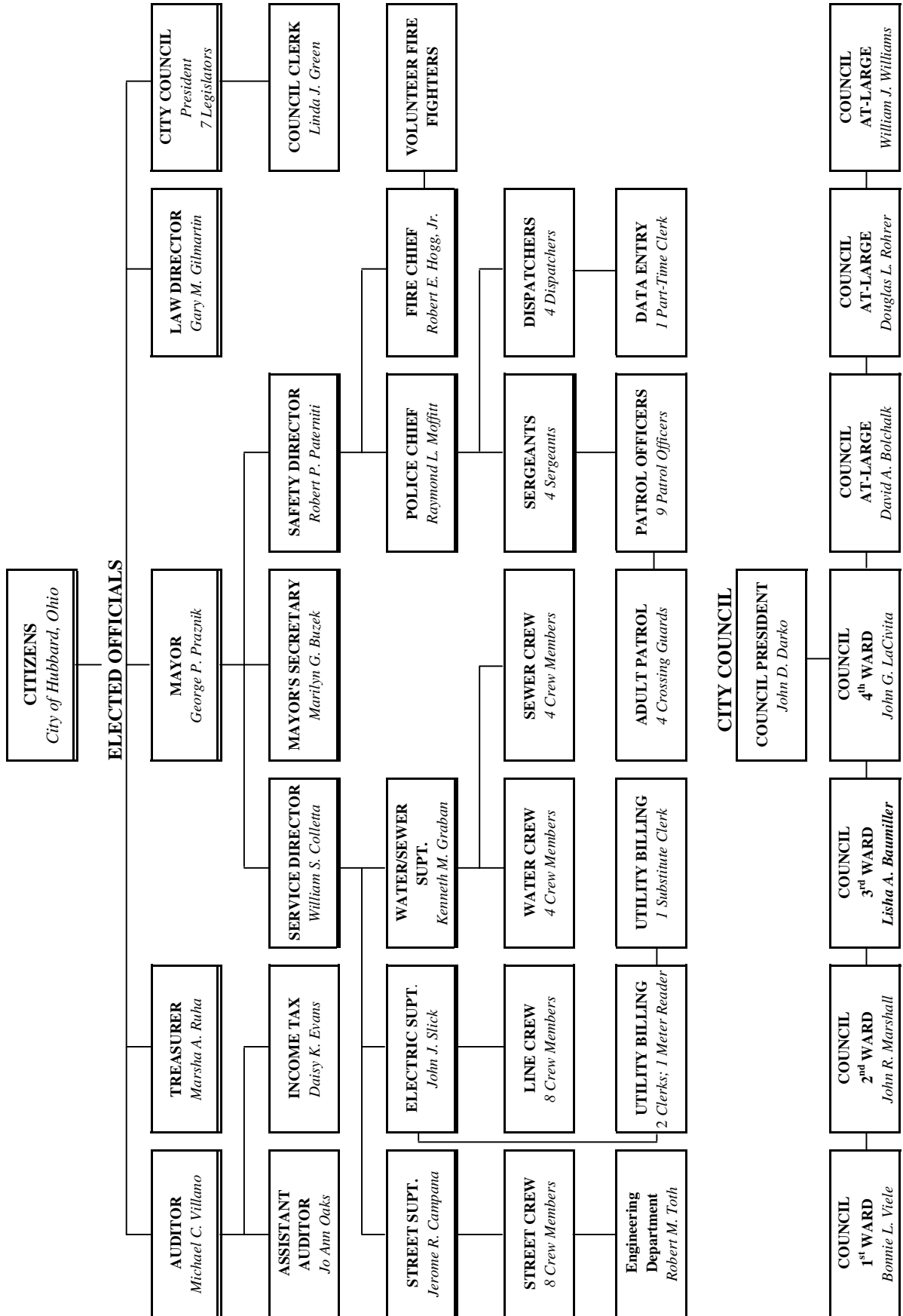
Department of Public Service

Director of Public Service	William S. Colletta
Street Superintendent	Jerome R. Campana
Water/Waste Water Superintendent	Kenneth M. Graban
Electric Superintendent	John J. Slick

Department of Public Safety

Director of Public Safety	Robert P. Paterniti
Police Chief	Raymond L. Moffitt
Fire Chief	Robert E. Hogg, Jr.

CITY OF HUBBARD, OHIO
ORGANIZATIONAL CHART
 December 31, 2001



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Hubbard,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2000

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Timothy A. Erwin
President

Jeffrey L. Esser
Executive Director