



OHIO AUDITOR OF STATE
KEITH FABER



**CITY OF YOUNGSTOWN
MAHONING COUNTY
DECEMBER 31, 2018**

TABLE OF CONTENTS

| TITLE | PAGE |
|---|-------------|
| Independent Auditor's Report | 1 |
| Prepared by Management: | |
| Management's Discussion and Analysis | 5 |
| Basic Financial Statements: | |
| Government-wide Financial Statements: | |
| Statement of Net Position | 19 |
| Statement of Activities..... | 21 |
| Fund Financial Statements: | |
| Balance Sheet | |
| Governmental Funds | 23 |
| Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities | 25 |
| Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Funds | 26 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 28 |
| Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) | |
| General Fund..... | 30 |
| Fire Levy..... | 31 |
| Police Levy | 32 |
| Covelli Centre | 33 |
| Statement of Fund Net Position | |
| Proprietary Funds | 34 |
| Statement of Revenues, Expenses and Changes in Net Position Proprietary Funds | 38 |
| Statement of Cash Flows | |
| Proprietary Funds..... | 40 |
| Statement of Fiduciary Net Position | |
| Fiduciary Funds | 44 |
| Notes to the Basic Financial Statements | 45 |

**CITY OF YOUNGSTOWN
MAHONING COUNTY
DECEMBER 31, 2018**

**TABLE OF CONTENTS
(Continued)**

| TITLE | PAGE |
|---|-------------|
| Prepared by Management: | |
| Schedule of the City's Proportionate Share of the Net Pension Liability/Net Pension Asset (OPERS) | 105 |
| Schedule of the City's Proportionate Share of the Net Pension Liability (OP&F)..... | 106 |
| Schedule of City Contributions (OPERS)..... | 107 |
| Schedule of City Contributions (OP&F) | 109 |
| Schedule of the City's Proportionate Share of the Net OPEB Liability (OPERS) | 111 |
| Schedule of the City's Proportionate Share of the Net OPEB Liability (OP&F)..... | 112 |
| Schedule of the City's OPEB Contributions (OPERS)..... | 113 |
| Schedule of the City's OPEB Contributions (OP&F)..... | 115 |
| Notes to Required Supplementary Information | 117 |
| Schedule of Expenditures of Federal Awards..... | 119 |
| Notes to the Schedule of Expenditures of Federal Awards | 122 |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> | |
| | 123 |
| Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance..... | |
| | 125 |
| Schedule of Findings..... | 127 |
| Prepared by Management: | |
| Summary Schedule of Prior Audit Findings | 133 |
| Corrective Action Plan | 135 |

OHIO AUDITOR OF STATE KEITH FABER



101 Central Plaza South
700 Chase Tower
Canton, Ohio 44702-1509
(330) 438-0617 or (800) 443-9272
EastRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

City of Youngstown
Mahoning County
26 S. Phelps Street
Youngstown, Ohio 44503

To the City Council Members:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Youngstown, Mahoning County, Ohio (the City), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Qualified Opinions on Governmental Activities, Business Type Activities, General Fund, Water Fund, Sewer Fund, Environmental Sanitation Fund, and the Aggregate Remaining Fund Information

Ohio Revised Code §§ 743.04 and 729.52 delineate the allowable usage of funds received from the collection of water and sewer charges respectively. Ohio Revised Code § 5705.10(I) provides that money paid into any fund shall be used only for the purposes for which such fund was established.

During 2017 and 2018, the City granted various businesses a total of \$3,871,537, \$2,118,962 from the Water fund, \$1,602,575 from the Sewer fund, and \$150,000 from the Environmental Sanitation fund.

The City also expensed a total of \$19,176, \$9,588 from the Water fund and \$9,588 from the Sewer fund, for purposes not allowable from those funds.

All of these monies should have been expended from the General Fund. The adjustments required to properly record these expenditures are as follows:

| Fund | Fund Balance/ Net Position | Expenditure/Expense (Increase)/Decrease | Adjusted Fund Balance/ Net Position |
|-----------------------------|---------------------------------------|--|--|
| General | 3,729,836 | (3,890,713) | (160,877) |
| Water | 19,008,508 | 2,128,550 | 21,137,058 |
| Sewer | 44,865,454 | 1,612,163 | 46,477,617 |
| Environmental Sanitation | 2,686,423 | 150,000 | 2,836,423 |

This would decrease net position in the general fund by over 100%, increase net position in the Water fund by 11%, the Sewer fund by 4% and the Environmental Sanitation fund by 5%.

These adjustments would also result in an increased net position in the Business Type Activities and a decreased net position in the Governmental Activities of \$3,890,713.

Additionally, the City used Water fund resources to acquire assets of \$524,619 in the Water fund and Business Type Activities. However, these assets should belong to the Parks and Recreation fund. Therefore, Water fund and Business Type Activity capital assets are overstated, Water fund and Business Type Activity cash is understated, Governmental Activities capital assets are understated, cash is overstated and the aggregate remaining fund cash is overstated and expenditures are understated by \$524,619.

Management has declined to record these adjustments from 2017 and 2018 in their accounting records and the accompanying financial statements do not reflect them.

Qualified Opinions

In our opinion, except for the matters described in the *Basis for Qualified Opinions on Governmental Activities, Business Type Activities, General Fund, Water Fund, Sewer Fund, Environmental Sanitation Fund and the Aggregate Remaining Fund Information* paragraph above, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and the General, Water, Sewer, Environmental Sanitation funds and Aggregate Remaining Fund Information, of the City of Youngstown, Mahoning County, Ohio, as of December 31, 2018, and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Fire Levy, Police Levy, Covelli Centre, Capital Projects Public Works funds, of the City of Youngstown, Mahoning County, Ohio, as of December 31, 2018, and the respective changes in financial position thereof and the respective budgetary comparisons for the General, Fire Levy, Police Levy, and Covelli Centre funds, thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2018, the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. We did not modify our opinion regarding this matter.

Other Matters

The City has suffered recurring losses from operations and should have reported a GAAP basis fund balance deficiency of \$160,877 in the General Fund as of December 31, 2018. The City may require additional revenue or cost-cutting measures to continue paying its obligations when due. The notes to the financial statements do not disclose this matter; however this does not affect our opinion on these financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and schedules of net pension benefit liabilities and pension benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the City's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2019, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State

Columbus, Ohio

December 18, 2019

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
UNAUDITED**

The management's discussion and analysis of the City of Youngstown's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2018. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2018 are as follows:

- The total net position of the City increased \$796,397. Net position of governmental activities increased \$1,611,165 or 54.22% from 2017's restated net position and net position of business-type activities decreased \$814,768 or 1.20% from 2017's restated net position.
- General revenues accounted for \$53,305,306 or 65.94% of total governmental activities revenue. Program specific revenues accounted for \$27,538,491 or 34.06% of total governmental activities revenue.
- The City had \$79,132,632 in expenses related to governmental activities; \$27,538,491 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$51,594,141 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$53,305,306.
- The general fund had revenues and other financing sources of \$33,159,165 in 2018. This represents an increase of \$165,241 from 2017. The expenditures and other financing uses of the general fund, which totaled \$32,755,272 in 2018, decreased \$767,574 from 2017. The increase in fund balance to the basic financial statements was \$403,893 in the general fund at December 31, 2018.
- The fire levy fund had revenues and other financing sources of \$13,422,472 in 2018. This represents an increase of \$95,368 from 2017. The expenditures of the fire levy fund, which totaled \$13,302,382, in 2018, decreased \$412,748 from 2017. The increase in fund balance was \$120,090 in the fire levy fund at December 31, 2018.
- The police levy fund had revenues and other financing sources of \$17,719,734 in 2018. This represents a decrease of \$1,928,440 from 2017. The expenditures of the police levy fund, which totaled \$17,463,738 in 2018, decreased \$2,208,332 from 2017. The increase in fund balance was \$255,996 in the police levy fund at December 31, 2018.
- The Covelli Centre fund had revenues and other financing sources of \$1,091,473 in 2018. This represents a decrease of \$99,726 from 2017. The expenditures and other financing uses of the Covelli Centre fund, which totaled \$312,019 in 2018, increased \$115,727 from 2017. The increase in fund balance was \$779,454 in the Covelli Centre fund at December 31, 2018.
- The capital projects public works fund had revenues and other financing sources of \$3,572,715 in 2018. The expenditures of the capital projects public works fund totaled \$3,765,037 in 2018. The decrease in fund balance was \$192,322 in the capital projects public works fund at December 31, 2018.
- Net position for the business-type activities, which are made up of the sewer, water and environmental sanitation enterprise funds decreased in 2018 by \$814,768. The enterprise funds did not have adequate charges for services revenue to cover operating expenses.

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
UNAUDITED

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand the City as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and statement of activities provide information about the activities of the City, as a whole, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2018?" The statement of net position and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. The accrual basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's net position and changes in that position. This change in net position is important because it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Nonfinancial factors include the City's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required community programs and other factors.

In the statement of net position and the statement of activities, the City is divided into two distinct kinds of activities:

Governmental activities - Most of the City's programs and services are reported here including police, fire, street maintenance, parks and recreation, capital improvements and general administration. These services are funded primarily by property and income taxes and intergovernmental revenues including federal and state grants and other shared revenues.

Business-type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The City's sewer, water and environmental sanitation operations are reported here.

The City's statement of net position and statement of activities can be found on pages 19-22 of this report.

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
UNAUDITED

Reporting the City's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The analysis of the City's major governmental and proprietary funds begins on page 13.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, fire levy, police levy, Covelli Centre and capital projects public works funds. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 23-33 of this report.

Proprietary Funds

The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sewer, water and environmental sanitation operations. The sewer and water funds are considered major funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City's internal service fund accounts for worker's compensation insurance. The basic proprietary fund financial statements can be found on pages 34-43 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency funds are the City's only fiduciary fund type. The basic fiduciary fund financial statement can be found on page 44 of this report.

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
UNAUDITED

Notes to the Basic Financial Statements and Required Supplementary Information

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 45-104 of this report. This report also presents certain required supplementary information concerning the net pension liability. The required supplementary information can be found on pages 105-117 of this report.

Government-Wide Financial Analysis

The table below provides a summary of the City's net position for 2018 and 2017. The net position at December 31, 2017 has been restated as described in Note 3A.

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|------------------|--------------------------|------------------|---------------|------------------|
| | 2018 | Restated 2017 | 2018 | Restated 2017 | 2018 | Restated 2017 |
| <u>Assets</u> | | | | | | |
| Current and other assets | \$ 48,165,702 | \$ 41,627,831 | \$ 37,330,361 | \$ 41,515,434 | \$ 85,496,063 | \$ 83,143,265 |
| Capital assets, net | 110,329,305 | 108,488,433 | 112,238,381 | 80,879,430 | 222,567,686 | 189,367,863 |
| Total assets | 158,495,007 | 150,116,264 | 149,568,742 | 122,394,864 | 308,063,749 | 272,511,128 |
| <u>Deferred outflows of resources</u> | | | | | | |
| Unamortized deferred charges | 513,513 | 556,963 | - | - | 513,513 | 556,963 |
| Pension | 9,764,895 | 16,663,273 | 3,904,283 | 7,303,365 | 13,669,178 | 23,966,638 |
| OPEB | 5,135,456 | 215,210 | 1,071,595 | 114,519 | 6,207,051 | 329,729 |
| Total deferred outflows of resources | 15,413,864 | 17,435,446 | 4,975,878 | 7,417,884 | 20,389,742 | 24,853,330 |
| <u>Liabilities</u> | | | | | | |
| Current liabilities | 17,723,919 | 18,744,643 | 5,390,936 | 4,685,517 | 23,114,855 | 23,430,160 |
| Long-term liabilities: | | | | | | |
| Due within one year | 3,343,958 | 3,234,902 | 2,505,300 | 4,205,970 | 5,849,258 | 7,440,872 |
| Net pension liability | 62,013,045 | 71,631,015 | 13,786,279 | 18,609,193 | 75,799,324 | 90,240,208 |
| Net OPEB Liability | 53,806,980 | 46,961,326 | 9,149,292 | 7,920,716 | 62,956,272 | 54,882,042 |
| Other amounts | 22,261,508 | 21,150,357 | 52,716,987 | 26,321,348 | 74,978,495 | 47,471,705 |
| Total liabilities | 159,149,410 | 161,722,243 | 83,548,794 | 61,742,744 | 242,698,204 | 223,464,987 |
| <u>Deferred inflows of resources</u> | | | | | | |
| Property taxes | 1,452,901 | 1,447,901 | - | - | 1,452,901 | 1,447,901 |
| Payment in lieu of taxes | 3,825,000 | 3,922,500 | - | - | 3,825,000 | 3,922,500 |
| Pension | 8,506,538 | 3,430,845 | 3,339,671 | 280,642 | 11,846,209 | 3,711,487 |
| OPEB | 2,335,636 | - | 681,561 | - | 3,017,197 | - |
| Total deferred inflows of resources | 16,120,075 | 8,801,246 | 4,021,232 | 280,642 | 20,141,307 | 9,081,888 |
| <u>Net position</u> | | | | | | |
| Net investment in capital assets | 86,281,770 | 86,122,545 | 57,718,088 | 55,649,447 | 143,999,858 | 141,771,992 |
| Restricted | 15,806,049 | 11,160,524 | - | - | 15,806,049 | 11,160,524 |
| Unrestricted (deficit) | (103,448,433) | (100,254,848) | 9,256,506 | 12,139,915 | (94,191,927) | (88,114,933) |
| Total net position (deficit) | \$ (1,360,614) | \$ (2,971,779) | \$ 66,974,594 | \$ 67,789,362 | \$ 65,613,980 | \$ 64,817,583 |

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
UNAUDITED

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For 2018, the City adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability or net OPEB liability. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the City's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
UNAUDITED

In accordance with GASB 68 and GASB 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the City is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2017, from \$43,774,337 to (\$2,971,779) for governmental activities and \$75,595,559 to \$67,789,362 for business-type activities.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2018, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$65,613,980. At year-end, net position was (\$1,360,614) and \$66,974,594 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's net position. At year-end, capital assets represented 72.25% of total assets. Capital assets include land, buildings, improvement other than buildings, machinery and equipment, computer software, vehicles, infrastructure and construction in progress. Capital assets, net of related debt to acquire the assets at December 31, 2018, were \$86,281,770 and \$57,718,088 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$15,806,049, at December 31, 2018, represents resources that are subject to external restriction on how they may be used.

The table below shows the changes in net position for 2018 and 2017. The net position at December 31, 2017 has been restated as described in Note 3A.

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
UNAUDITED**

| | Change in Net Position | | | | | |
|--|-------------------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|
| | Governmental | | Business-type | | Total | |
| | Activities | | Activities | | | |
| | 2018 | Restated 2017 | 2018 | Restated 2017 | 2018 | Restated 2017 |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 9,755,778 | \$ 8,960,769 | \$ 66,583,637 | \$ 62,211,760 | \$ 76,339,415 | \$ 71,172,529 |
| Operating grants and contributions | 13,273,752 | 12,734,870 | - | - | 13,273,752 | 12,734,870 |
| Capital grants and contributions | 4,508,961 | 13,363,440 | - | - | 4,508,961 | 13,363,440 |
| Total program revenues | 27,538,491 | 35,059,079 | 66,583,637 | 62,211,760 | 94,122,128 | 97,270,839 |
| General revenues: | | | | | | |
| Property taxes | 1,458,895 | 1,550,271 | - | - | 1,458,895 | 1,550,271 |
| Income taxes | 44,844,233 | 42,625,930 | - | - | 44,844,233 | 42,625,930 |
| Unrestricted grants and entitlements | 3,497,344 | 3,861,458 | - | - | 3,497,344 | 3,861,458 |
| Payments in lieu of taxes | 2,749,295 | 7,996,072 | - | - | 2,749,295 | 7,996,072 |
| Investment earnings | 329,593 | 356,585 | - | - | 329,593 | 356,585 |
| Miscellaneous | 425,946 | 217,872 | 972,384 | 195,189 | 1,398,330 | 413,061 |
| Total general revenues | 53,305,306 | 56,608,188 | 972,384 | 195,189 | 54,277,690 | 56,803,377 |
| Total revenues | 80,843,797 | 91,667,267 | 67,556,021 | 62,406,949 | 148,399,818 | 154,074,216 |
| Expenses: | | | | | | |
| General government | 13,248,424 | 15,007,411 | - | - | 13,248,424 | 15,007,411 |
| Security of persons and property | 40,862,664 | 41,431,406 | - | - | 40,862,664 | 41,431,406 |
| Public health and welfare | 2,046,193 | 2,595,770 | - | - | 2,046,193 | 2,595,770 |
| Transportation | 9,816,850 | 10,340,341 | - | - | 9,816,850 | 10,340,341 |
| Community environment | 9,213,815 | 13,851,391 | - | - | 9,213,815 | 13,851,391 |
| Leisure time activity | 3,165,275 | 3,585,592 | - | - | 3,165,275 | 3,585,592 |
| Interest and fiscal charges | 779,411 | 717,118 | - | - | 779,411 | 717,118 |
| Sewer | - | - | 26,110,526 | 27,553,201 | 26,110,526 | 27,553,201 |
| Water | - | - | 35,828,912 | 36,139,723 | 35,828,912 | 36,139,723 |
| Environmental sanitation | - | - | 6,531,351 | 7,442,111 | 6,531,351 | 7,442,111 |
| Total expenses | 79,132,632 | 87,529,029 | 68,470,789 | 71,135,035 | 147,603,421 | 158,664,064 |
| Change in net position before transfers | 1,711,165 | 4,138,238 | (914,768) | (8,728,086) | 796,397 | (4,589,848) |
| Transfers | (100,000) | - | 100,000 | - | - | - |
| Change in net position | 1,611,165 | 4,138,238 | (814,768) | (8,728,086) | 796,397 | (4,589,848) |
| Net position (deficit) at beginning of year (restated) | (2,971,779) | N/A | 67,789,362 | N/A | 64,817,583 | N/A |
| Net position (deficit) at end of year | \$ (1,360,614) | \$ (2,971,779) | \$ 66,974,594 | \$ 67,789,362 | \$ 65,613,980 | \$ 64,817,583 |

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
UNAUDITED

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$329,729 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report OPEB expense of \$5,316,149.

Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
|--|------------------------------------|-------------------------------------|
| Total 2018 program expenses under GASB 75 | \$ 79,132,632 | \$ 68,470,789 |
| OPEB expense under GASB 75 | (4,357,188) | (958,961) |
| 2018 contractually required contributions | <u>96,144</u> | <u>5,900</u> |
| Adjusted 2018 program expenses | 74,871,588 | 67,517,728 |
| Total 2017 program expenses under GASB 45 | <u>87,529,029</u> | <u>71,135,035</u> |
| Decrease in program expenses not related to OPEB | <u>\$ (12,657,441)</u> | <u>\$ (3,617,307)</u> |

Governmental Activities

Governmental activities net position increased by \$1,611,165 in 2018. This increase is a result of the City's overall revenues exceeding its expenses.

Charges for services program revenues increased during 2018 as a result of increased services and fees associated with police and business development programs. Operating grants and contributions program revenues related to police programs increased during 2018 due to increased revenues from state and federal subsidies and other local sources.

Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$40,862,664 of the total expenses of the City during 2018. These expenses were partially funded by \$1,753,513 in direct charges to users of the services and \$3,380,681 in grants and contributions. General government expenses totaled \$13,248,424. General government expenses were partially funded by \$4,650,966 in direct charges to users of the services, and \$3,498,602 in grants and contributions.

During 2018, the state and federal government and other local sources contributed to the City a total of \$13,273,752 in operating grants and contributions and \$4,508,961 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$4,623,146 subsidized community environment programs, \$4,430,984 subsidized transportation programs, \$488,108 subsidized public health and welfare, \$3,380,681 subsidized security of persons and property programs, and \$328,626 subsidized leisure time activities. Of the total capital grants and contributions, \$1,023,566 subsidized community environment programs, \$9,000 subsidized leisure time activities and \$3,476,395 subsidized general government programs.

General revenues totaled \$53,305,306 and amounted to 65.94% of total governmental revenues during 2018. These revenues primarily consist of income tax revenue of \$44,844,233. The other primary source of general revenues is payments in lieu of taxes and grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$2,749,295 and \$3,497,344, respectively.

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
UNAUDITED

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

| | Governmental Activities | | | |
|----------------------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| | Total Cost of Services 2018 | Net Cost of Services 2018 | Total Cost of Services 2017 | Net Cost of Services 2017 |
| | <u>2018</u> | <u>2018</u> | <u>2017</u> | <u>2017</u> |
| Program Expenses: | | | | |
| General government | \$ 13,248,424 | \$ 5,098,856 | \$ 15,007,411 | \$ (106,169) |
| Security of persons and property | 40,862,664 | 35,728,470 | 41,431,406 | 37,612,846 |
| Public health and welfare | 2,046,193 | 1,239,900 | 2,595,770 | 1,725,280 |
| Transportation | 9,816,850 | 4,864,968 | 10,340,341 | 4,950,671 |
| Community environment | 9,213,815 | 1,152,190 | 13,851,391 | 5,463,845 |
| Leisure time activity | 3,165,275 | 2,730,346 | 3,585,592 | 2,106,359 |
| Interest and fiscal charges | <u>779,411</u> | <u>779,411</u> | <u>717,118</u> | <u>717,118</u> |
| Total | <u>\$ 79,132,632</u> | <u>\$ 51,594,141</u> | <u>\$ 87,529,029</u> | <u>\$ 52,469,950</u> |

The dependence upon general revenues for governmental activities is apparent, with 65.20% and 59.95% of expenses supported through taxes and other general revenues during 2018 and 2017, respectively.

Business-type Activities

Business-type activities include the sewer, water and environmental sanitation enterprise funds. These programs had program revenues of \$66,583,637, and general revenues of \$972,384 and expenses of \$68,470,789 for 2018.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at year end.

The City's governmental funds (as presented on the balance sheet on pages 23-24) reported a combined fund balance of \$3,779,084 which is \$5,926,614 higher than last year's deficit fund balance total of \$2,147,530. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2018 for all major and nonmajor governmental funds.

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
UNAUDITED

| | Fund Balances <u>12/31/18</u> | Fund Balances <u>12/31/17</u> | Increase (Decrease) |
|-------------------------------|----------------------------------|----------------------------------|------------------------|
| Major funds: | | | |
| General | \$ 3,729,836 | \$ 3,325,943 | \$ 403,893 |
| Fire levy | 341,963 | 221,873 | 120,090 |
| Police levy | 848,638 | 592,642 | 255,996 |
| Covelli centre | (7,830,180) | (8,609,634) | 779,454 |
| Capital projects public works | (5,840,114) | (5,647,792) | (192,322) |
| Nonmajor governmental funds | <u>12,528,941</u> | <u>7,969,438</u> | <u>4,559,503</u> |
| Total | <u>\$ 3,779,084</u> | <u>\$ (2,147,530)</u> | <u>\$ 5,926,614</u> |

General Fund

The City's general fund balance increased \$403,893 throughout the year. The table that follows assists in illustrating the revenues of the general fund.

| | 2018 <u>Amount</u> | 2017 <u>Amount</u> | Percentage <u>Change</u> |
|-----------------------------|-----------------------|-----------------------|-----------------------------|
| <u>Revenues</u> | | | |
| Income taxes | \$ 23,098,935 | \$ 22,990,421 | 0.47 % |
| Charges for services | 4,100,656 | 4,193,277 | (2.21) % |
| Licenses and permits | 438,091 | 490,429 | (10.67) % |
| Fines and forfeitures | 490,177 | 484,764 | 1.12 % |
| Intergovernmental | 3,275,874 | 3,246,227 | 0.91 % |
| Investment income | 329,528 | 357,468 | (7.82) % |
| Rental income | 199,136 | 294,394 | (32.36) % |
| Contributions and donations | 2,415 | - | 100.00 % |
| Other | <u>1,222,185</u> | <u>936,477</u> | 30.51 % |
| Total | <u>\$ 33,156,997</u> | <u>\$ 32,993,457</u> | 0.50 % |

Income tax revenue represents 69.67% of all general fund revenue and increased by 0.47% in 2018. Charges for services revenue decreased 2.21%. Fines and forfeitures related to court costs and parking fines increased by 1.12% during 2018 and licenses and permits revenues decreased by 10.67%. Intergovernmental revenue increased by 0.91% during 2018 and rental income decreased 32.36%. Lastly, other revenues increased by 30.51% in 2018 from miscellaneous rebates, refunds and reimbursements.

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
UNAUDITED

The table that follows assists in illustrating the expenditures of the general fund.

| | 2018 <u>Amount</u> | 2017 <u>Amount</u> | Percentage <u>Change</u> |
|----------------------------------|-----------------------|-----------------------|-----------------------------|
| <u>Expenditures</u> | | | |
| General government | \$ 11,469,072 | \$ 12,182,011 | (5.85) % |
| Security of persons and property | 2,592,243 | 2,873,163 | (9.78) % |
| Public health and welfare | 1,315,929 | 1,587,491 | (17.11) % |
| Community environment | 745,925 | 802,830 | (7.09) % |
| Leisure time activity | <u>193,403</u> | <u>189,351</u> | 2.14 % |
| Total | <u>\$ 16,316,572</u> | <u>\$ 17,634,846</u> | (7.48) % |

Expenditures decreased during 2018 due to overall reductions in the City's spending.

Fire Levy Fund

The fire levy fund had revenues and other financing sources of \$13,422,472 in 2018. This represents an increase of \$95,368 from 2017. The expenditures of the fire levy fund, which totaled \$13,302,382, in 2018, decreased \$412,748 from 2017. The increase in fund balance was \$120,090 in the fire levy fund at December 31, 2018.

Police Levy Fund

The police levy fund had revenues and other financing sources of \$17,719,734 in 2018. This represents an increase of \$1,928,440 from 2017. The expenditures of the police levy fund, which totaled \$17,463,738 in 2018, decreased \$2,208,332 from 2017. The increase in fund balance was \$255,996 in the police levy fund at December 31, 2018.

Covelli Centre Fund

The Covelli Centre fund had revenues and other financing sources of \$1,091,473 in 2018. This represents a decrease of \$99,726 from 2017. The expenditures and other financing uses of the Covelli Centre fund, which totaled \$312,019 in 2018, increased \$115,727 from 2017. The increase in fund balance was \$779,454 in the Covelli Centre fund at December 31, 2018. The fund balance deficit of \$7,830,180 is a result of reporting a note payable in the amount of \$8,360,000 as a fund liability.

Capital Projects Public Works Fund

The capital projects public works fund had revenues and other financing sources of \$3,572,715 in 2018. The expenditures of the capital projects public works fund totaled \$3,765,037 in 2018. The decrease in fund balance was \$192,322 in the capital projects public works fund at December 31, 2018. This is a result of capital outlay for various City capital and maintenance projects. The fund balance deficit of \$5,840,114 is a result of reporting a note payable in the amount of \$5,600,000 as a fund liability.

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
UNAUDITED

Budgeting Highlights

The City's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the City's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission accordance with the ORC. Therefore, the City's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

Budgetary information is presented for the general fund, fire levy, police levy and Covelli Centre fund. In the general fund, actual expenditures and other financing uses of \$33,064,746 came in \$1,078,097 lower than final budgeted expenditures of \$34,142,843. Original budgeted revenues and other financing sources of \$36,923,185 were increased by \$1,338,117 to \$38,261,302 in the final budgeted revenues. Actual revenues and other financing sources were \$37,087,697 which were \$1,173,605 lower than final budgeted revenues.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail. The only difference between the amounts reported as business-type activities and the amounts reported in the proprietary fund statements are interfund eliminations between proprietary funds and internal balances due to governmental activities for internal service activities. The only interfund activity reported in the government wide statements are those between business-type activities and governmental activities (reported as internal balances and transfers) whereas interfund amounts between various enterprise funds are reported in the proprietary fund statements.

Capital Assets and Debt Administration

Capital Assets

At the end of 2018, the City had \$222,567,686 (net of accumulated depreciation) invested in land, buildings, improvements other than buildings (I.O.T.B.), machinery and equipment, computer software, vehicles, infrastructure and construction in progress (CIP). Of this total, \$110,329,305 was reported in governmental activities and \$112,238,381 was reported in business-type activities. The following table shows 2018 balances compared to 2017:

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------|-------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Land | \$ 14,516,203 | \$ 14,516,203 | \$ 1,259,130 | \$ 1,185,445 | \$ 15,775,333 | \$ 15,701,648 |
| Construction in progress | 5,174,297 | 12,936,972 | 34,773,107 | 3,647,146 | 39,947,404 | 16,584,118 |
| Buildings | 39,503,688 | 31,247,554 | 34,690,628 | 35,995,630 | 74,194,316 | 67,243,184 |
| I.O.T.B. | 3,272,604 | 3,548,024 | 1,269,141 | 676,322 | 4,541,745 | 4,224,346 |
| Machinery and equipment | 3,415,232 | 3,734,908 | 5,784,787 | 6,289,272 | 9,200,019 | 10,024,180 |
| Computer software | 21,134 | 1,951 | 169,874 | 221,193 | 191,008 | 223,144 |
| Vehicles | 2,000,360 | 2,093,022 | 4,523,356 | 4,643,996 | 6,523,716 | 6,737,018 |
| Infrastructure | 42,425,787 | 40,409,799 | 29,768,358 | 28,220,426 | 72,194,145 | 68,630,225 |
| Totals | \$ 110,329,305 | \$ 108,488,433 | \$ 112,238,381 | \$ 80,879,430 | \$ 222,567,686 | \$ 189,367,863 |

The City's largest governmental activities capital asset categories are buildings and infrastructure. The net book value of the City's buildings and infrastructure (cost less accumulated depreciation) represents approximately 35.81% and 38.45% of the City's total governmental capital assets at December 31, 2018, respectively.

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
UNAUDITED

The City's largest business-type capital asset category is buildings. The net book value (cost less accumulated depreciation) of the City's buildings represents approximately 30.91% of the City's total business-type activities capital assets. The City's second largest business-type capital asset category is infrastructure, which primarily includes water and sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's utility lines (cost less accumulated depreciation) represents approximately 26.52% of the City's total business-type activities capital assets. See Note 10 to the basic financial statements for further detail on capital assets.

Debt Administration

The City had the following short-term and long-term debt obligations outstanding at December 31, 2018 and 2017:

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | |
|-------------------------------------|--------------------------------|----------------------|---------------------------------|----------------------|
| | <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> |
| General obligation bonds | \$ 10,631,000 | \$ 11,748,000 | \$ - | \$ - |
| Short-term notes payable | 13,960,000 | 14,860,000 | 500,000 | 900,000 |
| OWDA loans | - | - | 47,117,034 | 19,817,457 |
| HUD 108 loan | 4,100,000 | 150,000 | - | - |
| OPWC loan | 150,002 | 171,430 | 2,976,828 | 3,155,469 |
| Capital lease obligation | 2,121,899 | 2,133,479 | 2,847,742 | 3,229,742 |
| ODOT State infrastructure bank loan | - | - | 280,448 | 552,667 |
| Total long-term obligations | <u>\$ 30,962,901</u> | <u>\$ 29,062,909</u> | <u>\$ 53,722,052</u> | <u>\$ 27,655,335</u> |

See Note 12 to the basic financial statements for further detail on the City's long-term obligations outstanding at year end and Note 13 to the basic financial statements for the City's short-term note obligations outstanding at year end.

Economic Conditions and Outlook

The City's administration considered the impact of various economic factors when establishing the 2018 budget. The economy in Youngstown was decimated during the last quarter century due to the collapse of its principal industry, iron and steel production. The City is working hard to build on the success of the last few years and leave its big industry past behind by continuing to aggressively pursue small light industrial and commercial development. So far, more than 11,000 new jobs have been created, with additional job opportunities anticipated as various development agreements are secured. A working example is the Youngstown Business Incubator's \$5.5 million take over and renovation of the 60,000 square foot Vindicator office building completed in the Fall of 2018 with estimated workforce increase of 110 full-time employees.

Over the past several years, the City has twice received SBA leadership awards for small business development and is continuing its efforts to locate and grow new industry in Youngstown. Nevertheless, the City continues to lose population and unemployment remains above the national average for 2018. The primary objectives of the City include aggressive investments in new development, a commitment to job creation, a continued emphasis on fiscal stability, as well as improving the quality of life for its citizens.

At the end of 2018 the City of Youngstown had a total net position of \$65,613,980. The City's fortunate financial position is largely due to three factors: aggressive cost containment, steady income tax collections, and employee reductions through buyouts and attrition.

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
UNAUDITED**

Under the leadership of Mayor Jamael Tito Brown, the City has begun to develop a new comprehensive plan that builds upon the 2010 blueprint started by the prior Administration. Youngstown has come through its dependence on just one industry and is moving forward. Furthermore, the City continues to revitalize its economy, improve its quality of life and strengthen its future.

The City's current financial position is at risk but remains tentatively balanced. Let there be no doubt, the City's core mission is straightforward: to continue with conservative budgeting practices, to stimulate economic growth, to create new and better jobs, and to ensure that Youngstown continues to embark on the path of steady growth. The City will continue to right itself relative to revenues and expenditures. For these reasons, as we slowly exit the most troubling period the economy has experienced since the 1930s, the City expects the actions undertaken by management will be successful in maintaining balanced operations through the end of 2019.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Mr. Kyle Miasek, Finance Director, City of Youngstown, and 26 S. Phelps Street, Youngstown, Ohio 44503.

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

STATEMENT OF NET POSITION
DECEMBER 31, 2018

| | Governmental Activities | Business-type Activities | Total |
|--|------------------------------------|-------------------------------------|--------------------|
| Assets: | | | |
| Equity in pooled cash and cash equivalents . . . | \$ 17,865,687 | \$ 19,823,258 | \$ 37,688,945 |
| Receivables: | | | |
| Income taxes. | 14,755,525 | - | 14,755,525 |
| Real and other local taxes | 2,308,650 | - | 2,308,650 |
| Payment in lieu of taxes. | 3,825,000 | - | 3,825,000 |
| Accounts. | 733,515 | 10,962,434 | 11,695,949 |
| Special assessments | 273,536 | 1,860,404 | 2,133,940 |
| Notes receivable. | 1,250,000 | - | 1,250,000 |
| Accrued interest | 3,839 | - | 3,839 |
| Due from other funds | - | 53,873 | 53,873 |
| Loans receivable. | - | 1,755,352 | 1,755,352 |
| Due from other governments. | 7,352,328 | - | 7,352,328 |
| Internal balance | (721,082) | 721,082 | - |
| Materials and supplies inventory. | 464,777 | 2,097,891 | 2,562,668 |
| Net pension asset. | 53,927 | 56,067 | 109,994 |
| Capital assets: | | | |
| Nondepreciable capital assets. | 19,690,500 | 36,032,237 | 55,722,737 |
| Depreciable capital assets, net. | 90,638,805 | 76,206,144 | 166,844,949 |
| Total capital assets, net. | <u>110,329,305</u> | <u>112,238,381</u> | <u>222,567,686</u> |
| Total assets | <u>158,495,007</u> | <u>149,568,742</u> | <u>308,063,749</u> |
| Deferred outflows of resources: | | | |
| Unamortized deferred charges on debt refunding . | 513,513 | - | 513,513 |
| Pension | 9,764,895 | 3,904,283 | 13,669,178 |
| OPEB | 5,135,456 | 1,071,595 | 6,207,051 |
| Total deferred outflows of resources | <u>15,413,864</u> | <u>4,975,878</u> | <u>20,389,742</u> |
| Liabilities: | | | |
| Accounts payable. | 1,035,876 | 1,524,104 | 2,559,980 |
| Contracts payable. | 1,578,418 | 1,636,783 | 3,215,201 |
| Accrued wages payable | 798,359 | 251,446 | 1,049,805 |
| Due to other governments | 202,196 | 1,163,878 | 1,366,074 |
| Accrued interest payable | 149,070 | 314,725 | 463,795 |
| Notes payable. | 13,960,000 | 500,000 | 14,460,000 |
| Long-term liabilities: | | | |
| Due within one year | 3,343,958 | 2,505,300 | 5,849,258 |
| Due greater than one year: | | | |
| Net pension liability | 62,013,045 | 13,786,279 | 75,799,324 |
| Net OPEB liability | 53,806,980 | 9,149,292 | 62,956,272 |
| Other amounts due in more than one year . | 22,261,508 | 52,716,987 | 74,978,495 |
| Total liabilities. | <u>159,149,410</u> | <u>83,548,794</u> | <u>242,698,204</u> |
| Deferred inflows of resources: | | | |
| Property taxes levied for the next year | 1,452,901 | - | 1,452,901 |
| Payment in lieu of taxes levied for the next year. | 3,825,000 | - | 3,825,000 |
| Pension | 8,506,538 | 3,339,671 | 11,846,209 |
| OPEB | 2,335,636 | 681,561 | 3,017,197 |
| Total deferred inflows of resources | <u>16,120,075</u> | <u>4,021,232</u> | <u>20,141,307</u> |

- (Continued)

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

STATEMENT OF NET POSITION - (Continued)
DECEMBER 31, 2018

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|--|------------------------------------|-------------------------------------|----------------------|
| Net position: | | | |
| Net investment in capital assets | \$ 86,281,770 | \$ 57,718,088 | \$ 143,999,858 |
| Restricted for: | | | |
| Debt service | 3,565,617 | - | 3,565,617 |
| Capital projects | 3,940,173 | - | 3,940,173 |
| Community development | 3,949,722 | - | 3,949,722 |
| Street maintenance and repair | 1,746,839 | - | 1,746,839 |
| Law enforcement | 2,357,063 | - | 2,357,063 |
| Public health and welfare | 206,666 | - | 206,666 |
| Unclaimed monies | 39,969 | - | 39,969 |
| Unrestricted (deficit) | <u>(103,448,433)</u> | <u>9,256,506</u> | <u>(94,191,927)</u> |
| Total net position (deficit) | <u>\$ (1,360,614)</u> | <u>\$ 66,974,594</u> | <u>\$ 65,613,980</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

| | Expenses | Charges for Services and Sales | Program Revenues | |
|--|-----------------------|-----------------------------------|---------------------------------------|-------------------------------------|
| | | | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental activities: | | | | |
| Current: | | | | |
| General government | \$ 13,248,424 | \$ 4,650,966 | \$ 22,207 | \$ 3,476,395 |
| Security of persons and property . . . | 40,862,664 | 1,753,513 | 3,380,681 | - |
| Public health and welfare | 2,046,193 | 318,185 | 488,108 | - |
| Transportation | 9,816,850 | 520,898 | 4,430,984 | - |
| Community environment | 9,213,815 | 2,414,913 | 4,623,146 | 1,023,566 |
| Leisure time activity | 3,165,275 | 97,303 | 328,626 | 9,000 |
| Interest and fiscal charges | 779,411 | - | - | - |
| Total governmental activities | <u>79,132,632</u> | <u>9,755,778</u> | <u>13,273,752</u> | <u>4,508,961</u> |
| Business-type activities: | | | | |
| Sewer | 26,110,526 | 26,934,672 | - | - |
| Water | 35,828,912 | 32,599,504 | - | - |
| Environmental sanitation | <u>6,531,351</u> | <u>7,049,461</u> | <u>-</u> | <u>-</u> |
| Total business-type activities | <u>68,470,789</u> | <u>66,583,637</u> | <u>-</u> | <u>-</u> |
| Total primary government | <u>\$ 147,603,421</u> | <u>\$ 76,339,415</u> | <u>\$ 13,273,752</u> | <u>\$ 4,508,961</u> |

General revenues:

| |
|---|
| Property taxes levied for: |
| Debt service |
| Special revenue |
| Income taxes levied for: |
| General purposes |
| Fire levy |
| Police levy |
| Capital projects |
| Payment in lieu of taxes |
| Grants and entitlements not restricted to specific programs |
| Investment earnings |
| Miscellaneous |
| Total general revenues |
| Transfers |
| Change in net position |
| Net position (deficit) at beginning of year (restated) |
| Net position (deficit) at end of year. |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue
and Changes in Net Position**

| Governmental Activities | Business-type Activities | Total |
|------------------------------------|-------------------------------------|----------------------|
| \$ (5,098,856) | \$ - | \$ (5,098,856) |
| (35,728,470) | - | (35,728,470) |
| (1,239,900) | - | (1,239,900) |
| (4,864,968) | - | (4,864,968) |
| (1,152,190) | - | (1,152,190) |
| (2,730,346) | - | (2,730,346) |
| (779,411) | - | (779,411) |
| <u>(51,594,141)</u> | <u>-</u> | <u>(51,594,141)</u> |
| - | 824,146 | 824,146 |
| - | (3,229,408) | (3,229,408) |
| - | 518,110 | 518,110 |
| <u>-</u> | <u>(1,887,152)</u> | <u>(1,887,152)</u> |
| <u>(51,594,141)</u> | <u>(1,887,152)</u> | <u>(53,481,293)</u> |
| 1,232,635 | - | 1,232,635 |
| 226,260 | - | 226,260 |
| 24,251,703 | - | 24,251,703 |
| 6,794,156 | - | 6,794,156 |
| 9,065,495 | - | 9,065,495 |
| 4,732,879 | - | 4,732,879 |
| 2,749,295 | - | 2,749,295 |
| 3,497,344 | - | 3,497,344 |
| 329,593 | - | 329,593 |
| 425,946 | 972,384 | 1,398,330 |
| <u>53,305,306</u> | <u>972,384</u> | <u>54,277,690</u> |
| <u>(100,000)</u> | <u>100,000</u> | <u>-</u> |
| 1,611,165 | (814,768) | 796,397 |
| <u>(2,971,779)</u> | <u>67,789,362</u> | <u>64,817,583</u> |
| <u>\$ (1,360,614)</u> | <u>\$ 66,974,594</u> | <u>\$ 65,613,980</u> |

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

| | General | Fire Levy | Police Levy | Covelli Centre |
|---|----------------------|----------------------|------------------------|---------------------------|
| Assets: | | | | |
| Equity in pooled cash and cash equivalents . . . | \$ - | \$ 230,635 | \$ 238,854 | \$ 560,520 |
| Receivables: | | | | |
| Income taxes. | 7,969,296 | 2,238,978 | 2,987,531 | - |
| Real and other local taxes | - | - | - | 25,441 |
| Payment in lieu of taxes | - | - | - | - |
| Accounts. | 683,069 | - | - | 28,789 |
| Special assessments | 1,662 | - | - | - |
| Notes receivable | 1,250,000 | - | - | - |
| Accrued interest | 3,839 | - | - | - |
| Due from other governments. | 739,614 | 330,317 | 240,018 | - |
| Interfund loans. | 330,000 | - | - | - |
| Advances to other funds | 451,400 | - | - | - |
| Materials and supplies inventory. | 595 | 560 | 31,316 | - |
| Total assets | \$ 11,429,475 | \$ 2,800,490 | \$ 3,497,719 | \$ 614,750 |
| Liabilities: | | | | |
| Accounts payable. | \$ 141,906 | \$ 114,948 | \$ 58,476 | \$ 3,300 |
| Contracts payable. | - | - | - | - |
| Accrued wages payable | 162,342 | 271,494 | 297,069 | - |
| Compensated absences payable | 3,559 | 40,868 | - | - |
| Interfund loans payable. | 306,873 | - | - | - |
| Advances from other funds. | - | - | - | - |
| Due to other governments | 41,807 | 69,096 | 62,438 | - |
| Accrued interest payable | - | - | - | 81,630 |
| Notes payable. | - | - | - | 8,360,000 |
| Total liabilities | 656,487 | 496,406 | 417,983 | 8,444,930 |
| Deferred inflows of resources: | | | | |
| Property taxes levied for the next year. | - | - | - | - |
| Payment in lieu of taxes levied for the next year | - | - | - | - |
| Delinquent property tax revenue not available. | - | - | - | - |
| Accrued interest not available | 3,839 | - | - | - |
| Special assessments revenue not available. | 1,662 | - | - | - |
| Miscellaneous revenue not available. | 607,290 | - | - | - |
| Income tax revenue not available | 5,951,498 | 1,672,076 | 2,231,098 | - |
| Intergovernmental nonexchange transactions | 478,863 | 290,045 | - | - |
| Total deferred inflows of resources | 7,043,152 | 1,962,121 | 2,231,098 | - |
| Fund balances: | | | | |
| Nonspendable | 471,379 | 560 | 31,316 | - |
| Restricted. | - | 341,403 | 817,322 | - |
| Committed | - | - | - | - |
| Assigned. | 470,353 | - | - | - |
| Unassigned (deficit) | 2,788,104 | - | - | (7,830,180) |
| Total fund balances. | 3,729,836 | 341,963 | 848,638 | (7,830,180) |
| Total liabilities, deferred inflows of resources and fund balances | \$ 11,429,475 | \$ 2,800,490 | \$ 3,497,719 | \$ 614,750 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

| Capital Projects Public Works | Other Governmental Funds | Total Governmental Funds |
|--|---|---|
| \$ 696,248 | \$ 13,059,379 | \$ 14,785,636 |
| - | 1,559,720 | 14,755,525 |
| - | 2,283,209 | 2,308,650 |
| - | 3,825,000 | 3,825,000 |
| - | 21,657 | 733,515 |
| - | 271,874 | 273,536 |
| - | - | 1,250,000 |
| - | - | 3,839 |
| 7,053 | 6,035,326 | 7,352,328 |
| - | - | 330,000 |
| - | - | 451,400 |
| - | 432,306 | 464,777 |
| <u>\$ 703,301</u> | <u>\$ 27,488,471</u> | <u>\$ 46,534,206</u> |
| \$ - | \$ 717,246 | \$ 1,035,876 |
| 575,211 | 1,003,207 | 1,578,418 |
| - | 67,454 | 798,359 |
| - | - | 44,427 |
| 325,000 | 5,000 | 636,873 |
| - | 451,400 | 451,400 |
| - | 25,414 | 198,755 |
| 43,204 | - | 124,834 |
| 5,600,000 | - | 13,960,000 |
| <u>6,543,415</u> | <u>2,269,721</u> | <u>18,828,942</u> |
| - | 1,452,901 | 1,452,901 |
| - | 3,825,000 | 3,825,000 |
| - | 830,308 | 830,308 |
| - | - | 3,839 |
| - | 271,874 | 273,536 |
| - | 1,200 | 608,490 |
| - | 1,164,805 | 11,019,477 |
| - | 5,143,721 | 5,912,629 |
| <u>-</u> | <u>12,689,809</u> | <u>23,926,180</u> |
| - | 432,306 | 935,561 |
| - | 12,091,095 | 13,249,820 |
| - | 64,642 | 64,642 |
| - | - | 470,353 |
| (5,840,114) | (59,102) | (10,941,292) |
| <u>(5,840,114)</u> | <u>12,528,941</u> | <u>3,779,084</u> |
| <u>\$ 703,301</u> | <u>\$ 27,488,471</u> | <u>\$ 46,534,206</u> |

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2018

| | | |
|---|---------------|-----------------------|
| Total governmental fund balances | | \$ 3,779,084 |
| <i>Amounts reported for governmental activities on the statement of net position are different because:</i> | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | 110,329,305 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds. | | |
| Income taxes receivable | \$ 11,019,477 | |
| Real and other taxes receivable | 830,308 | |
| Accounts receivable | 608,490 | |
| Intergovernmental receivable | 5,912,629 | |
| Special assessments receivable | 273,536 | |
| Accrued interest receivable | 3,839 | |
| Total | | 18,648,279 |
| Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds. | | (24,236) |
| Unamortized deferred amounts on refundings are not recognized in the governmental funds. | | 513,513 |
| The net pension asset is not available to pay for current period expenditures and the net pension liability does not require the use of current period net resources; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds. | | |
| Net pension asset | 53,927 | |
| Deferred outflows of resources | 9,764,895 | |
| Deferred inflows of resources | (8,506,538) | |
| Net pension liability | (62,013,045) | |
| Total | | (60,700,761) |
| The net OPEB liability does not require the use of current period net resources; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds. | | |
| Deferred outflows of resources | 5,135,456 | |
| Deferred inflows of resources | (2,335,636) | |
| Net OPEB liability | (53,806,980) | |
| Total | | (51,007,160) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | | |
| Compensated absences | (6,475,230) | |
| General obligation refunding bonds | (10,631,000) | |
| HUD Section 108 loans | (4,100,000) | |
| OPWC loan | (150,002) | |
| Capital lease obligation | (2,121,899) | |
| Total | | (23,478,131) |
| Internal service funds are used by management to charge the costs of workers' compensation to individual funds. The assets and liabilities of the internal service funds are included in governmental activities on the statement of net position. | | 993,702 |
| An internal balance is recorded in governmental activities to reflect overpayments to the internal service fund by the business-type activities. | | (414,209) |
| Net position of governmental activities | | \$ (1,360,614) |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

| | <u>General</u> | <u>Fire Levy</u> | <u>Police Levy</u> | <u>Covelli Centre</u> |
|---|---------------------|----------------------|------------------------|---------------------------|
| Revenues: | | | | |
| Income taxes | \$ 23,098,935 | \$ 6,483,930 | \$ 8,651,648 | \$ - |
| Real and other local taxes. | - | - | - | 226,260 |
| Charges for services. | 4,100,656 | - | 116,472 | 305,156 |
| Licenses and permits | 438,091 | - | 1,177 | - |
| Fines and forfeitures | 490,177 | - | 2,326 | - |
| Intergovernmental. | 3,275,874 | 406,204 | 966,398 | - |
| Special assessments | 217,409 | - | - | - |
| Investment income. | 329,528 | - | - | - |
| Rental income | 199,136 | - | 51,817 | - |
| Contributions and donations. | 2,415 | - | - | - |
| Franchise fees | 578,831 | - | - | - |
| Payment in lieu of taxes | - | - | - | - |
| Other. | 425,945 | 288,680 | 206,919 | 10,057 |
| Total revenues | <u>33,156,997</u> | <u>7,178,814</u> | <u>9,996,757</u> | <u>541,473</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 11,469,072 | - | - | - |
| Security of persons and property | 2,592,243 | 13,214,679 | 17,263,518 | - |
| Public health and welfare. | 1,315,929 | - | - | - |
| Transportation | - | - | - | - |
| Community environment | 745,925 | - | - | 52,250 |
| Leisure time activity | 193,403 | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service: | | | | |
| Principal retirement. | - | 72,690 | 140,711 | - |
| Interest and fiscal charges | - | 15,013 | 59,509 | 238,389 |
| Total expenditures | <u>16,316,572</u> | <u>13,302,382</u> | <u>17,463,738</u> | <u>290,639</u> |
| Excess (deficiency) of revenues over (under) expenditures. | <u>16,840,425</u> | <u>(6,123,568)</u> | <u>(7,466,981)</u> | <u>250,834</u> |
| Other financing sources (uses): | | | | |
| Loan issuance | - | - | - | - |
| Sale of capital assets. | 2,168 | 10,238 | 5,977 | - |
| Capital lease transaction. | - | - | - | - |
| Transfers in | - | 6,233,420 | 7,717,000 | 550,000 |
| Transfers (out). | (16,438,700) | - | - | (21,380) |
| Total other financing sources (uses) | <u>(16,436,532)</u> | <u>6,243,658</u> | <u>7,722,977</u> | <u>528,620</u> |
| Net change in fund balances | 403,893 | 120,090 | 255,996 | 779,454 |
| Fund balances (deficits) at beginning of year . | <u>3,325,943</u> | <u>221,873</u> | <u>592,642</u> | <u>(8,609,634)</u> |
| Fund balances (deficits) at end of year | <u>\$ 3,729,836</u> | <u>\$ 341,963</u> | <u>\$ 848,638</u> | <u>\$ (7,830,180)</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

| Capital Projects Public Works | Other Governmental Funds | Total Governmental Funds |
|--|---|---|
| \$ - | \$ 4,516,820 | \$ 42,751,333 |
| - | 1,448,034 | 1,674,294 |
| - | 578,603 | 5,100,887 |
| - | 1,310 | 440,578 |
| - | 301,923 | 794,426 |
| 3,476,395 | 11,179,810 | 19,304,681 |
| - | - | 217,409 |
| - | - | 329,528 |
| - | 1,468,273 | 1,719,226 |
| - | - | 2,415 |
| - | - | 578,831 |
| - | 2,749,295 | 2,749,295 |
| - | 1,729,374 | 2,660,975 |
| <u>3,476,395</u> | <u>23,973,442</u> | <u>78,323,878</u> |
| - | 145,782 | 11,614,854 |
| - | 1,303,187 | 34,373,627 |
| - | 572,865 | 1,888,794 |
| - | 7,107,672 | 7,107,672 |
| - | 6,952,060 | 7,750,235 |
| - | 2,439,040 | 2,632,443 |
| 3,654,277 | 5,490,946 | 9,145,223 |
| - | 1,248,843 | 1,462,244 |
| 110,760 | 315,030 | 738,701 |
| <u>3,765,037</u> | <u>25,575,425</u> | <u>76,713,793</u> |
| <u>(288,642)</u> | <u>(1,601,983)</u> | <u>1,610,085</u> |
| - | 4,000,000 | 4,000,000 |
| - | 135,910 | 154,293 |
| - | 262,236 | 262,236 |
| 96,320 | 6,778,602 | 21,375,342 |
| - | (5,015,262) | (21,475,342) |
| <u>96,320</u> | <u>6,161,486</u> | <u>4,316,529</u> |
| (192,322) | 4,559,503 | 5,926,614 |
| (5,647,792) | 7,969,438 | (2,147,530) |
| <u>\$ (5,840,114)</u> | <u>\$ 12,528,941</u> | <u>\$ 3,779,084</u> |

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

Net change in fund balances - total governmental funds \$ 5,926,614

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period these amounts are:

| | | |
|---------------------------|------------------|-----------|
| Capital asset additions | \$ 6,885,622 | |
| Current year depreciation | (4,990,747) | |
| Total | 1,894,875 | 1,894,875 |

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (54,003)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

| | | |
|----------------------------|------------------|-----------|
| Income taxes | 2,092,900 | |
| Real and other taxes | (215,399) | |
| Intergovernmental revenues | 687,635 | |
| Special assessments | 149 | |
| Investment income | 65 | |
| Charges for services | (51,922) | |
| Franchise fees | 5,291 | |
| Rental income | 1,200 | |
| Total | 2,519,919 | 2,519,919 |

The loan proceeds and capital lease transaction provides current financial resources to governmental funds, but in the statement of net position, the debt is reported as a liability. (4,262,236)

Payment of long-term obligations is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of:

| | | |
|--|------------------|-----------|
| General obligation refunding bond principal payments | 1,117,000 | |
| HUD Section 108 loan principal payments | 50,000 | |
| OPWC loan principal payments | 21,428 | |
| Capital lease obligation principal payments | 273,816 | |
| Total | 1,462,244 | 1,462,244 |

In the statement of activities, accrued interest on outstanding bonds and the deferred charges on debt refundings are amortized over the term of the bonds, whereas in governmental funds, other financing sources (uses) are reported when bonds are issued:

| | | |
|--|-----------------|----------|
| Accrued interest payable | 2,740 | |
| Amortization of deferred charge on refunding | (43,450) | |
| Total | (40,710) | (40,710) |

-- (Continued)

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018

Contractually required pension/OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.

| | |
|---------|--------------|
| Pension | \$ 5,294,328 |
| OPEB | 96,144 |

Except for amounts reported as deferred inflows/outflows, changes in the net pension asset/liability and net OPEB liability are reported as pension/OPEB expense in the statement of activities.

| | |
|---------|-------------|
| Pension | (7,619,440) |
| OPEB | (4,357,188) |

Some items reported as expenses in the statement of activities, such as compensated absences, do not require the use of current financial resources and, therefore, are not reported as expenditures.

18,062

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.

732,556

Change in net position of governmental activities

\$ 1,611,165

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Income taxes | \$ 22,830,035 | \$ 23,635,000 | \$ 23,106,604 | \$ (528,396) |
| Charges for services. | 3,906,416 | 4,040,000 | 3,834,928 | (205,072) |
| Licenses and permits | 291,817 | 302,000 | 292,339 | (9,661) |
| Fines and forfeitures | 485,767 | 502,402 | 477,554 | (24,848) |
| Intergovernmental. | 3,246,317 | 3,560,500 | 3,277,984 | (282,516) |
| Special assessments | 222,427 | 230,000 | 217,409 | (12,591) |
| Investment income. | 333,091 | 345,000 | 341,888 | (3,112) |
| Rental income | 193,063 | 200,000 | 199,136 | (864) |
| Contributions and donations. | - | 3,400 | 2,400 | (1,000) |
| Franchise fees | 559,837 | 580,000 | 578,831 | (1,169) |
| Other. | 244,415 | 253,000 | 246,456 | (6,544) |
| Total revenues | <u>32,313,185</u> | <u>33,651,302</u> | <u>32,575,529</u> | <u>(1,075,773)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 11,673,068 | 12,155,252 | 11,601,344 | 553,908 |
| Security of persons and property | 1,386,000 | 1,326,000 | 1,267,527 | 58,473 |
| Public health and welfare. | 1,422,976 | 1,447,622 | 1,338,469 | 109,153 |
| Community environment | 760,086 | 999,269 | 767,706 | 231,563 |
| Total expenditures. | <u>15,242,130</u> | <u>15,928,143</u> | <u>14,975,046</u> | <u>953,097</u> |
| Excess of revenues over expenditures | <u>17,071,055</u> | <u>17,723,159</u> | <u>17,600,483</u> | <u>(122,676)</u> |
| Other financing sources (uses): | | | | |
| Sale of capital assets. | 100,000 | 100,000 | 2,168 | (97,832) |
| Advances (out) | - | (455,000) | (330,000) | 125,000 |
| Repayment of of float loans. | 4,350,000 | 4,350,000 | 4,350,000 | - |
| Transfers in | 160,000 | 160,000 | 160,000 | - |
| Transfers (out). | (17,759,700) | (17,759,700) | (17,759,700) | - |
| Total other financing sources (uses) | <u>(13,149,700)</u> | <u>(13,604,700)</u> | <u>(13,577,532)</u> | <u>27,168</u> |
| Net change in fund balances | 3,921,355 | 4,118,459 | 4,022,951 | (95,508) |
| Fund balance (deficit) at beginning of year | (5,330,752) | (5,330,752) | (5,330,752) | - |
| Prior year encumbrances appropriated | 360,261 | 360,261 | 360,261 | - |
| Fund balance (deficit) at end of year | <u>\$ (1,049,136)</u> | <u>\$ (852,032)</u> | <u>\$ (947,540)</u> | <u>\$ (95,508)</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FIRE LEVY FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|--------------------|--------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Income taxes | \$ 6,735,000 | \$ 6,735,000 | \$ 6,491,842 | \$ (243,158) |
| Charges for services. | 295 | 295 | - | (295) |
| Intergovernmental. | 245,400 | 688,195 | 404,657 | (283,538) |
| Other | 291,000 | 291,000 | 288,680 | (2,320) |
| Total revenues | <u>7,271,695</u> | <u>7,714,490</u> | <u>7,185,179</u> | <u>(529,311)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Security of persons and property | 13,432,276 | 13,704,555 | 13,355,705 | 348,850 |
| Total expenditures | <u>13,432,276</u> | <u>13,704,555</u> | <u>13,355,705</u> | <u>348,850</u> |
| Excess of expenditures over revenues | <u>(6,160,581)</u> | <u>(5,990,065)</u> | <u>(6,170,526)</u> | <u>(180,461)</u> |
| Other financing sources: | | | | |
| Sale of capital assets. | - | - | 10,238 | 10,238 |
| Transfers in | 6,131,700 | 6,131,700 | 6,131,700 | - |
| Total other financing sources | <u>6,131,700</u> | <u>6,131,700</u> | <u>6,141,938</u> | <u>10,238</u> |
| Net change in fund balances | (28,881) | 141,635 | (28,588) | (170,223) |
| Fund balances at beginning of year | 51,299 | 51,299 | 51,299 | - |
| Prior year encumbrances appropriated | 28,881 | 28,881 | 28,881 | - |
| Fund balance at end of year | <u>\$ 51,299</u> | <u>\$ 221,815</u> | <u>\$ 51,592</u> | <u>\$ (170,223)</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
POLICE LEVY FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|--------------------|--------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Income taxes | \$ 9,055,000 | \$ 9,055,000 | \$ 8,662,246 | \$ (392,754) |
| Charges for services. | 116,500 | 116,500 | 116,472 | (28) |
| Licenses and permits | 1,500 | 1,500 | 1,177 | (323) |
| Fines and forfeitures | 2,500 | 2,500 | 2,326 | (174) |
| Intergovernmental. | 655,000 | 793,210 | 787,349 | (5,861) |
| Rental income | 47,000 | 47,000 | 51,817 | 4,817 |
| Contributions and donations. | 4,500 | 4,500 | - | (4,500) |
| Other. | 253,000 | 261,368 | 206,919 | (54,449) |
| Total revenues | <u>10,135,000</u> | <u>10,281,578</u> | <u>9,828,306</u> | <u>(453,272)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Security of persons and property | 17,961,258 | 17,876,973 | 17,557,000 | 319,973 |
| Total expenditures | <u>17,961,258</u> | <u>17,876,973</u> | <u>17,557,000</u> | <u>319,973</u> |
| Excess of expenditures over revenues | <u>(7,826,258)</u> | <u>(7,595,395)</u> | <u>(7,728,694)</u> | <u>(133,299)</u> |
| Other financing sources: | | | | |
| Sale of capital assets. | 7,000 | 7,000 | 5,977 | (1,023) |
| Transfers in | 7,717,000 | 7,717,000 | 7,717,000 | - |
| Total other financing sources | <u>7,724,000</u> | <u>7,724,000</u> | <u>7,722,977</u> | <u>(1,023)</u> |
| Net change in fund balances | (102,258) | 128,605 | (5,717) | (134,322) |
| Fund balances at beginning of year | 44,432 | 44,432 | 44,432 | - |
| Prior year encumbrances appropriated | 102,258 | 102,258 | 102,258 | - |
| Fund balance at end of year | <u>\$ 44,432</u> | <u>\$ 275,295</u> | <u>\$ 140,973</u> | <u>\$ (134,322)</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
COVELLI CENTRE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive (Negative) |
|---|-------------------------|--------------------|--------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues: | | | | |
| Other local taxes | \$ 229,984 | \$ 229,984 | \$ 231,467 | \$ 1,483 |
| Charges for services | 499,516 | 499,516 | 283,716 | (215,800) |
| Other | 7,000 | 7,000 | 8,000 | 1,000 |
| Total revenues | <u>736,500</u> | <u>736,500</u> | <u>523,183</u> | <u>(213,317)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Community environment | 75,000 | 78,300 | 57,574 | 20,726 |
| Debt service: | | | | |
| Principal retirement | 9,160,000 | 9,160,000 | 9,160,000 | - |
| Interest and fiscal charges | 275,500 | 272,200 | 223,504 | 48,696 |
| Total expenditures | <u>9,510,500</u> | <u>9,510,500</u> | <u>9,441,078</u> | <u>69,422</u> |
| Excess of expenditures over revenues | <u>(8,774,000)</u> | <u>(8,774,000)</u> | <u>(8,917,895)</u> | <u>(143,895)</u> |
| Other financing sources: | | | | |
| Note issuance | 8,360,000 | 8,360,000 | 8,360,000 | - |
| Transfers in | - | 550,000 | 550,000 | - |
| Transfers (out) | - | - | (21,380) | (21,380) |
| Total other financing sources | <u>8,360,000</u> | <u>8,910,000</u> | <u>8,888,620</u> | <u>(21,380)</u> |
| Net change in fund balances | (414,000) | 136,000 | (29,275) | (165,275) |
| Fund balances at beginning of year | <u>586,495</u> | <u>586,495</u> | <u>586,495</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 172,495</u> | <u>\$ 722,495</u> | <u>\$ 557,220</u> | <u>\$ (165,275)</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2018

| | Business-type Activities - Enterprise Funds | | | |
|--|--|--------------|-------------------------------------|---------------|
| | Sewer | Water | Environmental Sanitation | Total |
| Assets: | | | | |
| Current assets: | | | | |
| Equity in pooled cash and cash equivalents . . . | \$ 13,338,412 | \$ 4,385,796 | \$ 2,099,050 | \$ 19,823,258 |
| Receivables: | | | | |
| Accounts | 5,529,355 | 4,586,875 | 846,204 | 10,962,434 |
| Special assessments | - | - | 1,860,404 | 1,860,404 |
| Interfund loans | 306,873 | - | - | 306,873 |
| Due from other funds | - | 53,873 | - | 53,873 |
| Loans receivable | 702,141 | 702,141 | 351,070 | 1,755,352 |
| Materials and supplies inventory | 1,254,307 | 843,584 | - | 2,097,891 |
| Total current assets | 21,131,088 | 10,572,269 | 5,156,728 | 36,860,085 |
| Noncurrent assets: | | | | |
| Net pension asset | 25,761 | 26,987 | 3,319 | 56,067 |
| Capital assets: | | | | |
| Land and construction in progress | 35,521,876 | 510,361 | - | 36,032,237 |
| Depreciable capital assets, net | 39,664,428 | 33,790,760 | 2,750,956 | 76,206,144 |
| Total capital assets, net | 75,186,304 | 34,301,121 | 2,750,956 | 112,238,381 |
| Total noncurrent assets | 75,212,065 | 34,328,108 | 2,754,275 | 112,294,448 |
| Total assets | 96,343,153 | 44,900,377 | 7,911,003 | 149,154,533 |
| Deferred outflows of resources: | | | | |
| Pension | 1,773,490 | 1,878,914 | 251,879 | 3,904,283 |
| OPEB | 495,558 | 532,150 | 43,887 | 1,071,595 |
| Total deferred outflows of resources | 2,269,048 | 2,411,064 | 295,766 | 4,975,878 |
| Liabilities: | | | | |
| Current liabilities: | | | | |
| Accounts payable | 747,098 | 300,496 | 476,510 | 1,524,104 |
| Contracts payable | 1,556,466 | 80,317 | - | 1,636,783 |
| Accrued wages payable | 114,289 | 121,708 | 15,449 | 251,446 |
| Compensated absences payable | 150,968 | 179,682 | 8,894 | 339,544 |
| Due to other governments | 22,657 | 1,104,977 | 36,244 | 1,163,878 |
| Accrued interest payable | 120,835 | 190,032 | 3,858 | 314,725 |
| OWDA loans payable | 628,344 | 646,345 | - | 1,274,689 |
| OPWC loans payable | 46,897 | 131,745 | - | 178,642 |
| ODOT loans payable | 140,224 | 140,224 | - | 280,448 |
| Claims payable | - | - | - | - |
| Notes payable | - | - | 500,000 | 500,000 |
| Capital lease obligations payable | - | - | 391,000 | 391,000 |
| Judgements payable | - | 40,977 | - | 40,977 |
| Total current liabilities | 3,527,778 | 2,936,503 | 1,431,955 | 7,896,236 |

- (Continued)

**Governmental
Activities -
Internal
Service Fund**

\$ 3,080,051

-
-
-
-
-

3,080,051

-
-
-
-

3,080,051

-
-
-

-
-
-
-
-

3,441

538,491

-

541,932

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS - (Continued)
DECEMBER 31, 2018

| | Business-type Activities - Enterprise Funds | | | |
|---|--|---------------|-------------------------------------|---------------|
| | Sewer | Water | Environmental Sanitation | Total |
| Long-term liabilities: | | | | |
| Compensated absences payable | \$ 691,420 | \$ 887,560 | \$ 40,734 | \$ 1,619,714 |
| OWDA loans payable | 36,030,868 | 9,811,477 | - | 45,842,345 |
| OPWC loans payable | 1,131,242 | 1,666,944 | - | 2,798,186 |
| Capital lease obligations payable | - | - | 2,456,742 | 2,456,742 |
| Claims payable | - | - | - | - |
| Net pension liability | 6,334,384 | 6,635,759 | 816,136 | 13,786,279 |
| Net OPEB liability | 4,203,827 | 4,403,834 | 541,631 | 9,149,292 |
| Total long-term liabilities | 48,391,741 | 23,405,574 | 3,855,243 | 75,652,558 |
| Total liabilities | 51,919,519 | 26,342,077 | 5,287,198 | 83,548,794 |
| Deferred inflows of resources: | | | | |
| Pension | 1,514,071 | 1,632,800 | 192,800 | 3,339,671 |
| OPEB | 313,157 | 328,056 | 40,348 | 681,561 |
| Total deferred inflows of resources | 1,827,228 | 1,960,856 | 233,148 | 4,021,232 |
| Net position: | | | | |
| Net investment in capital assets | 35,652,263 | 21,824,069 | 241,756 | 57,718,088 |
| Unrestricted | 9,213,191 | (2,815,561) | 2,444,667 | 8,842,297 |
| Total net position. | \$ 44,865,454 | \$ 19,008,508 | \$ 2,686,423 | 66,560,385 |
| Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds. | | | | 414,209 |
| Net position of business-type activities | | | | \$ 66,974,594 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

| | Business-type Activities - Enterprise Funds | | | |
|---|--|----------------------|-------------------------------------|---------------------|
| | Sewer | Water | Environmental Sanitation | Total |
| Operating revenues: | | | | |
| Charges for services | \$ 26,934,672 | \$ 32,599,504 | \$ 6,829,848 | \$ 66,364,024 |
| Other operating revenues | 901,930 | 31,632 | 38,822 | 972,384 |
| Total operating revenues. | 27,836,602 | 32,631,136 | 6,868,670 | 67,336,408 |
| Operating expenses: | | | | |
| Personal services | 8,981,856 | 9,935,260 | 1,230,992 | 20,148,108 |
| Contract services. | 11,287,631 | 9,111,386 | 4,396,201 | 24,795,218 |
| Materials and supplies. | 3,549,772 | 15,348,385 | 279,865 | 19,178,022 |
| Administrative costs. | - | - | - | - |
| Claims expense | - | - | - | - |
| Depreciation. | 2,129,154 | 1,157,406 | 449,064 | 3,735,624 |
| Total operating expenses. | 25,948,413 | 35,552,437 | 6,356,122 | 67,856,972 |
| Operating income (loss) | 1,888,189 | (2,921,301) | 512,548 | (520,564) |
| Nonoperating revenues (expenses): | | | | |
| Interest and fiscal charges | (247,109) | (392,557) | (76,301) | (715,967) |
| Gain on sale of capital assets | 4,023 | 1,184 | - | 5,207 |
| Other nonoperating expenses | (300,000) | (300,000) | (150,000) | (750,000) |
| Special assessments. | - | - | 219,613 | 219,613 |
| Total nonoperating revenues (expenses). | (543,086) | (691,373) | (6,688) | (1,241,147) |
| Income (loss) before transfers | 1,345,103 | (3,612,674) | 505,860 | (1,761,711) |
| Transfer in | - | - | 100,000 | 100,000 |
| Change in net position | 1,345,103 | (3,612,674) | 605,860 | (1,661,711) |
| Net position (deficit) at beginning of year (restated) | 43,520,351 | 22,621,182 | 2,080,563 | |
| Net position at end of year | \$ 44,865,454 | \$ 19,008,508 | \$ 2,686,423 | |
| Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds. | | | | 846,943 |
| Change in net position of business-type activities. | | | | \$ (814,768) |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Governmental
Activities -
Internal
Service Fund**

| | |
|----|----------------|
| \$ | 733,852 |
| | - |
| | <u>733,852</u> |

| | |
|--|------------------|
| | - |
| | - |
| | - |
| | 17,827 |
| | (863,474) |
| | - |
| | <u>(845,647)</u> |
| | <u>1,579,499</u> |

| | |
|--|----------|
| | - |
| | - |
| | - |
| | - |
| | <u>-</u> |

| | |
|--|-----------|
| | 1,579,499 |
|--|-----------|

| | |
|--|---|
| | - |
|--|---|

| | |
|--|-----------|
| | 1,579,499 |
|--|-----------|

| | |
|--|------------------|
| | <u>(585,797)</u> |
|--|------------------|

| | |
|----|----------------|
| \$ | <u>993,702</u> |
|----|----------------|

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

| | Business-type Activities - Enterprise Funds | | | |
|---|--|---------------------|-------------------------------------|----------------------|
| | Sewer | Water | Environmental Sanitation | Total |
| Cash flows from operating activities: | | | | |
| Cash received from charges for services. | \$ 26,992,963 | \$ 31,013,431 | \$ 6,752,817 | \$ 64,759,211 |
| Cash received from other operations. | 901,930 | 33,632 | 14,793 | 950,355 |
| Cash payments for personal services. | (7,821,461) | (8,676,807) | (1,090,576) | (17,588,844) |
| Cash payments for contractual services | (10,533,740) | (8,280,810) | (4,112,092) | (22,926,642) |
| Cash payments for materials and supplies | (3,398,967) | (16,615,528) | (271,396) | (20,285,891) |
| Cash payments for claims | - | - | - | - |
| Net cash provided by (used in) operating activities | <u>6,140,725</u> | <u>(2,526,082)</u> | <u>1,293,546</u> | <u>4,908,189</u> |
| Cash flows from noncapital financing activities: | | | | |
| Cash received from transfers in | - | - | 100,000 | 100,000 |
| Cash received from repayment of interfund loans | 4,571,146 | - | - | 4,571,146 |
| Cash used in interfund loans | <u>(306,873)</u> | <u>-</u> | <u>-</u> | <u>(306,873)</u> |
| Net cash provided by noncapital financing activities. | <u>4,264,273</u> | <u>-</u> | <u>100,000</u> | <u>4,364,273</u> |
| Cash flows from capital and related financing activities: | | | | |
| Sale of capital assets | 4,023 | 1,184 | - | 5,207 |
| Acquisition of capital assets. | (33,326,789) | (1,727,077) | - | (35,053,866) |
| Note issuance | - | - | 500,000 | 500,000 |
| OWDA loan issuance | 28,529,433 | - | - | 28,529,433 |
| Bridge loans issued. | (185,324) | (185,324) | (92,662) | (463,310) |
| Principal retirement on notes | - | - | (900,000) | (900,000) |
| Principal retirement on loans | (790,352) | (890,364) | - | (1,680,716) |
| Principal retirement on capital leases | - | - | (382,000) | (382,000) |
| Interest and fiscal charges | (270,360) | (409,310) | (77,066) | (756,736) |
| Special assessments | - | - | 319,896 | 319,896 |
| Net cash used in capital and related financing activities. | <u>(6,039,369)</u> | <u>(3,210,891)</u> | <u>(631,832)</u> | <u>(9,882,092)</u> |
| Net increase (decrease) in cash and cash equivalents | 4,365,629 | (5,736,973) | 761,714 | (609,630) |
| Cash and cash equivalents at beginning of year | <u>8,972,783</u> | <u>10,122,769</u> | <u>1,337,336</u> | <u>20,432,888</u> |
| Cash and cash equivalents at end of year | <u>\$ 13,338,412</u> | <u>\$ 4,385,796</u> | <u>\$ 2,099,050</u> | <u>\$ 19,823,258</u> |

**Governmental
Activities -
Internal
Service Fund**

\$ 733,852

-

-

-

-

(675,563)

58,289

-

-

-

-

-

-

-

-

-

-

-

-

-

-

-

58,289

3,021,762

\$ 3,080,051

- (Continued)

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018

| | Business-type Activities - Enterprise Funds | | | |
|--|--|-----------------------|-------------------------------------|---------------------|
| | Sewer | Water | Environmental Sanitation | Total |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| Operating income (loss) | \$ 1,888,189 | \$ (2,921,301) | \$ 512,548 | \$ (520,564) |
| Adjustments: | | | | |
| Depreciation. | 2,129,154 | 1,157,406 | 449,064 | 3,735,624 |
| Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources: | | | | |
| Decrease (increase) in materials and supplies inventory. | 43,657 | (19,196) | - | 24,461 |
| (Increase) in accounts receivable. | (120,856) | (177,998) | (101,060) | (399,914) |
| Decrease in due from other governments. | 179,147 | - | - | 179,147 |
| Decrease in due from other funds | - | 2,948 | - | 2,948 |
| (Increase) in net pension asset | (16,324) | (17,151) | (2,027) | (35,502) |
| Decrease in deferred outflows of resources - pension | 1,529,048 | 1,563,388 | 306,646 | 3,399,082 |
| (Increase) in deferred outflows of resources - OPEB | (443,008) | (477,378) | (36,690) | (957,076) |
| Increase (decrease) in accounts payable. | 148,614 | (107,071) | 258,721 | 300,264 |
| Increase in contracts payable | 787,425 | 116,686 | - | 904,111 |
| Increase in accrued wages. | 11,278 | 7,096 | 1,752 | 20,126 |
| Increase (decrease) in due to other governments | 1,741 | (79,890) | 34,127 | (44,022) |
| (Decrease) in judgments payable | (75,000) | (1,755,023) | - | (1,830,023) |
| Increase (decrease) in compensated absences payable. | (24,212) | 52,974 | (45,487) | (16,725) |
| (Decrease) in net pension liability. | (2,204,900) | (2,264,611) | (353,403) | (4,822,914) |
| Increase in net OPEB liability. | 569,212 | 615,529 | 43,835 | 1,228,576 |
| Decrease in claims payable | - | - | - | - |
| Increase in deferred inflows of resources - pension | 1,424,403 | 1,449,454 | 185,172 | 3,059,029 |
| Increase in deferred inflows of resources - OPEB | 313,157 | 328,056 | 40,348 | 681,561 |
| Net cash provided by (used in) operating activities | <u>\$ 6,140,725</u> | <u>\$ (2,526,082)</u> | <u>\$ 1,293,546</u> | <u>\$ 4,908,189</u> |

Non-Cash Transactions:

During 2018 and 2017, the Sewer fund purchased \$449,377 and \$362,448, respectively, of capital assets on account.
During 2018 and 2017, the Water fund purchased \$83,187 and \$129,407, respectively, of capital assets on account.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Governmental
Activities -
Internal
Service Fund**

\$ 1,579,499

-

-

-

14,386

-

-

-

-

-

-

3,441

-

-

-

-

(1,539,037)

-

-

\$ 58,289

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2018

| | Agency |
|---|---------------|
| Assets: | |
| Current assets: | |
| Equity in pooled cash and cash equivalents | \$ 3,624,035 |
| Cash in segregated accounts. | 265,043 |
| Income taxes | 3,683 |
| Accounts | 955,020 |
| Total assets | \$ 4,847,781 |
| Liabilities: | |
| Accounts payable | \$ 9,064 |
| Due to other governments. | 2,085,852 |
| Deposits held and due to others. | 2,698,992 |
| Due to other funds. | 53,873 |
| Total liabilities. | \$ 4,847,781 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1 - DESCRIPTION OF THE CITY

The City of Youngstown, Ohio (the "City") is a home rule municipal corporation established under the laws of the State of Ohio which operates under its own Charter. The current Charter, which provides for a Mayor-Council form of government, was adopted May 15, 1923. The Mayor is elected to a four-year term and seven council members are each elected for a two-year term.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

In evaluating how to define the City for financial reporting purposes, management has considered all agencies, departments and organizations making up the City (the primary government) and its potential component units consistent with Governmental Accounting Standards Board Statement 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34."

The primary government comprises all activities and services which are not legally separate from the City. The City provides various services including a municipal court, public safety (police and fire), highways and streets, parks and recreation, public improvements, community development (planning and zoning), public health, sewers, sanitation, parking, and general administrative and legislative services. The operation of each of these activities is directly controlled by Council through the budgetary process. None of these services are provided by a legally separate organization; therefore, these operations are included in the primary government.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's Governing Board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations which are fiscally dependent on the City in that the City approves the budget, the issuance of debt, or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the financial statements incomplete or misleading. The City has no component units.

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

JOINTLY GOVERNED ORGANIZATIONS

Western Reserve Transit Authority

The Western Reserve Transit Authority (WRTA) is a legally separate entity created pursuant to Sections 306.30 through 306.71 of the Ohio Revised Code for the purpose of providing public transportation in the greater Youngstown area. Prior to January 1, 2009, the WRTA was reported as a component unit of the City. Effective for 2009, an amendment was made to add and include Mahoning County to the WRTA. In addition, the former five-member Board of Trustees which was appointed by the City (four by the mayor and one by City Council) was amended to be governed by a seven member Board of Trustees in which the City appoints three members and Mahoning County appoints four members. Continued existence of the WRTA is not dependent on the City's continued participation. The City does not make any financial contributions to the WRTA. Funding is received through property taxes, charges for services, and State and federal subsidies and grants. Separately issued financial statements can be obtained from the Western Reserve Transit Authority, 604 Mahoning Avenue, Youngstown, Ohio 44502.

Mahoning County Drug Task Force

The City's police department participates in the Mahoning County Drug Task Force (the "Force") which is jointly governed by its thirteen participants: nine local police departments and four federal law enforcement agencies. Each participant has one representative on the Board of Control. Each participant's control over the operation of the Force is limited to its representation on the Board. The Force uses the talents and resources of the participants to combat the trafficking of illicit narcotics. Continued existence of the Force is not dependent on the City's continued participation. Funding is provided by the Governor's Office of Criminal Justice Services and forfeitures and fines. None of the participants made financial contributions in 2018. Austintown Township served as the fiscal agent for the Force during 2014. Financial information can be obtained from the Mahoning County Drug Task Force, 82 Ohltown Road, Austintown, Ohio 44515.

East Gate Regional Council of Governments

The East Gate Regional Council of Governments (EGRCG) is a jointly governed organization among 27 local governments in Ashtabula, Columbiana, Mahoning and Trumbull counties. The Board is comprised of one representative from each city, village, county or governmental agency and one additional representative for each 20,000 population. The City of Youngstown currently has five representatives on the 48-member Board. Each participant's control over the operation of EGRCG is limited to its representation on the Board. EGRCG develops and reviews plans for regional growth and development and aids in coordinating plans among local governments. Continued existence of EGRCG is not dependent on the City's continued participation. In 2018, the City contributed \$24,784. Complete financial statements can be obtained from the East Gate Regional Council of Governments, 100 Federal Plaza East, Youngstown, Ohio 44503.

Youngstown Metropolitan Housing Authority

The Youngstown Metropolitan Housing Authority (YMHA) is a jointly governed organization among four local governments created to provide subsidized public housing. The City appoints two members of the five-member Board. Each participant's control over the operation of YMHA is limited to its representation on the Board. Continued existence of Th1HA is not dependent on the City's continued participation. The City does not make any financial contributions to YMHA. Funding is received through state and federal subsidies and grants. Complete financial statements can be obtained from the Youngstown Metropolitan Housing Authority, 131 W. Boardman Street, Youngstown, Ohio 44503.

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

Metropolitan Fire Investigation Unit

The Metropolitan Fire Investigation Unit (MFIU) is a jointly governed organization among eight local governments. The Board of Governors is comprised of one representative from each participating government. The MFIU was created to investigate major fires and explosions of unknown or suspicious cause and to aid in the prosecution of those persons or groups responsible. Each participant's control over the operation of MFIU is limited to its representation on the Board. Continued existence of MFIU is not dependent on the City's continued participation. The City does not make any financial contributions to MFTIJ. Funding is received through insurance companies and donations. Financial information can be obtained from the Metropolitan Fire Investigation Unit, 3025 South Avenue, Youngstown, Ohio 44502.

Regional Council of Governments

In 1971, 38 municipalities joined together to organize a Regional Council of Governments (RCOG) to administer tax collection and enforcement concerns facing the cities and villages. The first official act of the RCOG was to form the Regional Income Tax Agency (RITA). Today RITA serves as the income tax collection agency for 294 municipalities throughout the State of Ohio. The City began using RITA for its income tax collection services during 2006.

Each member municipality appoints its own delegate to the RCOG, including electing members to the RITA Board of Trustees. Regardless of the population or tax collections of member municipalities, each member of the RCOG has an equal say in the operations of RITA.

B. Basis of Presentation - Fund Accounting

The City's BFS consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activities of the internal service funds, with the exception of services provided and used during the fiscal year, are eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental functions are self-financing or draw from the general revenues of the City.

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

Fund Financial Statements - During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service funds are presented in a single column on the face of the proprietary fund financial statements. Fiduciary funds are reported by type.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the City's proprietary funds are charges for services. Operating expenses for the enterprise funds include personnel and other expenses related to sewer, water and environmental sanitation operations. Operating expenses for the internal service fund include claims expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

The agency funds do not report a measurement focus as they do not report operations.

C. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. Governmental fund assets and deferred outflows of resources less liabilities and deferred inflows of resources is reported as fund balance.

The following are the City's major governmental funds:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Fire levy fund - This fund accounts for revenues collected for fire operations.

Police levy fund - This fund accounts for revenues collected for police operations.

Covelli Centre fund - This fund accounts for the operations and maintenance of the Covelli Centre.

Capital projects public works fund - This fund accounts for various capital improvements financed through note proceeds and transfers from other funds

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

Other governmental funds of the City are used to account for (a) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (b) financial resources that are restricted or committed to expenditure for principal and interest.

Proprietary Funds - Proprietary fund reporting focuses on changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

Enterprise funds - The enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

Sewer fund - This fund accounts for the operations of providing sewage services to customers and maintaining the local sewer system of the City.

Water fund - This fund accounts for the operations of providing water services to customers and maintaining the local water system of the City.

Environmental sanitation fund - This fund accounts for the operations of providing sanitation services to customers of the City.

Internal service fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service fund reports on the operation of the workers' compensation retrospective rating plan.

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's fiduciary funds are agency funds.

D. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the City are included on the statement of net position.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the financial statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and agency funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources and in the presentation of expenses versus expenditures.

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, payment in lieu of 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 6). Revenue from property taxes and payment in lieu of taxes is recognized in the year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the 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: income taxes, State-levied locally shared taxes (including gasoline tax, local government funds and permissive tax), grants, fines and forfeitures, fees and special assessments.

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, see Notes 16 and 17 for deferred outflows of resources related the City's net pension liability and net OPEB liability, respectively. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2018, but which were levied to finance 2019 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes, but is not limited to, income taxes, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the City, see Notes 16 and 17 for deferred inflows of resources related to the City's net pension liability and net OPEB liability, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position.

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. 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.

F. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code 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 appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than the agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary controls is at the object level within each department. Any budgetary modifications at this level may only be made by resolution of City Council.

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

Tax Budget - Ohio Revised Code Section 5705.28 required the Mayor to present the annual operating budget for the following fiscal year to City Council for consideration and passage at the first Council meeting in July. This section requires the adopted budget to be submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The City obtained a waiver as provided for by Ohio Revised Code Section 5705.281, in which they did not have to adopt an operating budget nor submit the operating budget to the County Auditor.

Estimated Resources - The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The 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 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 ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate of estimated resources may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the original and final amended official certificates of estimated resources issued during 2018.

Appropriations - A temporary appropriation measure to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department and object level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year only by an ordinance of Council. The Director of Finance is authorized to transfer appropriations between line items within an object of any department.

During the year, several supplemental appropriation measures were passed. None of these supplemental appropriations had any significant effect on the original appropriations. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications passed by Council.

Lapsing of Appropriations - 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 except for grant funds and capital projects funds, unencumbered balances for these funds are rolled forward and are not reappropriated. The encumbered appropriation balance is carried forward to the succeeding year and is not reappropriated.

G. Cash and Cash Equivalents

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 financial statements.

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2018 amounted to \$329,528, of which \$324,619 was assigned from other City funds.

These interest-bearing depository accounts and short-term investments in certificates of deposit are presented on the financial statements as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the City treasury.

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

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

H. Inventories of Materials and Supplies

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

On the fund financial statements, reported materials and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption.

I. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The City's capitalization thresholds are \$100,000 for infrastructure and \$10,000 for all other categories of capital assets. Expenditures that are below these capitalization thresholds are expensed as incurred. The City's infrastructure consists of traffic signals, sidewalks, bridges, culverts, storm sewers, streets, and water and sewer lines. Governmental activities infrastructure consisting of traffic signals, sidewalks and streets were reported retroactively back to 1980 and governmental activities infrastructure consisting of bridges and culverts were reported retroactively back to 1919. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

| <u>Description</u> | <u>Governmental Activities Estimated Lives</u> | <u>Business-type Activities Estimated Lives</u> |
|-----------------------------------|--|---|
| Buildings | 50 | 50 |
| Improvements other than buildings | 20 | 20 |
| Machinery and equipment | 5 - 20 | 5 - 20 |
| Computer software | 5 | 5 |
| Vehicles | 8 | 8 |
| Infrastructure | 15 - 65 | 65 |

J. Prepaid Items

Payments made to vendors for services that will benefit beyond December 31, 2018, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expense in the year in which the services are consumed.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability for the City using the vesting method. A liability is accrued for thirty-five percent of accumulated unused sick leave for all employees since the employees are entitled to that amount if they leave the City's employment for any reason. This item is discussed further in Note 15 to the BFS.

The entire compensated absence liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences and pension/OPEB liability that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

M. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as interfund loans receivable/payable and receivables and payables resulting from long-term interfund loans are classified as advances to/from other funds. These amounts are eliminated in the governmental activities column on the statement of net position, except for any residual amounts between governmental and business-type activities, which are presented as internal balance.

N. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the BFS.

O. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of City Council (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. City Council has by ordinance authorized the City Auditor to assign fund balance. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

P. Estimates

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

Q. Net Position

Net position represents the difference between assets plus deferred outflows less liabilities less deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on the use of resources either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

R. Unamortized Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss

Bond discounts and premiums for government-wide statements and proprietary fund statements are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Bond discounts and premiums are presented as a reduction/increase to the face amount of bonds.

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on the refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

On the governmental fund financial statements, issuance costs, premiums, discounts, and deferred charges from refunding are recognized in the current period.

S. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water, sewer, environmental sanitation and workers compensation programs. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund.

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of City Council and that are either unusual in nature or infrequent in occurrence. The City had no extraordinary or special items during 2018.

U. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, net pension/OPEB asset, deferred outflows of resources and deferred inflows of resources related pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

V. Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Net Position

For fiscal year 2018, the City has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishments".

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 effected the City's postemployment benefit plan disclosures, as presented in Note 17 to the basic financial statements, and added required supplementary information which is presented after the notes to the basic financial statements.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the City.

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the City.

A net position restatement is required in order to implement GASB Statement No 75. The governmental activities, business-type activities, and enterprise funds at January 1, 2018 have been restated as follows:

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | | | |
|--|---------------------------------------|-------------------------------------|----------------------|--|--|
| Net position as previously reported | \$ 43,774,337 | \$ 75,595,559 | | | |
| Deferred outflows - payments subsequent to measurement date | 215,210 | 114,519 | | | |
| Net OPEB liability | <u>(46,961,326)</u> | <u>(7,920,716)</u> | | | |
| Restated net position at January 1, 2018 | <u>\$ (2,971,779)</u> | <u>\$ 67,789,362</u> | | | |
| | <u>Business-Type Enterprise Funds</u> | | | | |
| | <u>Sewer</u> | <u>Water</u> | <u>Environmental</u> | | |
| Net position as previously reported | \$ 47,102,416 | \$ 26,354,715 | \$ 2,571,162 | | |
| Deferred outflows - payments subsequent to measurement date | 52,550 | 54,772 | 7,197 | | |
| Net OPEB liability | <u>(3,634,615)</u> | <u>(3,788,305)</u> | <u>(497,796)</u> | | |
| Restated net position at January 1, 2018 | <u>\$ 43,520,351</u> | <u>\$ 22,621,182</u> | <u>\$ 2,080,563</u> | | |

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at December 31, 2018 included the following individual fund deficits:

| <u>Major funds:</u> | <u>Deficit</u> |
|-------------------------------|----------------|
| Covelli Centre | \$ 7,830,180 |
| Capital Projects Public Works | 5,840,114 |

| <u>Nonmajor fund:</u> | |
|-----------------------|--------|
| Litter Control | 11,702 |
| Local Home Trust | 47,400 |

The general fund is liable for deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances in the Covelli Centre special revenue fund and capital projects public works fund is a result of reporting short-term notes payable as a fund liability (see Note 13 for detail). The deficit fund balance in the business development fund is a result of reporting an interfund loan as a fund liability (see Note 5.B for detail).

C. Compliance

The City had a negative cash balance in the general fund at December 31, 2018, indicating that revenues from other sources were used to pay obligations of the fund contrary to Ohio Revised Code Section 5705.10. For GAAP purposes, the negative amount has been reported as a fund liability in the general fund (See Note 5.B).

NOTE 4 - DEPOSITS 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 financial statements 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 five-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.

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (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 State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days and two hundred seventy days, respectively, from the purchase date in an amount not to exceed forty percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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.

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Deposits with Financial Institutions

At December 31, 2018, the carrying amount of all City deposits was \$41,578,023. Of the \$42,093,685 bank balance, \$1,401,000 was covered by the FDIC and \$40,692,685 was potentially exposed to custodial credit risk discussed below.

Custodial credit risk is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the City's and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the OPCS, a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2018, the City's was in the OPCS; however certain City financial institutions were approved for a reduced collateral rate through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

B. Investments

As of December 31, 2018, the City did not hold investments.

C. Reconciliation of Cash and Cash Equivalents to the Statement of Net Position

The following is a reconciliation of cash and cash equivalents as reported in the note above to cash and cash and cash equivalents as reported on the statement of net position as of December 31, 2018:

| | |
|--|-----------------------------|
| <u>Cash and cash equivalents per note</u> | |
| Carrying amount of deposits | <u>\$ 41,578,023</u> |
| <u>Cash and cash equivalents per statement of net position</u> | |
| Governmental activities | \$ 17,865,687 |
| Business-type activities | 19,823,258 |
| Agency funds | <u>3,889,078</u> |
| Total | <u><u>\$ 41,578,023</u></u> |

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund transfers for the year ended December 31, 2018, consisted of the following, as reported in the fund financial statements:

| Transfers from | Transfers to | | | | | | Total |
|-----------------------|---------------------|---------------------|-------------------|-------------------------------|-----------------------|--|----------------------|
| | Fire Levy | Police Levy | Covelli Centre | Capital Projects Public Works | Nonmajor Governmental | Environmental Sanitation - Enterprise Fund | |
| General | \$ 6,131,700 | \$ 7,717,000 | \$ 550,000 | \$ - | \$ 2,040,000 | \$ - | \$ 16,438,700 |
| Covelli Centre | - | - | - | - | 21,380 | - | 21,380 |
| Nonmajor governmental | 101,720 | - | - | 96,320 | 4,717,222 | 100,000 | 5,015,262 |
| Total | \$ 6,233,420 | \$ 7,717,000 | \$ 550,000 | \$ 96,320 | \$ 6,778,602 | \$ 100,000 | \$ 21,475,342 |

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers between governmental funds are eliminated on the government-wide financial statements.

The bond retirement fund transferred \$101,720, \$96,320 and \$100,000 to the fire levy nonmajor special revenue fund, the capital projects public works fund and the environmental sanitation fund. The Covelli Centre fund transferred \$21,380 to the bond retirement fund. These transfers were made to retire short-term bond anticipation notes that were reported as a fund liability at December 31, 2017 (see Note 13 for detail).

- B. Interfund loans consisted of the following at December 31, 2018, as reported on the fund financial statements.

| Receivable fund | Payable fund | Amount |
|-----------------|---|-------------------|
| General | Capital projects public works | \$ 325,000 |
| General | Litter control nonmajor special revenue | 5,000 |
| Sewer | General | 306,873 |
| | | <u>\$ 636,873</u> |

Interfund balance between governmental funds are eliminated on the government-wide financial statements. Interfund loans payable/receivable between governmental and enterprise funds are shown as an internal balance on the statement of net position. The interfund loans are expected to be repaid within one year.

- C. Advances to other funds consisted of the following at December 31, 2018, as reported on the fund financial statements.

| Receivable fund | Payable fund | Amount |
|-----------------|--|-------------------|
| General | Business development nonmajor capital projects | \$ 450,000 |
| General | Health nonmajor special revenue | 1,400 |
| | | <u>\$ 451,400</u> |

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 5 - INTERFUND TRANSACTIONS

Advances to/from other funds between governmental funds are eliminated for reporting on the statement of net position.

- D.** Due to/from other funds consisted of the following at December 31, 2018, as reported on the fund financial statements.

| Receivable fund | Payable fund | Amount |
|-----------------|------------------------------------|-----------|
| Water | Mahoning County sewage agency fund | \$ 53,873 |

The amount due at year-end from the Mahoning County sewage agency fund to the water fund for administrative duties related to the City's collection of water fees from County customers.

NOTE 6 - INCOME TAXES

The City levies an income tax of two and three-quarter percent on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit not to exceed two and three-quarter percent on income earned outside the City and paid to other municipalities.

Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

Income tax revenue is credited to four funds. Of the original two percent levied, the general fund receives one and one-half percent and of the remaining one-half percent, 40 percent is credited to the police levy special revenue fund, 35 percent to the fire levy special revenue fund, and 25 percent to the ¼ of 5 mil capital improvement capital projects fund.

An additional one-quarter percent was levied for 1997. Of this additional one-quarter percent 50 percent is credited to the police levy special revenue fund, 25 percent to the fire levy special revenue fund and 25 percent to the ¼ of 5 mil capital improvement capital projects fund.

Effective January 1, 2003, the citizens of the City voted for an additional one half percent to bring the total tax levied on income to two and three-quarter percent. Of the additional one half percent levied, 45 percent is credited to the police levy special revenue fund, 35 percent to the fire levy special revenue fund and 20 percent to the ¼ of 5 mil capital improvement capital projects fund.

In addition, the City receives income tax monies as the result of its agreement with the City of Girard for a Joint Economic Development Zone (JEDZ). Businesses within the JEDZ pay taxes on income earned within the JEDZ and are required to withhold income tax on employee earnings and remit the tax to the City. The City is responsible for collection and administration of the income tax for the JEDZ. The City is entitled to 45% of all income taxes collected from the JEDZ and the City of Girard is entitled to the remaining 55%.

The Regional Tax Agency administers and collects income taxes for the City. Payments are remitted monthly net of collection fees of three percent.

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2018 public utility property taxes became a lien December 31, 2017, are levied after October 1, 2018, and are collected in 2019 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Youngstown. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, tangible personal property taxes and outstanding delinquencies which are measurable as of December 31, 2018 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by deferred inflows of resources since the current taxes were not levied to finance 2018 operations and the collection of delinquent taxes has been offset by a deferred inflow of resources since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue.

The full tax rate for all City operations for the year ended December 31, 2018 was \$3.70 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2018 property tax receipts were based are as follows:

| | |
|-------------------------------|-----------------------|
| <u>Real property</u> | |
| Residential/agricultural | \$ 254,022,320 |
| Commercial/industrial/mineral | 168,281,980 |
| Public utility | <u>67,360,100</u> |
| Total assessed value | <u>\$ 489,664,400</u> |

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 8 - SPECIAL ASSESSMENTS

Special assessments include annually assessed service assessments. Service type special assessments are levied against all property owners which benefit from the provided service. Special assessments are payable by the time and in the manner stipulated in the assessing ordinance and are a lien from the date of the passage of the ordinance.

The City's special assessments include street lighting, demolitions including board-ups and asbestos abatement, curbs, sidewalks, sewer rehabilitation and weed cutting which are billed by the County Auditor and collected by the County Treasurer. The County Auditor periodically remits these collections to the City. Special assessments collected in one calendar year are levied and certified in the preceding calendar year.

NOTE 9 - RECEIVABLES

Receivables at December 31, 2018, consisted of taxes, accounts (billings for user charged services), notes, special assessments, accrued interest and intergovernmental receivables arising from grants, entitlements and shared revenue. All intergovernmental receivables have been classified as "due from other governments" on the BFS. Receivables have been recorded to the extent that they are measurable at December 31, 2018.

A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

| | |
|----------------------------|---------------|
| Income taxes | \$ 14,755,525 |
| Real and other taxes | 2,308,650 |
| Accounts | 733,515 |
| Special assessments | 273,536 |
| Notes | 1,250,000 |
| Accrued interest | 3,839 |
| Due from other governments | 7,352,328 |
| Payment in lieu of taxes | 3,825,000 |

Business-type activities:

| | |
|-------------------------------------|--------------------|
| Accounts - gross | \$ 14,599,268 |
| Less - allowance for uncollectibles | <u>(3,636,834)</u> |
| Net accounts receivable | <u>10,962,434</u> |
| Special assessments | 1,860,404 |
| Loans receivable | 2,505,352 |
| Less - loan forgiveness | <u>(750,000)</u> |
| Net loans receivable | <u>1,755,352</u> |

Receivables have been disaggregated on the face of the BFS. The only receivable not expected to be collected within the subsequent year are the notes, special assessments, and loans. The special assessments are collected over the life of the assessment and notes receivable which will be repaid over a period ranging from one to eight years. Accounts receivable in the business-type activities for utilities have been reported net of a twenty-five percent allowance for uncollectible accounts. The loans receivable in the business-type activities are bridge loans and term loans that will need to be repaid per the loan agreements. Loans receivable have been reported net of loan forgiveness of \$750,000.

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018, was as follows:

| <u>Governmental activities:</u> | Balance 12/31/17 | Additions | Disposals | Balance 12/31/18 |
|---|-----------------------|----------------------|------------------------|-----------------------|
| <i>Capital assets, not being depreciated:</i> | | | | |
| Land | \$ 14,516,203 | \$ - | \$ - | \$ 14,516,203 |
| Construction in progress | <u>12,936,972</u> | <u>4,418,983</u> | <u>(12,181,658)</u> | <u>5,174,297</u> |
| Total capital assets, not being depreciated | <u>27,453,175</u> | <u>4,418,983</u> | <u>(12,181,658)</u> | <u>19,690,500</u> |
| <i>Capital assets, being depreciated:</i> | | | | |
| Buildings | 53,157,521 | 9,865,165 | - | 63,022,686 |
| Improvements other than buildings | 7,111,380 | 23,925 | - | 7,135,305 |
| Machinery and equipment | 12,938,969 | 164,977 | (81,223) | 13,022,723 |
| Computer software | 448,449 | 25,878 | - | 474,327 |
| Vehicles | 10,973,290 | 480,672 | (464,081) | 10,989,881 |
| Infrastructure | <u>62,004,342</u> | <u>4,087,680</u> | <u>-</u> | <u>66,092,022</u> |
| Total capital assets, being depreciated | <u>146,633,951</u> | <u>14,648,297</u> | <u>(545,304)</u> | <u>160,736,944</u> |
| <i>Less: accumulated depreciation:</i> | | | | |
| Buildings | (21,909,967) | (1,609,031) | - | (23,518,998) |
| Improvements other than buildings | (3,563,356) | (299,345) | - | (3,862,701) |
| Machinery and equipment | (9,204,061) | (484,653) | 81,223 | (9,607,491) |
| Computer software | (446,498) | (6,695) | - | (453,193) |
| Vehicles | (8,880,268) | (519,331) | 410,078 | (8,989,521) |
| Infrastructure | <u>(21,594,543)</u> | <u>(2,071,692)</u> | <u>-</u> | <u>(23,666,235)</u> |
| Total accumulated depreciation | <u>(65,598,693)</u> | <u>(4,990,747)</u> | <u>491,301</u> | <u>(70,098,139)</u> |
| Total capital assets, being depreciated, net | <u>81,035,258</u> | <u>9,657,550</u> | <u>(54,003)</u> | <u>90,638,805</u> |
| Governmental activities capital assets, net | <u>\$ 108,488,433</u> | <u>\$ 14,076,533</u> | <u>\$ (12,235,661)</u> | <u>\$ 110,329,305</u> |

The governmental activities received transfers of capital assets from the business-type activities with a cost of \$56,484 and accumulated depreciation of \$56,484.

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 10 - CAPITAL ASSETS - (Continued)

Capital assets of the business-type activities for the year ended December 31, 2018, was as follows:

| <u>Business-type activities:</u> | Balance 12/31/17 | Additions | Disposals | Balance 12/31/18 |
|---|----------------------|----------------------|-----------------------|-----------------------|
| <i>Capital assets, not being depreciated:</i> | | | | |
| Land | \$ 1,185,445 | \$ 73,685 | \$ - | \$ 1,259,130 |
| Construction in progress | <u>3,647,146</u> | <u>33,047,268</u> | <u>(1,921,307)</u> | <u>34,773,107</u> |
| Total capital assets, not being depreciated | <u>4,832,591</u> | <u>33,120,953</u> | <u>(1,921,307)</u> | <u>36,032,237</u> |
| <i>Capital assets, being depreciated:</i> | | | | |
| Buildings | 63,848,941 | 146,322 | (125,000) | 63,870,263 |
| Improvements other than buildings | 2,880,440 | 651,516 | - | 3,531,956 |
| Machinery and equipment | 28,080,454 | 196,451 | (29,026) | 28,247,879 |
| Computer software | 728,889 | 21,890 | - | 750,779 |
| Vehicles | 9,635,072 | 673,068 | (67,103) | 10,241,037 |
| Infrastructure | <u>43,200,787</u> | <u>2,205,682</u> | <u>-</u> | <u>45,406,469</u> |
| Total capital assets, being depreciated | <u>148,374,583</u> | <u>3,894,929</u> | <u>(221,129)</u> | <u>152,048,383</u> |
| <i>Less: accumulated depreciation:</i> | | | | |
| Buildings | (27,853,311) | (1,451,324) | 125,000 | (29,179,635) |
| Improvements other than buildings | (2,204,118) | (58,697) | - | (2,262,815) |
| Machinery and equipment | (21,791,182) | (700,936) | 29,026 | (22,463,092) |
| Computer software | (507,696) | (73,209) | - | (580,905) |
| Vehicles | (4,991,076) | (793,708) | 67,103 | (5,717,681) |
| Infrastructure | <u>(14,980,361)</u> | <u>(657,750)</u> | <u>-</u> | <u>(15,638,111)</u> |
| Total accumulated depreciation | <u>(72,327,744)</u> | <u>(3,735,624)</u> | <u>221,129</u> | <u>(75,842,239)</u> |
| Total capital assets, being depreciated, net | <u>76,046,839</u> | <u>159,305</u> | <u>-</u> | <u>76,206,144</u> |
| Business-type activities capital assets, net | <u>\$ 80,879,430</u> | <u>\$ 33,280,258</u> | <u>\$ (1,921,307)</u> | <u>\$ 112,238,381</u> |

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 10 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:

| | |
|--|---------------------|
| General government | \$ 623,770 |
| Security of persons and property | 638,605 |
| Public health and welfare | 11,896 |
| Transportation | 2,235,537 |
| Leisure time activity | 314,654 |
| Community environment | <u>1,109,801</u> |
| Total depreciation expense - governmental activities | <u>\$ 4,934,263</u> |

Business-type activities:

| | |
|---|---------------------|
| Sewer | \$ 2,129,154 |
| Water | 1,157,406 |
| Environmental sanitation | <u>449,064</u> |
| Total depreciation expense - business-type activities | <u>\$ 3,735,624</u> |

NOTE 11 - CAPITALIZED LEASES - LESSEE DISCLOSURE

A. Governmental Activities

In the current year, the City entered into a capital lease for snowplow trucks. In prior years, the City entered into capital leases for equipment and a fire truck. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined BFS for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General capital assets consisting of equipment and vehicles have been capitalized in the statement of net position in the amount of \$1,824,996 and \$1,151,512, respectively. These amounts represent the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the statement of net position. Principal payments made during 2018 totaled \$72,690 paid by the fire levy fund, \$140,711 paid by the police levy fund and \$60,415 paid by nonmajor governmental funds. The following is a schedule of the future long-term minimum lease payments required under capital leases and the present value of the minimum lease payments as of December 31, 2018:

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 11 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)

| <u>Year Ended December 31,</u> | <u>Governmental Activities</u> |
|---|------------------------------------|
| 2019 | \$ 342,728 |
| 2020 | 342,729 |
| 2021 | 342,730 |
| 2022 | 342,729 |
| 2023 | 288,821 |
| Thereafter | <u>800,880</u> |
| Total | 2,460,617 |
| Less: amount representing interest | <u>(338,718)</u> |
| Present value of net minimum lease payments | <u><u>\$ 2,121,899</u></u> |

B. Business-Type Activities

During 2016, the City entered into capital leases for garbage trucks and garbage cart containers.

Capital assets consisting of vehicles have been capitalized in the statement of net position in the amount of \$2,455,200. The value of assets related to the garbage cart containers, \$1,149,542, was not capitalized because the value of each individual item is under the City's capitalization threshold. These amounts represent the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the statement of net position. Payments on these leases will be made from the environmental sanitation enterprise fund. The following is a schedule of the future long-term minimum lease payments required under capital leases and the present value of the minimum lease payments as of December 31, 2018:

| <u>Year Ended December 31,</u> | <u>Business-Type Activities</u> | | |
|---|---------------------------------|--------------------------|----------------------------|
| | <u>Garbage Trucks</u> | <u>Garbage Carts</u> | <u>Total</u> |
| 2019 | \$ 279,221 | \$ 178,867 | \$ 458,088 |
| 2020 | 278,677 | 179,267 | 457,944 |
| 2021 | 279,013 | 179,577 | 458,590 |
| 2022 | 279,205 | 178,797 | 458,002 |
| 2023 | 279,253 | 179,492 | 458,745 |
| Thereafter | <u>836,807</u> | <u>-</u> | <u>836,807</u> |
| Total | 2,232,176 | 896,000 | 3,128,176 |
| Less: amount representing interest | <u>(222,976)</u> | <u>(57,458)</u> | <u>(280,434)</u> |
| Present value of net minimum lease payments | <u><u>\$ 2,009,200</u></u> | <u><u>\$ 838,542</u></u> | <u><u>\$ 2,847,742</u></u> |

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 12 - LONG-TERM OBLIGATIONS

A. Governmental Activities

During 2018, the following changes occurred in governmental activities long-term obligations. The long-term obligations at December 31, 2017 have been restated as described in Note 3.A.

| Governmental activities: | Restated Balance 12/31/17 | <u>Additions</u> | <u>Reductions</u> | Balance 12/31/18 | Amounts Due in One Year |
|--|---------------------------------|----------------------|------------------------|-----------------------|-------------------------------|
| <u>General obligation bonds</u> | | | | | |
| 2015 various purpose refunding bonds | \$ 3,853,000 | \$ - | \$ (617,000) | \$ 3,236,000 | \$ 628,000 |
| 2016 pension refunding bonds | <u>7,895,000</u> | <u>-</u> | <u>(500,000)</u> | <u>7,395,000</u> | <u>485,000</u> |
| Total general obligations bonds | <u>11,748,000</u> | <u>-</u> | <u>(1,117,000)</u> | <u>10,631,000</u> | <u>1,113,000</u> |
| <u>HUD section 108 loans</u> | | | | | |
| Housing rehab section 108 | 150,000 | - | (50,000) | 100,000 | 100,000 |
| Amphitheater and Riverfront Project | <u>-</u> | <u>4,000,000</u> | <u>-</u> | <u>4,000,000</u> | <u>141,000</u> |
| Total HUD Section 108 | <u>150,000</u> | <u>4,000,000</u> | <u>(50,000)</u> | <u>4,100,000</u> | <u>241,000</u> |
| <u>Other long-term obligations</u> | | | | | |
| Net pension liability | 71,631,015 | - | (9,617,970) | 62,013,045 | - |
| Net OPEB Liability | 46,961,326 | 6,880,281 | (34,627) | 53,806,980 | - |
| OPWC loan | 171,430 | - | (21,428) | 150,002 | 21,429 |
| Capital lease obligation | 2,133,479 | 262,236 | (273,816) | 2,121,899 | 269,582 |
| Claims payable | 3,621,945 | - | (1,539,037) | 2,082,908 | 538,491 |
| Compensated absences | <u>6,560,405</u> | <u>2,602,542</u> | <u>(2,643,290)</u> | <u>6,519,657</u> | <u>1,160,456</u> |
| Total other long-term obligations | <u>131,079,600</u> | <u>9,745,059</u> | <u>(14,130,168)</u> | <u>126,694,491</u> | <u>1,989,958</u> |
| Total governmental activities long-term obligations | <u>\$ 142,977,600</u> | <u>\$ 13,745,059</u> | <u>\$ (15,297,168)</u> | <u>\$ 141,425,491</u> | <u>\$ 3,343,958</u> |

THIS SPACE INTENTIONALLY LEFT BLANK

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

B. Business-type Activities

During 2018, the following changes occurred in business-type activities long-term obligations. The long-term obligations at December 31, 2017 have been restated as described in Note 3.A.

| | Interest Rate | Restated Balance 12/31/2017 | Additions | Reductions | Balance 12/31/2018 | Amounts Due In One Year |
|--|------------------|-----------------------------------|----------------------|-----------------------|-----------------------|-------------------------------|
| Business-type activities: | | | | | | |
| <u>OWDA loans</u> | | | | | | |
| Orchard meadow overflow elimination | 3.81% | \$ 2,258,322 | \$ - | \$ (229,650) | \$ 2,028,672 | \$ 238,483 |
| Pump station improvements | 3.79% | 745,421 | - | (75,861) | 669,560 | 78,764 |
| Waterline replacement | 4.48% | 82,373 | - | (10,263) | 72,110 | 10,727 |
| Elevated storage tanks | 4.48% | 1,068,202 | - | (98,766) | 969,436 | 103,240 |
| Waterline construction | 3.99% | 122,359 | - | (10,177) | 112,182 | 10,588 |
| WWTP roof replacement | 3.25% | 453,412 | - | (28,536) | 424,876 | 29,470 |
| Sludge storage tank covers | 3.25% | 376,241 | - | (23,678) | 352,563 | 24,455 |
| Woodland and Andrews Avenue | 3.25% | 264,056 | - | (16,618) | 247,438 | 17,163 |
| Boardman storage tank | 3.83% | 1,281,418 | - | (74,075) | 1,207,343 | 76,939 |
| Roger Lindgren Way - forcemain | 4.14% | 440,710 | - | (22,715) | 417,995 | 23,666 |
| Roger Lindgren Way - waterlines | 3.49% | 1,051,969 | - | (54,436) | 997,533 | 56,352 |
| Meadowbrook flow equalization basis | 2.86% | 4,198,961 | - | (210,286) | 3,988,675 | 216,343 |
| Myrtle Avenue pump station | 3.30% | 943,955 | - | (51,711) | 892,244 | 53,432 |
| Briar Hill elevated storage tank | 4.29% | 1,774,865 | - | (86,448) | 1,688,417 | 90,196 |
| WWTP Secondary Treatment Improvements | 0.86% | - | 11,663,744 | - | 11,663,744 | - |
| WWTP Electrical Upgrades Contract A | 1.81% | - | 8,910,150 | - | 8,910,150 | - |
| WWTP Improvements & Microscreen System | 2.15% | - | 2,850,609 | - | 2,850,609 | - |
| Inceptor Sewer Relocation | 2.08% | - | 4,731,755 | - | 4,731,755 | - |
| WWTP UV Disinfection Improvement | 2.12% | - | 373,175 | - | 373,175 | - |
| Water Department maintenance complex | 3.45% | 4,755,193 | - | (236,636) | 4,518,557 | 244,871 |
| Total OWDA loans | | <u>19,817,457</u> | <u>28,529,433</u> | <u>(1,229,856)</u> | <u>47,117,034</u> | <u>1,274,689</u> |
| <u>OPWC loans</u> | | | | | | |
| Kirk Road water storage tank | 0.00% | 401,361 | - | (47,219) | 354,142 | 47,219 |
| Boardman elevated water tank | 0.00% | 873,979 | - | (56,385) | 817,594 | 56,386 |
| Gypsy Lane water and sanitary improvements | 0.00% | 140,254 | - | (13,359) | 126,895 | 13,358 |
| Kirkmere sanitary sewer | 0.00% | 289,447 | - | (11,577) | 277,870 | 11,578 |
| Phelps Street sanitary sewer | 0.00% | 683,100 | - | (25,300) | 657,800 | 25,300 |
| Belle Vista waterline replacements | 0.00% | 620,029 | - | (24,801) | 595,228 | 24,801 |
| WWTP electrical system upgrade | 0.00% | 147,299 | - | - | 147,299 | - |
| Total OPWC loans | | <u>3,155,469</u> | <u>-</u> | <u>(178,641)</u> | <u>2,976,828</u> | <u>178,642</u> |
| <u>Other long-term obligations</u> | | | | | | |
| Net pension liability | | 18,609,193 | - | (4,822,914) | 13,786,279 | - |
| Net OPEB liability | | 7,920,716 | 1,228,576 | - | 9,149,292 | - |
| Capital lease obligation | | 3,229,742 | - | (382,000) | 2,847,742 | 391,000 |
| Judgment payable | | 1,796,000 | - | (1,755,023) | 40,977 | 40,977 |
| ODOT State infrastructure bank loan | | 552,667 | - | (272,219) | 280,448 | 280,448 |
| Compensated absences | | 1,975,983 | 1,103,878 | (1,120,603) | 1,959,258 | 339,544 |
| Total other long-term obligations | | <u>34,084,301</u> | <u>2,332,454</u> | <u>(8,352,759)</u> | <u>28,063,996</u> | <u>1,051,969</u> |
| Total business-type activities long-term obligations | | <u>\$ 57,057,227</u> | <u>\$ 30,861,887</u> | <u>\$ (9,761,256)</u> | <u>\$ 78,157,858</u> | <u>\$ 2,505,300</u> |

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire the governmental activities long-term debt obligations outstanding at December 31, 2018, are as follows:

| Year | General Obligation Bonds Payable | | |
|-------------|----------------------------------|---------------------|----------------------|
| | Principal | Interest | Total |
| 2019 | \$ 1,113,000 | \$ 273,492 | \$ 1,386,492 |
| 2020 | 1,139,000 | 245,785 | 1,384,785 |
| 2021 | 1,164,000 | 217,419 | 1,381,419 |
| 2022 | 1,204,000 | 188,432 | 1,392,432 |
| 2023 | 751,000 | 158,458 | 909,458 |
| 2024 - 2028 | 3,350,000 | 508,377 | 3,858,377 |
| 2029 - 2032 | <u>1,910,000</u> | <u>102,928</u> | <u>2,012,928</u> |
| Total | <u>\$ 10,631,000</u> | <u>\$ 1,694,891</u> | <u>\$ 12,325,891</u> |

| Year | HUD Section 108 Loans Payable | | |
|-----------|-------------------------------|-----------------|---------------------|
| | Principal | Interest | Total |
| 2019 | \$ 241,000 | \$ 7,958 | \$ 248,958 |
| 2020 | 146,000 | - | 146,000 |
| 2021 | 152,000 | - | 152,000 |
| 2022 | 157,000 | - | 157,000 |
| 2023 | 162,000 | - | 162,000 |
| 2024-2028 | 901,000 | - | 901,000 |
| 2029-2033 | 1,070,000 | - | 1,070,000 |
| 2034-2038 | <u>1,271,000</u> | <u>-</u> | <u>1,271,000</u> |
| Total | <u>\$ 4,100,000</u> | <u>\$ 7,958</u> | <u>\$ 4,107,958</u> |

| Year | OPWC Loan Payable | | |
|-------------|-------------------|-------------|-------------------|
| | Principal | Interest | Total |
| 2019 | \$ 21,429 | \$ - | \$ 21,429 |
| 2020 | 21,429 | - | 21,429 |
| 2021 | 21,429 | - | 21,429 |
| 2022 | 21,429 | - | 21,429 |
| 2023 | 21,428 | - | 21,428 |
| 2024 - 2025 | <u>42,858</u> | <u>-</u> | <u>42,858</u> |
| Total | <u>\$ 150,002</u> | <u>\$ -</u> | <u>\$ 150,002</u> |

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire the business-type activities long-term debt obligations outstanding at December 31, 2018, are as follows:

| ODOT State Infrastructure Bank Loan | | | |
|-------------------------------------|---------------|--------------|---------------|
| Year | Principal | Interest | Total |
| 2019 | \$ 280,448 | \$ 12,315 | \$ 292,763 |
| | | | |
| OWDA Loan Payable | | | |
| Year | Principal | Interest | Total |
| 2019 | \$ 1,274,689 | \$ 617,161 | \$ 1,891,850 |
| 2020 | 1,321,184 | 573,647 | 1,894,831 |
| 2021 | 1,369,406 | 528,554 | 1,897,960 |
| 2022 | 1,419,418 | 481,735 | 1,901,153 |
| 2023 | 1,471,290 | 433,211 | 1,904,501 |
| 2024 - 2028 | 6,745,982 | 1,419,958 | 8,165,940 |
| 2029 - 2033 | 4,985,632 | 402,111 | 5,387,743 |
| Total | \$ 18,587,601 | \$ 4,456,377 | \$ 23,043,978 |
| | | | |
| OPWC Loans Payable | | | |
| Year | Principal | Interest | Total |
| 2019 | \$ 178,642 | \$ - | \$ 178,642 |
| 2020 | 178,641 | - | 178,641 |
| 2021 | 178,641 | - | 178,641 |
| 2022 | 178,643 | - | 178,643 |
| 2023 | 178,640 | - | 178,640 |
| 2024 - 2028 | 768,480 | - | 768,480 |
| 2029 - 2033 | 562,132 | - | 562,132 |
| 2034 - 2038 | 308,394 | - | 308,394 |
| 2039 - 2043 | 272,017 | - | 272,017 |
| 2044 | 25,300 | - | 25,300 |
| Total | \$ 2,829,530 | \$ - | \$ 2,829,530 |

As of December 31, 2018, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$37,827,590 and unvoted legal debt margin was \$10,700,542.

On November 16, 2015, the City issued \$4,817,000 in general obligation refunding bonds. The bond issue was used to currently refund the 2005 various purpose refunding bonds. The refunded debt is considered defeased (in-substance) and accordingly has been removed from the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$72,231. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. The bonds have a final maturity date of December 1, 2025 and bear an annual interest rate of 2.35%.

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

On September 2, 2016, the City issued \$8,090,000 in general obligation refunding bonds. The bond issue was used to currently refund the 2006 pension refunding bonds. The refunded debt is considered defeased (in-substance) and accordingly has been removed from the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$72,231. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This current refunding was undertaken to reduce total debt service payments over the next 15 years by \$958,662 and resulted in an economic gain of \$814,450. The bonds have a final maturity date of December 1, 2031 and bear an annual interest rate of 2.57%.

General obligation bonds are direct obligations of the City for which its full faith and credit are pledged for repayment. The general obligation bonds are to be repaid from property tax revenues that are received in the debt service fund.

The City has entered into an agreement with the Ohio Department of Transportation (ODOT) for a State Infrastructure Bank (SIB) direct loan transaction for the improvements to the Brier Hill Industrial Park area in the amount of \$2,626,090. The amounts due to ODOT are payable solely from water and sewer revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 2018, the City has outstanding borrowings of \$280,448 in the business-type activities. The loan agreement requires principal and interest payments to begin thirty-seven months after the closing date of the loan and bears an interest rate of 3.00%.

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 water and sewer revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 2018, the City has outstanding borrowings of \$47,117,034 in the business-type activities. The WWTP secondary treatment improvements project, WWTP electrical upgrades contract A project, WWTP improvements & microscreen system replacement project, interceptor sewer relocation project and WWTP UV disinfection improvements project amortization schedules (\$28,529,433) have not been completed at December 31, 2018 and are not included in the amortization schedule shown above. The loan agreements require semi-annual payments and are paid from the sewer and water funds.

The City has pledged future water and sewer revenues to repay OWDA and ODOT loans. The loans are payable solely from water and sewer fund revenues and are payable through 2033. Annual principal and interest payments on the water loans are expected to require 3.95 percent of total revenue of the water fund. Water loan principal and interest paid for the current year was \$1,052,235. Annual principal and interest payments on the sewer loans are expected to require 32.95 percent of net revenues and 3.78 percent of total revenue of the sewer fund. Sewer loan principal and interest paid for the current year was \$1,052,235. The total principal and interest remaining to be paid on the water and sewer loans is \$54,695,704.

The HUD Section 108 loans will be paid from community development agency entitlements. A new HUD Section 108 loan in the amount of \$4,000,000 was issued on December 14, 2018, to finance the construction of an amphitheater adjacent to the existing Covelli Centre. A debt service schedule for the final interest rates on the loan was not available as of the date of this report.

An Ohio Public Works Commission Loan (OPWC) was issued to finance the Federal Street reconstruction project. The loan was issued in the amount of \$428,576, is interest free and is paid from the bond retirement fund.

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

The City has entered into debt financing arrangements through the OPWC to fund sewer and water construction projects. At December 31, 2018, the City has outstanding borrowings of \$2,976,828 in the business-type activities. The WWTP electrical system upgrade loan, with a balance of \$147,299 at December 31, 2018, has not been fully disbursed; therefore, the balance is not included in the amortization table. The loan agreements require semi-annual payments and are paid from the sewer and water funds.

For compensated absences, additions and deletions of accrued vacation and sick leave are shown net since it is impractical for the City to determine these amounts separately. Compensated absences and the net pension liability will be paid from the fund from which the employees' salaries are paid.

The claims payable liability will be paid from the workers' compensation internal service fund.

NOTE 13 - NOTES PAYABLE

Note activity during 2018 consisted of the following:

| | <u>Issue Date</u> | <u>Interest Rate</u> | <u>Balance 12/31/2017</u> | <u>Issued</u> | <u>Reductions</u> | <u>Balance 12/31/2018</u> |
|--|-----------------------|--------------------------|-------------------------------|----------------------|------------------------|-------------------------------|
| Governmental activities: | | | | | | |
| <i><u>Covelli Centre fund:</u></i> | | | | | | |
| Convocation center | 2017 | 2.44% | 9,160,000 | - | (9,160,000) | - |
| Convocation center | 2018 | 3.24% | \$ - | \$ 8,360,000 | \$ - | \$ 8,360,000 |
| <i>Capital projects</i> | | | | | | |
| <i><u>public works fund:</u></i> | | | | | | |
| Various purposes | 2017 | 1.720% | 5,600,000 | - | (5,600,000) | - |
| Various purposes | 2018 | 2.560% | - | 5,600,000 | - | 5,600,000 |
| <i><u>Fire levy fund:</u></i> | | | | | | |
| Various purposes | 2017 | 1.720% | 100,000 | - | (100,000) | - |
| Total governmental activities | | | <u>14,860,000</u> | <u>13,960,000</u> | <u>(14,860,000)</u> | <u>13,960,000</u> |
| Business-type activities: | | | | | | |
| <i><u>Environmental sanitation fund:</u></i> | | | | | | |
| Vehicle acquisition | 2017 | 1.720% | 900,000 | - | (900,000) | - |
| Vehicle acquisition | 2016 | 2.560% | - | 500,000 | - | 500,000 |
| Total business-type activities | | | <u>900,000</u> | <u>500,000</u> | <u>(900,000)</u> | <u>500,000</u> |
| Total notes payable | | | <u>\$ 15,760,000</u> | <u>\$ 14,460,000</u> | <u>\$ (15,760,000)</u> | <u>\$ 14,460,000</u> |

Convocation center: On September 12, 2018, the City issued \$8,360,000 in notes. The proceeds were used to retire the 2017 convocation center notes that matured September 13, 2018. The 2018 notes bear an interest rate of 3.24% and mature on September 12, 2019. The notes are recorded as a liability in the Covelli Centre fund, which is the fund that originally received the proceeds.

Various purposes: On September 12, 2018, the City issued \$5,600,000 in notes. The proceeds were used to retire 2017 various purpose notes that matured September 13, 2018. The 2018 notes bear an interest rate of 2.56% and mature on September 12, 2019. These notes are recorded as liabilities in the capital projects public works fund and the fire levy fund, which are the funds that originally received the proceeds.

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 13 - NOTES PAYABLE - (Continued)

Sanitation vehicle acquisition: On September 12, 2018, the City issued \$500,000 in notes. The proceeds were used to retire the 2017 sanitation vehicle acquisition notes that matured on September 13, 2018. The 2018 notes bear an interest rate of 2.56% and mature on September 12, 2019. These notes are recorded as a liability in the environmental sanitation fund, which is the fund that received the proceeds.

NOTE 14 - RISK MANAGEMENT

A. Property and Liability

For calendar year 2018, the City contracted for a package of municipal liability and property insurance through Jackson, Dieken and Associates at an annual premium of \$758,897.

The insurance package consisted of a policy from U.S Specialty Insurance Company including: comprehensive general liability and automobile liability with limits of \$1 million per occurrence, aggregate \$3 million and deductibles of \$50,000 per occurrence; public officials liability with prior acts coverage and law enforcement liability coverage with limits of \$1 million per occurrence and deductibles of \$50,000. Two umbrella policies provided additional coverage in the amount of \$10 million. The policy also included JAC Management, LLC and Eric Ryan as additional insured for management of the Covelli Centre, at a premium cost of \$101,100. Coverage was provided for loss to buildings and personal property in the amount of \$201,229,596 with a \$10,000 deductible, coverage for contractor's equipment and EDP equipment in the amount of \$16,274,156 and auto physical damage catastrophic coverage at two locations with a limit of \$1 million per occurrence and \$25,000 deductible.

Personal faithful performance bonds were purchased for the Clerk of Court in the amount of \$25,000; for the Mayor, the Finance Director and the Law Director in the amount of \$100,000 and for the Bailiff in the amount of \$3,000 and deputy bailiffs in the amount of \$1,000.

In 2018, the City paid deductibles to Midwest Claims in the amount of \$203,798.

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

B. Workers' Compensation

The City has elected to take advantage of the workers' compensation plan being offered by the State of Ohio. This plan, called retrospective rating, allows the City to pay a fraction of the premium it would pay as an experience-rated risk.

In 2018, the City paid premiums to the State Fund for Workers' Compensation for calendar year 2018 in the amount of approximately \$562,399. The City reimbursed the Bureau of Workers Compensation for actual medical costs and compensation paid to injured workers in the amount of \$551,109 under the Retrospective Rating Plan.

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 14 - RISK MANAGEMENT - (Continued)

Retrospective rating constitutes a step closer to self-insurance. In the retrospective rating plan, the City agrees to assume a portion of the risk in return for a possible reduction in premiums. The greater the percentage of the risk the City assumes, the greater the potential reduction in the premium. If the City's loss experience is better than predicted by the experience-rating system, its premium obligation will be less than what it would have paid under experience rating. If its experience is worse than predicted, its premium obligation will be more than it would have been assessed under experience rating, limited to a maximum premium. The City has assumed the risk for individual claims up to a maximum of \$300,000.

The City has agreed to pay all claims up to a maximum of 200% of what the City would have paid had the City remained an experience-rated risk. Claims exceeding these limits will be paid by the State. Each year, the City pays the State a minimum premium for retaining the risk of having to pay claims which exceeds the City's maximum claim limits. Ten years after each year the City elected the retrospective plan for workers' compensation, the City settles up for the reserve on any claims that are still open. The City has established a workers' compensation internal service fund to account for and finance its uninsured risks of loss in this program.

The claims liability of \$2,082,908 reported at December 31, 2018, as estimated by the third party administrator, is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Of the \$2,082,908 claims liability, \$538,491 of the liability is due within one year and is reported as a current liability in the statement of net position for the proprietary funds. The remaining portion is a noncurrent liability of \$1,544,417. The estimate was not affected by non-incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in the fund's claims liability amount in 2018 and 2017 were:

| <u>Year</u> | <u>Balance at Beginning of Year</u> | <u>Current Year Claims/ Adjustments*</u> | <u>Claims Payments</u> | <u>Balance at End of Year</u> |
|-------------|---|--|----------------------------|-----------------------------------|
| 2018 | \$ 3,621,945 | \$ (863,474) | \$ (675,563) | \$ 2,082,908 |
| 2017 | 2,339,200 | 1,583,467 | (300,722) | 3,621,945 |

*The negative current year claims/adjustments in 2018 is due to a significant decrease of approximately \$1,000,000 in reserve for open claims from the year January 1, 2008 - December 31, 2008, that were determined not to be the responsibility of the City upon the ten-year settlement.

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 15 - EMPLOYEE BENEFITS

A. Life/Health Insurance

During 2018, the City provided health insurance benefits to all regular employees working a minimum of 32 hours per week. In 2018, management and non-management employees were enrolled in an Anthem Blue Access (PPO) Plan which provides medical/surgical benefits with \$250 single/\$500 family deductibles and co-pays of \$15/\$20 for office visits and \$100 for emergency room visits within the network. Services outside the network of providers were paid at 80% of the usual and customary fee by Anthem, after the employee met a deductible of \$500 single/\$1,000 family. Prescription drug coverage was included which required co-pays of \$15 for generics, \$30 for formulary, and \$60 for brand name drugs.

The premiums paid by the City were \$753.22 per month per employee for single coverage, \$1,488.22 per month for employee and spouse coverage, \$1,346.39 per month for employee and children coverage, and \$2,268.05 per month for family coverage. Premiums for vision were \$6.16 single, \$11.57 employee and spouse, \$10.47 employee and children, and \$17.63 family. Premiums for dental were \$24.65 single, \$57.46 employee and spouse, \$51.98 employee and children, and \$87.57 family.

During 2018, management employees contributed 10% of the premiums paid by the City for their health insurance. Union employees contributed 10%, with caps, toward their premiums in accordance with collective bargaining agreement reached. Dental and vision coverage were provided by Anthem for all employees, other than AFSCME union members. Members of AFSCME 2312 and 2726 (water and clerical) had vision, dental, and life insurance provided through the Ohio AFSCME Care Plan. The City contributed \$55.75 per month per AFSCME employee for this coverage.

During 2018, the City also provided life insurance and accidental death and dismemberment insurance in equal amounts to its active employees with the exception of AFSCME employees through a plan with Standard Life. The benefit amounts remained the same: \$9,500 with the exception of Waste Water Treatment Plant union employees who had coverage in the amount of \$15,000 and Fire Department, 911, Police and Street department union employees who had coverage in the amount of \$20,000. In addition, eligible retirees were covered for death amount benefit amounts ranging from \$1,500 to \$4,750, depending on retirement date.

B. Compensated Absences

City employees earn sick leave at a rate of one and one quarter days per month, not to exceed 15 days per year. Sick leave may be accumulated without limit. The City's policy is that 35 percent of accrued sick leave will be paid to an employee upon retirement or termination of service.

City employees earn two to six weeks of vacation per year, depending upon length of service. Upon termination of service, an employee is entitled to receive payment for any unused vacation time plus accrued vacation time earned during the year.

For governmental funds, the current portion of unpaid compensated absences is recorded as a current liability in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the statement of activities. In proprietary funds, the entire amount of compensated absences is reported as a fund liability. As of December 31, 2018, the liability for unpaid compensated absences was \$8,478,915 for the entire City.

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 16 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability/Asset

The net pension liability/asset reported on the statement of net position represents a liability or asset to employees for pensions. Pensions are a component of exchange transactions - between an employer and its employees - of salaries and benefits for employee services. Pensions are provided to an employee - on a deferred-payment basis - as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability/asset represents the City's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability/asset calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes any net pension liability/asset is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Plan Description - Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS' Traditional Pension Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Pension Plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group.

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the Traditional Pension Plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

| Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013 | Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013 | Group C Members not in other Groups and members hired on or after January 7, 2013 |
|---|---|---|
| State and Local | State and Local | State and Local |
| Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit |
| Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 |

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3.00% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 2.25%.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.00% to the member's FAS for the first 30 years of service.

A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 2.25% COLA adjustment on the defined benefit portion of their benefit.

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS’s Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member’s contributions plus or minus the investment gains or losses resulting from the member’s investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members’ contributions, vested employer contributions and investment gains or losses resulting from the members’ investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS CAFR.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

| | State and Local |
|--|--------------------|
| 2018 Statutory Maximum Contribution Rates | |
| Employer | 14.0 % |
| Employee | 10.0 % |
| 2018 Actual Contribution Rates | |
| Employer: | |
| Pension | 14.0 % |
| Post-employment Health Care Benefits | 0.0 % |
| Total Employer | 14.0 % |
| Employee | 10.0 % |

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The City’s contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$3,073,809 for 2018. Of this amount, \$305,228 is reported as due to other governments.

Plan Description - Ohio Police & Fire Pension Fund (OP&F)

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.50% for each of the first 20 years of service credit, 2.00% for each of the next five years of service credit and 1.50% for each year of service credit in excess of 25 years. The maximum pension of 72.00% of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

| | Police | Firefighters |
|--|---------|--------------|
| 2018 Statutory Maximum Contribution Rates | | |
| Employer | 19.50 % | 24.00 % |
| Employee | 12.25 % | 12.25 % |
| 2018 Actual Contribution Rates | | |
| Employer: | | |
| Pension | 19.00 % | 23.50 % |
| Post-employment Health Care Benefits | 0.50 % | 0.50 % |
| Total Employer | 19.50 % | 24.00 % |
| Employee | 12.25 % | 12.25 % |

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$3,787,333 for 2018. Of this amount, \$378,336 is reported as due to other governments.

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

Net Pension Liabilities/Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability and net pension asset for the OPERS Traditional Pension Plan, Combined Plan and Member-Directed Plan, respectively, were measured as of December 31, 2017, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2017, and was determined by rolling forward the total pension liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net pension liability or asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

| | OPERS - Traditional | OPERS - Combined | OPERS - Member- Directed | OP&F | Total |
|--|------------------------|---------------------|--------------------------------|-------------------|---------------|
| Proportion of the net pension liability/asset prior measurement date | 0.173353% | 0.077737% | 0.056788% | 0.803213% | |
| Proportion of the net pension liability/asset current measurement date | <u>0.172400%</u> | <u>0.079377%</u> | <u>0.055458%</u> | <u>0.794354%</u> | |
| Change in proportionate share | <u>-0.000953%</u> | <u>0.001640%</u> | <u>-0.001330%</u> | <u>-0.008859%</u> | |
| Proportionate share of the net pension liability | \$ 27,046,218 | \$ - | \$ - | \$ 48,753,106 | \$ 75,799,324 |
| Proportionate share of the net pension asset | - | (108,058) | (1,936) | - | (109,994) |
| Pension expense | 5,622,097 | 17,445 | (629) | 5,147,036 | 10,785,949 |

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | OPERS - Traditional | OPERS - Combined | OPERS - Member- Directed | OP&F | Total |
|--|------------------------|---------------------|--------------------------------|---------------------|----------------------|
| Deferred outflows of resources | | | | | |
| Differences between expected and actual experience | \$ 27,620 | \$ - | \$ 3,762 | \$ 739,862 | \$ 771,244 |
| Changes of assumptions | 3,232,205 | 9,444 | 230 | 2,124,430 | 5,366,309 |
| Changes in employer's proportionate percentage/ difference between employer contributions | 670,483 | - | - | - | 670,483 |
| City contributions subsequent to the measurement date | 3,000,921 | 43,953 | 28,935 | 3,787,333 | 6,861,142 |
| Total deferred outflows of resources | <u>\$ 6,931,229</u> | <u>\$ 53,397</u> | <u>\$ 32,927</u> | <u>\$ 6,651,625</u> | <u>\$ 13,669,178</u> |
| Deferred inflows of resources | | | | | |
| Differences between expected and actual experience | \$ 532,996 | \$ 32,192 | \$ - | \$ 88,197 | \$ 653,385 |
| Net difference between projected and actual earnings on pension plan investments | 5,806,467 | 17,049 | 545 | 1,686,483 | 7,510,544 |
| Changes in employer's proportionate percentage/ difference between employer contributions | 966,308 | - | - | 2,715,972 | 3,682,280 |
| Total deferred inflows of resources | <u>\$ 7,305,771</u> | <u>\$ 49,241</u> | <u>\$ 545</u> | <u>\$ 4,490,652</u> | <u>\$ 11,846,209</u> |

\$6,861,142 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/asset in the year ending December 31, 2019.

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| Year Ending December 31: | OPERS - Traditional | OPERS - Combined | OPERS - Member- Directed | OP&F | Total |
|--------------------------|------------------------|---------------------|--------------------------------|-----------------------|-----------------------|
| 2019 | \$ 2,196,951 | \$ (5,419) | \$ 432 | \$ 559,691 | \$ 2,751,655 |
| 2020 | (629,593) | (5,885) | 419 | 116,301 | (518,758) |
| 2021 | (2,556,860) | (9,705) | 344 | (1,627,785) | (4,194,006) |
| 2022 | (2,385,961) | (9,303) | 357 | (1,202,975) | (3,597,882) |
| 2023 | - | (3,317) | 523 | 417,126 | 414,332 |
| Thereafter | - | (6,168) | 1,372 | 111,282 | 106,486 |
| Total | \$ (3,375,463) | \$ (39,797) | \$ 3,447 | \$ (1,626,360) | \$ (5,038,173) |

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67.

| | |
|--|--|
| Wage inflation | 3.25% |
| Future salary increases, including inflation | 3.25% to 10.75% including wage inflation |
| COLA or ad hoc COLA | Pre 1/7/2013 retirees: 3.00%, simple Post 1/7/2013 retirees: 3.00%, simple through 2018, then 2.15% simple |
| Investment rate of return | 7.50% |
| Actuarial cost method | Individual entry age |

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 16.82% for 2017.

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

| Asset Class | Target Allocation | Weighted Average Long-Term Expected Real Rate of Return (Arithmetic) |
|------------------------|----------------------|---|
| Fixed income | 23.00 % | 2.20 % |
| Domestic equities | 19.00 | 6.37 |
| Real estate | 10.00 | 5.26 |
| Private equity | 10.00 | 8.97 |
| International equities | 20.00 | 7.88 |
| Other investments | 18.00 | 5.26 |
| Total | <u>100.00 %</u> | <u>5.66 %</u> |

Discount Rate - The discount rate used to measure the total pension liability/asset was 7.50%, post-experience study results, for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the City's proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 7.50%, as well as what the City's proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (6.50%) or one-percentage-point higher (8.50%) than the current rate:

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|---|------------------------|-------------------------------------|------------------------|
| City's proportionate share of the net pension liability (asset): | | | |
| Traditional Pension Plan | \$ 48,027,192 | \$ 27,046,218 | \$ 9,554,408 |
| Combined Plan | (58,739) | (108,058) | (142,085) |
| Member-Directed Plan | (1,109) | (1,936) | (2,773) |

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2017 is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2017, are presented below. The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the investment rate of return from 8.25% to 8.00%, (b) projected salary increases decreased from 4.25% - 11.00% to 3.75% - 10.50%, (c) payroll increases decreased from 3.75% to 3.25%, (d) inflation assumptions decreased from 3.25% to 2.75% and (e) Cost of Living Adjustments (COLAs) decreased from 2.60% to 2.20%.

| | |
|----------------------------|------------------------|
| Valuation date | January 1, 2017 |
| Actuarial cost method | Entry age normal |
| Investment rate of return | 8.00% |
| Projected salary increases | 3.75% - 10.50% |
| Payroll increases | 3.25% |
| Inflation assumptions | 2.75% |
| Cost of living adjustments | 2.20% and 3.00% simple |

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed for the five-year period ended December 31, 2016. The recommended assumption changes based on this experience study were adopted by OPF's Board and were effective beginning with the January 1, 2017 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy and Guidelines. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2017 are summarized below:

| Asset Class | Target Allocation | 10 Year Expected Real Rate of Return ** | 30 Year Expected Real Rate of Return ** |
|-----------------------------|----------------------|--|--|
| Cash and Cash Equivalents | - % | | |
| Domestic Equity | 16.00 | 4.22 % | 5.39 % |
| Non-US Equity | 16.00 | 4.41 | 5.59 |
| Private Markets | 8.00 | 6.67 | 8.08 |
| Core Fixed Income * | 23.00 | 1.57 | 2.71 |
| High Yield Fixed Income | 7.00 | 2.94 | 4.71 |
| Private Credit | 5.00 | 6.93 | 7.26 |
| Global Inflation | | | |
| Protected Securities * | 17.00 | 0.98 | 2.52 |
| Master Limited Partnerships | 8.00 | 7.50 | 7.93 |
| Real Assets | 8.00 | 6.88 | 7.24 |
| Private Real Estate | 12.00 | 5.58 | 6.34 |
| Total | <u>120.00 %</u> | | |

Note: assumptions are geometric.

* levered 2x

** numbers include inflation

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return and creating a more risk-balanced portfolio based on the relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.20 times due to the application of leverage in certain fixed income asset classes.

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The total pension liability was calculated using the discount rate of 8.00%. A discount rate of 8.25% was used in the prior measurement period. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.00%. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00%), or one percentage point higher (9.00%) than the current rate.

| | 1% Decrease (7.00%) | Current Discount Rate (8.00%) | 1% Increase (9.00%) |
|--|------------------------|-------------------------------------|------------------------|
| City's proportionate share of the net pension liability | \$ 67,584,569 | \$ 48,753,106 | \$ 33,394,299 |

NOTE 17 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions - between an employer and its employees - of salaries and benefits for employee services. OPEB are provided to an employee - on a deferred-payment basis - as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the City's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which OPEB are financed; however, the City does receive the benefit of employees' services in exchange for compensation including OPEB.

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term net OPEB liability on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

Plan Description - Ohio Public Employees Retirement System (OPERS)

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care is not being funded.

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The City's contractually required contribution was \$11,574 for 2018. Of this amount, \$1,149 is reported as due to other governments.

Plan Description - Ohio Police & Fire Pension Fund (OP&F)

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 75.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2018, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

The City's contractually required contribution to OP&F was \$90,470 for 2018. Of this amount, \$9,038 is reported as due to other governments.

Net OPEB Liabilities, OPEB Expense, and Deferred Outflows or Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2017, and was determined by rolling forward the total OPEB liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

| | <u>OPERS</u> | <u>OP&F</u> | <u>Total</u> |
|---|-------------------|-------------------|---------------|
| Proportion of the net OPEB liability prior measurement date | 0.165889% | 0.803213% | |
| Proportion of the net OPEB liability current measurement date | <u>0.165290%</u> | <u>0.794354%</u> | |
| Change in proportionate share | <u>-0.000599%</u> | <u>-0.008859%</u> | |
| Proportionate share of the net OPEB liability | \$ 17,949,276 | \$ 45,006,996 | \$ 62,956,272 |
| OPEB expense | \$ 1,505,476 | \$ 3,810,673 | \$ 5,316,149 |

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>OPERS</u> | <u>OP&F</u> | <u>Total</u> |
|---|---------------------|---------------------|---------------------|
| Deferred outflows of resources | | | |
| Differences between expected and actual experience | \$ 13,982 | \$ - | \$ 13,982 |
| Changes of assumptions | 1,306,898 | 4,391,725 | 5,698,623 |
| Changes in employer's proportionate percentage/ difference between employer contributions | 392,402 | - | 392,402 |
| City contributions subsequent to the measurement date | <u>11,574</u> | <u>90,470</u> | <u>102,044</u> |
| Total deferred outflows of resources | <u>\$ 1,724,856</u> | <u>\$ 4,482,195</u> | <u>\$ 6,207,051</u> |

| | | | |
|---|---------------------|---------------------|---------------------|
| Deferred inflows of resources | | | |
| Differences between expected and actual experience | \$ - | \$ 226,996 | \$ 226,996 |
| Net difference between projected and actual earnings on pension plan investments | 1,337,101 | 296,256 | 1,633,357 |
| Changes in employer's proportionate percentage/ difference between employer contributions | <u>445,456</u> | <u>711,388</u> | <u>1,156,844</u> |
| Total deferred inflows of resources | <u>\$ 1,782,557</u> | <u>\$ 1,234,640</u> | <u>\$ 3,017,197</u> |

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

\$102,044 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| Year Ending December 31: | OPERS | OP&F | Total |
|--------------------------|-------------|--------------|--------------|
| 2019 | \$ 271,876 | \$ 376,563 | \$ 648,439 |
| 2020 | 271,876 | 376,563 | 648,439 |
| 2021 | (278,751) | 376,565 | 97,814 |
| 2022 | (334,275) | 473,190 | 138,915 |
| 2023 | (1) | 547,254 | 547,253 |
| Thereafter | - | 1,006,950 | 1,006,950 |
| Total | \$ (69,275) | \$ 3,157,085 | \$ 3,087,810 |

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

| | |
|--|--|
| Wage Inflation | 3.25 percent |
| Projected Salary Increases, including inflation | 3.25 to 10.75 percent including wage inflation |
| Single Discount Rate: | |
| Current measurement date | 3.85 percent |
| Prior Measurement date | 4.23 percent |
| Investment Rate of Return | 6.50 percent |
| Municipal Bond Rate | 3.31 percent |
| Health Care Cost Trend Rate | 7.5 percent, initial 3.25 percent, ultimate in 2028 |
| Actuarial Cost Method | Individual Entry Age |

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2 percent for 2017.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

| Asset Class | Target Allocation | Weighted Average Long-Term Expected Real Rate of Return (Arithmetic) |
|------------------------------|----------------------|---|
| Fixed Income | 34.00 % | 1.88 % |
| Domestic Equities | 21.00 | 6.37 |
| Real Estate Investment Trust | 6.00 | 5.91 |
| International Equities | 22.00 | 7.88 |
| Other investments | 17.00 | 5.39 |
| Total | 100.00 % | 4.98 % |

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

Discount Rate A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

| | 1% Decrease (2.85%) | Current Discount Rate (3.85%) | 1% Increase (4.85%) |
|---|------------------------|-------------------------------------|------------------------|
| City's proportionate share of the net OPEB liability | \$ 23,846,388 | \$ 17,949,276 | \$ 13,178,572 |

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

| | 1% Decrease | Current Health Care Trend Rate Assumption | 1% Increase |
|---|---------------|---|---------------|
| City's proportionate share of the net OPEB liability | \$ 17,173,631 | \$ 17,949,276 | \$ 18,750,498 |

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - OP&F

OP&F's total OPEB liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

| | |
|----------------------------|--|
| Valuation Date | January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017 |
| Actuarial Cost Method | Entry Age Normal |
| Investment Rate of Return | 8.0 percent |
| Projected Salary Increases | 3.75 percent to 10.5 percent |
| Payroll Growth | Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent |
| Single discount rate: | |
| Current measurement date | 3.24 percent |
| Prior measurement date | 3.79 percent |
| Cost of Living Adjustments | 3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent |

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

| Age | Police | Fire |
|------------|--------|------|
| 67 or less | 77 % | 68 % |
| 68-77 | 105 | 87 |
| 78 and up | 115 | 120 |

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

| Age | Police | Fire |
|------------|--------|------|
| 59 or less | 35 % | 35 % |
| 60-69 | 60 | 45 |
| 70-79 | 75 | 70 |
| 80 and up | 100 | 90 |

The most recent experience study was completed for the five year period ended December 31, 2016, the prior experience study was completed December 31, 2011.

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2017, are summarized below:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|--|----------------------|---|
| Cash and Cash Equivalents | - % | 0.00 % |
| Domestic Equity | 16.00 | 5.21 |
| Non-US Equity | 16.00 | 5.40 |
| Core Fixed Income* | 20.00 | 2.37 |
| Global Inflation Protected Securities* | 20.00 | 2.33 |
| High Yield | 15.00 | 4.48 |
| Real Estate | 12.00 | 5.65 |
| Private Markets | 8.00 | 7.99 |
| Timber | 5.00 | 6.87 |
| Master Limited Partnerships | 8.00 | 7.36 |
| Total | 120.00 % | |

Note: Assumptions are geometric.

*levered 2x

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate - The total OPEB liability was calculated using the discount rate of 3.24 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 3.16 percent at December 31, 2017 and 3.71 percent at December 31, 2016, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.24 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2025. The long-term expected rate of return on health care investments was applied to projected costs through 2025, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 3.24 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.24 percent), or one percentage point higher (4.24 percent) than the current rate.

| | 1% Decrease (2.24%) | Current Discount Rate (3.24%) | 1% Increase (4.24%) |
|---|------------------------|-------------------------------------|------------------------|
| City's proportionate share of the net OPEB liability | \$ 56,259,274 | \$ 45,006,996 | \$ 36,348,842 |

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Net OPEB liability is sensitive to changes in the health care cost trend rate. The trend rate is the annual rate at which the cost of covered medical services is assumed to increase from the current year to the next year. Beginning in 2017, the per-capita costs are assumed to change by the following percentages each year:

| Year | <u>Non-Medicare</u> | <u>Non-AARP</u> | <u>AARP</u> | <u>Rx Drug</u> | <u>Medicare Part B</u> |
|----------------|---------------------|-----------------|-------------|----------------|----------------------------|
| 2017 | -0.47% | -2.50% | 4.50% | -0.47% | 5.20% |
| 2018 | 7.00% | 7.00% | 4.50% | 7.00% | 5.10% |
| 2019 | 6.50% | 6.50% | 4.50% | 6.50% | 5.00% |
| 2020 | 6.00% | 6.00% | 4.50% | 6.00% | 5.00% |
| 2021 | 5.50% | 5.50% | 4.50% | 5.50% | 5.00% |
| 2022 | 5.00% | 5.00% | 4.50% | 5.00% | 5.00% |
| 2023 and Later | 4.50% | 4.50% | 4.50% | 4.50% | 5.00% |

To illustrate the potential impact, the following table presents the net OPEB liability calculated using the current healthcare cost trend current rates as outlined in the table above, a one percent decrease in the trend rates and a one percent increase in the trend rates.

| | Current Health Care Trend Rate | | |
|---|-----------------------------------|-------------------|--------------------|
| | <u>1% Decrease</u> | <u>Assumption</u> | <u>1% Increase</u> |
| City's proportionate share of the net OPEB liability | \$ 34,962,235 | \$ 45,006,996 | \$ 58,543,908 |

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of revenues, expenditures and changes in fund balances - budget and actual (non-GAAP budgetary basis) presented for the general fund and major special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP);
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP);
3. In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP);

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

4. Investments are reported at fair value (GAAP) rather than cost (budget); and,
5. Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for all governmental funds for which a budgetary basis statement is presented.

Net Change in Fund Balance

| | <u>General</u> | <u>Fire Levy</u> | <u>Police Levy</u> | <u>Covelli Centre</u> |
|--|-------------------|-------------------|--------------------|---------------------------|
| Budget basis | \$ 4,022,951 | \$ (28,588) | \$ (5,717) | \$ (29,275) |
| Net adjustment for revenue accruals | 160,782 | (6,365) | 168,451 | 18,290 |
| Net adjustment for expenditure accruals | (1,160,191) | (125,720) | (4,619) | 9,147,139 |
| Net adjustment for other financing sources/uses | (2,859,000) | 101,720 | - | (8,360,000) |
| Funds budgeted elsewhere | 2,918 | - | - | - |
| Adjustment for encumbrances | <u>236,433</u> | <u>179,043</u> | <u>97,881</u> | <u>3,300</u> |
| GAAP basis | <u>\$ 403,893</u> | <u>\$ 120,090</u> | <u>\$ 255,996</u> | <u>\$ 779,454</u> |

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the emergency 911 system fund, the unclaimed monies fund, the federal plaza ad hoc committee fund, business development lease payments fund, and the rental property registration fund.

NOTE 19 - 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 are 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, 2018.

B. Litigation

The City of Youngstown is currently party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The City's management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 19 - CONTINGENCIES - (Continued)

The Ohio Department of Commerce Bureau of Underground Storage Tank Removal (BUSTR) has made a claim that could present a substantial liability to the City in connection with a West Avenue water department fuel tank removal issue. BUSTR required environmental testing and monitoring. The City is monitoring the affected area and does not currently know if there will be an additional cost to the City.

The City has resolved Ohio EPA proposed findings against the City and completed a Supplemental Environmental Plan (SEP) in lieu of paying a fine in regard to an alleged air pollution violation at the waste water treatment plant. The City no longer uses the incinerator at issue in the complaint.

The City has resolved a U.S. EPA citation in regard to a leak of chlorine at the waste water treatment plan by installing upgrades to the safety systems and paying a fine of approximately \$20,000.

NOTE 20 - OTHER COMMITMENTS

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the City's commitments for encumbrances in the governmental funds were as follows:

| <u>Fund</u> | <u>Year-End Encumbrances</u> |
|--------------------|----------------------------------|
| General | \$ 118,572 |
| Fire levy | 64,095 |
| Police levy | 42,086 |
| Other governmental | <u>1,817,448</u> |
| Total | <u>\$ 2,042,201</u> |

NOTE 21 - TAX ABATEMENTS

As of December 31, 2018, the City provides tax abatements through the Community Reinvestment Area One (CRA) program, which was passed by Ordinance by City Council on May 18, 2011, and was amended on July 20, 2011. This program relates to the abatement of property taxes.

CRA - Under the authority of Ohio Revised Code (ORC) Section 3735.67, the CRA program is an economic development tool administered by municipal and county governments that provides real property tax exemptions for property owners who renovate existing or construct new buildings. CRA's are areas of land in which property owners can receive tax incentives for investing in real property improvements. Under the CRA program, local governments petition to the Ohio Development Services Agency (ODSA) for confirmation of a geographical area in which investment in housing is desired. Once an area is confirmed by the ODSA, local governments may offer real property tax exemptions to taxpayers that invest in that area. Property owners in the CRA can receive temporary tax abatements for renovation of existing structures and new construction in these areas. Property owners apply to the local legislative authority for approval to renovate or construct in the CRA. Upon approval and certification of completion, the amount of the abatement is deducted from the individual or entity's property tax bill.

The City has entered into agreements to abate property taxes through this CRA program. During 2018, the City's property tax revenues were reduced by approximately \$1,000,000 as a result of this program.

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 22 - FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented in the following table.

| Fund Balances | General | Fire Levy | Police Levy | Covelli Centre |
|---|---------------------|-------------------|-------------------|-----------------------|
| <i>Nonspendable</i> | | | | |
| Materials and supplies inventory | \$ 595 | \$ 560 | \$ 31,316 | \$ - |
| Interfund Receivable | 451,400 | - | - | - |
| Unclaimed monies | 19,384 | - | - | - |
| <i>Total Nonspendable</i> | 471,379 | 560 | 31,316 | - |
| <i>Restricted For</i> | | | | |
| Capital projects | - | - | - | - |
| Debt service | - | - | - | - |
| Community development | - | - | - | - |
| Street maintenance and repair | - | - | - | - |
| Public health and welfare | - | - | - | - |
| Law enforcement | - | - | 817,322 | - |
| Fire services | - | 341,403 | - | - |
| Leisure time activities | - | - | - | - |
| <i>Total Restricted</i> | - | 341,403 | 817,322 | - |
| <i>Committed To</i> | | | | |
| Community development | - | - | - | - |
| <i>Total Committed</i> | - | - | - | - |
| <i>Assigned To</i> | | | | |
| General government | 90,914 | - | - | - |
| Community development | 324,032 | - | - | - |
| Law enforcement | 49,148 | - | - | - |
| Public health and welfare | 6,259 | - | - | - |
| <i>Total Assigned</i> | 470,353 | - | - | - |
| <i>Unassigned (deficit)</i> | 2,788,104 | - | - | (7,830,180) |
| <i>Total Fund Balances (deficit)</i> | \$ 3,729,836 | \$ 341,963 | \$ 848,638 | \$ (7,830,180) |

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 22 - FUND BALANCE - (Continued)

| Fund Balances | Capital Projects Public Works | Nonmajor Governmental | Total Governmental |
|---|----------------------------------|--------------------------|-----------------------|
| <i>Nonspendable</i> | | | |
| Materials and supplies inventory | \$ - | \$ 432,306 | \$ 464,777 |
| Interfund Receivable | - | - | 451,400 |
| Unclaimed monies | - | - | 19,384 |
| <i>Total Nonspendable</i> | - | 432,306 | 935,561 |
| <i>Restricted For</i> | | | |
| Capital projects | - | 3,719,150 | 3,719,150 |
| Debt service | - | 2,643,828 | 2,643,828 |
| Community development | - | 211,072 | 211,072 |
| Street maintenance and repair | - | 2,767,498 | 2,767,498 |
| Public health and welfare | - | 188,559 | 188,559 |
| Law enforcement | - | 2,357,063 | 3,174,385 |
| Fire services | - | - | 341,403 |
| Leisure time activities | - | 203,925 | 203,925 |
| <i>Total Restricted</i> | - | 12,091,095 | 13,249,820 |
| <i>Committed To</i> | | | |
| Community development | - | 64,642 | 64,642 |
| <i>Total Committed</i> | - | 64,642 | 64,642 |
| <i>Assigned To</i> | | | |
| General government | - | - | 90,914 |
| Community development | - | - | 324,032 |
| Law enforcement | - | - | 49,148 |
| Public health and welfare | - | - | 6,259 |
| <i>Total Assigned</i> | - | - | 470,353 |
| <i>Unassigned (deficit)</i> | (5,840,114) | (59,102) | (10,941,292) |
| <i>Total Fund Balances (deficit)</i> | \$ (5,840,114) | \$ 12,528,941 | \$ 3,779,084 |

NOTE 23 - SIGNIFICANT SUBSEQUENT EVENTS

On April 3, 2019, City Council authorized a Local Participating Agency agreement with ODOT (PID #110187) for the rehabilitation of several streets in the central business district. The grant amount will be \$10,800,000.

On December 5, 2019, the City received 100% reimbursement from the Youngstown Neighborhood Development Corporation for a \$500,000 grant given to them for the LIVE Youngstown Program.

The EPA approved loans to the City for the Youngstown Wastewater Treatment Plant Electrical B in the amount of \$3,813,950 and for the Youngstown Wastewater Treatment Improvements in the amount of \$8,381,900 for General and \$1,496,944 for Electrical.

This page intentionally left blank.

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY/NET PENSION ASSET
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST FIVE YEARS

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|---------------|---------------|---------------|---------------|---------------|
| <i>Traditional Plan:</i> | | | | | |
| City's proportion of the net pension liability | 0.172400% | 0.173353% | 0.177908% | 0.177897% | 0.177897% |
| City's proportionate share of the net pension liability | \$ 27,046,218 | \$ 39,365,518 | \$ 30,815,908 | \$ 21,456,366 | \$ 20,971,738 |
| City's covered payroll | \$ 22,684,269 | \$ 22,805,742 | \$ 22,931,033 | \$ 21,738,708 | \$ 20,677,369 |
| City's proportionate share of the net pension liability as a percentage of its covered payroll | 119.23% | 172.61% | 134.39% | 98.70% | 101.42% |
| Plan fiduciary net position as a percentage of the total pension liability | 84.66% | 77.25% | 81.08% | 86.45% | 86.36% |
| <i>Combined Plan:</i> | | | | | |
| City's proportion of the net pension asset | 0.079377% | 0.077737% | 0.070410% | 0.070825% | 0.070825% |
| City's proportionate share of the net pension asset | \$ 108,058 | \$ 43,266 | \$ 34,263 | \$ 27,269 | \$ 7,432 |
| City's covered payroll | \$ 325,085 | \$ 302,592 | \$ 256,225 | \$ 258,892 | \$ 237,800 |
| City's proportionate share of the net pension asset as a percentage of its covered payroll | 33.24% | 14.30% | 13.37% | 10.53% | 3.13% |
| Plan fiduciary net position as a percentage of the total pension asset | 137.28% | 116.55% | 116.90% | 114.83% | 104.56% |
| <i>Member Directed Plan:</i> | | | | | |
| City's proportion of the net pension asset | 0.055458% | 0.056788% | 0.062600% | | |
| City's proportionate share of the net pension asset | \$ 1,936 | \$ 237 | \$ 239 | | |
| City's covered payroll | \$ 303,960 | \$ 294,800 | \$ 336,292 | | |
| City's proportionate share of the net pension asset as a percentage of its covered payroll | 0.64% | 0.08% | 0.07% | | |
| Plan fiduciary net position as a percentage of the total pension asset | 124.46% | 103.40% | 103.91% | | |

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the City's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST FIVE YEARS

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|---------------|---------------|---------------|---------------|---------------|
| City's proportion of the net pension liability | 0.794354% | 0.803213% | 0.856255% | 0.872449% | 0.872449% |
| City's proportionate share of the net pension liability | \$ 48,753,106 | \$ 50,874,690 | \$ 55,083,495 | \$ 45,196,507 | \$ 42,491,013 |
| City's covered payroll | \$ 17,495,355 | \$ 17,490,726 | \$ 18,068,047 | \$ 17,266,849 | \$ 17,294,527 |
| City's proportionate share of the net pension liability as a percentage of its covered payroll | 278.66% | 290.87% | 304.87% | 261.75% | 245.69% |
| Plan fiduciary net position as a percentage of the total pension liability | 70.91% | 68.36% | 66.77% | 72.20% | 73.00% |

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the City's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY PENSION CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TEN YEARS

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|--------------------|--------------------|--------------------|--------------------|
| <i>Traditional Plan:</i> | | | | |
| Contractually required contribution | \$ 3,000,921 | \$ 2,948,955 | \$ 2,736,689 | \$ 2,751,724 |
| Contributions in relation to the contractually required contribution | <u>(3,000,921)</u> | <u>(2,948,955)</u> | <u>(2,736,689)</u> | <u>(2,751,724)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's covered payroll | \$ 21,435,150 | \$ 22,684,269 | \$ 22,805,742 | \$ 22,931,033 |
| Contributions as a percentage of covered payroll | 14.00% | 13.00% | 12.00% | 12.00% |
| <i>Combined Plan:</i> | | | | |
| Contractually required contribution | \$ 43,953 | \$ 42,261 | \$ 36,311 | \$ 30,747 |
| Contributions in relation to the contractually required contribution | <u>(43,953)</u> | <u>(42,261)</u> | <u>(36,311)</u> | <u>(30,747)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's covered payroll | \$ 313,950 | \$ 325,085 | \$ 302,592 | \$ 256,225 |
| Contributions as a percentage of covered payroll | 14.00% | 13.00% | 12.00% | 12.00% |
| <i>Member Directed Plan:</i> | | | | |
| Contractually required contribution | \$ 28,935 | \$ 30,396 | \$ 35,376 | \$ 40,355 |
| Contributions in relation to the contractually required contribution | <u>(28,935)</u> | <u>(30,396)</u> | <u>(35,376)</u> | <u>(40,355)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's covered payroll | \$ 289,350 | \$ 303,960 | \$ 294,800 | \$ 336,292 |
| Contributions as a percentage of covered payroll | 10.00% | 10.00% | 12.00% | 12.00% |

Note: Information prior to 2010 for the City's combined plan and prior to 2015 for the City's member directed plan was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| \$ 2,608,645 | \$ 2,688,058 | \$ 2,231,911 | \$ 2,314,527 | \$ 1,505,888 | \$ 1,876,114 |
| <u>(2,608,645)</u> | <u>(2,688,058)</u> | <u>(2,231,911)</u> | <u>(2,314,527)</u> | <u>(1,505,888)</u> | <u>(1,876,114)</u> |
| <u>\$ -</u> |
| \$ 21,738,708 | \$ 20,677,369 | \$ 22,319,110 | \$ 23,145,270 | \$ 16,882,152 | \$ 23,076,433 |
| 12.00% | 13.00% | 10.00% | 10.00% | 8.92% | 8.13% |
| | | | | | |
| \$ 31,067 | \$ 30,914 | \$ 18,672 | \$ 16,238 | \$ 16,202 | |
| <u>(31,067)</u> | <u>(30,914)</u> | <u>(18,672)</u> | <u>(16,238)</u> | <u>(16,202)</u> | |
| <u>\$ -</u> | |
| \$ 258,892 | \$ 237,800 | \$ 234,868 | \$ 204,252 | \$ 167,203 | |
| 12.00% | 13.00% | 7.95% | 7.95% | 9.69% | |

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY PENSION CONTRIBUTIONS
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST TEN YEARS

| | 2018 | 2017 | 2016 | 2015 |
|--|---------------|--------------|--------------|---------------|
| <i>Police:</i> | | | | |
| Contractually required contribution | \$ 1,962,364 | \$ 1,847,579 | \$ 1,868,450 | \$ 1,940,251 |
| Contributions in relation to the contractually required contribution | (1,962,364) | (1,847,579) | (1,868,450) | (1,940,251) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - |
| City's covered payroll | \$ 10,328,232 | \$ 9,724,100 | \$ 9,833,947 | \$ 10,211,847 |
| Contributions as a percentage of covered payroll | 19.00% | 19.00% | 19.00% | 19.00% |
| <i>Fire:</i> | | | | |
| Contractually required contribution | \$ 1,824,969 | \$ 1,826,245 | \$ 1,799,343 | \$ 1,846,207 |
| Contributions in relation to the contractually required contribution | (1,824,969) | (1,826,245) | (1,799,343) | (1,846,207) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - |
| City's covered payroll | \$ 7,765,826 | \$ 7,771,255 | \$ 7,656,779 | \$ 7,856,200 |
| Contributions as a percentage of covered payroll | 23.50% | 23.50% | 23.50% | 23.50% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| \$ 1,811,884 | \$ 1,533,127 | \$ 1,251,051 | \$ 1,312,073 | \$ 1,470,416 | \$ 1,508,128 |
| <u>(1,811,884)</u> | <u>(1,533,127)</u> | <u>(1,251,051)</u> | <u>(1,312,073)</u> | <u>(1,470,416)</u> | <u>(1,508,128)</u> |
| <u>\$ -</u> |
| \$ 9,536,232 | \$ 9,652,426 | \$ 9,812,165 | \$ 10,290,769 | \$ 11,532,675 | \$ 11,828,455 |
| 19.00% | 15.88% | 12.75% | 12.75% | 12.75% | 12.75% |
| | | | | | |
| \$ 1,816,695 | \$ 1,557,715 | \$ 1,341,026 | \$ 1,350,961 | \$ 1,394,364 | \$ 1,419,614 |
| <u>(1,816,695)</u> | <u>(1,557,715)</u> | <u>(1,341,026)</u> | <u>(1,350,961)</u> | <u>(1,394,364)</u> | <u>(1,419,614)</u> |
| <u>\$ -</u> |
| \$ 7,730,617 | \$ 7,642,101 | \$ 7,774,064 | \$ 7,831,658 | \$ 8,083,270 | \$ 8,229,646 |
| 23.50% | 20.38% | 17.25% | 17.25% | 17.25% | 17.25% |

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TWO YEARS

| | 2018 | 2017 |
|---|---------------|---------------|
| City's proportion of the net OPEB liability | 0.165290% | 0.165889% |
| City's proportionate share of the net OPEB liability | \$ 17,949,276 | \$ 16,755,327 |
| City's covered payroll | \$ 23,313,314 | \$ 23,403,134 |
| City's proportionate share of the net OPEB liability as a percentage of its covered payroll | 76.99% | 71.59% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 54.14% | 54.05% |

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the City's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST TWO YEARS

| | <u>2018</u> | <u>2017</u> |
|---|---------------|---------------|
| City's proportion of the net OPEB liability | 0.794354% | 0.803213% |
| City's proportionate share of the net OPEB liability | \$ 45,006,996 | \$ 38,126,715 |
| City's covered payroll | \$ 17,495,355 | \$ 17,490,726 |
| City's proportionate share of the net OPEB liability as a percentage of its covered payroll | 257.25% | 217.98% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 14.13% | 15.96% |

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the City's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY OPEB CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TEN YEARS

| | 2018 | 2017 | 2016 | 2015 |
|--|---------------|---------------|---------------|---------------|
| Contractually required contribution | \$ 11,574 | \$ 242,252 | \$ 468,063 | \$ 463,745 |
| Contributions in relation to the contractually required contribution | (11,574) | (242,252) | (468,063) | (463,745) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - |
| City's covered payroll | \$ 22,038,450 | \$ 23,313,314 | \$ 23,403,134 | \$ 23,523,550 |
| Contributions as a percentage of covered payroll | 0.05% | 1.04% | 2.00% | 1.97% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|------------------|------------------|------------------|------------------|------------------|--------------------|
| \$ 232,922 | \$ 221,993 | \$ 906,909 | \$ 938,102 | \$ 866,290 | \$ 1,367,641 |
| <u>(232,922)</u> | <u>(221,993)</u> | <u>(906,909)</u> | <u>(938,102)</u> | <u>(866,290)</u> | <u>(1,367,641)</u> |
| <u>\$ -</u> |
| \$ 21,997,600 | \$ 20,915,169 | \$ 22,553,978 | \$ 23,349,522 | \$ 17,049,355 | \$ 23,076,433 |
| 1.06% | 1.06% | 4.02% | 4.02% | 5.08% | 5.93% |

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY OPEB CONTRIBUTIONS
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST TEN YEARS

| | 2018 | 2017 | 2016 | 2015 |
|--|---------------|--------------|--------------|---------------|
| <i>Police:</i> | | | | |
| Contractually required contribution | \$ 51,641 | \$ 48,621 | \$ 49,170 | \$ 52,439 |
| Contributions in relation to the contractually required contribution | (51,641) | (48,621) | (49,170) | (52,439) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - |
| City's covered payroll | \$ 10,328,232 | \$ 9,724,100 | \$ 9,833,947 | \$ 10,211,847 |
| Contributions as a percentage of covered payroll | 0.50% | 0.50% | 0.50% | 0.50% |
| <i>Fire:</i> | | | | |
| Contractually required contribution | \$ 38,829 | \$ 38,856 | \$ 38,284 | \$ 39,281 |
| Contributions in relation to the contractually required contribution | (38,829) | (38,856) | (38,284) | (39,281) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - |
| City's covered payroll | \$ 7,765,826 | \$ 7,771,255 | \$ 7,656,779 | \$ 7,856,200 |
| Contributions as a percentage of covered payroll | 0.50% | 0.50% | 0.50% | 0.50% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|-----------------|------------------|------------------|------------------|------------------|------------------|
| \$ 52,545 | \$ 350,779 | \$ 662,321 | \$ 694,627 | \$ 778,455 | \$ 798,420 |
| <u>(52,545)</u> | <u>(350,779)</u> | <u>(662,321)</u> | <u>(694,627)</u> | <u>(778,455)</u> | <u>(798,420)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 9,536,232 | \$ 9,652,426 | \$ 9,812,165 | \$ 10,290,769 | \$ 11,532,675 | \$ 11,828,455 |
| 0.50% | 3.62% | 6.75% | 6.75% | 6.75% | 6.75% |
| | | | | | |
| \$ 42,051 | \$ 277,130 | \$ 524,749 | \$ 528,637 | \$ 545,621 | \$ 555,501 |
| <u>(42,051)</u> | <u>(277,130)</u> | <u>(524,749)</u> | <u>(528,637)</u> | <u>(545,621)</u> | <u>(555,501)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 7,730,617 | \$ 7,642,101 | \$ 7,774,064 | \$ 7,831,658 | \$ 8,083,270 | \$ 8,229,646 |
| 0.50% | 3.62% | 6.75% | 6.75% | 6.75% | 6.75% |

**CITY OF YOUNGSTOWN
MAHONING COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2018

PENSION

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2018.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. There were no changes in assumptions for 2018.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2018.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2017. For 2018, the following were the most significant changes of assumptions that affected the total pension since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.50% down to 8.00%, (b) changing the future salary increases from a range of 4.25%-11.00% to 3.75%-10.50%, (c) reduction in payroll increases from 3.75% down to 3.25%, (d) reduction in inflation assumptions from 3.25% down to 2.75% and (e) Cost of Living Adjustments (COLA) were reduced from 2.60% and 3.00% simple to 2.20% and 3.00% simple.

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2017-2018.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017. For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 4.23% down to 3.85%.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2017-2018.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017. For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) DROP interest rate was reduced from 4.50% to 4.00%, (b) CPI-based COLA was reduced from 2.60% to 2.20%, (c) investment rate of return was reduced from 8.25% to 8.00%, (d) salary increases were reduced from 3.75% to 3.25% and (e) payroll growth was reduced from 3.75% to 3.25%.

This page intentionally left blank.

This page intentionally left blank.

**CITY OF YOUNGSTOWN
MAHONING COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2018**

| Federal Grantor/ Pass Through Grantor Program Title | Pass Through Entity Number | Federal CFDA Number | Passed Through to Subrecipients | Disbursements |
|---|-------------------------------|---------------------------|---------------------------------------|-------------------------|
| <u>U.S DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u> | | | | |
| <i>Direct Programs</i> | | | | |
| <i>Community Development Block Grant Entitlement Grants (CDBG) Cluster</i> | | | | |
| Community Development Block Grant/ Entitlement Grants - 40th Year | B-14-MC-39-0023 | 14.218 | \$ - | \$ 11,037.00 |
| Community Development Block Grant/ Entitlement Grants - 41st Year | B-15-MC-39-0023 | 14.218 | 235,633 | 238,529 |
| Community Development Block Grant/ Entitlement Grants - 42nd Year | B-16-MC-39-0023 | 14.218 | 16,838 | 475,196 |
| Community Development Block Grant/ Entitlement Grants - 43rd Year | B-17-MC-39-0023 | 14.218 | 864,622 | 1,025,625 |
| Community Development Block Grant/ Entitlement Grants - 44th Year | B-18-MC-39-0023 | 14.218 | 1,290,111 | 1,290,111 |
| Community Development Block Grant/ Neighborhood Stabilization Program | B-08-MN-39-0014 | 14.218 | 47,991 | 47,991 |
| <i>Subtotal Community Development Block Grant/ Entitlement Grants Cluster</i> | | | <u>2,455,195</u> | <u>3,088,489</u> |
| Emergency Solutions Grants Program | S-16-MC-39-0023 | 14.231 | 11,815 | 11,815 |
| Emergency Solutions Grants Program | S-17-MC-39-0023 | 14.231 | 402,733 | 402,733 |
| Emergency Solutions Grants Program | S-18-MC-39-0023 | 14.231 | 10,543 | 10,543 |
| <i>Subtotal</i> | | | <u>425,091</u> | <u>425,091</u> |
| Continuum of Care Program - C.C. Planning | OH0508L5E041500 | 14.267 | 16,566 | 16,566 |
| Continuum of Care Program - C.C. Planning | OH0555L5E041600 | 14.267 | 64,682 | 64,682 |
| <i>Subtotal</i> | | | <u>81,248</u> | <u>81,248</u> |
| HOME Investment Partnerships Program | MC-13-MC-39-0023 | 14.239 | 42,231 | 42,231 |
| HOME Investment Partnerships Program | MC-14-MC-39-0023 | 14.239 | 85,000 | 85,000 |
| HOME Investment Partnerships Program | MC-16-MC-39-0023 | 14.239 | 35,662 | 35,662 |
| HOME Investment Partnerships Program | MC-17-MC-39-0023 | 14.239 | 237,953 | 237,953 |
| HOME Investment Partnerships Program | MC-18-MC-39-0023 | 14.239 | 4,033 | 4,033 |
| <i>Subtotal</i> | | | <u>404,879</u> | <u>404,879</u> |
| <i>Total U.S. Department of Housing and Urban Development</i> | | | <u>3,366,413</u> | <u>3,999,707</u> |

**CITY OF YOUNGSTOWN
MAHONING COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2018**

| Federal Grantor/ Pass Through Grantor Program Title | Pass Through Entity Number | Federal CFDA Number | Passed Through to Subrecipients | Disbursements |
|--|-------------------------------|---------------------------|---------------------------------------|----------------|
| <u>U.S. DEPARTMENT OF JUSTICE</u> | | | | |
| <i>Passed through the Ohio Office of Criminal Justice Services</i> | | | | |
| Edward Byrne Memorial Justice Assistance Program | 2017-JG-A02-6811 | 16.738 | - | 652 |
| <i>Subtotal passed through the Ohio Office of Criminal Justice Services</i> | | | - | 652 |
| <i>Direct Programs:</i> | | | | |
| <i>Bureau of Justice Assistance</i> | | | | |
| Bulletproof Vest Partnership Program | 2017-BU-BX-17086101 | 16.607 | - | 12,787 |
| Bulletproof Vest Partnership Program | 2018-BU-BX-18093081 | 16.607 | - | 2,400 |
| <i>Subtotal Bureau of Justice Assistance</i> | | | - | 15,187 |
| <i>Office of Justice Programs</i> | | | | |
| <i>Justice Assistance Grants (JAG)</i> | | | | |
| Edward Byrne Memorial Justice Assistance Program | 2017-DJ-BX-0284 | 16.738 | 24,107 | 24,107 |
| Edward Byrne Memorial Justice Assistance Program | 2018-DJ-BX-0179 | 16.738 | 22,118 | 22,118 |
| Drug Court Discretionary Grant Program | 2017-VV-BX-0051 | 16.585 | - | 80,000 |
| <i>Subtotal Office of Justice Programs</i> | | | 46,225 | 126,225 |
| <i>Office of Community Oriented Policing Services (COPS)</i> | | | | |
| Public Safety Partnership and Community Policing Grants. | 2016-UM-WX-0201 | 16.710 | - | 130,306 |
| <i>Total U.S. Department of Justice</i> | | | 46,225 | 272,370 |
| <u>U.S. DOT- FEDERAL HIGHWAY ADMINISTRATION</u> | | | | |
| <i>Passed Through The Ohio Department of Transportation</i> | | | | |
| <i>Highway Planning and Construction Cluster</i> | | | | |
| Highway Planning and Construction | 102542 | 20.205 | - | 75,516 |
| | 104659 | 20.205 | - | 86,960 |
| | 103932 | 20.205 | - | 129,306 |
| | 103745 | 20.205 | - | 11,924 |
| <i>Total U.S. DOT - Federal Highway Administration</i> | | | - | 303,706 |
| <u>U.S. DOT - NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION</u> | | | | |
| <i>Passed Through The Ohio Department of Public Safety</i> | | | | |
| Minimum Penalties for Repeat Offenders for Driving While Intox: STEP-2018-00075-2B | | 20.608 | - | 12,352 |
| Mimimum Penalties for Repeat Offenders for Driving While Intox: STEP-2019-00075-2B | | 20.608 | - | 1,997 |
| State and Community Highway Safety | IDEP-2018-00075-2A | 20.600 | - | 19,388 |
| State and Community Highway Safety | IDEP-2019-00075-2A | 20.600 | - | 4,088 |
| <i>Total National Highway Traffic Safety Administration</i> | | | - | 37,825 |

**CITY OF YOUNGSTOWN
MAHONING COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2018**

| Federal Grantor/ Pass Through Grantor Program Title | Pass Through Entity Number | Federal CFDA Number | Passed Through to Subrecipients | Disbursements |
|--|-------------------------------|---------------------------|---------------------------------------|---------------------|
| <u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u> | | | | |
| <i>Passed Through Ohio Environmental Protection Agency</i> | | | | |
| Air Pollution Control Program Support | SFY 2017-18 | 66.001 | - | 166,155 |
| Air Pollution Control Program Support | SFY 2018-19 | 66.001 | - | 28,245 |
| <i>Total U.S. Environmental Protection Agency</i> | | | - | 194,400 |
| <u>U.S. DEPARTMENT OF AGRICULTURE</u> | | | | |
| <i>Passed Through Ohio Department of Education</i> | | | | |
| Summer Food Service Program for Children | n/a | 10.559 | - | 38,249 |
| <i>Total U.S. Department of Agriculture</i> | | | - | 38,249 |
| <u>U.S. DEPARTMENT OF HOMELAND SECURITY</u> | | | | |
| <i>Direct Grants</i> | | | | |
| Assistance to Firefighters Grant Program | EMW-2017-FO-00253 | 97.044 | - | 96,591 |
| Staffing for Adequate Fire & Emergency Response (SAFER) | EMW-2016-FH-00328 | 97.083 | - | 158,315 |
| <i>Total U.S. Department of Homeland Security</i> | | | - | 254,906 |
| Total Expenditures of Federal Awards | | | \$ 3,412,638 | \$ 5,101,163 |

The accompanying notes to the Schedule are an integral part of this Schedule.

**CITY OF YOUNGSTOWN
MAHONING COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Youngstown (the City) under programs of the federal government for the year ended December 31, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - SUBRECIPIENTS

The City passes certain federal awards received from Community Development Block Grant – Entitlement Grants (CDBG) Cluster, CDBG – Emergency Solutions Grants, Continuum of Care, HOME Investment Partnerships to other governments or not-for-profit agencies (subrecipients). As Note B describes, the City reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the City has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

NOTE E - MATCHING REQUIREMENTS

Certain Federal programs require the City to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

OHIO AUDITOR OF STATE KEITH FABER



101 Central Plaza South
700 Chase Tower
Canton, Ohio 44702-1509
(330) 438-0617 or (800) 443-9272
EastRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

City of Youngstown
Mahoning County
26 S. Phelps Street
Youngstown, Ohio 44503

To the City Council Members:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Youngstown, Mahoning County, (the City) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 18, 2019, wherein we modified our opinion on the Governmental Activities, Business-type Activities, General, Water, Sewer, Environmental Sanitation funds, and Aggregate Remaining Fund Information due to the City not properly recording economic development grants and other expenses, and wherein we noted the City has suffered recurring losses from operations and should have reported a GAAP basis fund balance deficiency of \$160,877 in the General Fund as of December 31, 2018.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. We consider findings 2018-003 and 2018-004 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2018-001 and 2018-005 described in the accompanying schedule of findings to be significant deficiencies.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standard*, which are described in the accompanying schedule of findings as items 2018-001 and 2018-002.

City's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and / or corrective action plan. We did not subject the City's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

December 18, 2019

OHIO AUDITOR OF STATE KEITH FABER



101 Central Plaza South
700 Chase Tower
Canton, Ohio 44702-1509
(330) 438-0617 or (800) 443-9272
EastRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

City of Youngstown
Mahoning County
26 S. Phelps Street
Youngstown, Ohio 44503

To the City Council Members:

Report on Compliance for each Major Federal Program

We have audited the City of Youngstown's (the City) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the City of Youngstown's major federal programs for the year ended December 31, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the City's major federal programs.

Management's Responsibility

The City's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the City's compliance for each of the City's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on each of the City's major programs. However, our audit does not provide a legal determination of the City's compliance.

Opinion on each Major Federal Program

In our opinion, the City of Youngstown complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2018.

Report on Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the City's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

December 18, 2019

**CITY OF YOUNGSTOWN
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2018**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|---|---|
| (d)(1)(i) | Type of Financial Statement Opinion | <p>Qualified-Governmental Activities, Business Type Activities, General, Parks and Recreation (Remaining Fund Information), Water, Sewer and Environmental Sanitation Funds</p> <p>Unmodified-Fire Levy, Police Levy, Covelli Centre, and Capital Projects-Public Works Funds</p> |
| (d)(1)(ii) | Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)? | Yes |
| (d)(1)(ii) | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | Yes |
| (d)(1)(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | Yes |
| (d)(1)(iv) | Were there any material weaknesses in internal control reported for major federal programs? | No |
| (d)(1)(iv) | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unmodified |
| (d)(1)(vi) | Are there any reportable findings under 2 CFR § 200.516(a)? | No |
| (d)(1)(vii) | Major Programs (list): | <p>Community Development Block Grant – 14.218</p> <p>Emergency Solutions Grant – 14.231</p> |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | <p>Type A: > \$ 750,000</p> <p>Type B: all others</p> |
| (d)(1)(ix) | Low Risk Auditee under 2 CFR § 200.520? | No |

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

1. Negative Cash Fund Balance - General Fund

FINDING NUMBER 2018-001

NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

Ohio Revised Code § 5705.10(I) provides that money paid into any fund shall be used only for the purposes for which such fund was established. The existence of a deficit balance in any fund indicates that money from another fund or funds have been used to pay the obligations of the fund carrying the deficit balance.

As of December 31, 2018, the General Fund (Fund 1001) had a deficit cash basis balance of \$947,540. (This includes \$236,433 in outstanding encumbrances.) The General Fund deficit occurred because the City incorrectly classified \$1,250,000 letters of credit as cash and cash equivalents in the City books, which overstated their general fund cash balance. The City properly reclassified this as notes receivable on the financial statements filed for audit.

Additionally, material non-compliance is required to be identified in the Notes to the Financial Statements. The General fund deficit balance material non-compliance was not identified in the City's Notes to the Financial Statements.

The City should comply with the aforementioned sections of the Ohio Revised Code, include material non-compliance in the Notes to the Financial Statements, and properly record the notes receivable on the City's books.

Official's Response: See Corrective Action Plan

2. Water/Wastewater/Environmental Sanitation Grants

FINDING NUMBER 2018-002

NONCOMPLIANCE

Ohio Revised Code §§ 743.04 and 729.52 delineate the allowable usage of funds received from the collection of water and sewer charges respectively. Ohio Revised Code § 5705.10(I) provides that money paid into any fund shall be used only for the purposes for which such fund was established.

Additionally, Youngstown Codified Ordinance 935.21, provides:

Funds received from collection of sewerage service charges ... shall be available for payment of cost and expense of construction, administration, management, operation, maintenance, repair, replacement and rehabilitation of the sewerage system, including sewage pumping, treatment and disposal works, collection of charges and for payment of principal and interest upon bonds issued, outstanding and to be issued. Funds may also be available for debt incurred for the construction of the sewerage system, sewage pumping, treatment or disposal works or acquisition of necessary easements or purchase of lands. [The funds] may be used only for purposes of the system.

During the 2017 audit we noted that the City granted various businesses a total of \$3,170,620, \$1,696,003 from the Water fund, \$1,324,617 from the Sewer fund, and \$150,000 from the Environmental Sanitation fund. (A portion, \$750,000 of this amount was for anticipated loan forgiveness.) These amounts remain uncorrected on the City's financial statements.

During the 2018 audit we noted that the City granted various businesses a total of \$700,917, \$422,959 from the Water fund and \$277,958 from the Sewer fund. (A portion, \$25,538 of this amount was granted in 2017 and discovered in 2018.)

Additionally, we noted the City expensed \$600,876 out of the Water and Sewer funds, for purposes that did not appear to be allowable from those funds. However, the City corrected and/or provided additional support for \$57,081 worth of expenses, leaving \$534,207 and \$9,588, of expenses in the Water and Sewer funds respectively, for purposes not allowable from those funds. Therefore, \$19,176 should have been expensed from the General fund and \$524,619 Parks and Recreation Fund.

In accordance with the foregoing facts, we hereby issue a finding for adjustment against the General fund in the amount of \$3,890,713 and against the Parks and Recreation fund in the amount of \$524,619, in favor of the Water fund in the amount of \$2,653,169, in favor of the Sewer fund in the amount of \$1,612,163, and in favor of the Environmental Sanitation fund in the amount of \$150,000.

The City also has loans receivable outstanding the amount of \$1,755,352 from the Water, Sewer, and Environmental Sanitation fund. No portion of these loans have been paid back to the City as of December 18, 2019.

If the City forgives any part of the remaining loan receivable or does not receive payment for the loans during the agreed upon repayment term, the General fund should record the expenditure instead of the Water or Sewer fund.

Management has declined to record these adjustments from 2017 and 2018 in their accounting records and the accompanying financial statements do not reflect them.

The City should establish policies and procedures to help ensure expenses are posted to the proper funds.

Official's Response: See Corrective Action Plan

3. Allocation of Utility Department Charges

FINDING NUMBER 2018-003

MATERIAL WEAKNESS

As municipalities increasingly face shrinking revenue, they may use utility funds to help pay for overhead services. The distribution of costs among city departments is a complex process that demands consistency, fairness and adequate documentation to ensure that charges accurately reflect the services provided and benefits received.

The City currently allocates a portion of some of the costs of various departments, including Computer Services, Board of Control, Law Department, Public Works, Finance Department, Mayor's Office, Civil Service Office and City Council, to the utility funds (water, sewer, and environmental sanitation).

The formulae for these allocations for computer services and for fiscal services were established by ordinances in 2004. The changes to these allocations and additional allocations have been approved, without specificity, by ordinance in the annual appropriation budgets throughout the years. However, the City does not have detailed documentation supporting these allocations which are approximately 5% of utility fund expenses. This practice can lead to improper charges, financial statement misstatements, and findings for adjustments.

Typical Factors Used to Allocate Overhead Costs

Types of Costs

Maintenance and Janitorial
Fiscal
Payroll
IT Services
Legal – Indirect Costs
Insurance values
Purchasing

Factors Used to Calculate Overhead Costs

Square Footage
Actual expenses or number of transactions
Number of staff (FTE) or payroll warrants
Number of computers, servers, databases or ports
Actual expenses or hours worked
Number of staff (FTE) claims of loss history, property
Number of transactions (procurements)

- **Develop and maintain allocation plans** that specify how overhead costs will be allocated. Plans should be updated annually and should clearly state which overhead costs will be allocated, how the process will work, and the rationale for key decisions. The table above enumerates factors the City should consider using when developing a plan to allocate their overhead costs.
- **Assess overhead charges** only after the services are provided.
- **Charge only for actual costs incurred.** Estimates used for initial calculations should be reconciled against actual expenses at year-end.
- **Maintain appropriate, thorough documentation** to support the allocation process. This is especially important to ensure continuity when staff turnover occurs.

To help achieve equity in this process, the City should develop a formal overhead allocation process plan to help ensure they fairly allocate costs.

Official's Response: See Corrective Action Plan

4. Financial Reporting

FINDING NUMBER 2018-004

MATERIAL WEAKNESS

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

The following items were not recorded on the City's books and were not posted to the City's filed financial statements.

| Opinion Unit | Line Item Over/(Under) Stated | Amount |
|--------------------------|--|---------------|
| Governmental Activities | Non-Depreciable Capital Assets | (939,539) |
| Business-Type Activities | Non-Depreciable Capital Assets | (823,779) |
| Sewer Fund | Non-Depreciable Capital Assets | (823,779) |
| Internal Service Fund | Charges for Service | 3,621,945 |
| Internal Service Fund | Claims Expense | 3,621,945 |

These adjustments have been corrected on the City's financial statements and their financial record where applicable.

The following items were not recorded on the City's books but were properly posted to the City's filed financial statements.

| Opinion Unit | Line Item Over/(Under) Stated | Amount |
|---------------------|--|---------------|
| Sewer Fund | OWDA Loan Proceeds | (28,529,433) |
| Sewer Fund | Capital Assets | (12,975,973) |

The City lacks adequate internal controls to make sure financial information is reported properly and transactions are posted properly.

Also, the City has not established formal written policies and procedures that address the acquisition, use, control, protection, maintenance, and accounting for capital assets. The City does not have a system in place to perform a capital asset reconciliation with various departments on an annual basis.

This has resulted in capital assets that should be included in capital assets not being included, and could result in assets that are no longer owned by the City being included in capital assets.

To help ensure the City's financial statements are complete and accurate, the City should adopt policies and procedures to identify and correct errors and omissions. In addition the City should review the financial statements and notes prior to submission for audit.

Also, the Capital Asset Coordinator should contact various departments throughout the City to verify capital assets at year end. This will give assurance to the final capital assets figures reported on the financial statements as well as help in maintaining an accurate schedule of capital assets.

Official's Response: See Corrective Action Plan

5. IT - Security Administration

FINDING NUMBER 2018-005

SIGNIFICANT DEFICIENCY

The increasing dependence of the City on information technology for daily operations makes it important that precautions be taken to prevent unauthorized modification, disclosure, disruption or use of data and programs.

Windows Active Directory (AD) security is used to restrict access to the City of Youngstown network. Access to the financial application systems uses single sign-on authentication based on the Windows AD security. In February, 2015, the City implemented a Technology Policy to specify the procedures implemented to document and control administration of security relative to the City's IT systems. An application access form for the financial application system was implemented as part of this policy. The following weaknesses related to Windows AD password and account lockout procedures as well as exceptions related to the application user authorization forms were noted:

Active Directory Controls:

- Password policies at the network level are not strong, or have not been set at all.
- Account lockout policies at the network level have not been set.
- Passwords are set by the MIS CIO and users are not able to change their passwords.

User Authorization Forms:

- Network Level: Technology User forms were not available or not properly authorized for 4 of the 60 users selected for review.
- Application Level (New World Logos): Forms for three of the thirteen users selected were not properly authorized by the department head or designee.

The risk of unauthorized modification, disclosure, disruption or use of data and programs may lead to errors in the financial statements. The lack of staff necessary to address password resets and account lockouts was cited as the reason for not implementing stronger password and account lockout controls.

The City should continue to implement the new security procedures and ensure Technology Use forms are completed for all users and New World Access forms are appropriately authorized and completed for all users of the New World application system.

In addition, the City should implement the follow security procedures:

- Create security related reports and establish criteria for review of the reports on a regular basis.
- Establish password parameter settings for minimum length, expiration and complexity.
- Implement an account lockout policy to lock users out after five failed login attempts and require the account to be reset by an administrator.

Once developed, the security procedures should be communicated to all users.

Official's Response: See Corrective Action Plan

CITY OF YOUNGSTOWN

MAYOR JAMAE L TITO BROWN



FINANCE DEPARTMENT
CITY HALL • 26 S. PHELPS STREET • YOUNGSTOWN, OHIO 44503
PHONE: (330) 742-8724 • FAX: (330) 744-7460

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2018

| Finding Number | Finding Summary | Status | Additional Information |
|-----------------------|---|-----------------|--|
| 2017-001 | Negative fund balance in the general fund due to accounting treatment of Letters of Credit. | Fully Corrected | As of 09/20/2019, all letters of credit have been paid back to the City. |
| 2017-002 | Grants were made for economic development out of water, waste water and environmental sanitation funds. | Not Corrected | The City Administration and City Council are working with the City Law Department and outside legal counsel to determine how to address the Finding for Adjustment for misclassified grant expenditures. |
| 2017-003 | Allocation of various costs not supported by detailed documentation. | Not Corrected | The Finance Director has contacted an outside firm to prepare a cost recovery allocation for the City. |
| 2017-004 2013-001 | Weaknesses related to Windows AD password and account lockout procedures. | Fully Corrected | As of 12/12/2019, Windows password guidelines are being enforced for all users who access the New World ERP financial system. |

This page intentionally left blank.

CITY OF YOUNGSTOWN

MAYOR JAMAE L TITO BROWN



FINANCE DEPARTMENT

CITY HALL • 26 S. PHELPS STREET • YOUNGSTOWN, OHIO 44503
PHONE: (330) 742-8724 • FAX: (330) 744-7460

CORRECTIVE ACTION PLAN **2 CFR § 200.511(c)** **December 31, 2018**

| | |
|-------------------------------------|--|
| Finding Number: | 2018-001 |
| Planned Corrective Action: | The City Administration and City Council, under the direction of the Finance Director, chose to book the Letters of Credit as cash equivalents. The remaining Letter of Credit was repaid in 2019. |
| Anticipated Completion Date: | 09/2019 |
| Responsible Contact Person: | Kyle Miasek, Finance Director |
| Finding Number: | 2018-002 |
| Planned Corrective Action: | The City Administration and City Council are working with the City Law Department and outside legal counsel to determine how to address the Finding for Adjustment for misclassified grant expenditures. |
| Anticipated Completion Date: | |
| Responsible Contact Person: | Kyle Miasek, Finance Director |
| Finding Number: | 2018-003 |
| Planned Corrective Action: | The Finance Director has contacted an outside firm that performs cost recovery allocations for municipalities. |
| Anticipated Completion Date: | 01/2020 |
| Responsible Contact Person: | Kyle Miasek, Finance Director |
| Finding Number: | 2018-004 |
| Planned Corrective Action: | The City will establish policies and procedures to ensure the accuracy of its final capital asset figures. |
| Anticipated Completion Date: | 03/2020 |
| Responsible Contact Person: | Kyle Miasek, Finance Director |
| Finding Number: | 2018-005 |
| Planned Corrective Action: | Windows password guidelines will be immediately enforced for all users who access the new world ERP system. |
| Anticipated Completion Date: | 12/2019 |
| Responsible Contact Persons: | Kyle Miasek, Finance Director and Rick Deak, CIO |

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



CITY OF YOUNGSTOWN

MAHONING 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
DECEMBER 31, 2019**