

CITY OF YOUNGSTOWN
YOUNGSTOWN REGION, MAHONING COUNTY
SINGLE AUDIT
JANUARY 1, 1998 TO DECEMBER 31, 1998

**CITY OF YOUNGSTOWN
MAHONING COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the City Council:

We have audited the accompanying general-purpose financial statements of the City of Youngstown, Mahoning County (the City) as of and for the year ended December 31, 1998, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit. We did not audit the financial statements of Western Reserve Transit Authority (WRTA), the discretely presented component unit of the City. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit is based on the report of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditor's provide a reasonable basis for our opinion.

As discussed in Note 2 to the general-purpose financial statements, the City has not capitalized land in the enterprise fund type and general fixed assets account group, which should be included in order to conform with generally accepted accounting principles. The effects of this practice on the general purpose financial statements are not reasonably determinable.

In our opinion, based on our audit and the report of other auditors, except for the effects of the matters discussed in the preceding paragraph, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Youngstown, Mahoning, County, as of December 31, 1998, and the results of its operations and the cash flows of its proprietary fund types and discretely presented component unit for the year then ended in conformity with generally accepted accounting principles.

As described in Note 3 to the financial statements, the City changed its method of accounting for its deferred compensation program during 1998 to comply with the provisions of Statement No. 32 of the Governmental Accounting Standards Board.

As described in Note 24 to the financial statements, the US EPA has filed a civil action seeking penalties and injunctive relief against the City to enforce the City's compliance with its NPDES permit and the Clean Water Act.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 1999 on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, the City's charter and grants.

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



JIM PETRO
Auditor of State

November 19, 1999

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City of Youngstown, Ohio
Combined Balance Sheet
All Fund Types, Account Groups
and Discretely Presented Component Unit
December 31, 1998

	Governmental Fund Types				Proprietary Fund Type
	General	Special Revenue	Debt Service	Capital Projects	Enterprise
Assets and Other Debits					
Assets					
Equity in Pooled Cash and Cash Equivalents	\$901,368	\$3,039,760	\$238,396	\$464,847	\$6,068,851
Cash and Cash Equivalents in Segregated Accounts	0	56,428	0	0	0
Cash and Cash Equivalents with Fiscal and Escrow Agents	0	0	37,133	0	0
Receivables:					
Taxes	3,438,023	698,875	3,454,513	232,958	0
Accounts	563,805	9,307	0	0	4,953,970
Interfund	380,660	0	410,000	150,000	1,894,050
Special Assessments	37,319	1,347,412	9,761	0	0
Accrued Interest	18,207	0	0	0	0
Due from Other Funds	61,703	2,281	0	15,092	586,941
Due from Other Governments	206,349	263,965	0	0	0
Materials and Supplies					
Inventory	26,026	441,401	0	0	727,618
Deferred Charges	0	0	0	0	60,670
Notes Receivable	0	8,716,085	0	0	0
Prepaid Items	0	0	0	0	0
Other Assets	0	0	0	0	0
Restricted Assets:					
Cash and Cash Equivalents	0	0	0	0	0
Due from Other Governments	0	0	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0	39,626,238
Other Debits					
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0	0
Total Assets and Other Debits	\$5,633,460	\$14,575,514	\$4,149,803	\$862,897	\$53,918,338

Fiduciary Fund Type	Account Groups		Totals (Memorandum Only) Primary Government	Component Unit	Totals (Memorandum Only) Reporting Entity
	General Fixed Assets	General Long-Term Obligations			
Agency					
\$1,047,624	\$0	\$0	\$11,760,846	\$0	\$11,760,846
209,133	0	0	265,561	2,400,240	2,665,801
0	0	0	37,133	0	37,133
0	0	0	7,824,369	2,748,117	10,572,486
624,553	0	0	6,151,635	13,640	6,165,275
0	0	0	2,834,710	0	2,834,710
0	0	0	1,394,492	0	1,394,492
0	0	0	18,207	0	18,207
0	0	0	666,017	0	666,017
0	0	0	470,314	1,511,334	1,981,648
0	0	0	1,195,045	184,410	1,379,455
0	0	0	60,670	0	60,670
0	0	0	8,716,085	0	8,716,085
0	0	0	0	7,376	7,376
0	0	0	0	11,000	11,000
0	0	0	0	126,251	126,251
0	0	0	0	914,839	914,839
0	23,183,948	0	62,810,186	9,081,213	71,891,399
0	0	498,396	498,396	0	498,396
0	0	45,725,559	45,725,559	0	45,725,559
<u>\$1,881,310</u>	<u>\$23,183,948</u>	<u>\$46,223,955</u>	<u>\$150,429,225</u>	<u>\$16,998,420</u>	<u>\$167,427,645</u>

(continued)

City of Youngstown, Ohio
Combined Balance Sheet
All Fund Types, Account Groups
and Discretely Presented Component Unit (continued)
 December 31, 1998

	Governmental Fund Types				Proprietary Fund Type
	General	Special Revenue	Debt Service	Capital Projects	Enterprise
Liabilities, Fund Equity and Other Credits					
Liabilities					
Accounts Payable	\$170,619	\$276,580	\$0	\$32,333	\$415,379
Contracts Payable	0	82,362	0	65,122	68,759
Interfund Payable	410,000	1,905,083	150,000	358,586	0
Accrued Wages and Benefits	170,194	712,880	0	0	236,333
Compensated Absences Payable	38,403	136,891	0	0	877,209
Due to Other Funds	174,122	0	0	0	412,819
Due to Other Governments	516,678	2,605,293	0	0	1,054,657
Deferred Revenue	981,429	1,422,809	3,464,274	25,132	0
Undistributed Monies	0	0	0	0	0
Deposits Held and Due to Others	0	0	0	0	0
Early Retirement Payable	14,479	27,547	0	0	97,346
Other Liabilities	0	0	0	0	0
Matured Bonds Payable	0	0	20,000	0	0
Matured Interest Payable	0	0	17,133	0	0
Accrued Interest Payable	0	0	0	3,643	0
Notes Payable	0	0	0	1,900,000	0
Payable from Restricted Assets:					
Accounts Payable	0	0	0	0	0
HUD Section 108 Loans Payable	0	0	0	0	0
Police and Firemen's Liability	0	0	0	0	0
OWDA Loans Payable	0	0	0	0	10,180,100
General Obligation Bonds Payable (net where applicable of unamortized costs)	0	0	0	0	1,556,993
Revenue Bonds Payable	0	0	0	0	480,000
Industrial Development Revenue Bonds Payable	0	0	0	0	0
Total Liabilities	2,475,924	7,169,445	3,651,407	2,384,816	15,379,595
Fund Equity and Other Credits					
Investment in General Fixed Assets	0	0	0	0	0
Contributed Capital	0	0	0	0	32,064,689
Retained Earnings:					
Unreserved	0	0	0	0	6,474,054
Fund Balance:					
Reserved for Encumbrances	112,158	568,537	0	765	0
Reserved for Inventory	26,026	441,401	0	0	0
Reserved for Notes Receivable	0	8,716,085	0	0	0
Unreserved, Undesignated (Deficit)	3,019,352	(2,319,954)	498,396	(1,522,684)	0
Total Fund Equity (Deficit) and Other Credits	3,157,536	7,406,069	498,396	(1,521,919)	38,538,743
Total Liabilities, Fund Equity and Other Credits	\$5,633,460	\$14,575,514	\$4,149,803	\$862,897	\$53,918,338

See accompanying notes to the general purpose financial statements

Fiduciary Fund Type	Account Groups		Totals (Memorandum Only) Primary Government	Component Unit	Totals (Memorandum Only) Reporting Entity
	General Fixed Assets	General Long-Term Obligations			
Agency					
\$0	\$0	\$0	\$894,911	\$112,376	\$1,007,287
0	0	0	216,243	0	216,243
11,041	0	0	2,834,710	0	2,834,710
0	0	0	1,119,407	488,338	1,607,745
0	0	4,671,323	5,723,826	0	5,723,826
79,076	0	0	666,017	0	666,017
1,429,369	0	1,253,786	6,859,783	48,220	6,908,003
0	0	0	5,893,644	0	5,893,644
4,507	0	0	4,507	0	4,507
357,317	0	0	357,317	0	357,317
0	0	310,616	449,988	0	449,988
0	0	0	0	144,583	144,583
0	0	0	20,000	0	20,000
0	0	0	17,133	0	17,133
0	0	0	3,643	0	3,643
0	0	600,000	2,500,000	0	2,500,000
0	0	0	0	44,226	44,226
0	0	10,744,900	10,744,900	0	10,744,900
0	0	12,708,330	12,708,330	0	12,708,330
0	0	0	10,180,100	0	10,180,100
0	0	14,055,000	15,611,993	0	15,611,993
0	0	0	480,000	0	480,000
0	0	1,880,000	1,880,000	0	1,880,000
1,881,310	0	46,223,955	79,166,452	837,743	80,004,195
0	23,183,948	0	23,183,948	0	23,183,948
0	0	0	32,064,689	8,501,941	40,566,630
0	0	0	6,474,054	7,658,736	14,132,790
0	0	0	681,460	0	681,460
0	0	0	467,427	0	467,427
0	0	0	8,716,085	0	8,716,085
0	0	0	(324,890)	0	(324,890)
0	23,183,948	0	71,262,773	16,160,677	87,423,450
\$1,881,310	\$23,183,948	\$46,223,955	\$150,429,225	\$16,998,420	\$167,427,645

City of Youngstown, Ohio
*Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Year Ended December 31, 1998*

	Governmental Fund Types		
	General	Special Revenue	Debt Service
Revenues			
Municipal Income Taxes	\$20,682,621	\$7,698,475	\$0
Property and Other Taxes	290,099	0	1,498,137
Charges for Services	2,920,730	901,062	0
Licenses and Permits	400,221	3,026	0
Fines and Forfeitures	722,920	70,965	0
Intergovernmental	5,798,786	10,435,550	179,225
Special Assessments	0	0	2,448
Interest	358,537	132,327	33,834
Rentals	301,280	48,283	0
Franchise Fees	500,382	726	0
Payment in Lieu of Taxes	0	0	134,757
Other	3,289,963	1,073,842	0
Total Revenues	35,265,539	20,364,256	1,848,401
Expenditures			
Current:			
General Government	8,307,531	0	63,527
Security of Persons and Property	90,101	23,349,182	0
Public Health and Welfare	635,135	691,853	0
Transportation	1,036,041	4,710,480	0
Community Environment	460,802	6,713,101	0
Basic Utility Services	2,068,249	0	0
Leisure Time Activities	75,145	1,966,800	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	1,049,080	1,170,000
Interest and Fiscal Charges	0	1,361,168	959,664
Refunding Bond Issuance Costs	0	0	295,090
Total Expenditures	12,673,004	39,841,664	2,488,281
Excess of Revenues Over (Under) Expenditures	22,592,535	(19,477,408)	(639,880)
Other Financing Sources (Uses)			
Proceeds of Refunding Bonds	0	0	8,503,793
Proceeds of Notes	0	0	0
Proceeds of HUD Section 108 Loans	0	199,950	0
Sale of Fixed Assets	592	23,610	0
Payment to Refunded Bond Escrow Agent	0	0	(8,208,703)
Operating Transfers In	19,270	20,531,107	850,000
Operating Transfers Out	(19,500,065)	(18,181)	(150,000)
Total Other Sources (Uses)	(19,480,203)	20,736,486	995,090
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	3,112,332	1,259,078	355,210
Fund Balances (Deficit)			
<i>Beginning of Year - Restated (Note 3)</i>	37,928	6,019,186	143,186
Increase in Reserve for Inventory	7,276	127,805	0
Fund Balances (Deficit) at End of Year	\$3,157,536	\$7,406,069	\$498,396

See accompanying notes to the general purpose financial statements

Capital Projects	Totals (Memorandum Only)
\$2,566,157	\$30,947,253
0	1,788,236
0	3,821,792
0	403,247
120,430	914,315
2,097,258	18,510,819
0	2,448
0	524,698
72,742	422,305
0	501,108
0	134,757
0	4,363,805
<u>4,856,587</u>	<u>62,334,783</u>
0	8,371,058
0	23,439,283
0	1,326,988
0	5,746,521
0	7,173,903
0	2,068,249
0	2,041,945
3,159,662	3,159,662
170,000	2,389,080
66,189	2,387,021
0	295,090
<u>3,395,851</u>	<u>58,398,800</u>
<u>1,460,736</u>	<u>3,935,983</u>
0	8,503,793
600,000	600,000
0	199,950
0	24,202
0	(8,208,703)
738,565	22,138,942
(2,464,229)	(22,132,475)
<u>(1,125,664)</u>	<u>1,125,709</u>
335,072	5,061,692
(1,856,991)	4,343,309
0	135,081
<u>(\$1,521,919)</u>	<u>\$9,540,082</u>

City of Youngstown, Ohio
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types
For the Year Ended December 31, 1998

	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues			
Municipal Income Taxes	\$19,370,768	\$20,544,119	\$1,173,351
Property and Other Taxes	310,364	290,099	(20,265)
Charges for Services	2,832,044	3,002,364	170,320
Licenses and Permits	377,363	400,221	22,858
Fines and Forfeitures	652,348	699,188	46,840
Intergovernmental	6,179,559	6,548,894	369,335
Special Assessments	0	0	0
Interest	305,656	324,171	18,515
Rentals	301,288	319,538	18,250
Franchise Fees	463,961	492,065	28,104
Payment in Lieu of Taxes	0	0	0
Other	3,097,017	3,289,173	192,156
Total Revenues	33,890,368	35,909,832	2,019,464
Expenditures			
Current:			
General Government	9,707,611	9,052,626	654,985
Security of Persons and Property	520,588	509,021	11,567
Public Health and Welfare	669,345	634,060	35,285
Transportation	1,145,430	1,035,995	109,435
Community Environment	453,404	449,506	3,898
Basic Utility Services	2,139,742	2,093,717	46,025
Leisure Time Activities	91,000	75,372	15,628
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	45,279	0	45,279
Interest and Fiscal Charges	19,141	0	19,141
Refunding Bond Issuance Costs	0	0	0
Total Expenditures	14,791,540	13,850,297	941,243
Excess of Revenues Over (Under) Expenditures	19,098,828	22,059,535	2,960,707
Other Financing Sources (Uses)			
Proceeds of Refunding Bonds	0	0	0
Proceeds of Notes	0	0	0
Proceeds of HUD Section 108 Loans	0	0	0
Sale of Fixed Assets	558	592	34
Payment to Refunded Bond Escrow Agent	0	0	0
Operating Transfers In	19,270	19,270	0
Operating Transfers Out	(22,618,860)	(19,500,065)	3,118,795
Total Other Financing Sources (Uses)	(22,599,032)	(19,480,203)	3,118,829
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(3,500,204)	2,579,332	6,079,536
Fund Balances (Deficit) at Beginning of Year	(1,580,405)	(1,580,405)	0
Unexpended Prior Year Encumbrances	81,184	81,184	0
Fund Balances (Deficit) at End of Year	(\$4,999,425)	\$1,080,111	\$6,079,536

Special Revenue Funds			Debt Service Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$7,605,368	\$7,663,850	\$58,482	\$0	\$0	\$0
0	0	0	2,702,495	1,498,137	(1,204,358)
977,307	895,150	(82,157)	0	0	0
2,232	3,026	794	0	0	0
16,000	73,023	57,023	0	0	0
3,635,461	12,182,599	8,547,138	323,305	179,225	(144,080)
0	0	0	4,416	2,448	(1,968)
38,909	132,846	93,937	60,505	33,541	(26,964)
49,009	48,183	(826)	0	0	0
740	726	(14)	0	0	0
0	0	0	240,000	134,757	(105,243)
213,053	46,721	(166,332)	0	0	0
<u>12,538,079</u>	<u>21,046,124</u>	<u>8,508,045</u>	<u>3,330,721</u>	<u>1,848,108</u>	<u>(1,482,613)</u>
0	0	0	82,728	79,093	3,635
24,429,805	23,951,356	478,449	0	0	0
1,321,146	705,757	615,389	0	0	0
5,376,785	4,931,315	445,470	0	0	0
18,587,779	6,985,495	11,602,284	0	0	0
0	0	0	0	0	0
2,195,828	2,159,163	36,665	0	0	0
0	0	0	0	0	0
905,000	905,000	0	3,193,672	1,170,000	2,023,672
1,208,584	816,455	392,129	1,200,472	959,664	240,808
0	0	0	295,090	295,090	0
<u>54,024,927</u>	<u>40,454,541</u>	<u>13,570,386</u>	<u>4,771,962</u>	<u>2,503,847</u>	<u>2,268,115</u>
<u>(41,486,848)</u>	<u>(19,408,417)</u>	<u>22,078,431</u>	<u>(1,441,241)</u>	<u>(655,739)</u>	<u>785,502</u>
0	0	0	8,503,793	8,503,793	0
0	0	0	0	0	0
0	199,950	199,950	0	0	0
10,198	23,610	13,412	0	0	0
0	0	0	(8,208,703)	(8,208,703)	0
19,931,652	20,220,919	289,267	1,533,317	850,000	(683,317)
(2,000,479)	(18,181)	1,982,298	(150,000)	(150,000)	0
<u>17,941,371</u>	<u>20,426,298</u>	<u>2,484,927</u>	<u>1,678,407</u>	<u>995,090</u>	<u>(683,317)</u>
(23,545,477)	1,017,881	24,563,358	237,166	339,351	102,185
1,005,211	1,005,211	0	(101,681)	(101,681)	0
292,473	292,473	0	0	0	0
<u>(\$22,247,793)</u>	<u>\$2,315,565</u>	<u>\$24,563,358</u>	<u>\$135,485</u>	<u>\$237,670</u>	<u>\$102,185</u>

(continued)

City of Youngstown, Ohio
*Combined Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types (continued)
For the Year Ended December 31, 1998*

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Municipal Income Taxes	\$2,480,000	\$2,554,615	\$74,615
Property and Other Taxes	0	0	0
Charges for Services	0	0	0
Licenses and Permits	0	0	0
Fines and Forfeitures	0	111,188	111,188
Intergovernmental	3,526,147	2,097,258	(1,428,889)
Special Assessments	0	0	0
Interest	0	0	0
Rentals	60,000	72,742	12,742
Franchise Fees	0	0	0
Payment in Lieu of Taxes	0	0	0
Other	0	0	0
Total Revenues	6,066,147	4,835,803	(1,230,344)
Expenditures			
Current:			
General Government	0	0	0
Security of Persons and Property	0	0	0
Public Health and Welfare	0	0	0
Transportation	0	0	0
Community Environment	0	0	0
Basic Utility Services	0	0	0
Leisure Time Activities	0	0	0
Capital Outlay	9,814,747	3,062,973	6,751,774
Debt Service:			
Principal Retirement	170,000	170,000	0
Interest and Fiscal Charges	75,000	66,189	8,811
Refunding Bond Issuance Costs	0	0	0
Total Expenditures	10,059,747	3,299,162	6,760,585
Excess of Revenues Over (Under) Expenditures	(3,993,600)	1,536,641	5,530,241
Other Financing Sources (Uses)			
Proceeds of Refunding Bonds	0	0	0
Proceeds of Notes	3,051,175	600,000	(2,451,175)
Proceeds of HUD Section 108 Loans	0	0	0
Sale of Fixed Assets	1,000,000	0	(1,000,000)
Payment to Refunded Bond Escrow Agent	0	0	0
Operating Transfers In	883,800	738,565	(145,235)
Operating Transfers Out	(2,404,270)	(2,464,229)	(59,959)
Total Other Financing Sources (Uses)	2,530,705	(1,125,664)	(3,656,369)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,462,895)	410,977	1,873,872
Fund Balances (Deficit) at Beginning of Year	(308,305)	(308,305)	0
Unexpended Prior Year Encumbrances	0	0	0
Fund Balances (Deficit) at End of Year	(\$1,771,200)	\$102,672	\$1,873,872

See accompanying notes to the general purpose financial statements

Total (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$29,456,136	\$30,762,584	\$1,306,448
3,012,859	1,788,236	(1,224,623)
3,809,351	3,897,514	88,163
379,595	403,247	23,652
668,348	883,399	215,051
13,664,472	21,007,976	7,343,504
4,416	2,448	(1,968)
405,070	490,558	85,488
410,297	440,463	30,166
464,701	492,791	28,090
240,000	134,757	(105,243)
3,310,070	3,335,894	25,824
<u>55,825,315</u>	<u>63,639,867</u>	<u>7,814,552</u>
9,790,339	9,131,719	658,620
24,950,393	24,460,377	490,016
1,990,491	1,339,817	650,674
6,522,215	5,967,310	554,905
19,041,183	7,435,001	11,606,182
2,139,742	2,093,717	46,025
2,286,828	2,234,535	52,293
9,814,747	3,062,973	6,751,774
4,313,951	2,245,000	2,068,951
2,503,197	1,842,308	660,889
295,090	295,090	0
<u>83,648,176</u>	<u>60,107,847</u>	<u>23,540,329</u>
<u>(27,822,861)</u>	<u>3,532,020</u>	<u>31,354,881</u>
8,503,793	8,503,793	0
3,051,175	600,000	(2,451,175)
0	199,950	199,950
1,010,756	24,202	(986,554)
(8,208,703)	(8,208,703)	0
22,368,039	21,828,754	(539,285)
<u>(27,173,609)</u>	<u>(22,132,475)</u>	<u>5,041,134</u>
<u>(448,549)</u>	<u>815,521</u>	<u>1,264,070</u>
(28,271,410)	4,347,541	32,618,951
(985,180)	(985,180)	0
373,657	373,657	0
<u>(\$28,882,933)</u>	<u>\$3,736,018</u>	<u>\$32,618,951</u>

City of Youngstown, Ohio
*Combined Statement of Revenues,
 Expenses and Changes in Fund Equity
 Proprietary Fund Type and Discretely Presented Component Unit
 For the Year Ended December 31, 1998*

	Proprietary Fund Type	Component Unit	Totals (Memorandum Only) Reporting Entity
	Enterprise		
Operating Revenues			
Charges for Services	\$29,245,875	\$611,587	\$29,857,462
Other	18,381	0	18,381
<i>Total Operating Revenues</i>	<u>29,264,256</u>	<u>611,587</u>	<u>29,875,843</u>
Operating Expenses			
Personal Services	8,549,662	3,270,755	11,820,417
Contractual Services	7,172,121	437,674	7,609,795
Materials and Supplies	7,189,837	616,652	7,806,489
Other	54,800	43,591	98,391
Depreciation	2,179,199	1,189,584	3,368,783
<i>Total Operating Expenses</i>	<u>25,145,619</u>	<u>5,558,256</u>	<u>30,703,875</u>
<i>Operating Income (Loss)</i>	<u>4,118,637</u>	<u>(4,946,669)</u>	<u>(828,032)</u>
Non-Operating Revenues (Expenses)			
Property Taxes	0	2,571,445	2,571,445
Interest	194	90,070	90,264
Grants	0	1,796,299	1,796,299
Interest and Fiscal Charges	(1,110,151)	0	(1,110,151)
Loss on Disposal of Fixed Assets	0	(35,755)	(35,755)
Other Non-Operating Revenues	0	133,167	133,167
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(1,109,957)</u>	<u>4,555,226</u>	<u>3,445,269</u>
<i>Income (Loss) Before Operating Transfers</i>	3,008,680	(391,443)	2,617,237
Operating Transfers Out	(6,467)	0	(6,467)
<i>Net Income (Loss)</i>	3,002,213	(391,443)	2,610,770
Depreciation on Fixed Assets Acquired by Contributed Capital	0	1,145,684	1,145,684
<i>Retained Earnings Beginning of Year</i>	<u>3,471,841</u>	<u>6,904,495</u>	<u>10,376,336</u>
<i>Retained Earnings End of Year</i>	<u>6,474,054</u>	<u>7,658,736</u>	<u>14,132,790</u>
Contributed Capital Beginning of Year	31,704,239	9,147,808	40,852,047
Other Contributions:			
Capital Grants	360,450	499,817	860,267
Depreciation on Fixed Assets Acquired by Contributed Capital	0	(1,145,684)	(1,145,684)
Contributed Capital End of Year	<u>32,064,689</u>	<u>8,501,941</u>	<u>40,566,630</u>
<i>Total Fund Equity End of Year</i>	<u>\$38,538,743</u>	<u>\$16,160,677</u>	<u>\$54,699,420</u>

See accompanying notes to the general purpose financial statements

City of Youngstown, Ohio
Combined Statement of Cash Flows
Proprietary Fund Type and Discretely Presented Component Unit
For The Year Ended December 31, 1998

	Proprietary Fund Type	Component Unit	Totals (Memorandum Only)
	Enterprise		
<i>Increase (Decrease) in Cash and Cash Equivalents</i>			
Cash Flows from Operating Activities			
Cash Received from Customers	\$29,822,722	\$665,532	\$30,488,254
Cash Payments to Suppliers for			
Goods and Services	(6,946,753)	(2,075,355)	(9,022,108)
Cash Payments for Contractual Services	(6,769,676)	0	(6,769,676)
Cash Payments for Employee Services and Benefits	(9,014,779)	(2,130,761)	(11,145,540)
Other Operating Revenues	18,381	0	18,381
Other Operating Expenses	(54,800)	0	(54,800)
<i>Net Cash Provided by (Used for) Operating Activities</i>	7,055,095	(3,540,584)	3,514,511
Cash Flows from Noncapital Financing Activities			
Repayment of Interfund	310,188	0	310,188
Operating Transfers to Other Funds	(6,467)	0	(6,467)
Operating Grants	0	1,884,818	1,884,818
Property Taxes	0	2,598,517	2,598,517
Other	0	133,167	133,167
Repayment of Advances to Other Funds	86,201	0	86,201
<i>Net Cash Provided by Noncapital Financing Activities</i>	389,922	4,616,502	5,006,424
Cash Flows from Capital and Related Financing Activities			
Capital Grants	360,450	3,154,366	3,514,816
Principal Payments on General Obligation Bonds	(10,000)	0	(10,000)
Interest Payments on General Obligation Bonds	(6,589)	0	(6,589)
Principal Payments on OWDA Loans	(946,242)	0	(946,242)
Interest Payments on OWDA Loans	(1,074,639)	0	(1,074,639)
Principal Payments on Revenue Bonds	(120,000)	0	(120,000)
Interest Payments on Revenue Bonds	(27,600)	0	(27,600)
Acquisition of Capital Assets	(1,563,980)	(3,937,427)	(5,501,407)
<i>Net Cash Used for Capital and Related Financing Activities</i>	(3,388,600)	(783,061)	(4,171,661)
Cash Flows from Investing Activities			
Interest on Investments	194	90,070	90,264
<i>Net Increase in Cash and Cash Equivalents</i>	4,056,611	382,927	4,439,538
<i>Cash and Cash Equivalents Beginning of Year</i>	2,012,240	2,143,564	4,155,804
<i>Cash and Cash Equivalents End of Year</i>	\$6,068,851	\$2,526,491	\$8,595,342

(continued)

City of Youngstown, Ohio
Combined Statement of Cash Flows
Proprietary Fund Type and Discretely Presented Component Unit (continued)
For The Year Ended December 31, 1998

	Proprietary Fund Type		Totals (Memorandum Only)
	Enterprise	Component Unit	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities			
<i>Operating Income (Loss)</i>	\$4,118,637	(\$4,946,669)	(\$828,032)
Adjustments:			
Depreciation	2,179,199	1,189,584	3,368,783
(Increase) Decrease in Assets:			
Accounts Receivable	976,657	53,945	1,030,602
Due from Other Governments	187,131	0	187,131
Due to Other Funds	(586,941)	0	(586,941)
Materials and Supplies Inventory	300,581	688	301,269
Prepaid Items	0	(412)	(412)
Increase (Decrease) in Liabilities:			
Accounts Payable	(43,809)	(12,899)	(56,708)
Contracts Payable	(118,142)	0	(118,142)
Accrued Wages and Benefits	56,167	167,097	223,264
Compensated Absences Payable	79,622	0	79,622
Due to Other Funds	412,819	0	412,819
Due to Other Government	(292,300)	0	(292,300)
Early Retirement Incentive Payable	(214,526)	0	(214,526)
Other Liabilities	0	8,082	8,082
<i>Total Adjustments</i>	<u>2,936,458</u>	<u>1,406,085</u>	<u>4,342,543</u>
<i>Net Cash Provided By (Used for) Operating Activities</i>	<u>\$7,055,095</u>	<u>(\$3,540,584)</u>	<u>\$3,514,511</u>

See accompanying notes to the general purpose financial statements

City of Youngstown, Ohio
*Combined Statement of Revenues, Expenses and
Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual
Proprietary Fund Type
For The Year Ended December 31, 1998*

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Charges for Services	\$28,587,890	\$29,822,722	\$1,234,832
Interest	187	194	7
Capital Grants	0	360,450	360,450
Other	17,792	18,381	589
Proceeds of Refunding Bonds	1,758,704	1,758,704	0
Proceeds of Notes	827,100	0	(827,100)
<i>Total Revenues</i>	<u>31,191,673</u>	<u>31,960,451</u>	<u>768,778</u>
Expenses			
Personal Services	9,257,042	9,014,640	242,402
Contractual Services	7,911,251	6,847,602	1,063,649
Materials and Supplies	7,427,590	7,062,722	364,868
Other	89,690	54,800	34,890
Payment to Refunded Bond Escrow Agent	1,697,675	1,697,675	0
Capital Outlay	3,357,879	1,742,186	1,615,693
Debt Service:			
Principal Retirement	1,151,284	1,076,242	75,042
Interest and Fiscal Charges	1,288,782	1,108,828	179,954
Refunding Bond Issuance Costs	61,029	61,029	0
<i>Total Expenses</i>	<u>32,242,222</u>	<u>28,665,724</u>	<u>3,576,498</u>
<i>Excess of Revenues Over (Under) Expenses</i>	(1,050,549)	3,294,727	4,345,276
Operating Transfers In	450,434	310,188	(140,246)
Operating Transfers Out	(863,539)	(6,467)	857,072
<i>Excess of Revenues Over (Under) Expenses and Operating Transfers</i>	(1,463,654)	3,598,448	5,062,102
<i>Fund Equity Beginning of Year</i>	1,462,539	1,462,539	0
Unexpended Prior Year Encumbrances	281,873	281,873	0
<i>Fund Equity End of Year</i>	<u>\$280,758</u>	<u>\$5,342,860</u>	<u>\$5,062,102</u>

See accompanying notes to the general purpose financial statements

City of Youngstown, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

Note 1 - Reporting Entity

The City of Youngstown 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.

In evaluating how to define the City for financial reporting purposes, management has considered all agencies, departments and organizations making up the City of Youngstown (the primary government) and its potential component units consistent with Governmental Accounting Standards Board Statement 14, "The Financial Reporting Entity."

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 provided 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.

Discretely Presented Component Unit - The component unit columns in the combined financial statements identifies the financial data of the City's component unit, the Western Reserve Transit Authority. It is reported separately to emphasize that it is legally separate from the City.

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. The five-member Board of Trustees is appointed by the City (four by the Mayor and one by City Council). Potential exists for the City to subsidize operating expenses, although this has not occurred. Based on the potential for the WRTA to impose financial burdens on the City, the WRTA is reflected as a component unit of the City. Separately issued financial statements can be obtained from the Western Reserve Transit Authority, 604 Mahoning Avenue, Youngstown, Ohio 44446.

The City participates in the following jointly governed organizations and related organization. These organizations are presented in Note 14 and Note 15 to the combined financial statements.

Jointly Governed Organizations
Mahoning County Drug Task Force
Eastgate Development and Transportation Agency
Youngstown Metropolitan Housing Authority

City of Youngstown, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

Metropolitan Fire Investigation Unit

Related Organization

Youngstown Employment and Training Corporation

The City is also associated with the Community Improvement Corporation (CIC). The CIC is a not-for-profit corporation which was formed in 1988. The 20 member board, which consists of 8 members appointed by the City and 12 local businessmen, promotes industrial and economic development within the central area of the City. The CIC has been excluded from the reporting entity.

Information in the notes to the general purpose financial statements relates in general to the primary government. Information relating to the operations of the WRTA (component unit) is specifically identified.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City of Youngstown have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to the proprietary funds provided they do not conflict with or contradict GASB pronouncements. The more significant of the City's accounting policies are described below.

A. Basis of Presentation - Fund Accounting

The City uses funds and account groups to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the City are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

Governmental Funds Types Governmental funds are those through which most governmental functions typically are financed. The acquisition, use, and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The following are the City's governmental fund types:

City of Youngstown, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

General Fund The general fund is the general operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the Charter of the City of Youngstown and/or the general laws of Ohio.

Special Revenue Funds These funds are established to account for the proceeds of specific revenue sources (other than amounts relating to major capital projects) that are legally restricted to expenditure for specified purposes.

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

Capital Projects Funds These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Fund Type Proprietary funds are used to account for the City's ongoing activities which are similar to those found in the private sector. The following is the City's proprietary fund type:

Enterprise Funds These funds are established to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges, or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary Fund Type Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. There are two types of fiduciary funds, trust and agency. The City has no trust funds.

Agency Funds Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

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

General Fixed Assets Account Group The general fixed assets account group is used to account for fixed assets of the City other than those accounted for in the proprietary funds.

General Long-term Obligations Account Group The general long-term obligations account group is used to account for all long-term obligations of the City, except those accounted for in the proprietary funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet.

City of Youngstown, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g. revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. All governmental fund types and agency funds are accounted for using the modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current year or soon enough thereafter to be used to pay liabilities of the current year. The available period for the City is sixty days after year-end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: income taxes withheld by employers, interest on investments, fines and forfeitures, and state levied locally shared taxes (including motor vehicle license fees, gasoline taxes, and local government assistance).

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Levied special assessments are measurable and have been recorded as a receivable. Since all assessments are due outside of the available period, the entire amount has been deferred. Current and delinquent property taxes measurable as of December 31, 1998, whose availability is indeterminate and which are not intended to finance the current year, have also been recorded as a receivable and deferred revenue as further described in Note 8.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds. Revenues are recognized when they are earned and become measurable and expenses are recognized when they are incurred, if measurable. Unbilled service charges receivable are recognized as revenue at year-end.

Component Unit Basis of Accounting

The WRTA follows the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. The measurement focus is on determination of net income, financial position and cash flows. All transactions are accounted for in a single enterprise fund.

City of Youngstown, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

C. Budgetary Process

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. All funds, other than agency funds, are legally required to be budgeted and appropriated. Budgetary information for the WRTA (component unit) is not reported because it is not included in the entity for which the "appropriated budget" is adopted and does not maintain its own budgetary information. The legal level of budgetary control is at the object level within each department. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

Tax Budget A tax budget of estimated revenue and expenditures for all funds is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20th of each year, for the period January 1 to December 31 of the following year.

Estimated Resources The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized property tax rates 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. 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 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 final amended certificate issued during 1998.

Appropriations A temporary appropriation ordinance 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 by an ordinance of Council. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts. Several amendments and modifications were legally enacted by Council during the year.

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. The encumbered appropriation balance is carried forward to the succeeding year and is not reappropriated.

Encumbrances As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and as note disclosure for proprietary funds.

City of Youngstown, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

D. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds, including the proprietary fund, are maintained in this pool. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet.

During 1998, investments were limited to repurchase agreements and non-negotiable certificates of deposit which are nonparticipating investment contracts and are reported at cost. The City also invests in Star Bank Cash Management Fund which is a money market mutual fund. This mutual fund is reported at fair value which is determined by the fund's December 31, 1998 share price.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 1998 amounted to \$358,537, which includes \$319,313 assigned from other City funds.

The City has segregated bank accounts for monies held separate from the City's central bank account. These interest-bearing depository accounts and short-term investments in certificates of deposit are presented on the combined balance sheet as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the City's treasury.

The City utilizes a financial institution to service general obligation bonded debt as principal and interest come due and a trustee (Star Bank) to collect revenue and retire principal and interest on its industrial development revenue bonds. The balances of these accounts are presented on the combined balance sheet as "cash and cash equivalents with fiscal and escrow agents" and represent deposits or short-term investments with an original maturity of three months or less.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an original maturity of more than three months are reported as investments.

E. Inventory of Supplies

Primary Government Inventory is valued at cost on a first-in, first-out basis. At December 31, 1998, the general, special revenue, and proprietary funds maintained the only significant inventory. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the proprietary fund types when used. The reserve for inventory indicates that a portion of the fund balance is not available for future expenditures.

Component Unit Inventory is stated at the lower of cost (average cost method) or market. Inventory generally consists of maintenance parts and supplies for rolling stock and other transportation equipment.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 1998, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

City of Youngstown, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

G. Restricted Assets

Restricted assets of the component unit consist of monies and other resources which are legally restricted for capital acquisition and construction.

H. Fixed Assets

Primary Government

The City has been unable to determine the historical or estimated historical cost of its land; therefore, complete fixed asset information has not been presented. The other fixed asset values were initially determined at December 31, 1992, by assigning original acquisition costs when such information was available. In cases where information supporting original costs was not available, estimated historical costs were developed. For certain fixed assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition. Donated fixed assets are capitalized at fair market value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency are capitalized at cost in the general fixed assets account group or in the enterprise funds.

General Fixed Assets General fixed assets (fixed assets used in governmental fund type operations) are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Assets in the general fixed assets account group are not depreciated.

Public domain (infrastructure) general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized or reported, as these assets are immovable and of value only to the City.

Proprietary Fund Fixed Assets Fixed assets associated with the enterprise funds are accounted for in those funds. Depreciation is expensed and closed to unreserved retained earnings at year end. Depreciation is calculated using the straight-line method over the following estimated useful lives:

	<u>Estimated Lives</u>
Buildings	50 Years
Improvements Other than Buildings	20 Years
Machinery and Equipment	5 - 30 Years
Infrastructure	65 Years
Vehicles	8 Years

Interest is capitalized on proprietary fund assets acquired with tax exempt borrowing. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of borrowing until completion of the project with interest earned on invested proceeds over the same period. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. For 1998, there were no capitalized interest costs incurred on construction projects in the proprietary funds.

City of Youngstown, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

Component Unit Fixed Assets Property, facilities and equipment are stated at historical cost. The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related properties. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

	<u>Estimated Lives</u>
Buildings and Improvements	20 - 35 Years
Transportation Equipment	7 - 12 Years
Other Equipment	4 - 15 Years

Depreciation recognized on assets acquired or constructed through grants externally restricted for capital acquisitions is closed to contributed capital.

I. Compensated Absences

The City follows the provisions of Governmental Accounting Standards Board Statement No. 16, "Accounting for 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 20 to the General Purpose Financial Statements.

For governmental funds, the current portion of unpaid compensated absences is the amount to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of unpaid compensated absences is reported as a fund liability.

J. Accrued Liabilities and Long-term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds, regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension contributions, and special termination benefits are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. In general, payments made more than two months after year-end are considered not to have been paid using current available financial resources. Bonds, police and firemen's liability and long-term loans are recognized as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

City of Youngstown, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

K. Contributed Capital

Contributed capital represents donations by developers, contributions made by other City funds, and assets whose construction was financed by EPA grants. These assets are recorded at their fair market value on the date contributed and are not subject to repayment.

L. Reserves of Fund Equity

Reserves of fund equity in governmental funds indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for encumbrances, inventory of supplies and materials and notes receivable.

M. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursement to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund, and a reduction of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

N. Intergovernmental Revenues

Primary Government In governmental funds, federal grants awarded on a non-reimbursement basis and federal entitlements are recorded as intergovernmental receivables and revenues when measurable and available. Federal reimbursable-type grants are recorded as intergovernmental receivables and revenues when the related liabilities are incurred.

Component Unit Financial assistance and grants are received from the Federal Transit Authority and the Ohio Department of Transportation. Operating grants and special fare assistance awards are recorded as grant receivables and revenues over the entitlement period. Capital grants for the acquisition of property and equipment (reimbursement type grants) are recorded as grant receivables and credited to contributed capital when the related qualified expenditures are incurred. Capital grants received in advance of project costs being incurred are deferred.

O. Interfund Assets and Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" and "due to other funds". Short-term interfund loans are classified as "interfund receivables/payables."

City of Youngstown, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

P. Estimates

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

Q. Total Columns - Memorandum Only

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data. When the title of a statement indicates that a component unit is included, two total columns may be presented. The first is captioned primary government to indicate that only those activities that comprise the City's legal entity have been included. The second is captioned reporting entity and includes the activity and operations of the City's legally separate discretely presented component unit. The total column on statements which do not include a component unit have no additional caption.

Note 3 - Change in Accounting Principle and Restatement of Prior Year's Fund Equity

For 1998, the City has implemented GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." This statement established accounting and reporting guidelines for government investments and investment pools. Certain investments which were reported at cost in previous years are now required to be reported at fair value. The implementation of this statement did not result in any changes from the prior year.

The City has also implemented GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" for its deferred compensation plan through the State of Ohio Deferred Compensation Board. On September 1, 1998, the State of Ohio Deferred Compensation Board, created a trust for the assets of the plan for which the City has no fiduciary responsibility. Therefore, the balance of the deferred compensation plan is no longer presented as part of the City's financial statements.

For 1998, the City had several adjustments to various funds. The effect of these changes on the excess of revenues and other financing sources over (under) expenditures and other uses/net income as previously reported for the year ended December 31, 1997, is as follows:

City of Youngstown, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

	General	Special Revenue	Debt Service	Capital Projects
Excess as Previously Reported	(\$840,409)	\$350,962	(\$1,034,630)	(\$868,492)
Understated Interfund Receivable	0	0	410,000	0
Overstated Interfund Payable	0	0	0	1,500,000
Understated Materials and Supplies Inventory	0	26,865	0	0
Overstated Notes Receivable	0	(415,698)	0	0
Overstated Accounts Payable	0	7,216	0	0
Understated Interfund Payable	(410,000)	0	0	0
Overstated Interfund Receivable	0	(1,296,703)	0	0
Overstated Notes Payable	0	410,000	0	0
Overstated Accrued Interest Payable	0	14,300	0	0
Excess as Restated for the Year Ended 12/31/97	<u>(\$1,250,409)</u>	<u>(\$903,058)</u>	<u>(\$624,630)</u>	<u>\$631,508</u>

Due to an overstatement of interfund receivable the sewer enterprise fund net income decreased \$203,297, from \$1,926,115 to \$1,722,818.

The effect of these changes on fund balance/retained earnings as it was previously reported as of December 31, 1997, are as follows:

	General	Special Revenue	Debt Service	Capital Projects
Balances as Previously Reported	\$447,928	\$6,857,508	(\$266,814)	(\$3,356,991)
Understated Interfund Receivable	0	0	410,000	0
Overstated Interfund Payable	0	0	0	1,500,000
Understated Materials and Supplies Inventory	0	26,865	0	0
Overstated Accounts Payable	0	7,216	0	0
Understated Interfund Payable	(410,000)	0	0	0
Overstated Interfund Receivable	0	(1,296,703)	0	0
Overstated Notes Payable	0	410,000	0	0
Overstated Accrued Interest Payable	0	14,300	0	0
Restated Balance January 1, 1998	<u>\$37,928</u>	<u>\$6,019,186</u>	<u>\$143,186</u>	<u>(\$1,856,991)</u>

Due to an overstatement of interfund receivable the sewer enterprise fund retained earnings decreased \$203,297, from \$3,675,138 to \$3,471,841.

Note 4 - Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balance/retained earnings 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis)

City of Youngstown, Ohio
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and Actual - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - Proprietary Fund Type 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 the GAAP (generally accepted accounting principles) basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- (b) Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure/expense (budget basis) at the time authorized as opposed to a reservation of fund balance for unperformed purchase commitments in governmental fund types and note disclosure for proprietary fund types (GAAP basis).
- (d) Short-term note proceeds and note principal retirement for governmental fund types are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
- (e) Unreported cash represents amounts received/paid but not included as revenue/expenditure on the budget basis operating statements. These amounts are included as revenue/expenditure on the GAAP basis operating statement.

The adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis for the governmental funds, enterprise funds and component unit are as follows:

Excess of Revenues and Other Financing Sources
Over Expenditures and Other Financing Uses
All Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$3,112,332	\$1,259,078	\$355,210	\$335,072
Net Adjustment for Revenue Accruals	660,452	371,161	64	(20,784)
Unreported Cash	(16,159)	519	(15,206)	0
Net Adjustment for Expenditure Accruals	(1,083,013)	(32,685)	(717)	95,695
Repayment of Interfund	0	(310,188)	0	0
Disbursements Against Prior Year Encumbrances	79,995	441,846	0	4,583
Encumbrances	(174,275)	(711,850)	0	(3,589)
Budget Basis	<u>\$2,579,332</u>	<u>\$1,017,881</u>	<u>\$339,351</u>	<u>\$410,977</u>

City of Youngstown, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

Net Income (Loss)/Excess of Revenues Over Expenses and Operating Transfers Proprietary Fund Type and Component Unit	Enterprise	Component Unit
GAAP Basis	\$3,002,213	(\$391,443)
Net Adjustment for Revenue Accruals	576,847	0
Repayment of Interfund	310,188	0
Proceeds of Refunding Bonds	1,758,704	0
Capital Grant	360,450	0
Net Adjustment for Expense Accruals	181,735	0
Payment to Refunded Bond Escrow Agent	(1,697,675)	0
Payment for Refunding Bond Issuance Costs	(61,029)	0
Acquisition of Fixed Assets	(1,563,980)	0
Depreciation Expense	2,179,199	0
Principal Retirement	(1,076,242)	0
Excess for Non-Budgeted Funds	0	391,443
Disbursements Against Prior Year Encumbrances	354,029	0
Encumbrances	(725,991)	0
Budget Basis	\$3,598,448	\$0

Note 5 - Accountability and Compliance

A. Fund Deficits

The following funds had deficit fund balances/retained earnings at December 31, 1998:

Special Revenue Funds	
Street Construction and Maintenance	\$1,672,936
Police Levy	875,197
Central Business District	321,992
Revolving Demolition	750,000
Local Homes Trust	16,222
 Capital Projects Fund	
Industrial Land Acquisition	2,172,121
 Enterprise Fund	
Sewer	931,682

City of Youngstown, Ohio
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Special revenue, capital projects and enterprise fund deficits are caused by expenditures being higher than revenues and the recognition of expenditures on the modified accrual basis of accounting which are substantially greater than expenditures recognized on a cash basis. The general fund is liable for any deficits in these funds and provides operating transfers when cash is required, not when accruals occur.

As of December 31, 1998, the Ameritech trust fund, a debt service fund and the industrial land acquisition fund, a capital projects fund, had negative cash balances, which violates Ohio Revised Code Section 5705.10.

B. Compliance

The following funds had appropriations in excess of estimated resources and carryover balances contrary to Section 5705.39, Ohio Revised Code:

Fund	Estimated Resources	Appropriations	Excess
General	\$35,443,928	\$37,410,400	\$1,966,472
Special Revenue Funds			
Police Levy	14,016,883	14,173,838	156,955
Fire Levy	9,892,986	9,970,216	77,230
Auto License Fee	410,447	1,042,685	632,238
Air Pollution	82,320	464,911	382,591
Law Enforcement	213,774	234,467	20,693
Health Department	147,687	856,235	708,548
CDBG Grant	1,162,785	18,428,161	18,400,489
CDBG Rehabilitation	3,372	16,331	12,959
Local Homes Trust	30,499	3,048,850	3,018,351
Litter Control Program	156,621	176,316	19,695
Domestic Violence Suppression Grant	5,535	22,814	17,279
Capital Projects Funds			
Capital Projects Public Works	4,893,479	5,348,481	455,002
Industrial Land Acquisition	2,781,402	3,248,400	466,998
Street Improvement	34,000	985,218	951,218
Enterprise Funds			
Sewer	13,006,263	15,331,539	2,235,276

Certain variances noted above are due to the combining of funds for reporting purposes under generally accepted accounting principles.

City of Youngstown, Ohio
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The following accounts had expenditures plus encumbrances in excess of appropriations contrary to Section 5705.41, Ohio Revised Code:

Fund/Function	Appropriation	Expenditure	Excess
<i>Special Revenue Funds</i>			
<i>Parks and Recreation</i>			
Current:			
<i>Leisure Time Activities</i>			
Pools and Playground			
Materials and Supplies	\$114,786	\$136,975	\$22,189
Police Levy			
Current:			
<i>Security of Persons and Property</i>			
Police - Non-Uniforms			
Contractual Services	2,000	30,630	28,630
Land Bank Trust			
Current:			
<i>Community Development</i>			
Land Bank Trust			
Contractual Services	4,500	8,861	4,361
Health			
Current:			
<i>Public Health and Welfare</i>			
Child Health			
Personal Services	27,000	29,736	2,736
Contractual Services	0	524	524
V.D. Control			
Personal Services	2,711	7,344	4,633
Hepatitis Immunization			
Personal Services	19,200	22,325	3,125
HUD Section 108 Development			
Current:			
<i>Community Development</i>			
Mahoning County Chemical Dependency Program			
Other	0	199,950	199,950

City of Youngstown, Ohio
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Fund/Function	Appropriation	Expenditure	Excess
CDBG Grant			
Current:			
<i>Community Environment</i>			
CDA Program Income			
Contractual Services			
	\$0	\$999	\$999
 <i>Capital Projects Funds</i>			
Street Improvement			
Operating Transfer Out			
	10,000	69,959	59,959

Expenditures are not being certified by the finance director and are not being encumbered as required by Ohio Revised Code Section 5705.41(D).

Note 6 - Deposits And Investments

A. Primary Government

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are 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 deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

Interim monies can be invested in the following obligations:

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 and 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

City of Youngstown, Ohio
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Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits At year end, the carrying amount of the City's deposits was \$7,343,596 and the bank balance was \$8,554,329. Of the bank balance:

1. \$356,428 was covered by federal depository insurance.
2. \$8,197,901 was uncollateralized and uninsured. Although the securities were held by the pledging financial institutions trust department or agent in the City's name and all State statutory requirements for the investment of money had been followed, noncompliance with federal requirements could potentially subject the money held in the City's name to a successful claim by the FDIC.

Investments Investments are classified by three categories of risk. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name. The investment in the Star Bank Cash Management Fund is not categorized since it is not evidenced by securities that exist in physical or book entry form.

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	Category 3	Carrying Value	Fair Value
Repurchase Agreement	\$4,716,817	\$4,716,817	\$4,716,817
Star Bank Cash Management Fund	0	3,127	3,127
Total Investments	<u>\$4,716,817</u>	<u>\$4,719,944</u>	<u>\$4,719,944</u>

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. Cash and cash equivalents are defined to include investments with maturities of three months or less at the time of their purchase by the City.

A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$12,063,540	\$0
Investments:		
Repurchase Agreement	(4,716,817)	4,716,817
Star Bank Cash Management Fund	(3,127)	3,127
GASB Statement 3	<u>\$7,343,596</u>	<u>\$4,719,944</u>

B. Component Unit

The provisions of the Ohio Revised Code govern the investment and deposit of Authority monies. In accordance with these statutes, only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. The statutes also permit WRTA to invest its monies in certificates of deposit, savings accounts, money market accounts, the State Treasurer's investment pool (STAR Ohio), and obligations of the United States government and certain agencies thereof. WRTA may also enter into repurchase agreements with any eligible depository or any eligible dealer who is a member of the National Association of Securities Dealers for a period not to exceed thirty days.

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities valued at least 110 percent of the total value of public monies on deposit at the institution, or may deposit surety company bonds which when executed shall be for an amount in excess of collateral requirements. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and must mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by 2 percent and be marked to market daily. State law does not require security for public deposits and investments to be maintained in the Authority's name.

City of Youngstown, Ohio
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WRTA is prohibited from investing in any financial instruments, contract, or obligation whose value or return is based upon or linked to another asset or index, or both, separate from the financial instruments, contracts, or obligation itself (commonly known as a derivative). The WRTA is also prohibited from investing in reverse purchase agreements.

Deposits The carrying amount of WRTA's deposits was \$1,140,122 at December 31, 1998 with a \$1,162,309 bank balance. The deposits include a \$1,000,000 certificate of deposit and \$140,122 in demand deposits. Of the bank balance, \$100,000 was covered by depository insurance and \$1,062,309 was uninsured and uncollateralized as defined by the Governmental Accounting Standards Board. These uncollateralized deposits were, however, covered by a pledged collateral pool not held in WRTA's name as permitted under Ohio law.

Investments WRTA's investments are detailed below and are coategoidized in accordance with the criteria established by the Governmental Accounting Standards Board to indicate the level of credit risk assumed as of December 31, 1998. Category 1 includes investments that are insured or registered for which the securities are held by WRTA or its agent in WRTA's name. Category 2 includes investments that are uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in WRTA's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in WRTA's name.

	Category 3	Carrying Amount	Fair Value
Repurchase Agreement	\$1,386,369	\$1,386,369	\$1,386,369

Note 7- Income Tax

The City levies an income tax of two and one 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 one 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 1/4 of 5 mill 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 1/4 of 5 mill capital improvement capital projects fund.

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Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

Note 8 - Property Tax

A. Primary Government

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Taxes collected on real property (other than public utility) in one calendar year are levied October 1, in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years. The last reappraisal in Mahoning County was effective for the 1994 collection year. Real property taxes are payable annually or semiannually. 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.

Taxes collected on tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values as of December 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30; with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in 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 currently is assessed at 88 percent of its true value. 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.

The full tax rate for all City operations for the year ended December 31, 1998, was \$3.70 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 1998 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Estate	\$395,244,012
Tangible Personal	97,459,610
Public Utility Property	80,263,690
Total	<u>\$572,967,312</u>

B. Component Unit

The WRTA is subsidized by property tax levies passed by the voters of the City. Taxes of 5.0 mills were levied in 1997 and 1996 that expires as follows: 1.0 mill in 2000, 2.0 mills in 2001 and 2.0 mills in 2005. Property tax revenue can be used for operating or capital purposes.

City of Youngstown, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

The WRTA records property tax revenues and related estimated property taxes receivable in the year the taxes are levied. Differences between the estimated property tax receivable and the actual property tax receipts are included in revenue, generally in the following year, when the difference becomes known.

The WRTA receives cash from tax levies when the related property tax collections are distributed by the Mahoning County Auditor's office. These distributions are generally received in the year following that for which the tax is levied.

Note 9 - 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 10 - Receivables

A. Primary Government

Receivables at December 31, 1998, consisted of taxes, accounts (billings for user charged services), notes, interest on investments, special assessments and intergovernmental receivables arising from grants, entitlements or shared revenues. All governmental fund type receivables are considered fully collectible. Utility receivables are reflected at net realizable value net of an allowance of 36 percent for uncollectible accounts.

Notes receivable represent low-interest Community Development Agency loans made to eligible residents and businesses of the City of Youngstown for development projects, home improvements and rental property rehabilitation. Rental property rehabilitation loan agreements state that the loan recipient will not sell the property for ten years after such rehabilitation is completed. The Community Development Agency secures a lien against the property for this ten-year period. Ten percent of the loan is forgiven each year for the duration of the ten-year lien if the rental property owner does not sell the property. At the end of the tenth year, the loan is completely forgiven and the lien is taken off of the property. The outstanding principal balance of unforgiven rental property rehabilitation loans at December 31, 1998 is \$96,741. The outstanding balance of other loans is \$8,619,344 for a total of \$8,716,085, in notes receivable.

City of Youngstown, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

A summary of the principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivable</u>	<u>Amount</u>
General	
Local Government County Support	\$165,376
Revenue Assistance	36,973
Emergency Medical Services Grant	4,000
	<hr/>
Total General	206,349
	<hr/>
Special Revenue Funds	
Street Construction and Maintenance	148,077
Police Levy	54,777
Auto License Fee	35,056
Health Department	2,245
Domestic Violence	23,810
	<hr/>
Total Special Revenue Funds	263,965
	<hr/>
Total	<u>\$470,314</u>

B. Component Unit

Receivables at December 31, 1998, consisted of taxes, accounts, and intergovernmental receivables arising from operating, capital, and planning grants. All receivables are considered fully collectible.

<u>Intergovernmental Receivable</u>	<u>Amount</u>
Federal	
FTA Operating Assistance	\$152,887
FTA Capital Assistance - reimbursement of operating expenses	803,489
FTA Planning Grants	40,000
	<hr/>
Total Federal	\$996,376
	<hr/>
State	
ODOT Operating Assistance	\$654,737
ODOT Elderly Fare Assistance	92,734
ODOT Fuel Tax Reimbursement	52,452
	<hr/>
Total State	<u>\$799,923</u>

City of Youngstown, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

Note 11 - Fixed Assets

A. Primary Government

All fund fixed assets relate to the water and sewer service enterprise funds. The balances as of December 31, 1998, for the two funds were as follows:

Buildings	\$34,227,645
Improvements Other than Buildings	2,002,540
Machinery and Equipment	20,531,131
Infrastructure	17,204,300
Vehicles	<u>2,365,910</u>
Total	76,331,526
Less: Accumulated Depreciation	<u>(36,705,288)</u>
Net Fixed Assets	<u><u>\$39,626,238</u></u>

Changes in general fixed assets during 1998 were as follows:

	Balance 12/31/97	Additions	Reductions	Balance 12/31/98
Buildings	\$11,192,002	\$62,894	\$0	\$11,254,896
Improvements Other than Buildings	1,087,362	0	0	1,087,362
Machinery and Equipment	3,924,591	545,027	175,873	4,293,745
Vehicles	<u>6,313,964</u>	<u>468,525</u>	<u>234,544</u>	<u>6,547,945</u>
Total	<u><u>\$22,517,919</u></u>	<u><u>\$1,076,446</u></u>	<u><u>\$410,417</u></u>	<u><u>\$23,183,948</u></u>

B. Component Unit

The fixed assets of the WRTA as of December 31, 1998, were as follows:

Land	\$693,004
Buildings and Improvements	6,232,255
Transportation Equipment	10,226,872
Other Equipment	<u>853,104</u>
Total	18,005,235
Less: Accumulated Depreciation	<u>(8,924,022)</u>
Net Fixed Assets	<u><u>\$9,081,213</u></u>

City of Youngstown, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

Note 12 - Risk Management

A. Primary Government

The City is a participant in the Ohio Municipal League Joint Self-Insurance Pool (Pool). The Pool was established in 1987 and is administered under contract by the Ohio Municipal League to provide a program of property and casualty insurance for its member organizations throughout the State of Ohio.

The Pool's general objectives are to formulate, develop and administer a program of insurance, to obtain lower costs for that coverage, and to develop a comprehensive loss control program on behalf of the member political subdivisions. Political subdivisions joining the Pool may withdraw at the end of any coverage period upon 60 days prior written notice to the Pool. Under agreement, members who terminate participation in the Pool, as well as current members, are subject to a supplemental assessment or a refund, at the discretion of the board of trustees, depending on the ultimate loss experience of all the entities it insures for each coverage year. To date, there have been no assessments or refunds, due to the limited period of time that the Pool has been in existence and the nature of the coverage that is afforded to the participants.

The City obtained insurance coverage from the Pool for losses related to general liability, errors and omissions, property, inland marine, and automobiles in 1998.

Each participant makes an annual "contribution" to the Pool for the coverage they are provided, based on rates established by the Pool, using anticipated and actual results of operation for the various coverages provided. Participants are also charged for a "surplus contribution" that is used to build the Pool's retained earning account to fund the activities of the Pool. During 1998, the City made contributions to the Pool in the amount of \$491,937. The City pays up to a \$25,000 deductible per each claim. During 1998, the City paid \$144,305 in deductibles.

In the ordinary course of business, the Pool cedes a portion of its exposure to other insurers. These arrangements limit the Pool's maximum net loss on individual risks.

Treaty basis casualty excess of loss contracts in force at December 31, 1993, generally protects the Pool against losses over \$150,000. From November 1, 1992 to October 31, 1993, the Pool was generally reinsured for casualty losses in excess of \$200,000. From November 1, 1991 to October 31, 1992, the Pool was generally reinsured for casualty losses in excess of \$150,000.

Additionally, treaty basis property coverage protects the Pool against losses subject to a deductible of the lesser of \$50,000 per location or \$100,000 per occurrence. Since November 1, 1990, the Pool is limited to an annual aggregate loss of \$300,000 (\$150,000 prior to November 1, 1990) under this treaty.

The Pool is, and ultimately the participants are, contingently liable should any reinsurer become unable to meet its obligations under the reinsurance agreements.

Settled claims have not exceeded this coverage in any of the past three years. There were no significant reductions in coverage from the prior year.

City of Youngstown, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

\$1,000,000 performance bonds are maintained for the mayor, finance director, and law director. Performance bonds having no deductibles for the clerk of courts, chief bailiff and bailiffs are maintained in the amounts of \$25,000, \$2,000 and \$1,000, respectively. All performance bonds are maintained through the Hartford Fire Insurance Company.

The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

B. Component Unit

WRTA is exposed to various risk of loss related to torts, theft of, damage to and destruction of assets, flood and earthquake, errors and omissions, employments related matters, injuries to employees and employee theft and fraud. Effective December 31, 1994 WRTA joined together with certain other transit authorities in the State to form Ohio Transit Insurance Pool Association, Inc. (OTIP), a joint self insurance pool pursuant to Section 2744.081 of the Ohio Revised Code, currently operating as a common risk management and insurance program for eight member transit agencies. WRTA pays an annual premium to OTIP for its general insurance coverage and quarterly pays into a loss and administration fund all pursuant to its bylaws. The Agreement of Formation of the OTIP provides that the OTIP will be self-sustaining through member premiums and will reinsure through commercial companies for property damage and claims in excess of \$100,000 and, all liability claims in excess of \$250,000 for each insured occurrence. WRTA is responsible for the first \$1,000 of any claim or occurrence and amounts in excess of \$10 million for the liability claims.

WRTA continues to carry commercial insurance for all its other risk of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the three past fiscal years.

Note 13 - Employee Benefits

The City provides medical/surgical benefits to employees through Medical Mutual of Ohio. This plan has a \$200 single and \$400 family deductible and then 20 percent of the next \$900 is payable by the employee. An alternative plan with no deductibles or co-payments if network doctors and hospitals are used is also available through Medical Mutual of Ohio.

Prescription coverage from Medical Mutual of Ohio may be purchased by employees. Premiums are \$73.08 monthly on a composite basis with a \$5 per prescription deductible. This prescription coverage is for the PPO coverage only.

The City provides life insurance and accidental death and dismemberment insurance to its employees. Coverage is \$9,500 per employee except for wastewater treatment plant employees who have \$10,000 of coverage per employee. Coverage is provided by the Canada Life Insurance Company. The police employees' life and accidental death and dismemberment insurance is provided by Trans-America Occidental. Coverage is \$20,000 per employee.

Members of the AFCSME 2312 and 2726 have vision and dental insurance. Coverage is provided by the Ohio AFCSME Care Plan. Premiums for the plans are \$24.51 for single coverage and \$75.66 for family coverage.

City of Youngstown, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

Several departments have dental and vision coverage through Medical Mutual of Ohio. These departments include wastewater, fire, street, 911, and police. Premiums for the dental plan are \$24.51 for single coverage and \$75.66 for family coverage. Premiums for the vision plan are \$7.40 for single coverage and \$20.79 for family coverage.

Note 14 - Jointly Governed Organizations

A. 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 1998. Financial information can be obtained from the Mahoning County Drug Task Force, P.O. Box 3379, Boardman, Ohio 44513.

B. Eastgate Development and Transportation Agency

The Eastgate Development and Transportation Agency (EDATA) 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 EDATA is limited to its representation on the board. EDATA develops and reviews plans for regional growth and development and aids in coordinating plans among local governments. Continued existence of EDATA is not dependent on the City's continued participation. In 1998, the City contributed \$23,933 which represents 21 percent of total contributions. Complete financial statements can be obtained from the Eastgate Development and Transportation Agency, 25 East Boardman Street, Youngstown, Ohio 44503.

C. 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 YMHA 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.

D. 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

City of Youngstown, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

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 MFIU. 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.

Note 15 - Related Organization

Youngstown Employment and Training Corporation The Youngstown Employment and Training Corporation (YETC) was organized to implement the Comprehensive Employment and Training Act (CETA) and the Job Training Partnership Act (JTPA) for the City. The YETC is the authorized grant recipient of the City's JTPA funds. The YETC helps to prepare youth and unskilled adults for entry into the labor force. The twelve-member board consists of four members appointed by the mayor of Youngstown and eight members appointed by the Youngstown City Council. The YETC serves as custodian of its own funds and maintains all records and accounts independent of the City.

Note 16 - Industrial Development Revenue Bonds

In 1993, the City issued industrial development revenue bonds in the principal amount of \$5,550,000 on behalf of a private corporation, Ameritech (formerly Ohio Bell). The City is not obligated in any way to pay debt charges on the bonds from any of its funds, and therefore, they have been excluded entirely from the City's debt presentation. There has not been and is not any condition of default under the bonds or the related financing documents. The bonds are secured by resources provided to a trustee through a lease with Ameritech on whose behalf they were issued.

Note 17 - Long-term Obligations

Changes in long-term obligations of the City during the year ended December 31, 1998, were as follows:

	Balance 12/31/97	Issued	Retired	Balance 12/31/98
Enterprise Debt				
General Obligation Bonds				
5.50 - 7.55% 1991 Water Fund Portion	\$1,005,000	\$0	\$1,005,000	\$0
5.50 - 7.55% 1991 Sewer Fund Portion	500,000	0	500,000	0
3.10 - 5.10% 1998 Refunding Water Fund Portion	0	1,155,000	5,000	1,150,000
3.10 - 5.10% 1998 Refunding Sewer Fund Portion	0	575,000	5,000	570,000
Total General Obligation Bonds	1,505,000	1,730,000	1,515,000	1,720,000
Revenue Bonds				
5.75% 1976 Waterworks System	600,000	0	120,000	480,000
OWDA Loans				
9.99% Wastewater Treatment Plant				

City of Youngstown, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

	Balance 12/31/97	Issued	Retired	Balance 12/31/98
Improvement - Phase I 10.84% Wastewater Treatment Plant	\$1,537,203	\$0	\$162,072	\$1,375,131
Improvement - Phase II 8.97% Wastewater Treatment Plant	1,061,638	0	75,461	986,177
Improvement - Phase III 8.09% Water Meter Conversion	5,966,255	0	393,251	5,573,004
	2,561,246	0	315,458	2,245,788
<i>Total OWDA Loans</i>	11,126,342	0	946,242	10,180,100
Early Retirement Incentive	311,872	0	214,526	97,346
<i>Total Enterprise Funds Obligations</i>	13,543,214	1,730,000	2,795,768	12,477,446
General Long-term Obligations Account Group				
<i>General Obligations Bonds</i>				
7.25% 1975 Airport Improvements	135,000	0	45,000	90,000
13.25% 1982 Airport Improvements	110,000	0	55,000	55,000
5.50% 1977 Offstreet Parking	1,500,000	0	300,000	1,200,000
5.50% 1991 Milton Dam	205,000	0	205,000	0
5.50% 1976 Airport Improvements	45,000	0	45,000	0
5.50% 1991 Municipal Facilities	250,000	0	250,000	0
5.50% 1991 Bldg Facilities	1,055,000	0	1,055,000	0
5.50% 1976 Street Improvements	230,000	0	230,000	0
5.50% 1989 Street Improvements	2,625,000	0	2,625,000	0
5.50% 1990 Street Improvements	820,000	0	820,000	0
5.50% 1991 Fire Equipment	395,000	0	395,000	0
5.50% 1991 Fire Stations	1,690,000	0	1,690,000	0
3.60 - 7.50% 1995 Various Purpose Improve	4,995,000	0	310,000	4,685,000
3.10 - 5.10% 1998 Advance Refunding	0	8,365,000	340,000	8,025,000
<i>Total General Obligations Bonds</i>	14,055,000	8,365,000	8,365,000	14,055,000
<i>Industrial Development Revenue Bonds</i>				
6.0% 1992 Salt Spring Industrial Park Proj.	850,000	0	170,000	680,000
6.0% 1993 Ohio Bell Project	1,320,000	0	120,000	1,200,000
<i>Total Industrial Development Revenue Bonds</i>	2,170,000	0	290,000	1,880,000
<i>HUD Section 108 Loans</i>				
3.73 - 6.59% Belmont Ave #2	165,000	0	165,000	0
6.52% Exal Project	4,000,000	0	265,000	3,735,000
6.84 - 8.27% Forte Mfg.	660,000	0	80,000	580,000
6.84 - 8.27% Beachwood Village	485,000	0	65,000	420,000
<i>HUD Section 108 Loans (continued)</i>				

City of Youngstown, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

	Balance 12/31/97	Issued	Retired	Balance 12/31/98
6.84 - 9.03% Youngstown CIC	\$2,320,000	\$0	\$70,000	\$2,250,000
6.84 - 9.03% Far Art	255,000	0	30,000	225,000
6.84 - 9.03% Cantar/Polyair	2,120,000	0	200,000	1,920,000
6.0125% Youngstown CIC	1,444,950	0	30,000	1,414,950
Mahoning County Chemical Dependency Program	0	199,950	0	199,950
<i>Total HUD Section 108 Loans</i>	<u>11,449,950</u>	<u>199,950</u>	<u>905,000</u>	<u>10,744,900</u>
<i>Other Long-Term Obligations</i>				
Notes Payable	0	600,000	0	600,000
Police and Fire Pension	12,852,410	0	144,080	12,708,330
Due to Other Governments	719,146	1,253,786	719,146	1,253,786
Early Retirement Incentive	980,274	0	669,658	310,616
Compensated Absences	4,479,504	191,819	0	4,671,323
<i>Total Other Long-Term Obligations</i>	<u>19,031,334</u>	<u>2,045,605</u>	<u>1,532,884</u>	<u>19,544,055</u>
<i>Total General Long-term Obligations</i>	<u>46,706,284</u>	<u>10,610,555</u>	<u>11,092,884</u>	<u>46,223,955</u>
<i>Total</i>	<u>\$60,249,498</u>	<u>\$12,340,555</u>	<u>\$13,888,652</u>	<u>\$58,701,401</u>

The City's overall legal debt margin was \$44,206,568 at December 31, 1998. Principal and interest requirements to retire the enterprise funds' long-term debt obligations outstanding at December 31, 1998, are as follows:

Year	General Obligation Bonds	Revenue Bonds	OWDA Loans	Total
1999	\$88,753	\$147,600	\$1,957,267	\$2,193,620
2000	88,422	140,700	1,957,267	2,186,389
2001	88,063	133,800	1,957,267	2,179,130
2002	177,682	126,900	1,957,268	2,261,850
2003	193,783	0	1,957,268	2,151,051
2004-2008	1,123,512	0	4,862,293	5,985,805
2009-2013	695,025	0	0	695,025
Totals	<u>\$2,455,240</u>	<u>\$549,000</u>	<u>\$14,648,630</u>	<u>\$17,652,870</u>

City of Youngstown, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

Principal and interest requirements to retire the general long-term debt obligations outstanding at December 31, 1998, are as follows:

Year	General Obligation Bonds	Industrial Development Revenue Bonds	HUD Section 108 Loans	Police and Fire Pension	Early Retirement Incentive	Total
1999	\$2,072,470	\$401,000	\$1,452,094	\$688,792	\$510,772	\$5,125,128
2000	1,912,810	383,600	1,451,654	688,792	0	4,436,856
2001	1,851,468	366,200	1,456,684	688,792	0	4,363,144
2002	1,565,062	348,800	1,467,105	688,792	0	4,069,759
2003	1,231,513	161,400	1,622,667	688,792	0	3,704,372
2004-2008	5,987,126	699,000	5,240,733	3,443,962	0	15,370,821
2009-2013	4,432,403	0	1,931,569	3,443,962	0	9,807,934
2014-2018	874,112	0	264,029	3,443,962	0	4,582,103
2019-2035	0	0	0	11,334,086	0	11,334,086
Totals	<u>\$19,926,964</u>	<u>\$2,360,000</u>	<u>\$14,886,535</u>	<u>\$25,109,932</u>	<u>\$510,772</u>	<u>\$62,794,203</u>

During 1998, the City issued a new HUD Section 108 loan for the Mahoning County Chemical Dependency Program. This loan is being sold as separate notes. The loan will not have a repayment schedule until the all the notes have been sold and is not included in the schedule of debt service requirements.

General obligation bonds and OWDA loans reported in the enterprise funds are payable from charges for services in the enterprise funds. The 1976 waterworks system revenue bonds were issued to construct water mains and a pumping station and are payable from revenues of the water enterprise fund.

General obligation bonds are direct obligations of the City for which its full faith and credit are pledged for repayment. The general obligation bonds reported in the general long-term obligation account group, are to be repaid from property tax revenues that are receipted in the debt service fund.

The industrial development revenue bonds are also direct obligations of the City. The City issued these bonds to attract new business and create jobs for City residents by improving the sites of industrial parks. The Salt Spring Industrial Park Project industrial development revenue bonds are payable from non-tax revenues. The Ohio Bell Project industrial development revenue bonds will be paid from payments in lieu of taxes from Ameritech (formerly Ohio Bell). Collection of these payments in lieu of taxes began in 1996. Ameritech is directly responsible for paying for a portion of the Ohio Bell industrial park project through a separate issue of industrial development revenue bonds (see Note 16).

The HUD Section 108 loans will be paid from community development agency entitlements.

Bond anticipation notes that were rolled over prior to the issuance of the financial statements and have a new maturity beyond the end of the year in which the report is issued, have been reported in the general long-term obligations account group. The notes are backed by the full faith of the City of Youngstown.

City of Youngstown, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

The police and fire pension liability will be paid from taxes receipted in the police and fire levy special revenue funds. The due to other governments liability represents amounts owed to retirement systems paid outside the available period and will be paid from the fund which the employees' salaries are paid.

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 early retirement incentive will be paid from the fund from which the employees' salaries are paid. The early retirement incentive will be paid in 1999.

On November 25, 1998, the City issued \$10,095,000 in general obligation bonds with interest rates varying from 3.10 percent to 5.10 percent. Proceeds were used to refund the following bonds:

General Long-term Obligations Account Group

5.50% 1991 Milton Dam	205,000
5.50% 1976 Airport Improvements	45,000
5.50% 1991 Municipal Facilities	250,000
5.50% 1991 Bldg Facilities	1,055,000
5.50% 1976 Street Improvements	230,000
5.50% 1989 Street Improvements	2,625,000
5.50% 1990 Street Improvements	820,000
5.50% 1991 Fire Equipment	395,000
5.50% 1991 Fire Stations	1,690,000

Enterprise Debt

5.50 - 7.55% 1991 Water Fund Portion	1,005,000
5.50 - 7.55% 1991 Sewer Fund Portion	500,000

The bonds were sold at a premium of \$167,497. Proceeds of \$9,906,378 (after premium, underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payment on the refunded portions of the various bonds. As a result, these bonds are considered defeased and the liability for the refunded portion of these bonds has been removed from the general long-term obligations account group and the water and sewer enterprise funds.

The City decreased its total debt service payments by \$602,784 as a result of the advance refunding. The City also incurred an economic gain (difference between the present values of the old and new debt services payments) of \$569,709

The enterprise funds' portion of the advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$192,675. This difference, being reported as a deduction from the bond liability in the accompanying financial statements, is being charged to operations through the year 2013 using the straight line method. The enterprise funds' portion of the premium was \$28,704.

City of Youngstown, Ohio
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For the Year Ended December 31, 1998

Bonds Payable in the enterprise funds is made up of the following components:

	Water	Sewer	Total
Outstanding balance of General Obligation Bonds	\$1,150,000	\$570,000	\$1,720,000
Unamortized Premium	19,051	9,484	28,535
Unamortized Accounting Loss	(127,664)	(63,878)	(191,542)
Net Bonds Payable	<u>\$1,041,387</u>	<u>\$515,606</u>	<u>\$1,556,993</u>

Note 18 - Defined Benefit Pension Plans

A. Public Employees Retirement System

Primary Government All City full-time employees, other than non-administrative full-time uniformed police officers and firemen participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the City is required to contribute 9.35 percent. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contribution to PERS for the years ended December 31, 1998, 1997, and 1996 were \$1,574,463, \$1,356,665 and \$1,356,973, respectively. The full amount has been contributed for 1997 and 1996, 69.13 percent has been contributed for 1998 with the remainder being reported as a liability within the general long-term obligations account group.

Component Unit WRTA's total contribution to the Public Employees Retirement System (PERS) for pension benefits (excluding the amount related to postretirement benefits) for the years ended December 31, 1998, 1997 and 1996 were \$196,300, \$191,700 and \$190,300, respectively.

The WRTA is also making payments to qualifying retirees for service rendered to a predecessor transit company. This liability was not funded by the predecessor transit company and the remaining liability has not been funded by WRTA. The unfunded liability for future benefits under the predecessor transit company has not been determined. All employees eligible for benefits under this plan are retired. Expense under this arrangement charged to operations for the year ended December 31, 1998 was \$4,176.

B. Police and Firemen's Disability and Pension Fund

The City contributes to the Police and Firemen's Disability and Pension Fund of Ohio (PFDPF), a cost-sharing multiple employer public employee retirement system administered by PFDPF's Board of Trustees. PFDPF provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and by Chapter 742 of the Ohio Revised Code. PFDPF issues a publicly available financial report that includes financial information and required supplementary information. That report may be obtained by writing to the Police and Firemen's Disability and Pension Fund of Ohio, 140 East Town Street, Columbus, Ohio 43215.

City of Youngstown, Ohio
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Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 13 percent for police and 17.5 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the Fund for police and firefighters were \$1,056,853 and \$1,028,300 for the year ended December 31, 1998, \$1,041,081 and \$1,005,541 for 1997, and \$1,006,034 and \$993,912 for 1996. The full amount has been contributed for 1997 and 1996. 72.22 percent and 70.12 percent, respectively, have been contributed for 1998 with the remainder being reported as a liability within the general long-term obligations account group.

In addition to the current contribution, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and firefighters in 1967. As of December 31, 1998, the unfunded liability of the City was \$12,708,330, payable in semiannual payments through the year 2035. This is an accounting liability of the City which will not vary. The liability is reported in the general long-term obligations account group.

Note 19 - Postemployment Benefits

A. Public Employees Retirement System

Primary Government The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 1998 employer contribution rate was 13.55 percent of covered payroll; 4.2 percent was the portion that was used to fund health care. For 1997, the percent used to fund health care was 5.11 percent.

Benefits are funded on a pay-as-you-go basis. OPEB are financed through employer contributions and investment earnings. The contributions allocated to retiree health care and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely. During 1998, OPEB expenditures made by PERS were \$440,596,663. As of December 31, 1998, the unaudited estimated net assets available for future OPEB payments were \$9,447,325,318. At December 31, 1998, the total number of benefit recipients eligible for OPEB through PERS was 115,579. The City's actual contributions for 1998 which were used to fund OPEB were \$707,245.

During 1997, PERS adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions, equaled 4.2 percent of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health coverage.

Component Unit The actuarially determined and statutorily required contribution requirement from the WRTA for the year ended December 31, 1998 was approximately \$62,800.

B. Police and Firemen's Disability and Pension Fund

The Police and Firemen's Disability and Pension Fund (the "Fund") provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible

City of Youngstown, Ohio
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For the Year Ended December 31, 1998

dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Police and Firemen's Disability and Pension Fund's Board of Trustees to provide health care coverage and states that health care cost paid from the Police and Firemen's Disability and Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 6.5 percent of covered payroll is applied to the postemployment health care program. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The City's actual contributions for 1998 that were used to fund post employment benefits were \$528,427 for police and \$381,940 for fire. PFDPF's total health care expenses for the year ending December 31, 1997, (the latest information available) were \$76,459,832. The number of participants eligible to receive health care benefits as of December 31, 1997, was 11,239 for police and 9,025 for firefighters.

Note 20 - Employee Benefits

A. 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 general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability. As of December 31, 1998, the liability for unpaid compensated absences was \$5,723,826 for the entire City.

City of Youngstown, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

B. Special Termination Benefits

The City has approved an Early Retirement Incentive program. Participation is open to 5 percent of civilian employees who are eligible to retire, with the purchased service credit, on or before the date of termination of the plan. Also, the employee agrees to retire within 90 days after receiving notice from PERS and gives 30 day written notice of the availability of the plan and shall within 90 days notify the City in writing the employees desire to participate in the plan.

Pursuant to the terms of the plan, service credit for each participating employee shall be purchased by the City in an amount equal to the lessor of the following:

1. Three years of service credit, or,
2. An amount of service credit equal to 1/5 of the total service of recorded credit to the participating employee in PERS, exclusive of the service credit purchased under this plan.

The enrollment period for the PERS employees was March 1, 1996 through February 28, 1997. During this enrollment period 67 employees elected to participate in this program, amounting to \$3,138,708. This amount will be paid over the years 1996 through 1999.

Note 21 - Outstanding Contractual Commitments

The City had the following outstanding contractual commitments at December 31, 1998:

Contractor	Original Contract	Amount Paid to Date	Amount Remaining
MS Consultants	\$3,430,936	\$2,358,996	\$1,071,940
Finkbeiner, Pettis & Strout	123,832	49,953	73,879
A. P. & O'Horo	498,000	408,360	89,640
Hardrives Paving & Construction, Inc.	846,054	148,220	697,834
Patrierno Contracting	64,650	34,413	30,237
Total	\$4,963,472	\$2,999,942	\$1,963,530

City of Youngstown, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

Note 22 - Short-term Debt

Note activity during 1998 consisted of the following:

	Balance 12/31/97	Issued	Retired	Balance 12/31/98
General Obligation Notes				
7.98% Taxable Street Improvements	\$1,750,000	\$0	\$1,750,000	\$0
7.20% Taxable Street Improvements	0	1,750,000	0	1,750,000
5.42% Street Improvement	150,000	0	150,000	0
4.92% Street Improvement	0	150,000	0	150,000
Total General Obligation Notes	<u>\$1,900,000</u>	<u>\$1,900,000</u>	<u>\$1,900,000</u>	<u>\$1,900,000</u>

By Ohio law, notes can be issued in anticipation of bond proceeds, special assessment bond proceeds and levies, or for up to 50 percent of anticipated revenue collections. There are also limitations on the number of times notes can be renewed. All notes outstanding at year end are bond anticipation notes. The notes will be refinanced until the projects are complete and the City determines it to be advantageous to issue bonds. The note liability is reflected in the funds which received the proceeds.

Note 23 - Interfund Assets and Liabilities

Interfund balances at December 31, 1998, consist of the following individual fund receivables and payables.

Fund Type/Fund	Receivable		Payable	
	Interfund	Due From	Interfund	Due To
General Fund	\$380,660	\$61,703	\$410,000	\$174,122
Special Revenue Funds				
Street Construction and Maintenance	0	0	1,894,050	0
Police Levy	0	0	11,033	0
Drug Law Enforcement	0	1,135	0	0
Indigent Alcohol Treatment	0	390	0	0
DUI Law Enforcement	0	196	0	0
Municipal Probation	0	560	0	0
Total Special Revenue Funds	<u>0</u>	<u>2,281</u>	<u>1,905,083</u>	<u>0</u>
Debt Service Fund				
Bond Retirement	410,000	0	150,000	0

City of Youngstown, Ohio
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For the Year Ended December 31, 1998

Fund Type/Fund	Receivable		Payable	
	Interfund	Due From	Interfund	Due To
Capital Projects Funds				
Court Capital Improvement	\$0	\$15,092	\$0	\$0
Industrial Land Acquisition	0	0	358,586	0
Street Improvements	150,000	0	0	0
<i>Total Capital Projects Funds</i>	150,000	15,092	358,586	0
Enterprise Fund				
Sewer	1,894,050	586,941	0	0
Storm Sewer	0	0	0	412,819
<i>Total Capital Projects Funds</i>	1,894,050	586,941	0	412,819
Agency Fund				
Hospitalization and Life Insurance	0	0	11,041	
Municipal Court	0	0	0	79,076
<i>Total Agency Funds</i>	0	0	11,041	79,076
<i>Total</i>	<u>\$2,834,710</u>	<u>\$666,017</u>	<u>\$2,834,710</u>	<u>\$666,017</u>

Note 24 - Contingent Liabilities

A. Litigation

Primary Government The City of Youngstown is attempting to settle a civil lawsuit brought by the US EPA which seeks to require the City to make improvements to the City's sewer system with an estimated cost of \$200 million. In addition, the US EPA alleges more that 21,000 violations by the City, each carrying a potential for a \$25,000 to \$27,500 penalty. The alleged violations stem from the daily operation of the sewer system which the US EPA alleges is not in compliance with its NPDES permit and the Clean Water Act. As of the date of these financial statements, a reasonable estimate of the penalties the City will owe cannot be reasonably determined, nor can it be reasonably determined what improvements to the system will be required or the estimated cost of those improvements.

Component Unit The WRTA has been named as a defendant in a number of contract disputes and other legal proceedings. Although the eventual outcome of these matters cannot be predicted, it is the opinion of management based upon the advice of legal counsel that the ultimate liability is not expected to have a material effect on WRTA's financial position.

City of Youngstown, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

B. Federal and State Grants

Primary Government The United States Department of Justice, (USDOJ), conducted an audit of the COPS grant for the period of January 1, 1993 through December 31, 1995. Based on the results of the audit, the USDOJ identified \$451,502 of questioned costs. The City is in the process of resolving the payment of these costs.

For the period January 1, 1998, to December 31, 1998, the City received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

Component Unit Under the terms of the various grants, periodic audits are required where certain costs could be questioned as not being an eligible expenditure under the terms of the grant. At December 31, 1998, there were no significant questioned costs that had not been resolved with the applicable federal and state agencies. Questioned costs could still be identified during audits to be conducted in the future. In the opinion of WRTA's management, no material grant expenditures will be disallowed.

Note 25 - Segment Information - Enterprise Funds

The City maintains two enterprise funds to account for the operation of the City's water and sewer operations. Financial segment information as of and for the year ended December 31, 1998, for the Water Fund, the Sewer Fund and component unit is presented below:

	Water	Sewer	Total Primary Government	Component Unit	Total Reporting Entity
Operating Revenues	\$17,373,005	\$11,891,251	\$29,264,256	\$611,587	\$29,875,843
Operating Expenses less Depreciation	13,897,936	9,068,484	22,966,420	4,368,672	27,335,092
Depreciation Expense	351,497	1,827,702	2,179,199	1,189,584	3,368,783
Operating Income (Loss)	3,123,572	995,065	4,118,637	(4,946,669)	(828,032)
Property Tax Revenues	0	0	0	2,571,445	2,571,445
Grants	0	0	0	1,796,299	1,796,299
Operating Transfers Out	0	6,467	6,467	0	6,467
Net Income (Loss)	2,838,869	163,344	3,002,213	(391,443)	2,610,770
Current Capital Contributions	0	360,450	360,450	499,817	860,267
Fixed Asset Additions	693,478	870,502	1,563,980	3,937,427	5,501,407
Fixed Asset Deletions	118,465	18,365	136,830	0	136,830
Net Working Capital	4,341,858	6,787,740	11,129,598	6,143,461	17,273,059
Total Assets	12,913,377	41,004,961	53,918,338	16,998,420	70,916,758
Total Long-term Liabilities	3,767,175	8,449,918	12,217,093	71,861	12,288,954
Total Equity	7,564,545	30,974,198	38,538,743	16,160,677	54,699,420
Encumbrances Outstanding at December 31, 1998	187,634	538,357	725,991	0	725,991

City of Youngstown, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

Note 26 - Subsequent Event

On May 6, 1999, the City of Youngstown issued a \$600,000 note for urban renewal at a 4.88 percent interest rate with a maturity date of May 5, 2000.

Pursuant to a request to the Auditor of State by the Mayor of the City of Youngstown, the Auditor of State has determined that the City of Youngstown no longer meets the conditions set forth in Section 118.022 (A)(1), (2) and (3), Revised Code. Therefore, a state of fiscal watch for the City of Youngstown has been terminated as of May 18, 1999.

Note 27 - Year 2000 Information

A. Primary Government

In anticipation of the Year 2000, the City of Youngstown has completed a city-wide inventory of computer systems and other equipment necessary to conducting City operations. The Year 2000 issue is the result of many shortcomings in many electronic data processing systems and other equipment that may adversely affect the government's operations as early as fiscal 1999. The City's inventory and review was headed by the City Finance Director, the head of the City's Management Information Systems, and an Assistant Law Director.

As a result of the City's internal and external Year 2000 efforts, the City has identified the following mission-critical systems and operations requiring Year 2000 remediation and testing.

Youngstown Municipal Court and Youngstown Clerk of Courts On February 25, 1999, GBS Computer and Communication Systems certified that necessary hardware and software upgrades had been completed for the newly installed computer system utilized by the Youngstown Municipal Court and the Youngstown Clerk of Courts. This certification also addressed the Year 2000 compliance for this system. This newly-installed equipment is used by the Municipal Court and the Clerk's Office to record and allocate receipts and disbursements and to properly account for Youngstown Municipal Court Case records.

Community Development Agency CDA has two mission-critical operations that are Year 2000 compliant. First, the GAFRS financial reporting system has been certified by its vendor as capable of handling the Year 2000 problem without delay or problem. Second, the Department of Housing and Urban Development has also confirmed the compliance of the IDIS and LOCCS computer systems which allow CDA to "draw-down" grant funds as needed.

Finance Department The City is currently remediating its financial reporting, tax collection, payroll and employee benefit systems through its in-house personnel. All of these operations are part of the City's remediation of the City's mainframe computer systems. This mainframe system provides computer functions in the following applications: Water, Police, Income Tax, Payroll, Geobase, Parcel and White Way. Remediation and testing for GAFRS, Water, Payroll, Geobase, Parcel and White Way was completed as of May 22, 1999. The City of Youngstown pay schedule and printout (with a pay ending date of December 31, 1999, and pay date of January 7, 2000) was successfully tested to ensure that payroll functions will continue to function after December 31, 1999. Validation and testing of Police and Income Tax are continuing by the same in-house personnel and will be completed by September 1, 1999.

City of Youngstown, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

Since all of these systems are to be remediated by in-house staff, there are no outside contracted accounts for this project as of May 31, 1998. However, the estimated costs for in-house staffing and software rental fees since 1997 are approximately \$250,000.

The City has also received written indications from an outside vendor that the GAFRS financial system used for financial reporting is Year 2000 compliant. GAFRS applications on the maintenance system have also been validated and tested by the City's in-house personnel.

The City is also contracting for the remediation and testing of all City personal computers (except in the Fire Department which has undertaken its own efforts). The amount of this contract is approximately \$7,000. Remediation and testing will be completed by August 31, 1999.

Fire Department The City Fire Department has also received compliance correspondence from outside vendors. Amounts contracted during 1999 amounted to \$910. All Fire Department computer equipment, hardware and software, have been certified as Year 2000 compliant. Computerized communications and 911 equipment have also been certified as Year 2000 compliant by the responsible outside vendors. Also, all fire trucks and rescue vehicles have been certified as Year 2000 compliant by the responsible outside vendor.

Police Department The City's 911 Center houses the 911 police and fire emergency reporting system. The 911 police and fire emergency reporting system is operated by the City Police Department but operates with software provided by Mahoning County. Mahoning County is responsible, through its own outside vendor, for the remediation and testing of necessary software upgrades for the City's Public Safety Awareness Points. Mahoning County is solely responsible for any costs associated with the remediation and testing of necessary software upgrades for City 911 Center. This remediation is currently being scheduled by Mahoning County and Ameritech. Outside vendors have also provided documentation concerning the Year 2000 compliance of 911 equipment, including recorders and generators. To back up these compliant efforts, however, the City has hired a consultant to evaluate all 911 Center equipment.

The compliance of City Police Department communication systems have been documented from the responsible outside vendors. This compliance documentation includes telephone systems, cellular phones and base and portable radios.

The Law Enforcement Automated Data System (LEADS) is a third-party interface comprised of a mainframe application and a workstation. The LEADS mainframe application has been modified and tested for compliance. The LEADS workstation, while not fully Year 2000 compliant, will continue to run the LEADS application for several more years. Further, the City has been advised that the LEADS workstation does not possess any date sensitive applications.

Department of Public Works

Building and Grounds The City's current telephone systems will continue to operate after January 1, 2000. However, the City Board of Control has been authorized to enter into all necessary professional service agreements for a review and audit of the current City Hall phone system, recommendation for upgrading or replacement and analysis of the current system in an amount in excess of \$10,000. A proposed Professional Service Agreement for a telecommunications audit should soon be signed by the responsible parties at a cost not to exceed \$7,500.

City of Youngstown, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

A City Hall security system (for a door leading into City Hall from the Police Department garage) which utilizes embedded processors is not Year 2000 compliant. In lieu of replacing such equipment, the City plans to simply manipulate the time/date function on this security system. Such manipulation will result in the security system "thinking" that the year is 1989.

A security system at the City Hall annex has been certified as Year 2000 compliant.

Traffic and Signal The vendors from whom the City purchases traffic control equipment have provided the City with assurances that the City's traffic control equipment will suffer no loss of function on January 1, 2000. However, to assure compliance, the Department of Public Works successfully completed testing and validation on traffic control signals identified as critical for public safety.

Waste Water Treatment Plant On March 24, 1999, the Youngstown City Council authorized the City Board of Control to contract for the remediation, validation and testing of the Supervisory, Control and Data Acquisition System in the Waste Water Treatment Plant. Remediation, testing and validation will be completed by this outside vendor by September 30, 1999. The authorized amount to contract for is \$123,475.

The City has also received documentation from outside vendors documenting the Year 2000 compliance of remaining mission-critical equipment for the proper operation of waste water treatment facilities.

Water Department The City has identified several mission-critical areas within the Water Department. First, remediation of the water distribution system is underway with approximately \$10,172 in contracted amounts committed to this hardware and software upgrade. Hardware and software validation and testing will be completed by an outside vendor no later than September 1, 1999.

Second, the City of Youngstown purchases its water supply from the Mahoning Valley Sanitary District (MVSD). The MVSD is responsible for remediating this matter.

Third, outside vendors have assured the City of the Year 2000 compliance of equipment necessary for preparation, delivery and collection of water bills. The City has purchased new and compliant cash registers for its billing department at the cost of \$4,543.50. The City has completed validation and testing of the Customer Utility Billing System (CUBS) software provided by an outside vendor. The City entered into a contract for the necessary remediation by this outside vendor for a contracted amount of \$30,000. Remediation and testing of the Water Department's desk top units was conducted in conjunction with the remediation and testing of the CUBS mainframe system.

Fourth, the calculation of water fees is aided by meter-reading equipment operated by City meter readers. The City has received verification from the outside manufacturer of this equipment of its Year 2000 compliance.

Conclusion Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure that the City of Youngstown is or will be Year 2000 ready, that the City of Youngstown's remediation efforts will be successful in whole or in part or that parties with whom the City of Youngstown does business will be Year 2000 ready.

City of Youngstown, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

B. Component Unit

WRTA is currently addressing Year 2000 issues relating to its computer systems and other electronic equipment. The Year 2000 issue refers to the fact that many computer programs use only the last two digits to refer to the year. Therefore, both 1900 and 2000 would be referred to as "00." Computer programs have to be adjusted to recognize the difference between those two years or the programs will fail or create errors. Also, some programs may not be able to recognize that 2000 is a leap year. Further, the Year 2000 issue could affect electronic equipment containing computer chips that have date recognition features.

WRTA's management is responsible for addressing the Year 2000 issue. Management has identified various *computer systems and pieces of electronic equipment that are critical to conducting WRTA's operations and that need to be Year 2000 compliant*. Management is continuously monitoring Year 2000 compliance efforts throughout WRTA and is providing assistance and providing resources to accelerate compliance for all mission-critical systems and equipment. Management recognizes that contingency plans may have to be developed in 1999 in the event it becomes apparent that some software or equipment may not become Year 2000 compliant when necessary. Individual WRTA departments are solely responsible for the Year 2000 compliance of systems and equipment that are not mission-critical.

WRTA has identified several computer systems that are mission-critical (that is, critical to conducting operations) and is subjecting those systems to the following stages of work to address Year 2000 issues:

Awareness stage - Establishing a budget and project plan for dealing with the Year 2000 issue.

Assessment stage - Identifying the systems and components for which Year 2000 compliance work is needed.

Remediation stage - Making changes to systems and equipment.

Validation/testing stage - Validation and testing the changes that were made during the remediation stage.

WRTA has completed the awareness and assessment stages for all of its mission-critical computer systems. Remediation efforts have been completed for approximately 75 percent of the systems that required action to avoid Year 2000 problems. The remaining systems listed below must still undergo remediation, validation and testing efforts to make them Year 2000 compliant:

Time clocks
Payroll program
Farebox

Substantially all of the work necessary to address Year 2000 issues has been performed by WRTA employees. At December 31, 1998, there were no significant dollar amounts committed by WRTA to address Year 2000 issues for computer systems and other electronic equipment.

City of Youngstown, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

Because of the unprecedented nature of the Year 2000 issue, its effect and the success of related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure that WRTA is or will be Year 2000 ready, that WRTA's remediation efforts will be successful in whole or in part, or that parties with whom WRTA does business will be Year 2000 ready.

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 1998**

<u>FEDERAL GRANTOR/ PASS THROUGH GRANTOR PROGRAM TITLE</u>	<u>CFDA NUMBER</u>	<u>PROJECT/ PASS THROUGH ENTITY NUMBER</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT - DIRECT PROGRAMS</u>		
Community Development Block Grant Entitlement Grants - 17th yr	14.218	B-91-MC-39-0023
Community Development Block Grant Entitlement Grants - 18th yr	14.218	B-92-MC-39-0023
Community Development Block Grant Entitlement Grants - 19th yr	14.218	B-93-MC-39-0023
Community Development Block Grant Entitlement Grants - 20th yr	14.218	B-94-MC-39-0023
Community Development Block Grant Entitlement Grants - 21st yr	14.218	B-95-MC-39-0023
Community Development Block Grant Entitlement Grants - 22nd yr	14.218	B-96-MC-39-0023
Community Development Block Grant Entitlement Grants - 23th yr	14.218	B-97-MC-39-0023
Community Development Block Grant Entitlement Grants - 24th yr	14.218	B-98-MC-39-0023
Emergency Shelter Grant - 1996	14.231	S-96-MC-39-0023
Emergency Shelter Grant - 1997	14.231	S-97-MC-39-0023
Emergency Shelter Grant - 1998	14.231	S-98-MC-39-0023

**FEDERAL
RECEIPTS**

**FEDERAL
DISBURSEMENTS**

\$ -	\$ 11,708
214	26,614
-	9,946
993	36,178
33,077	78,172
40,659	638,590
3,036,966	4,059,993
1,217,648	1,555,660
471	471
127,662	127,662
15,615	15,615

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 1998**

FEDERAL GRANTOR/ PASS THROUGH GRANTOR PROGRAM TITLE	CFDA NUMBER	PROJECT/ PASS THROUGH ENTITY NUMBER
HOME Investment Partnership Agreement Program - 1997	14.239	M-97-MC-39-0209
HOME Investment Partnership Agreement Program - 1998	14.239	M-98-MC-39-0209

TOTAL - U.S. DEPT OF HOUSING AND URBAN DEVELOPMENT

U.S. DEPARTMENT OF JUSTICE - DIRECT PROGRAMS

Violence Against Women Grant	16.588	97-WF-VA6-8220
Local Law Enforcement Block Grant	16.592	97-LB-VX-0338
COPS Universal Hiring Grant	16.710	97-DM-CX-0121
COPS Domestic Violence Grant	16.710	96-DV-WX-0314

TOTAL - U.S. DEPT OF JUSTICE

**ENVIRONMENTAL PROTECTION AGENCY/
OHIO ENVIRONMENTAL PROTECTION AGENCY**

Air Pollution Control Program - 1997	66.001	-
Air Pollution Control Program - 1998	66.001	-
Construction Grant EPA Reimbursement Waste Water Treatment Plant	66.418	C-390736-05

TOTAL - ENVIRONMENTAL PROTECTION AGENCY

**FEDERAL
RECEIPTS**

**FEDERAL
DISBURSEMENTS**

\$ 519,137

\$ 519,137

775,330

794,070

5,767,772

7,873,816

4,039

4,039

209,468

2,487

188,716

188,716

139,646

139,646

541,869

334,888

145,272

145,272

108,954

42,034

360,450

7,196

614,676

194,502

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 1998**

FEDERAL GRANTOR/ PASS THROUGH GRANTOR PROGRAM TITLE	CFDA NUMBER	PROJECT/ PASS THROUGH ENTITY NUMBER
--	------------------------	--

FEDERAL EMERGENCY MANAGEMENT AGENCY

Fire Awareness Grant	83.505	EME-1998-GR-0562
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**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES/
OHIO DEPARTMENT OF HEALTH**

Immunization Action Program	93.268	329-A-97
Immunization Action Program	93.268	329-A-98
Hepatitis B Immunization Program	93.268	329-Z-97
Ryan White Care Act Title II Grant	93.917	329-G-97
Ryan White Care Act Title II Grant	93.917	329-G-98
Federal AIDS Counseling Grant	93.940	329-P-95
Federal AIDS Prevention Grant	93.940	329-I- 97
Federal AIDS Prevention Grant	93.940	329-I- 98
Sexually Transmitted Disease Control Program	93.977	329-F-97
Sexually Transmitted Disease Control Program	93.977	329-F-98

TOTAL - U.S. DEPT OF HEALTH AND HUMAN SERVICES

TOTAL FEDERAL ASSISTANCE

The notes to the Schedule of federal awards expenditures is an integral part of this statement.

**FEDERAL
RECEIPTS**

**FEDERAL
DISBURSEMENTS**

\$ 15,000

\$ 15,000

28,445

25,630

76,540

60,161

15,289

15,289

667

2,898

11,250

4,258

34,990

-

65,045

50,587

229,841

177,783

4,628

2,304

20,811

11,562

487,506

350,472

\$ 7,426,823

\$ 8,768,678

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 1998**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B— SUBRECIPIENTS

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

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

NOTE C— COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS

The Government has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households and to eligible persons and to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the Government. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

These loans are collateralized by mortgages on the property. At December 31, 1998, the net amount of loans outstanding under this program were \$8,787,126.

NOTE D -- MATCHING REQUIREMENTS

Certain Federal programs require that the Government contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Government has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE E— CONTINGENT LIABILITY

In 1997 the U.S. Department of Justice (USDOJ) conducted an audit pertaining to the Youngstown Police Department administration of the COPS Police Hiring Supplement Grant CFDA #16.710. Based on the results of the audit, the USDOJ identified \$451,502 of questioned costs. The City of Youngstown has not yet been apprized of the monetary repercussions of this situation.



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

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

To the City Council:

We have audited the financial statements of the City of Youngstown as of and for the year ended December 31, 1998, and have issued our report thereon dated November 19, 1999, which was qualified due to the City's failure to capitalize land. The US EPA has filed a civil action seeking penalties and injunctive relief against the City to enforce the City's compliance with its NPDES permit and the Clean Water Act. We did not audit the financial statements of Western Reserve Transit Authority (WRTA), the discretely presented component unit of the City. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit is based on the report of the other auditors. The City changed its method of accounting for its deferred compensation program during 1998 to comply with the provisions of Statement No. 32 of the Governmental Accounting Standards Board. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Youngstown's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1998-21150-001 through 1998-21150-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated November 19, 1999.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Youngstown's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 1998-21150-005 and 1998-21150-006.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 1998-21150-005 and 1998-21150-006 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated November 19, 1999.

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



JIM PETRO
Auditor of State

November 19, 1999



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

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

To the City Council:

Compliance

We have audited the compliance of the City of Youngstown with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 1998. The City of Youngstown's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City of Youngstown's compliance based on our audit.

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

In our opinion, the City of Youngstown complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 1998. We noted certain instances of noncompliance that do not require inclusion in this report that we have reported to management of the City of Youngstown in a separate letter dated November 19, 1999.

Internal Control Over Compliance

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

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City of Youngstown's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings as items 1998-21150-007 and 1998-21150-008.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 1998-21150-007 to be a material weakness. We also noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the City of Youngstown in a separate letter dated November 19, 1999.

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



JIM PETRO
Auditor of State

November 19, 1999

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 1998

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Qualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	CDBG Entitlement Grant - #14.218 COPS Grants - #16.710 Aids Counseling Grant - #93.940
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 1998**

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

Prior audit findings that have been repeated are identified with an *.

Finding Number	1998-21150-001
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Finding for Recovery

Pursuant to Criminal Rule 19, Civil Rule 53 and Traffic Rule 14 of the Ohio Supreme Court Rules of Superintendence, the Youngstown Municipal Court employed two Magistrates. Ohio Rev. Code Section 1925.01(B) provides that a municipal court Magistrate shall be compensated from the same sources and in the same manner as provided in Ohio Rev. Code Section 1901.11. Section 1901.11 provides that their salary shall be paid three-fifths from the city treasury and two-fifths from the county in which the municipal corporation is situated.

In 1998, the Magistrates' salaries totaled \$95,035.80 for which they were paid entirely from the treasury of the City of Youngstown. Based on the abovementioned section of the Revised Code, Mahoning County's portion should have been \$38,014.32.

It was noted that the City never requested reimbursement from the County which dates back to 1980, the year the first magistrate was hired. We recommend Municipal Court Officials negotiate with County Officials to reach a possible settlement for the years prior to 1998.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public moneys due but not collected is hereby issued against Mahoning County in the amount of \$38,014.32.

Mahoning County has adopted a resolution authorizing payment of this finding.

Finding Number	1998-21150-002	*
-----------------------	----------------	---

Ohio Rev. Code Section 5705.10 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, 1998, the Ameritech Trust Fund, a Debt Service Fund, had a negative cash balance of (\$104,136), with total receipts of \$ 134,757, and the Industrial Land Acquisition Fund, a Capital Projects Fund, had a negative cash balance of (\$ 358,586), with total receipts of \$1,805,600, indicating that other funds must have supported their obligations.

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 1998

Finding Number	1998-21150-003 *
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Ohio Rev. Code Section 5705.41 (D) states that: "no subdivision or taxing unit shall make any contract or order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon."

None of the 60 expenditures tested in disbursement testing were certified by the Finance Director. There were instances whereby direct pay orders and purchase orders were dated subsequent to the invoice date. We noted 384 exceptions from the 544 vouchers tested for the months of January, February and March of 1999. These expenditures were for goods and services incurred and received in 1998. However, no purchase orders were issued until 1999.

Finding Number	1998-21150-004 *
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Section 5705.39, Ohio Revised Code, prohibits a political subdivision or taxing unit from making a fund appropriation in excess of the estimated revenue available for expenditure from that fund. The following funds were found to have appropriations in excess of the amount certified as available by the budget commission:

<u>Special Revenue</u>	<u>Appropriations</u>	<u>Total Certified Resources</u>	<u>Variance</u>
Community Development Agency	16,504,613	27,672	16,476,941
Local Home Trust	3,048,850	30,499	3,018,351

Actual receipts for the Community Development Agency Fund (fund 901) were \$7,002,990 and actual receipts for the Local Home Trust Fund (fund 941) were \$1,295,053.

A contributing factor to these variances is the final amended certificate of estimated resources was not obtained until February 1999.

Finding Number	1998-21150-005 *
-----------------------	------------------

The following weaknesses existed in the disbursement cycle:

1. Copies of invoices have been used as the basis for payment to vendors. There were instances where purchase orders alone were used as a basis for payment of vouchers. Also, invoices were not canceled when paid. This practice can lead to duplicate payments to vendors or improper payments for merchandise never received or services not rendered.

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 1998

Finding Number	1998-21150-005 (Continued)	*
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2. The City does not consistently apply the encumbrance method of accounting. There were instances whereby direct pay orders and purchase orders were dated subsequent to the invoice date. Direct pay orders are manually prepared checks for which a purchase order is not prepared. We noted 71% of the expenditures tested for the months of January, February, and March of 1999 were not encumbered properly. Additionally, purchase orders are not being authorized nor certified for all purchases. Of the 60 vouchers tested 60 were not certified.
3. Payments have been made to vendors without proper evidence that products have been received or services have been rendered. Packing slips or receiving slips are not available as supporting documentation for payments. Of the 60 vouchers tested, 29 contained no evidence that the good/services had been received. This weakness may result in payments to vendors for products or services which have been received in unsatisfactory condition or not received at all.
4. Several employees in the City finance department are able to override the computer system to enter expenditures that exceed the amount appropriated within line items. There were 15 funds in which total expenditures exceeded appropriations.

To improve internal controls over the disbursement process we recommend the following:

1. Payments should not be made to vendors without the original invoice used as the basis for such payments. Also, invoices should be canceled when payment is made.
2. Purchases should be encumbered at the time the order is placed with the vendor. All purchase orders should be reviewed by an appropriate official before any commitments or payments are made. Also, department heads should certify on the purchase order that goods or services are received.
3. Payments should be made to vendors only with proper supporting documentation that the products were received in good order or that services were performed satisfactorily.
4. City personnel should not be able to override the controls built into the system.

Finding Number	1998-21150-006	*
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The tests of the general fixed assets and proprietary fund fixed assets indicated that the City was unable to provide the historical or estimated historical cost of land for this audit period because records of land owned by the City were not up to date. Therefore, complete fixed asset information has not been presented.

This weakness has resulted in the omission of land from the fixed assets reported on the City's general-purpose financial statements.

We recommend the City determine the cost of land owned by the City to enable proper disclosure of the City's assets.

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 1998**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

1. Title of Finding

Finding Number	1998-21150-007 *
CFDA Title and Number	Community Development Block Grant CFDA # 14.218
Federal Award Number / Year	B-98-MC-39-0023/1998
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	N/A

Material Internal Control Weakness:

See GAGAS finding # 1998-21150-005 above; this finding is also required to be reported in accordance with OMB Circular A-133.

Finding Number	1998-21150-008
CFDA Title and Number	Community Development Block Grant CFDA # 14.218
Federal Award Number / Year	B-98-MC-39-0023/1998
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	N/A

Reportable Condition:

The applicable wage determinations were not always properly included in the contract documents. Outdated wage determinations were noted as included in all of the current projects. One contract did contain a more current wage determination by the US Department of Labor, but the project was not awarded until after the wage determination had expired.

Also, it does not appear that the contractors' payrolls were properly submitted or reviewed to ensure compliance with the Davis Bacon Act. In one out of the three contracts tested there were no payroll reports on file, while for another contract tested payroll records were not submitted on a timely basis.

We recommend that the City implement the proper monitoring procedures to comply with the applicable provisions of the Davis Bacon Act.

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 1998

SCHEDULE OF STATUS OF 1997 AUDIT FINDINGS

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid
1997-21150 -001	Section 5705.10, Revised Code, provides that money paid into any fund shall be used only for the purposes for which such fund was established.	No	Partially Corrected, Improvement is being made toward total compliance of this code section.
1997-21150- 002	Sections 5705.15 and 5705.16, Revised Code, require that transfers from restricted funds be approved by the Court of Common Pleas.	Yes	There were no instances of noncompliance in the 1998 audit of the City regarding transfers.
1997-21150 -003	Section 5705.39, Revised Code, provides that appropriations not exceed amounts certified as available by the budget commission.	No	Partially corrected. Improvement is being made toward total compliance of this code section.
1997-21150-004	Section 5705.41 (B), Revised Code, provides that expenditures not exceed appropriations.	Yes	There were no instances of noncompliance reflected in the 1998 audit report.

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 1998

SCHEDULE OF STATUS OF 1997 AUDIT FINDINGS

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid
1997-21150 -005	Section 5705.41 (D), Revised Code provides that no "subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate certifying that funds are in the treasury or in the process of collection."	No	Not corrected, citation is repeated. The City will attempt to comply in the future.
1997-21150-006	Same as finding 1997-21150-012.	Yes	See response to audit finding 1997-21150-012 below.
1997-21150-007	Monitoring of the City finances has been ineffective.	Yes	The City has only two funds with deficit cash balances reflected in the 1998 audit report.
1997-21150-008	Internal control weaknesses in the City disbursement cycle.	No	The Finance Department will attempt to improve the City's disbursement procedures.
1997-21150-009	City was unable to provide cost data for City owned land.	No	The Finance Department is in the process of determining historical cost for land owned by the City.
1997-21150-010	Year end encumbrances certified to the County Budget Commission did not agree with amounts reflected on the City's books.	Yes	Finance Department has taken steps to ensure that encumbrances certified to the budget commission are reconciled to the City's records.
1997-21150-011	Year 2000 compliance	Yes	We have entered the year 2000 without any disruption to City operations and/or the provision of services.

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 1998

SCHEDULE OF STATUS OF 1997 AUDIT FINDINGS

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid
1997-21150-012	The City had not established a centralized record of loans receivable and no formal collection policy had been established and monitoring of collections of principal and interest was ineffective.	Yes	MVEDC has prepared a schedule of loans receivable by account which also reflects principal and interest payments made during the year. Additionally the Finance Department monitors the collection of principal and interest payments.
1997-21150-013	Same as finding 1997-21150-008.	No	See response to audit finding 1997-21150-008 above.
1997-21150-014	Same as finding 1997-21150-011.	Yes	See response to audit finding 1997-21150-011.

**CITY OF YOUNGSTOWN
MAHONING COUNTY
For the Year Ended December 31, 1998**

**Corrective Action Plan
OMB CIRCULAR A-133.315 (c)**

- 1998-21150-001** City will pursue an agreement with Mahoning County regarding reimbursements due from the County to the City for the years 1980 - 1997; the County has assured the City that the \$38,014.32 finding for recovery for 1998 will be paid during the first half of 2000. 12/31/99 Milich
- 1998-21150-002** All deficit fund balances have been eliminated as of 12/31/98, with the following exceptions: 12/31/99 Burtner
- Fund 109 - Police Levy Fund - Deficit (\$26,337.62)**
Coding error on income tax revenue 12/98 corrected 01/99: \$18,481.42
Reimbursement from YMHA for 1998 received 01/99: \$22,966.44
- Fund 417 - Industrial Land Acquisition - Deficit (\$358,585.64)**
This fund is primarily for development of Industrial Parks; the current Ohio Works project is being substantially funded by grants from the Ohio Department of Development, and ODOD pays the City on a reimbursement basis. At 12/31/99, the fund balance is \$978,956.75.
- Fund 530 - Hospitalization - Life Insurance - Deficit (\$11,041.21)**
This amount represents payments to OBES and AFSCME H&W Fund made during the 4th quarter 1998; department reimbursements were not made until 1999.
- Fund 562 - Ameritech Trust Fund - Deficit (\$104,135.87)**
This is a reimbursement-type fund; the City pays the Debt Service and Ameritech makes payment in lieu of taxes to the County; County remits payment to City semiannually.
- Fund 685 - Infant Immunization Initiative - Deficit (\$1,241.39)**
This is a grant fund - City makes expenditures from the Fund and then is reimbursed by Ohio Department of Health Federal Grant Pass-through. In March 1999, the amount of \$5,023.69 was received for the period ended December 31, 1998.
- Fund 975 - C.D.A. Program Income - Deficit (\$8,558.55)**
This deficit was corrected in January 1999.
- 1998-21150-003** We believe that this problem can be resolved by re-establishing a Central Purchasing system; we intend to accomplish this during the year 2000. 12/31/00 Burtner
- 1998-21150-004** These are Federal funds and are budgeted on a Federal Fiscal Year; the Certificate should have been amended prior to adoption of the 1999-2000 CDA budget; in future, the Certificate will be amended prior to submission of the CDA budget ordinance to City Council. 06/30/00 Burtner

**CITY OF YOUNGSTOWN
MAHONING COUNTY
For the Year Ended December 31, 1998**

**Corrective Action Plan
OMB CIRCULAR A-133.315 (c)**

- | | | |
|-----------------------|--|------------------|
| 1998-21150-005 | We believe that these problems will be substantially eliminated by implementing a Central Purchasing system. | 12/31/00 Burtner |
| | Cancellation of invoices would serve no useful purpose, since, once paid, the invoices are stapled in a voucher packet along with the purchase order and copy of the check. No duplicate payment has been made because the same document was processed twice; rather, the problem occurs when a department pays from an invoice and a statement, or an invoice and a copy. | |
| | This override capability is necessary in cases where an appropriation has been approved by Council but not yet put on the system; additionally, it must be available for payments from non-budgetary (agency) funds. Overrides must be approved by either the Finance Director or the General Accounting Manager. | |
| 1998-21150-006 | The City has purchased an updated Fixed Asset Accounting system, and a physical inventory is currently underway. Additionally, the Finance Dept is working with Public Works and the County Treasurer's office to determine the cost of all land owned by the City. | 12/31/00 Burtner |
| 1998-21150-007 | Same as 005 | 12/31/00 Burtner |
| 1998-21150-008 | The employee who formerly reviewed contracts has retired; the City is in the process of reorganizing the CDA Department and proper monitoring procedures will be implemented. | 12/31/00 Kralj |



STATE OF OHIO
OFFICE OF THE AUDITOR

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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.

By: Susan Babbitt

Date: FEBRUARY 8, 2000