



**Auditor of State  
Betty Montgomery**



**CITY OF YOUNGSTOWN  
MAHONING COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To Members of Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Youngstown, Mahoning County, Ohio (the City), as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Western Reserve Transit Authority (WRTA), the discretely presented component unit of the City. Other auditors audited those financial statements. They have furnished their report thereon to us, and we base our opinion, insofar as it relates to the amounts included for the discretely presented component unit, on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Youngstown, Mahoning County, Ohio, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund and the major Special Revenue Funds; Fire Levy, Police Levy, and Community Development, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The City is experiencing certain financial difficulties. Those difficulties and management's responses to those difficulties are described in Note 21.

As described in Note 3, during the year ended December 31, 2003, the City implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

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In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2005, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the City's basic financial statements. The federal awards expenditure schedule is 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 basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Betty Montgomery**  
Auditor of State

January 7, 2005

## CITY OF YOUNGSTOWN, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2003 UNAUDITED

The discussion and analysis of the City of Youngstown's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2003. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

#### Financial Highlights

Key financial highlights for 2003 are as follows:

- The total net assets of the City increased \$2,151,834. Net assets of governmental activities decreased \$1,218,416 or 17.43% from 2002 and net assets of business-type activities increased \$3,370,250 or 6.77% over 2002.
- General revenues accounted for \$47,380,040 or 72.53% of total governmental activities revenue. Program specific revenues accounted for \$17,942,942 or 27.47% of total governmental activities revenue.
- The City had \$66,376,173 in expenses related to governmental activities; \$17,942,942 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$48,433,231 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$47,380,040.
- The general fund had revenues of \$31,844,181 in 2003. This represents a decrease of \$66,435 from 2002 revenues. Transfers in amounted to \$1,148,706 and are reported under other financing sources. The expenditures of the general fund, which totaled \$19,297,811 in 2003, increased \$3,024,495 from 2002. Transfers out amounted to \$15,220,896 and are reported under other financing uses.
- Net assets for the business-type activities, which are made up of the sewer and water enterprise funds, increased in 2003 by \$3,370,250. This increase in net assets was due primarily to adequate charges for services revenue to cover operating expenses.

#### Using this Annual Financial Report

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

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

**CITY OF YOUNGSTOWN, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
UNAUDITED**

**Reporting the City as a Whole**

*Statement of Net Assets and the Statement of Activities*

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2003?" The statement of net assets and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. The accrual basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

**Reporting the City's Most Significant Funds**

*Fund Financial Statements*

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

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The analysis of the City's major governmental and proprietary funds begins on page 10.

***Governmental Funds***

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

**CITY OF YOUNGSTOWN, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
UNAUDITED**

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

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, fire levy, police levy, community development, bond retirement and industrial property. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 21-30 of this report.

***Proprietary Funds***

The City maintains two proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sewer and water operations. The sewer and water funds are considered major funds. The basic proprietary fund financial statements can be found on pages 31-34 of this report.

***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency funds are the City's only fiduciary fund type. The basic fiduciary fund financial statements can be found on page 35 of this report.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 36-76 of this report.

**Government-Wide Financial Analysis**

This is the City's first year for government-wide financial statements using the full accrual basis of accounting, therefore, a comparison with prior year is not available. A comparative analysis will be presented in future years when prior year information is available.

**CITY OF YOUNGSTOWN, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**  
**UNAUDITED**

The table below provides a summary of the City's net assets for 2003:

	<b>Net Assets</b>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>Assets</u>			
Current and other assets	\$ 37,098,377	\$ 12,581,398	\$ 49,679,775
Capital assets	<u>21,814,449</u>	<u>47,035,486</u>	<u>68,849,935</u>
Total assets	<u>58,912,826</u>	<u>59,616,884</u>	<u>118,529,710</u>
<u>Liabilities</u>			
Long-term liabilities outstanding	35,772,496	7,505,619	43,278,115
Other liabilities	<u>17,370,263</u>	<u>2,313,969</u>	<u>19,684,232</u>
Total liabilities	<u>53,142,759</u>	<u>9,819,588</u>	<u>62,962,347</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	3,241,711	40,822,313	44,064,024
Restricted	14,066,770	-	14,066,770
Unrestricted	<u>(11,538,414)</u>	<u>8,974,983</u>	<u>(2,563,431)</u>
Total net assets	<u>\$ 5,770,067</u>	<u>\$ 49,797,296</u>	<u>\$ 55,567,363</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2003, the City's assets exceeded liabilities by \$55,567,363. At year-end, net assets were \$5,770,067 and \$49,797,296 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's net assets. At year-end, capital assets represented 58.09% of total assets. Capital assets include land, buildings, improvement other than buildings, machinery and equipment, vehicles, and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2003, were \$3,241,711 and \$40,822,313 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net assets, \$14,066,770, represents resources that are subject to external restriction on how they may be used.

**CITY OF YOUNGSTOWN, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
UNAUDITED**

The table below shows the changes in net assets for fiscal year 2003. Since this is the first year the City has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2002 are not available. A comparative analysis will be provided in future years when prior year information is available.

	<b>Change in Net Assets</b>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 6,907,575	\$ 33,353,109	\$ 40,260,684
Operating grants and contributions	9,350,385	115,000	9,465,385
Capital grants and contributions	<u>1,684,982</u>	<u>-</u>	<u>1,684,982</u>
Total program revenues	<u>17,942,942</u>	<u>33,468,109</u>	<u>51,411,051</u>
General revenues:			
Property taxes	2,223,710	-	2,223,710
Income taxes	40,478,721	-	40,478,721
Unrestricted grants and entitlements	4,311,438	-	4,311,438
Investment earnings	176,274	4,300	180,574
Miscellaneous	<u>189,897</u>	<u>50,427</u>	<u>240,324</u>
Total general revenues	<u>47,380,040</u>	<u>54,727</u>	<u>47,434,767</u>
Total revenues	<u>65,322,982</u>	<u>33,522,836</u>	<u>98,845,818</u>
Expenses:			
General government	14,374,704	-	14,374,704
Security of persons and property	31,181,394	-	31,181,394
Public health and welfare	2,288,887	-	2,288,887
Transportation	6,264,453	-	6,264,453
Community environment	5,336,616	-	5,336,616
Leisure time activity	3,102,861	-	3,102,861
Utility services	2,039,002	-	2,039,002
Interest and fiscal charges	1,788,256	-	1,788,256
Water	-	13,941,772	13,941,772
Sewer	<u>-</u>	<u>16,376,039</u>	<u>16,376,039</u>
Total expenses	<u>66,376,173</u>	<u>30,317,811</u>	<u>96,693,984</u>
Increase/(Decrease) in net assets before transfers	(1,053,191)	3,205,025	2,151,834
Transfers	<u>(165,225)</u>	<u>165,225</u>	<u>-</u>
Increase/(Decrease) in net assets	<u>\$ (1,218,416)</u>	<u>\$ 3,370,250</u>	<u>\$ 2,151,834</u>

**CITY OF YOUNGSTOWN, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
UNAUDITED**

**Governmental Activities**

Governmental activities net assets decreased \$1,218,416 in 2003. This decrease is a result of increasing expenses and coupled with flat revenues versus amounts reported in the prior year.

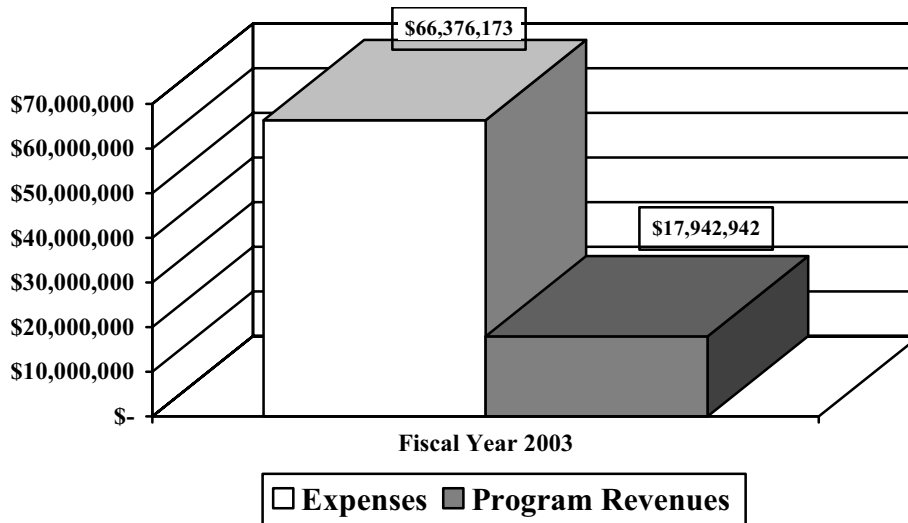
Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$31,181,394 of the total expenses of the City. These expenses were partially funded by \$1,128,607 in direct charges to users of the services. General government expenses totaled \$14,374,704. General government expenses were partially funded by \$5,076,388 in direct charges to users of the services, and \$1,684,982 in capital grants and contributions.

The state and federal government contributed to the City a total of \$9,350,385 in operating grants and contributions and \$1,684,982 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$5,810,637 subsidized community environment programs, \$2,672,981 subsidized transportation programs, \$565,706 subsidized public health and welfare programs and \$301,061 subsidized security of persons and property programs.

General revenues totaled \$47,380,040, and amounted to 72.53% of total governmental revenues. These revenues primarily consist of income tax revenue of \$40,478,721. The other primary source of general revenues is property taxes and grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$2,223,710 and \$4,311,438, respectively.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. As can be seen in the graph below, the City is highly dependent upon property and income taxes as well as unrestricted grants and entitlements to support its governmental activities. Comparisons to 2002 have not been presented since they are not available.

**Governmental Activities – Program Revenues vs. Total Expenses**





**CITY OF YOUNGSTOWN, OHIO**

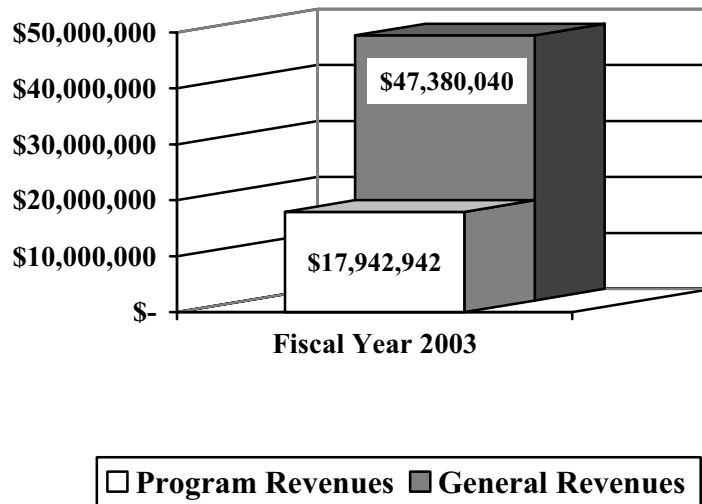
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
UNAUDITED**

**Governmental Activities**

	Total Cost of Services <u>2003</u>	Net Cost of Services <u>2003</u>
Program Expenses:		
General government	\$ 14,374,704	\$ 7,613,334
Security of persons and property	31,181,394	29,751,726
Public health and welfare	2,288,887	1,628,593
Transportation	6,264,453	3,498,826
Community environment	5,336,616	(829,308)
Leisure time activity	3,102,861	2,942,802
Utility services	2,039,002	2,039,002
Interest and fiscal charges	<u>1,788,256</u>	<u>1,788,256</u>
Total Expenses	<u>\$ 66,376,173</u>	<u>\$ 48,433,231</u>

The dependence upon general revenues for governmental activities is apparent, with 72.97% of expenses supported through taxes and other general revenues.

**Governmental Activities – General and Program Revenues**

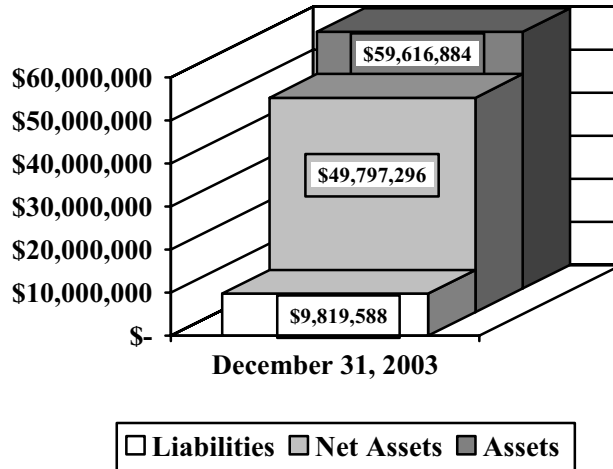


**Business-type Activities**

Business-type activities include the sewer and water enterprise funds. These programs had program revenues of \$33,468,109, general revenues of \$54,727 and expenses of \$30,317,811 for 2003. The graph below shows the business-type activities assets, liabilities and net assets at year-end.

**CITY OF YOUNGSTOWN, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**  
**UNAUDITED**

**Net Assets in Business – Type Activities**



**Financial Analysis of the Government's Funds**

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

**Governmental Funds**

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

The City's governmental funds (as presented on the balance sheet on pages 21-22) reported a combined fund balance of \$(80,272) which is \$1,301,042 below last year's total of \$1,220,770 (as restated). The December 31, 2002 fund balances have been restated as described in Note 3 to the basic financial statements. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2003 for all major and nonmajor governmental funds.

	Fund Balances 12/31/03	Fund Balances 12/31/02	Increase (Decrease)
Major funds:			
General	\$ (1,162,775)	\$ 230,462	\$ (1,393,237)
Fire levy	(1,478,286)	(1,526,537)	48,251
Police levy	(875,668)	(1,406,085)	530,417
Community development	5,091,362	5,637,978	(546,616)
Bond retirement	802,917	472,774	330,143
Industrial property	(4,410,418)	(4,312,573)	(97,845)
Other nonmajor governmental funds	1,952,596	2,124,751	(172,155)
<b>Total</b>	<b>\$ (80,272)</b>	<b>\$ 1,220,770</b>	<b>\$ (1,301,042)</b>

**CITY OF YOUNGSTOWN, OHIO**

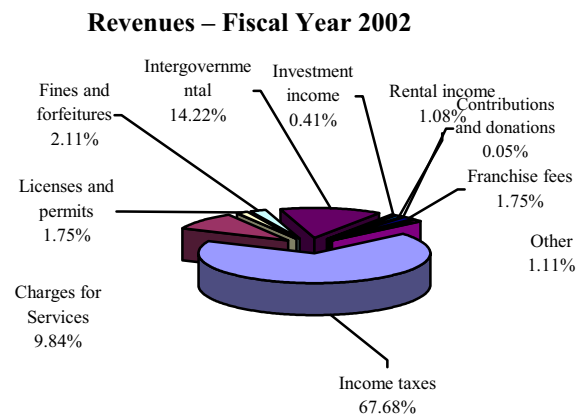
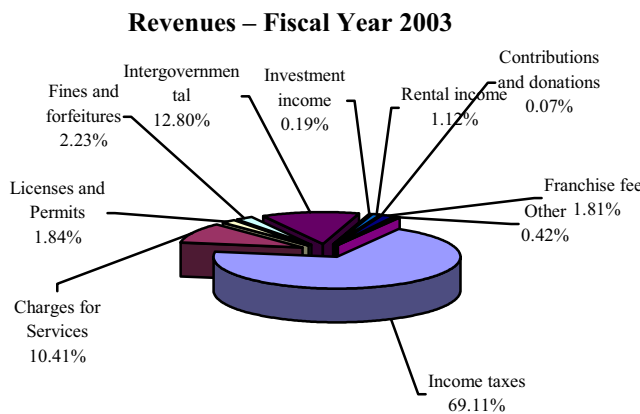
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
UNAUDITED**

**General Fund**

The City's general fund balance decreased \$1,393,237, primarily due to proceeds of a \$2,400,000 note received in 2003 and reported as a liability in the general fund. The table that follows assists in illustrating the revenues of the general fund.

	<u>2003</u> <u>Amount</u>	<u>2002</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b>Revenues</b>			
Income taxes	\$ 22,007,788	\$ 21,598,316	1.90 %
Charges for services	3,315,822	3,140,703	5.58 %
Licenses and permits	584,879	559,443	4.55 %
Fines and forfeitures	711,445	671,927	5.88 %
Intergovernmental	4,075,124	4,536,964	(10.18) %
Investment income	58,959	130,507	(54.82) %
Rental income	357,431	344,966	3.61 %
Contributions and donations	21,218	16,610	27.74 %
Franchise fees	577,478	558,112	3.47 %
Other	134,037	353,068	(62.04) %
<b>Total</b>	<b><u>\$ 31,844,181</u></b>	<b><u>\$ 31,910,616</u></b>	<b>(0.21) %</b>

Income tax revenue represents 69.11% of all general fund revenue and increased slightly by 1.90% in 2003. The decrease in investment income is due to drastic cuts in interest rates by the Federal Reserve Bank throughout the year. All other revenue remained comparable to 2002.



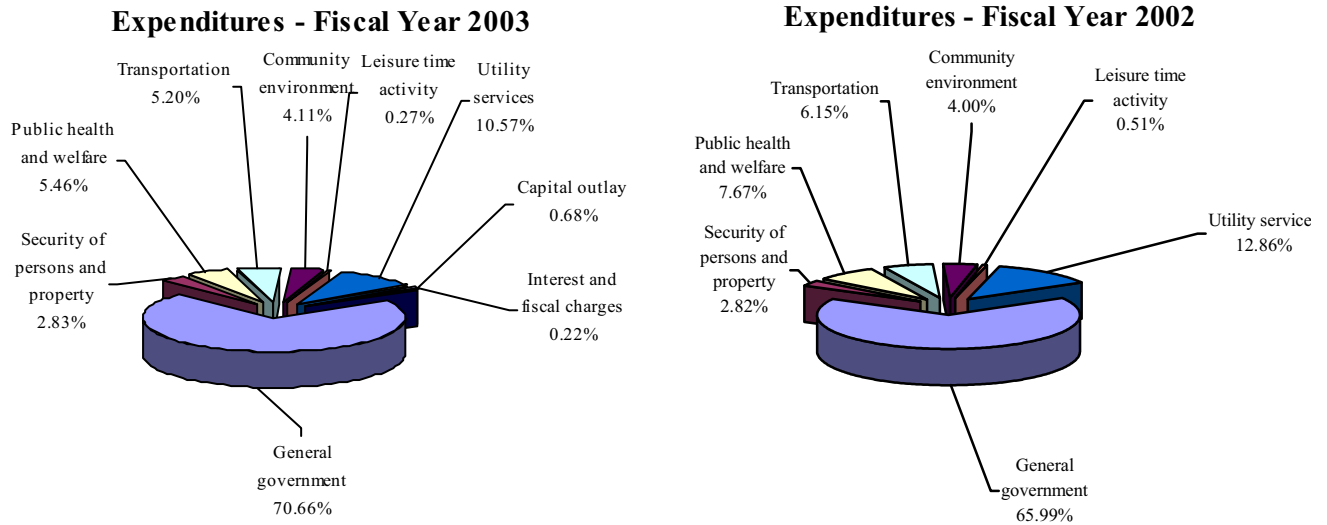
**CITY OF YOUNGSTOWN, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
UNAUDITED**

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

	2003 <u>Amount</u>	Restated 2002 <u>Amount</u>	Percentage <u>Change</u>
<b><u>Expenditures</u></b>			
General government	\$ 13,635,751	\$ 10,739,468	26.97 %
Security of persons and property	546,051	458,684	19.05 %
Public health and welfare	1,054,445	1,247,992	(15.51) %
Transportation	1,004,006	1,000,693	0.33
Community environment	792,845	650,984	21.79
Leisure time activity	51,790	82,371	(37.13) %
Utility services	2,039,002	2,093,124	(2.59)
Capital outlay	132,036	-	100.00 %
Interest and fiscal charges	41,885	-	100.00 %
<b>Total</b>	<b><u>\$ 19,297,811</u></b>	<b><u>\$ 16,273,316</u></b>	<b>18.59 %</b>

The most significant increases were in the area of general government, capital outlay and interest and fiscal charges. General government expenses increased due to overall increases in salaries and wages. Capital outlay and interest and fiscal charges increased due to costs related to a capital lease the City entered into during 2003.



***Fire Levy Fund***

The fire levy fund had revenues and other financing sources of \$11,633,186 in 2003. This represents an increase of \$1,503,130 from 2002 revenues and other financing sources. Income taxes increased from \$3,396,747 in 2002 to \$5,858,204 in 2003. This is a result of an additional one half percent tax levied, which was effective January 1, 2003. Of the additional one half percent levied, 35% is credited to fire levy fund. The expenditures of the fire levy fund, which totaled \$11,584,935 in 2003, increased \$132,694 from 2002. The net increase in fund balance for the fire levy fund was \$48,251 or 3.16%.

**CITY OF YOUNGSTOWN, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
UNAUDITED**

***Police Levy Fund***

The police levy fund had revenues and other financing sources of \$17,693,759 in 2003. This represents an increase of \$1,976,155 from 2002 revenues and other financing sources. Income taxes increased from \$4,645,446 in 2002 to \$7,816,913 in 2003. This is a result of an additional one half percent tax levied, which was effective January 1, 2003. Of the additional one half percent levied, 45% is credited to police levy fund. The expenditures and other financing uses of the police levy fund, which totaled \$17,163,342 in 2003, increased \$183,223 from 2002. The net increase in fund balance for the police levy fund was \$530,417 or 37.72%.

***Community Development Fund***

The community development fund had revenues and other financing sources of \$6,566,777 in 2003. This represents an increase of \$921,588 from 2002 revenues. The primary increase was in the area of intergovernmental revenues. The expenditures and other financing uses of the community development fund which totaled \$7,113,393, in 2003, increased \$487,400 from 2002. Transfers out increased by \$891,204 during 2003. The net decrease in fund balance for the community development fund was \$546,616 or 9.70%.

***Bond Retirement Fund***

The bond retirement fund had revenues and other financing sources of \$2,688,597 in 2003. This represents an increase of \$63,874 from 2002 revenues and other financing sources. The expenditures and other financing uses of the bond retirement fund which totaled \$2,358,454, in 2003, decreased \$406,407 from 2002. The net increase in fund balance for the bond retirement fund was \$330,143 or 69.83%.

***Industrial Property Fund***

The industrial property fund had other financing sources of \$599,446 in 2003. This represents a decrease of \$865,055 from 2002 revenues and other financing sources. Transfers in, decreased by \$754,054 during 2003. The expenditures and other financing uses of the industrial property fund which totaled \$697,291, in 2003, increased \$272,247 over 2002. The net decrease in fund balance for the industrial property fund was \$97,845 or 2.27%.

***Budgeting Highlights***

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

Budgetary information is presented for the general fund, fire levy, police levy, and community development fund. In the general fund, one of the most significant changes was between the original and final budgeted amount in the area of expenditures and other financing uses, which increased \$1,830,561 from \$33,707,324 to \$35,537,885. Original and final budgeted revenues and other financing sources of \$35,495,020 exceeded actual revenues and other financing sources of \$35,313,147 by 181,873. The other significant change was between the final budgeted expenditures and actual expenditures. Actual expenditures came in \$983,004 lower than the final budgeted amounts due to conservative budgeting by the City.

**CITY OF YOUNGSTOWN, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
UNAUDITED**

***Proprietary Funds***

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

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2003, the City had \$68,849,935 (net of accumulated depreciation) invested in land, buildings, improvements other than buildings (I.O.T.B.), machinery and equipment, vehicles and infrastructure. Of this total, \$21,814,449 was reported in governmental activities and \$47,035,486 was reported in business-type activities. The following table shows fiscal 2003 balances compared to 2002:

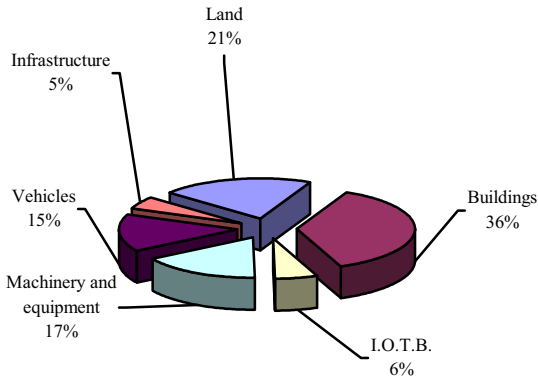
**Capital Assets at December 31  
(Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2003</u>	<u>2002 Restated</u>	<u>2003</u>	<u>2002 Restated</u>	<u>2003</u>	<u>2002 Restated</u>
Land	\$ 4,554,929	\$ 2,819,924	\$ 185,446	\$ 185,446	\$ 4,740,375	\$ 3,005,370
Buildings	8,064,438	8,253,178	24,807,873	24,305,377	32,872,311	32,558,555
I.O.T.B.	1,236,586	1,242,455	575,040	647,571	1,811,626	1,890,026
Machinery and equipment	3,622,653	3,248,437	5,944,214	6,410,177	9,566,867	9,658,614
Vehicles	3,228,289	3,792,230	1,309,912	1,099,224	4,538,201	4,891,454
Infrastructure	<u>1,107,554</u>	<u>-</u>	<u>14,213,001</u>	<u>13,470,242</u>	<u>15,320,555</u>	<u>13,470,242</u>
Totals	<u>\$ 21,814,449</u>	<u>\$ 19,356,224</u>	<u>\$ 47,035,486</u>	<u>\$ 46,118,037</u>	<u>\$ 68,849,935</u>	<u>\$ 65,474,261</u>

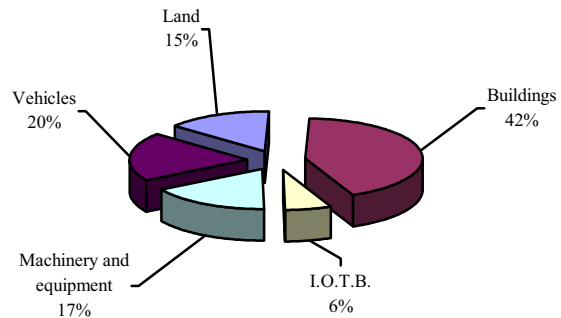
The following graphs show the breakdown of governmental capital assets by category for 2003 and 2002.

**CITY OF YOUNGSTOWN, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003**  
**UNAUDITED**

**Capital Assets - Governmental Activities 2003**



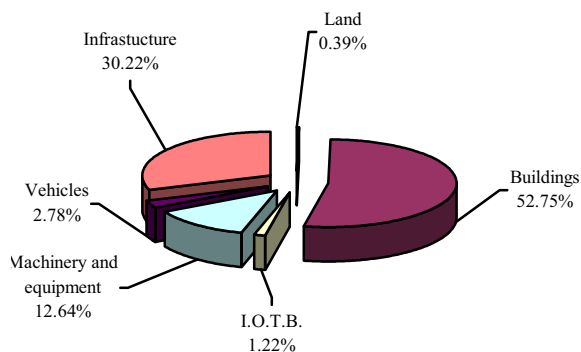
**Capital Assets - Governmental Activities 2002**



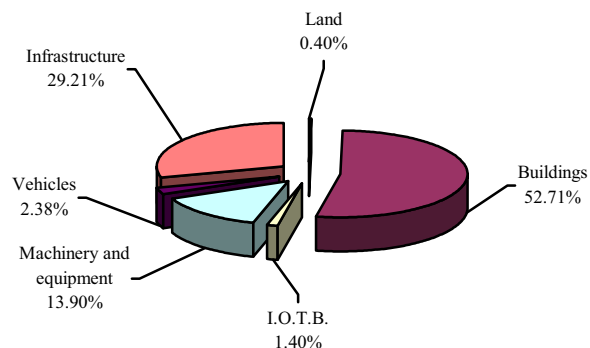
The City's largest governmental activities capital asset category is buildings. Under GASB Statement No. 34, the City has elected to "phase in" the retroactive reporting of governmental infrastructure assets which includes streets, storm sewers, bridges, and traffic signals. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 37.03% of the City's total capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2003 and 2002.

**Capital Assets - Business-Type Activities 2003**



**Capital Assets - Business-Type Activities 2002**



The City's second largest business-type capital asset category, is infrastructure, which primarily includes water and sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's utility lines (cost less accumulated depreciation) represents approximately 30.22% of the City's total business-type capital assets. See Note 10 to the basic financial statements for further detail on capital assets.

**CITY OF YOUNGSTOWN, OHIO**

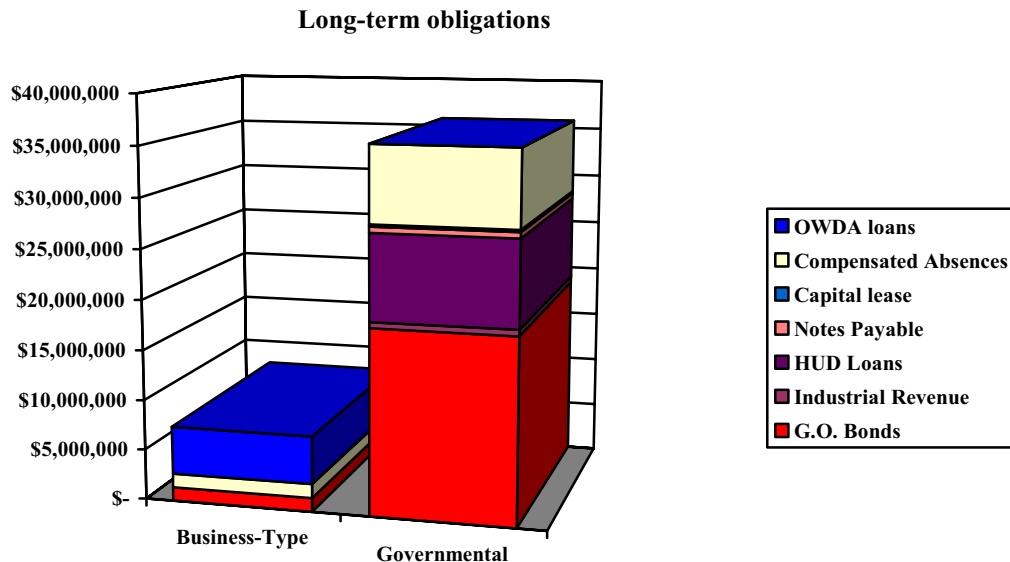
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003  
UNAUDITED**

***Debt Administration***

The City had the following long-term obligations outstanding at December 31, 2003 and 2002:

	<u>Governmental Activities</u>	
	<u>2003</u>	<u>(Restated) 2002</u>
General obligation bonds	\$ 18,380,000	\$ 19,255,000
Industrial development revenue bonds	600,000	720,000
HUD Section 108 loans	8,474,950	9,929,950
Notes payable	600,000	600,000
Capital lease obligation	192,738	-
Compensated absences	<u>7,524,808</u>	<u>6,856,395</u>
 Total long-term obligations	 <u>\$ 35,772,496</u>	 <u>\$ 37,361,345</u>
	<u>Business-Type Activities</u>	
	<u>2003</u>	<u>2002</u>
General obligation bonds	\$ 1,364,865	\$ 1,590,000
OWDA loans	4,743,173	6,139,006
Compensated absences	<u>1,397,581</u>	<u>1,298,026</u>
 Total long-term obligations	 <u>\$ 7,505,619</u>	 <u>\$ 9,027,032</u>

A comparison of the long-term obligations by category is depicted in the chart below.





**CITY OF YOUNGSTOWN, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003**  
**UNAUDITED**

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

**Economic Conditions and Outlook**

The City's administration considers the impact of various economic factors when establishing the fiscal year 2004 budget. The economy in Youngstown was decimated during the last quarter century due to the collapse of its principal industry, iron and steel production. Now, in the new century, the City is working hard to turn the corner and leave its big industry past behind it by aggressively pursuing small light industrial and commercial development. So far, more than 4,000 new jobs have been created, with additional job opportunities anticipated as various development agreements are secured. Nevertheless, the City's economy remains weak as it continues to experience population loss and unemployment remains more than twice the national average at 13.38% for 2003. Median household effective buying income is a low 58% of the national average. The City's primary objectives include continued improvement in constituent services as well as long term fiscal stability.

For fiscal 2004, the City faces some challenges, like a 27<sup>th</sup> pay period and the expiration of police contracts. The City did negotiate a 0% increase in health care premiums, acquired 10% premium co-payments for management employees, and is currently trying to implement employee co-payments from union members. Also during 2003, the City settled a lawsuit with the EPA regarding inflow and infiltration violations. Remediation costs could have been upwards of \$200 million, but will be much lower under the terms of the settlement at about \$25 million. As the City prepares to make improvements, it has implemented five-year rate increases in the enterprise funds. The City has sufficient cash flow levels in the enterprise funds and healthy financial operations.

In March 2004, the City announced that a \$30 million, 7,000-seat convention center will be constructed using a combination of federal, state, and developer funds. The City will contribute \$2 million in cash from its utility funds toward the cost of the project.

Projections estimate that the city's annual share of the operating profit will be \$700,000. Since the city cash-funded its portion of the project through a federal grant, the \$700,000 will go directly to the bottom line instead of paying any associated debt service. The center is expected to open in November 2005 and will host a minor league hockey team. Other events will include shows that Global Entertainment Corporation, manager of the center, promote such as World Wrestling Entertainment Inc. exhibitions and Disney on Ice.

The City's financial position is anticipated to stabilize in the near future, with the continuation of conservative budgeting practices, relatively low debt levels and new business development.

**Contacting the City's Financial Management**

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

BASIC  
FINANCIAL STATEMENTS

**CITY OF YOUNGSTOWN, OHIO**

STATEMENT OF NET ASSETS  
DECEMBER 31, 2003

	<u>Primary Government</u>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 3,963,618	\$ 2,232,064	\$ 6,195,682	\$ 4,465,953
Cash in segregated accounts . . . . .	741,757	-	741,757	-
Receivables (net of allowances for uncollectibles):				
Income taxes . . . . .	6,740,763	-	6,740,763	-
Real and other taxes . . . . .	4,722,223	-	4,722,223	2,666,727
Accounts . . . . .	520,654	8,593,917	9,114,571	47,813
Notes . . . . .	3,823,516	-	3,823,516	-
Special assessments . . . . .	2,160,225	135	2,160,360	-
Internal balances . . . . .	(692,782)	692,782	-	-
Due from other governments . . . . .	15,092,690	6,548	15,099,238	1,601,580
Prepayments . . . . .	-	-	-	13,353
Materials and supplies inventory . . . . .	25,713	1,016,821	1,042,534	117,939
Other assets . . . . .	-	-	-	11,000
Deferred charges . . . . .	-	39,131	39,131	-
Restricted assets:				
Cash and cash equivalents . . . . .	-	-	-	13,304
Due from other governments . . . . .	-	-	-	573,383
Capital assets:				
Land . . . . .	4,554,929	185,446	4,740,375	693,004
Depreciable capital assets, net . . . . .	17,259,520	46,850,040	64,109,560	13,401,232
Total capital assets . . . . .	<u>21,814,449</u>	<u>47,035,486</u>	<u>68,849,935</u>	<u>14,094,236</u>
Total assets . . . . .	<u>58,912,826</u>	<u>59,616,884</u>	<u>118,529,710</u>	<u>23,605,288</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	743,184	347,434	1,090,618	266,787
Contracts payable . . . . .	204,541	288,022	492,563	-
Accrued wages and benefits . . . . .	1,682,082	418,871	2,100,953	735,971
Due to other governments . . . . .	3,899,046	1,071,443	4,970,489	-
Deferred revenue . . . . .	2,113,545	-	2,113,545	2,666,727
Accrued interest payable . . . . .	502,865	188,199	691,064	-
Notes payable . . . . .	8,225,000	-	8,225,000	-
Advances . . . . .	-	-	-	35,500
Other . . . . .	-	-	-	123,098
Payable from restricted assets:				
Accounts payable . . . . .	-	-	-	276,714
Long-term liabilities:				
Due within one year . . . . .	5,523,628	2,148,172	7,671,800	-
Due in more than one year . . . . .	30,248,868	5,357,447	35,606,315	44,557
Total liabilities . . . . .	<u>53,142,759</u>	<u>9,819,588</u>	<u>62,962,347</u>	<u>4,149,354</u>
<b>Net assets:</b>				
Invested in capital assets, net of related debt . . . . .	3,241,711	40,822,313	44,064,024	14,094,236
Restricted for:				
Debt service . . . . .	3,156,071	-	3,156,071	-
Other purposes . . . . .	10,910,699	-	10,910,699	-
Capital assets . . . . .	-	-	-	309,973
Unrestricted . . . . .	<u>(11,538,414)</u>	<u>8,974,983</u>	<u>(2,563,431)</u>	<u>5,051,725</u>
Total net assets . . . . .	<u>\$ 5,770,067</u>	<u>\$ 49,797,296</u>	<u>\$ 55,567,363</u>	<u>\$ 19,455,934</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF YOUNGSTOWN, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2003

	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Governmental Activities:</b>				
General government . . . . .	\$ 14,374,704	\$ 5,076,388	\$ -	\$ 1,684,982
Security of persons and property . . . . .	31,181,394	1,128,607	301,061	-
Public health and welfare . . . . .	2,288,887	94,588	565,706	-
Transportation . . . . .	6,264,453	92,646	2,672,981	-
Community environment . . . . .	5,336,616	355,287	5,810,637	-
Leisure time activity . . . . .	3,102,861	160,059	-	-
Utility services . . . . .	2,039,002	-	-	-
Interest and fiscal charges . . . . .	1,788,256	-	-	-
<b>Total governmental activities . . . . .</b>	<b>66,376,173</b>	<b>6,907,575</b>	<b>9,350,385</b>	<b>1,684,982</b>
<b>Business-type Activities:</b>				
Sewer . . . . .	13,941,772	16,006,600	-	-
Water . . . . .	16,376,039	17,346,509	115,000	-
<b>Total business-type activities . . . . .</b>	<b>30,317,811</b>	<b>33,353,109</b>	<b>115,000</b>	<b>-</b>
<b>Total primary government . . . . .</b>	<b>\$ 96,693,984</b>	<b>\$ 40,260,684</b>	<b>\$ 9,465,385</b>	<b>\$ 1,684,982</b>
<b>Component Unit:</b>				
Western Reserve Transit Authority . . . . .	\$ 9,046,408	\$ 813,312	\$ 2,812,499	\$ 780,492

**General Revenues:**

Property taxes levied for:	
Debt service . . . . .	
Western Reserve Transit Authority . . . . .	
Income taxes levied for:	
General purposes . . . . .	
Fire levy . . . . .	
Police levy . . . . .	
Capital projects . . . . .	
Grants and entitlements not restricted to specific programs . . . . .	
Investment earnings . . . . .	
Miscellaneous . . . . .	
<b>Total general revenues . . . . .</b>	
Transfers . . . . .	
Change in net assets . . . . .	
Net assets at beginning of year (restated) . . . . .	
Net assets at end of year . . . . .	

*SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS*

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

<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Unit</b>
\$ (7,613,334)	\$ -	\$ (7,613,334)	\$ -
(29,751,726)	-	(29,751,726)	-
(1,628,593)	-	(1,628,593)	-
(3,498,826)	-	(3,498,826)	-
829,308	-	829,308	-
(2,942,802)	-	(2,942,802)	-
(2,039,002)	-	(2,039,002)	-
(1,788,256)	-	(1,788,256)	-
<u>(48,433,231)</u>	<u>-</u>	<u>(48,433,231)</u>	<u>-</u>
-	2,064,828	2,064,828	-
-	1,085,470	1,085,470	-
-	3,150,298	3,150,298	-
<u>(48,433,231)</u>	<u>3,150,298</u>	<u>(45,282,933)</u>	<u>-</u>
-	-	-	(4,640,105)
2,223,710	-	2,223,710	-
-	-	-	2,915,280
22,097,058	-	22,097,058	-
6,068,059	-	6,068,059	-
8,087,828	-	8,087,828	-
4,225,776	-	4,225,776	-
4,311,438	-	4,311,438	-
176,274	4,300	180,574	70,131
189,897	50,427	240,324	82,384
47,380,040	54,727	47,434,767	3,067,795
<u>(165,225)</u>	<u>165,225</u>	<u>-</u>	<u>-</u>
(1,218,416)	3,370,250	2,151,834	(1,572,310)
6,988,483	46,427,046	53,415,529	21,028,244
<u>\$ 5,770,067</u>	<u>\$ 49,797,296</u>	<u>\$ 55,567,363</u>	<u>\$ 19,455,934</u>

**CITY OF YOUNGSTOWN, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2003

	<u>General</u>	<u>Fire Levy</u>	<u>Police Levy</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents. . . . .	\$ -	\$ -	\$ 328,315
Cash and cash equivalents in in segregated accounts. .	-	-	-
Cash and cash equivalents with fiscal and escrow agents . . . . .	-	-	-
Receivables (net of allowance for uncollectibles):			
Income taxes . . . . .	3,779,054	974,075	1,301,320
Real and other taxes . . . . .	-	-	-
Accounts . . . . .	520,654	-	-
Interfund loans . . . . .	-	-	-
Special assessments. . . . .	31,129	-	-
Due from other governments . . . . .	2,172,052	-	7,175
Materials and supplies inventory. . . . .	17,997	-	3,941
Notes receivable . . . . .	-	-	-
Total assets . . . . .	<u>\$ 6,520,886</u>	<u>\$ 974,075</u>	<u>\$ 1,640,751</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 317,688	\$ 16,511	\$ 20,673
Contracts payable . . . . .	53,567	-	-
Accrued wages and benefits . . . . .	388,849	448,210	618,887
Compensated absences payable. . . . .	-	6,251	-
Interfund loan payable. . . . .	839,406	455,613	-
Due to other governments . . . . .	465,085	1,023,291	1,202,610
Deferred revenue . . . . .	3,177,181	502,485	674,249
Accrued interest payable. . . . .	41,885	-	-
Notes payable . . . . .	2,400,000	-	-
Total liabilities. . . . .	<u>7,683,661</u>	<u>2,452,361</u>	<u>2,516,419</u>
<b>Fund Balances:</b>			
Reserved for encumbrances . . . . .	140,345	33,610	19,634
Reserved for materials and supplies inventory . .	17,997	-	3,941
Reserved for notes. . . . .	-	-	-
Unreserved, undesignated, reported in:			
General fund . . . . .	(1,321,117)	-	-
Special revenue funds. . . . .	-	(1,511,896)	(899,243)
Debt service fund . . . . .	-	-	-
Capital projects funds. . . . .	-	-	-
Total fund balances . . . . .	<u>(1,162,775)</u>	<u>(1,478,286)</u>	<u>(875,668)</u>
Total liabilities and fund balances . . . . .	<u>\$ 6,520,886</u>	<u>\$ 974,075</u>	<u>\$ 1,640,751</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Community Development</b>	<b>Bond Retirement</b>	<b>Industrial Property</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 93,208	\$ 220,164	\$ 37,973	\$ 3,283,958	\$ 3,963,618
8,710	-	-	294	9,004
-	732,753	-	-	732,753
-	-	-	686,314	6,740,763
-	4,722,223	-	-	4,722,223
-	-	-	-	520,654
-	-	1,246,827	150,000	1,396,827
-	147,709	-	1,981,387	2,160,225
7,141,358	115,015	-	5,657,090	15,092,690
-	-	-	3,775	25,713
3,823,516	-	-	-	3,823,516
<u>\$ 11,066,792</u>	<u>\$ 5,937,864</u>	<u>\$ 1,284,800</u>	<u>\$ 11,762,818</u>	<u>\$ 39,187,986</u>
\$ 138,131	\$ -	\$ 12,382	\$ 237,799	\$ 743,184
-	-	-	150,974	204,541
30,421	-	-	195,715	1,682,082
-	-	-	-	6,251
-	150,000	-	644,590	2,089,609
95,856	-	-	1,112,204	3,899,046
5,711,022	4,984,947	-	7,318,733	22,368,617
-	-	7,836	207	49,928
-	-	5,675,000	150,000	8,225,000
<u>5,975,430</u>	<u>5,134,947</u>	<u>5,695,218</u>	<u>9,810,222</u>	<u>39,268,258</u>
204,951	-	-	614,383	1,012,923
-	-	-	3,775	25,713
3,823,516	-	-	-	3,823,516
-	-	-	-	(1,321,117)
1,062,895	-	-	230,307	(1,117,937)
-	802,917	-	-	802,917
-	-	(4,410,418)	1,104,131	(3,306,287)
<u>5,091,362</u>	<u>802,917</u>	<u>(4,410,418)</u>	<u>1,952,596</u>	<u>(80,272)</u>
<u>\$ 11,066,792</u>	<u>\$ 5,937,864</u>	<u>\$ 1,284,800</u>	<u>\$ 11,762,818</u>	<u>\$ 39,187,986</u>

**CITY OF YOUNGSTOWN, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2003

<b>Total governmental fund balances</b>		\$ (80,272)
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		21,814,449
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property taxes	\$ 2,608,677	
Income taxes	3,477,282	
Special assessments	2,160,225	
Intergovernmental revenues	<u>12,008,888</u>	
Total		20,255,072
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities (excluding amounts reported in the internal service fund) are as follows:		
Accrued interest payable	(452,937)	
General obligation bonds	(18,380,000)	
Industrial revenue bonds	(600,000)	
HUD Section 108 loans	(8,474,950)	
Note payable	(600,000)	
Compensated absences	(7,518,557)	
Capital lease payable	<u>(192,738)</u>	
Total		<u>(36,219,182)</u>
<b>Net assets of governmental activities</b>		<u>\$ 5,770,067</u>

*SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS*



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**CITY OF YOUNGSTOWN, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>General</u>	<u>Fire Levy</u>	<u>Police Levy</u>
<b>Revenues:</b>			
Income taxes . . . . .	\$ 22,007,788	\$ 5,858,204	\$ 7,816,913
Property and other taxes . . . . .	-	-	-
Charges for services . . . . .	3,315,822	11,320	53,534
Licenses and permits . . . . .	584,879	-	-
Fines and forfeitures . . . . .	711,445	500	800
Intergovernmental . . . . .	4,075,124	-	372,924
Special assessments . . . . .	-	-	-
Investment income . . . . .	58,959	-	-
Rental income . . . . .	357,431	-	1,167
Contributions and donations . . . . .	21,218	-	-
Franchise fees . . . . .	577,478	-	-
Other . . . . .	134,037	1,053	12,788
Total revenues . . . . .	<u>31,844,181</u>	<u>5,871,077</u>	<u>8,258,126</u>
<b>Expenditures:</b>			
Current:			
General government. . . . .	13,635,751	-	-
Security of persons and property . . . . .	546,051	11,584,935	17,003,342
Public health and welfare . . . . .	1,054,445	-	-
Transportation. . . . .	1,004,006	-	-
Community environment . . . . .	792,845	-	-
Leisure time activity. . . . .	51,790	-	-
Utility services. . . . .	2,039,002	-	-
Capital outlay . . . . .	132,036	-	-
Debt service:			
Principal retirement . . . . .	-	-	-
Interest and fiscal charges. . . . .	41,885	-	-
Total expenditures. . . . .	<u>19,297,811</u>	<u>11,584,935</u>	<u>17,003,342</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>12,546,370</u>	<u>(5,713,858)</u>	<u>(8,745,216)</u>
<b>Other financing sources (uses):</b>			
Proceeds from sale of notes. . . . .	-	-	-
Proceeds from sale of capital assets. . . . .	547	1,541	660
Proceeds from capital lease transaction. . . . .	132,036	-	-
Transfers in . . . . .	1,148,706	5,760,568	9,434,973
Transfers out . . . . .	(15,220,896)	-	(160,000)
Total other financing sources (uses) . . . . .	<u>(13,939,607)</u>	<u>5,762,109</u>	<u>9,275,633</u>
Net change in fund balances . . . . .	(1,393,237)	48,251	530,417
<b>Fund balances at beginning of year (restated).</b>	230,462	(1,526,537)	(1,406,085)
<b>Fund balances at end of year . . . . .</b>	<u>\$ (1,162,775)</u>	<u>\$ (1,478,286)</u>	<u>\$ (875,668)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Community Development</b>	<b>Bond Retirement</b>	<b>Industrial Property</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ -	\$ 4,102,832	\$ 39,785,737
-	2,223,710	-	-	2,223,710
89,295	141,495	-	360,828	3,972,294
-	-	-	10,176	595,055
36,108	-	-	351,133	1,099,986
6,298,040	236,811	-	9,274,555	20,257,454
-	2,562	-	-	2,562
96,907	19,019	-	1,389	176,274
-	-	-	111,263	469,861
-	-	-	-	21,218
-	-	-	90	577,568
-	-	-	2,012	149,890
<u>6,520,350</u>	<u>2,623,597</u>	<u>-</u>	<u>14,214,278</u>	<u>69,331,609</u>
-	109,053	-	-	13,744,804
-	-	-	344,563	29,478,891
-	-	-	1,106,869	2,161,314
-	-	-	5,858,862	6,862,868
2,459,012	-	-	1,923,209	5,175,066
-	-	-	2,842,419	2,894,209
-	-	-	-	2,039,002
-	-	475,746	3,988,537	4,596,319
1,455,000	995,000	-	614,047	3,064,047
577,141	1,054,955	169,545	1,357	1,844,883
<u>4,491,153</u>	<u>2,159,008</u>	<u>645,291</u>	<u>16,679,863</u>	<u>71,861,403</u>
<u>2,029,197</u>	<u>464,589</u>	<u>(645,291)</u>	<u>(2,465,585)</u>	<u>(2,529,794)</u>
-	-	-	600,000	600,000
46,427	-	-	23,644	72,819
-	-	-	74,749	206,785
-	65,000	599,446	6,648,244	23,656,937
<u>(2,622,240)</u>	<u>(199,446)</u>	<u>(52,000)</u>	<u>(5,053,207)</u>	<u>(23,307,789)</u>
<u>(2,575,813)</u>	<u>(134,446)</u>	<u>547,446</u>	<u>2,293,430</u>	<u>1,228,752</u>
(546,616)	330,143	(97,845)	(172,155)	(1,301,042)
<u>5,637,978</u>	<u>472,774</u>	<u>(4,312,573)</u>	<u>2,124,751</u>	<u>1,220,770</u>
<u>\$ 5,091,362</u>	<u>\$ 802,917</u>	<u>\$ (4,410,418)</u>	<u>\$ 1,952,596</u>	<u>\$ (80,272)</u>

**CITY OF YOUNGSTOWN, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2003

**Net change in fund balances - total governmental funds** \$ (1,301,042)

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

Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$4,095,991) exceeded depreciation expense (\$1,583,646) in the current period.	2,512,345
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	(54,120)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(4,027,326)
Proceeds of notes and capital leases are recorded as revenue in the funds, however, on the statement of activities, they are not reported as revenues as they increase liabilities on the statement of net assets.	(806,785)
Repayment of bond, loan, note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	3,064,047
In the statement of activities, interest is accrued on outstanding bonds, notes and loans whereas in governmental funds, an interest expenditure is reported when due.	56,627
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<u>(662,162)</u>

**Change in net assets of governmental activities** \$ (1,218,416)

*SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS*

**CITY OF YOUNGSTOWN, OHIO**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>Revenues:</b>				
Income taxes . . . . .	\$ 22,360,000	\$ 22,360,000	\$ 22,025,519	\$ (334,481)
Charges for services . . . . .	3,523,000	3,523,000	3,274,512	(248,488)
Licenses and permits . . . . .	602,770	602,770	584,879	(17,891)
Fines and forfeitures . . . . .	757,500	757,500	662,583	(94,917)
Intergovernmental . . . . .	4,858,700	4,858,700	4,041,066	(817,634)
Contributions and donations . . . . .	50,000	50,000	21,218	(28,782)
Investment income . . . . .	200,500	200,500	60,492	(140,008)
Rental income . . . . .	306,000	306,000	357,431	51,431
Franchise fees . . . . .	550,000	550,000	577,478	27,478
Other . . . . .	110,550	110,550	158,716	48,166
Total revenues . . . . .	<u>33,319,020</u>	<u>33,319,020</u>	<u>31,763,894</u>	<u>(1,555,126)</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	11,726,154	14,353,835	13,655,237	698,598
Security of persons and property . . . . .	601,901	589,101	551,908	37,193
Public health and welfare . . . . .	1,165,906	1,171,906	1,061,232	110,674
Transportation . . . . .	990,746	1,150,746	1,101,191	49,555
Community environment . . . . .	861,721	861,721	797,951	63,770
Basic utility services . . . . .	2,037,000	2,037,000	2,036,676	324
Leisure time activity . . . . .	-	74,680	51,790	22,890
Total expenditures . . . . .	<u>17,383,428</u>	<u>20,238,989</u>	<u>19,255,985</u>	<u>983,004</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>15,935,592</u>	<u>13,080,031</u>	<u>12,507,909</u>	<u>(572,122)</u>
<b>Other financing sources (uses):</b>				
Proceeds from sale of notes . . . . .	-	-	2,400,000	2,400,000
Proceeds from sale of capital assets . . . . .	651,000	651,000	547	(650,453)
Transfers in . . . . .	1,525,000	1,525,000	1,148,706	(376,294)
Transfers out . . . . .	(16,323,896)	(15,298,896)	(15,220,896)	78,000
Total other financing sources (uses) . . . . .	<u>(14,147,896)</u>	<u>(13,122,896)</u>	<u>(11,671,643)</u>	<u>1,451,253</u>
Net change in fund balance . . . . .	1,787,696	(42,865)	836,266	879,131
<b>Fund balance (deficit) at beginning of year . . . .</b>	<b>(2,011,417)</b>	<b>(2,011,417)</b>	<b>(2,011,417)</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>58,153</b>	<b>58,153</b>	<b>58,153</b>	<b>-</b>
<b>Fund balance (deficit) at end of year . . . . .</b>	<b><u>\$ (165,568)</u></b>	<b><u>\$ (1,996,129)</u></b>	<b><u>\$ (1,116,998)</u></b>	<b><u>\$ 879,131</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF YOUNGSTOWN, OHIO**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 FIRE LEVY  
 FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Income taxes. . . . .	\$ 6,300,000	\$ 6,300,000	\$ 5,677,220	\$ (622,780)
Charges for services . . . . .	5,050	5,050	11,320	6,270
Fines and forfeitures. . . . .	600	600	500	(100)
Other . . . . .	200	200	1,053	853
Total revenues. . . . .	<u>6,305,850</u>	<u>6,305,850</u>	<u>5,690,093</u>	<u>(615,757)</u>
<b>Expenditures:</b>				
Current:				
Security of persons and property. . . . .	<u>11,517,800</u>	<u>11,664,500</u>	<u>11,402,518</u>	<u>261,982</u>
Total expenditures . . . . .	<u>11,517,800</u>	<u>11,664,500</u>	<u>11,402,518</u>	<u>261,982</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(5,211,950)</u>	<u>(5,358,650)</u>	<u>(5,712,425)</u>	<u>(353,775)</u>
<b>Other financing sources (uses):</b>				
Proceeds from sale of capital assets . . . . .	-	-	1,541	1,541
Transfers in . . . . .	<u>5,760,586</u>	<u>5,760,586</u>	<u>5,760,568</u>	<u>(18)</u>
Total other financing sources (uses) . . . . .	<u>5,760,586</u>	<u>5,760,586</u>	<u>5,762,109</u>	<u>1,523</u>
Net change in fund balance . . . . .	548,636	401,936	49,684	(352,252)
<b>Fund balance (deficit) at beginning of year. . . .</b>	(539,644)	(539,644)	(539,644)	-
<b>Prior year encumbrances appropriated. . . . .</b>	<u>437</u>	<u>437</u>	<u>437</u>	<u>-</u>
<b>Fund balance (deficit) at end of year . . . . .</b>	<u>\$ 9,429</u>	<u>\$ (137,271)</u>	<u>\$ (489,523)</u>	<u>\$ (352,252)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF YOUNGSTOWN, OHIO**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 POLICE LEVY  
 FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Income taxes . . . . .	\$ 7,850,000	\$ 7,850,000	\$ 7,584,503	\$ (265,497)
Charges for services . . . . .	20,000	20,000	53,534	33,534
Fines and forfeitures . . . . .	750	750	800	50
Intergovernmental . . . . .	146,104	146,104	368,701	222,597
Rental income . . . . .	-	-	1,167	1,167
Other . . . . .	83,004	83,004	12,788	(70,216)
Total revenues . . . . .	<u>8,099,858</u>	<u>8,099,858</u>	<u>8,021,493</u>	<u>(78,365)</u>
<b>Expenditures:</b>				
Current:				
Security of persons and property . . . . .	17,427,215	17,691,910	16,963,961	727,949
Total expenditures . . . . .	<u>17,427,215</u>	<u>17,691,910</u>	<u>16,963,961</u>	<u>727,949</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(9,327,357)</u>	<u>(9,592,052)</u>	<u>(8,942,468)</u>	<u>649,584</u>
<b>Other financing sources (uses):</b>				
Proceeds from sale of capital assets . . . . .	5,000	5,000	660	(4,340)
Transfers in . . . . .	9,390,896	9,390,896	9,434,973	44,077
Transfers out . . . . .	-	-	(160,000)	(160,000)
Total other financing sources (uses) . . . . .	<u>9,395,896</u>	<u>9,395,896</u>	<u>9,275,633</u>	<u>(120,263)</u>
Net change in fund balance . . . . .	68,539	(196,156)	333,165	529,321
<b>Fund balance (deficit) at beginning of year . . . . .</b>	(41,351)	(41,351)	(41,351)	-
<b>Prior year encumbrances appropriated. . . . .</b>	<u>6,212</u>	<u>6,212</u>	<u>6,212</u>	<u>-</u>
<b>Fund balance (deficit) at end of year . . . . .</b>	<u>\$ 33,400</u>	<u>\$ (231,295)</u>	<u>\$ 298,026</u>	<u>\$ 529,321</u>

**CITY OF YOUNGSTOWN, OHIO**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 COMMUNITY DEVELOPMENT  
 FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Charges for services . . . . .	\$ 65,065	\$ 65,065	\$ 89,295	\$ 24,230
Fines and forfeitures . . . . .	26,310	26,310	36,108	9,798
Intergovernmental . . . . .	4,596,787	4,596,787	6,308,626	1,711,839
Special assessments . . . . .	407,398	407,398	559,112	151,714
Investment income . . . . .	70,611	70,611	96,907	26,296
<b>Total revenues.</b> . . . .	<u>5,166,171</u>	<u>5,166,171</u>	<u>7,090,048</u>	<u>1,923,877</u>
<b>Expenditures:</b>				
Current:				
Community environment . . . . .	119,188	9,553,624	2,951,995	6,601,629
Debt service:				
Principal retirement . . . . .	-	1,365,000	1,365,000	-
Interest and fiscal charges . . . . .	-	836,825	492,141	344,684
<b>Total expenditures</b> . . . . .	<u>119,188</u>	<u>11,755,449</u>	<u>4,809,136</u>	<u>6,946,313</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>5,046,983</u>	<u>(6,589,278)</u>	<u>2,280,912</u>	<u>8,870,190</u>
<b>Other financing sources (uses):</b>				
Proceeds from sale of capital assets . . . . .	33,829	33,829	46,427	12,598
Transfers out . . . . .	-	(2,559,831)	(2,622,240)	(62,409)
<b>Total other financing sources (uses)</b> . . . . .	<u>33,829</u>	<u>(2,526,002)</u>	<u>(2,575,813)</u>	<u>(49,811)</u>
Net change in fund balance . . . . .	5,080,812	(9,115,280)	(294,901)	8,820,379
<b>Fund balance at beginning of year.</b> . . . . .	13,744	13,744	13,744	-
<b>Prior year encumbrances appropriated.</b> . . . . .	<u>105,444</u>	<u>105,444</u>	<u>105,444</u>	<u>-</u>
<b>Fund balance (deficit) at end of year</b> . . . . .	<u>\$ 5,200,000</u>	<u>\$ (8,996,092)</u>	<u>\$ (175,713)</u>	<u>\$ 8,820,379</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**CITY OF YOUNGSTOWN, OHIO**

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2003

	<b>Business-type Activities -Enterprise Funds</b>		
	<b>Sewer</b>	<b>Water</b>	<b>Total</b>
<b>Assets:</b>			
Current assets:			
Equity in pooled cash and cash equivalents . . .	\$ 2,232,064	\$ -	\$ 2,232,064
Receivables (net of allowance for uncollectibles):			
Accounts . . . . .	4,085,766	4,508,151	8,593,917
Special assessments. . . . .	-	135	135
Due from other governments . . . . .	-	6,548	6,548
Interfund receivable . . . . .	2,478,699	-	2,478,699
Materials and supplies inventory . . . . .	615,964	400,857	1,016,821
Deferred charges . . . . .	13,006	26,125	39,131
Total current assets . . . . .	<u>9,425,499</u>	<u>4,941,816</u>	<u>14,367,315</u>
Noncurrent assets:			
Capital assets:			
Land . . . . .	178,270	7,176	185,446
Depreciable capital assets, net . . . . .	33,446,908	13,403,132	46,850,040
Total capital assets . . . . .	<u>33,625,178</u>	<u>13,410,308</u>	<u>47,035,486</u>
Total noncurrent assets . . . . .	<u>33,625,178</u>	<u>13,410,308</u>	<u>47,035,486</u>
Total assets . . . . .	<u>43,050,677</u>	<u>18,352,124</u>	<u>61,402,801</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable . . . . .	297,521	49,913	347,434
Contracts payable. . . . .	248,420	39,602	288,022
Accrued wages and benefits . . . . .	204,299	214,572	418,871
Due to other governments . . . . .	269,638	801,805	1,071,443
Interfund loans payable. . . . .	-	1,785,917	1,785,917
Current portion of general obligation bonds . . . . .	50,000	75,000	125,000
Current portion of OWDA loans . . . . .	1,038,349	483,583	1,521,932
Current portion of compensated absences . . . . .	207,346	293,894	501,240
Accrued interest payable . . . . .	167,999	20,200	188,199
Total current liabilities . . . . .	<u>2,483,572</u>	<u>3,764,486</u>	<u>6,248,058</u>
Long-term liabilities:			
General obligation bonds . . . . .	389,918	849,947	1,239,865
OWDA loans . . . . .	3,221,241	-	3,221,241
Compensated absences . . . . .	370,787	525,554	896,341
Total long-term liabilities . . . . .	<u>3,981,946</u>	<u>1,375,501</u>	<u>5,357,447</u>
Total liabilities . . . . .	<u>6,465,518</u>	<u>5,139,987</u>	<u>11,605,505</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt.	28,890,588	11,931,725	40,822,313
Unrestricted . . . . .	<u>7,694,571</u>	<u>1,280,412</u>	<u>8,974,983</u>
Total net assets . . . . .	<u>\$ 36,585,159</u>	<u>\$ 13,212,137</u>	<u>\$ 49,797,296</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF YOUNGSTOWN, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2003

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Sewer</b>	<b>Water</b>	<b>Total</b>
<b>Operating revenues:</b>			
Charges for services . . . . .	\$ 16,006,600	\$ 17,346,509	\$ 33,353,109
Other . . . . .	-	37,225	37,225
<b>Total operating revenues . . . . .</b>	<b>16,006,600</b>	<b>17,383,734</b>	<b>33,390,334</b>
<b>Operating expenses:</b>			
Personal services . . . . .	5,409,090	6,056,067	11,465,157
Contract services . . . . .	4,147,821	2,114,734	6,262,555
Materials and supplies . . . . .	1,906,167	7,561,110	9,467,277
Other . . . . .	27,629	2,947	30,576
Depreciation . . . . .	2,014,631	523,104	2,537,735
<b>Total operating expenses . . . . .</b>	<b>13,505,338</b>	<b>16,257,962</b>	<b>29,763,300</b>
<b>Operating income . . . . .</b>	<b>2,501,262</b>	<b>1,125,772</b>	<b>3,627,034</b>
<b>Nonoperating revenues (expenses):</b>			
Interest revenue . . . . .	-	4,300	4,300
Intergovernmental . . . . .	-	115,000	115,000
Interest expense and fiscal charges . . . . .	(419,060)	(118,077)	(537,137)
Gain (loss) on disposal of capital assets . . . . .	(17,374)	13,202	(4,172)
<b>Total nonoperating revenues (expenses) . . . . .</b>	<b>(436,434)</b>	<b>14,425</b>	<b>(422,009)</b>
<b>Income (loss) before contributions and transfers . . . . .</b>	<b>2,064,828</b>	<b>1,140,197</b>	<b>3,205,025</b>
Capital contributions . . . . .	514,373	-	514,373
Transfers out . . . . .	(255,574)	(93,574)	(349,148)
<b>Changes in net assets . . . . .</b>	<b>2,323,627</b>	<b>1,046,623</b>	<b>3,370,250</b>
<b>Net assets at beginning of year (restated) . . . . .</b>	<b>34,261,532</b>	<b>12,165,514</b>	<b>46,427,046</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 36,585,159</b>	<b>\$ 13,212,137</b>	<b>\$ 49,797,296</b>

*SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS*

**CITY OF YOUNGSTOWN, OHIO**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>			
Cash received from customers . . . . .	\$ 15,486,762	\$ 15,776,180	\$ 31,262,942
Cash received from other operations. . . . .	-	37,217	37,217
Cash payments for personal services . . . . .	(5,401,949)	(6,048,843)	(11,450,792)
Cash payments for contract services . . . . .	(4,024,556)	(2,095,111)	(6,119,667)
Cash payments for materials and supplies . . . . .	(1,249,774)	(7,670,820)	(8,920,594)
Cash payments for other expenses . . . . .	(25,476)	(3,237)	(28,713)
Net cash provided by (used in) operating activities. . . . .	<u>4,785,007</u>	<u>(4,614)</u>	<u>4,780,393</u>
<b>Cash flows from noncapital financing activities:</b>			
Cash received from other funds. . . . .	2,839,794	1,785,917	4,625,711
Cash received from grants and subsidies . . . . .	-	108,452	108,452
Cash payments to other funds. . . . .	(2,478,699)	(799,147)	(3,277,846)
Cash payments for transfers out. . . . .	(255,574)	(93,574)	(349,148)
Net cash provided by noncapital financing activities . . . . .	<u>105,521</u>	<u>1,001,648</u>	<u>1,107,169</u>
<b>Cash flows from capital and related financing activities:</b>			
Capital contributions . . . . .	514,373	-	514,373
Acquisition of capital assets . . . . .	(3,106,397)	(372,241)	(3,478,638)
Principal retirement on bonds. . . . .	(50,000)	(70,000)	(120,000)
Principal retirement on loans . . . . .	(948,483)	(447,350)	(1,395,833)
Proceeds from sales of capital assets . . . . .	6,080	13,202	19,282
Interest and fiscal charges. . . . .	(510,272)	(124,945)	(635,217)
Net cash used in capital and related financing activities . . . . .	<u>(4,094,699)</u>	<u>(1,001,334)</u>	<u>(5,096,033)</u>
<b>Cash flows from investing activities:</b>			
Interest received . . . . .		4,300	4,300
Net cash provided by investing activities. . . . .	<u>-</u>	<u>4,300</u>	<u>4,300</u>
Net increase in cash and cash equivalents . . . . .	795,829	-	795,829
<b>Cash and cash equivalents at beginning of year</b>	<u>1,436,235</u>	<u>-</u>	<u>1,436,235</u>
<b>Cash and cash equivalents at end of year . . . . .</b>	<u>\$ 2,232,064</u>	<u>\$ -</u>	<u>\$ 2,232,064</u>

**CITY OF YOUNGSTOWN, OHIO**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
<b>Reconciliation of operating income to net cash provided by (used in) operating activities:</b>			
Operating income . . . . .	\$ 2,501,262	\$ 1,125,772	\$ 3,627,034
Adjustments:			
Depreciation . . . . .	2,014,631	523,104	2,537,735
Changes in assets and liabilities:			
Increase (decrease) in materials and supplies inventory. . . . .	639,175	(132,512)	506,663
Increase in accounts receivable. . . . .	(519,838)	(1,570,329)	(2,090,167)
Increase in special assessments. . . . .	-	(8)	(8)
Increase (decrease) in accounts payable . . . . .	1,221	(481,401)	(480,180)
Increase in contracts payable . . . . .	139,666	27,229	166,895
Increase in accrued wages and benefits. . . . .	39,986	26,895	66,881
Increase (decrease) in due to other governments. . . . .	(72,402)	418,387	345,985
Increase in compensated absences payable. . . . .	41,306	58,249	99,555
	<u>41,306</u>	<u>58,249</u>	<u>99,555</u>
Net cash provided by (used in) operating activities. . . . .	<u>\$ 4,785,007</u>	<u>\$ (4,614)</u>	<u>\$ 4,780,393</u>

**Non-cash transactions:**

-

The Sewer enterprise fund received capital contributions of \$514,373 from developers during fiscal year 2003.

*SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS*

**CITY OF YOUNGSTOWN, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2003

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 1,319,816
Cash in segregated accounts . . . . .	330,250
Receivables:	
Accounts . . . . .	<u>1,035,845</u>
Total assets. . . . .	<u>2,685,911</u>
<b>Liabilities:</b>	
Accounts payable . . . . .	23,980
Due to other governments . . . . .	1,981,624
Deposits held and due to others . . . . .	<u>680,307</u>
Total liabilities. . . . .	<u>\$ 2,685,911</u>

*SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS*

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## CITY OF YOUNGSTOWN, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

#### NOTE 1 - DESCRIPTION OF THE CITY

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

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The City has the option to also apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities and enterprise funds, subject to this same limitation. The City has elected not to apply these FASB Statements and Interpretations. The City's significant accounting policies are described below.

##### A. Reporting Entity

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

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 financial statements identify 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.

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

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

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.

*JOINTLY GOVERNED ORGANIZATIONS*

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 2003. Financial information can be obtained from the Mahoning County Drug Task Force, 104 Lisbon Street, Canfield, Ohio 44406.

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 2003, the City contributed \$28,709 which represents 12 percent of total contributions. Complete financial statements can be obtained from the Eastgate Development and Transportation Agency, 5121 Mahoning Avenue, Youngstown, Ohio 44515.

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.



**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

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

Metropolitan Fire Investigation Unit

The Metropolitan Fire Investigation Unit (MFIU) is a jointly governed organization among eight local governments. The Board of Governors is comprised of one representative from each participating government. The MFIU was created to investigate major fires and explosions of unknown or suspicious cause and to aid in the prosecution of those persons or groups responsible. Each participant's control over the operation of MFIU is limited to its representation on the board. Continued existence of MFIU is not dependent on the City's continued participation. The City does not make any financial contributions of 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.

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

**B. Basis of Presentation - Fund Accounting**

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

***Government-wide Financial Statements*** - The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

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

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

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

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

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

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

**C. Fund Accounting**

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

***Governmental Funds*** - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

*General Fund* - The general fund accounts for all financial resources except those required to be accounted for in another fund.

*Fire Levy* - This fund accounts for revenues collected for fire operations.

*Police Levy* - This fund accounts for revenues collected for police operations.

*Community Development* - This fund accounts for monies received from the Federal Government under the Community Development Block Grant Program, the Emergency Shelter Program, HOME Investment Partnership Program, and CDBG Economic Development Initiative.

*Bond Retirement* - This fund accounts for various revenues collected for payment of general obligation debt principal, interest and related costs.

*Industrial Property* - This fund accounts for the acquisition, construction, or improvement of capital facilities.

Other governmental funds of the City are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds; and (b) for grants and other resources whose use is restricted to a particular purpose.

***Proprietary Funds*** - Proprietary fund reporting focuses on changes in net assets, financial position and cash flows.

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

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

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

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

*Water Fund* - This fund accounts for the operations of providing water services to its customers and to maintain the local water system of the City.

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

**D. Measurement Focus and Basis of Accounting**

*Government-wide Financial Statements* - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net assets.

*Fund Financial Statements* - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the financial statements for governmental funds.

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

**E. Basis of Accounting**

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

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

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

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax, local government funds and permissive tax), fines and forfeitures, fees, rentals and special assessments.

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

Property taxes for which there is an enforceable legal claim as of December 31, 2003, but which were levied to finance year 2004 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

**Expenses/Expenditures** - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

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

**F. 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. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than the agency funds, are legally required to be budgeted and appropriated. 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 controls is at the object level within each department. Any budgetary modifications at this level may only be made by resolution of City Council.

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

***Estimated Resources*** - The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. 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 official certificate of estimated resources issued during 2003.

***Appropriations*** - A temporary appropriation measure to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department and object level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year only by an ordinance of Council. The Director of Finance is authorized to transfer appropriations between line items within an object of any department. During the year, several supplemental appropriation measures were passed. None of these supplemental appropriations had any significant affect on the original appropriations. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications passed by Council.

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

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

*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.

**G. Cash and Investments**

To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During 2003, investments were limited to repurchase agreements, which 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, 2003 share price.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2003 amounted to \$58,959 which is all 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 financial statements as "Cash and Cash Equivalents in Segregated Accounts" since they are not required to be deposited into the City treasury.

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

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

**H. Inventories of Materials and Supplies**

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

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

Inventory consists of expendable supplies held for consumption.

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

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

**I. Capital Assets**

*Primary Government*

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$1,000. The City's infrastructure consists of traffic signals, sidewalks, storm sewers, streets, and water, and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

Interest 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 2003, there were no capitalized interest costs incurred on construction projects in the proprietary funds.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-type Activities Estimated Lives</u>
Buildings	50	50
Improvements other than buildings	20	20
Machinery and equipment	5 - 30	5 - 30
Vehicles	8	8
Infrastructure	65	65

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

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

*Component Unit Capital Assets*

Property, facilities and equipment are stated at historical cost. The cost 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>
Land improvements	20 years
Buildings and improvements	20 - 40 years
Transportation equipment	5 - 15 years
Other equipment	3 - 15 years

**J. 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 16 to the BFS.

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

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

**K. Accrued Liabilities and Long-Term Obligations**

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.



**CITY OF YOUNGSTOWN, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

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

**L. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” On fund financial statements, long-term interfund loans are classified as “advances to/from other funds” on the balance sheet and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources. These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**M. Interfund Activity**

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

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

**N. Fund Balance Reserves**

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or use. The unreserved portions of fund equity reflected in the governmental funds are available for use within the specific purposes of the funds.

The City reports a reservation of fund balance for amounts representing encumbrances outstanding, materials and supplies inventory, and notes receivable in the governmental fund financial statements.

**O. Estimates**

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

**P. Contributions of Capital**

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions are reported as revenue in the proprietary fund financial statements.

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

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

**Q. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**R. Operating Revenues and Expenses**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Changes in Accounting Principles and Restatement of Fund Balance**

For fiscal year 2003, the City has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedule - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At December 31, 2002, there was no effect on fund balance as a result of implementing GASB Statements Nos. 37, 38 and 41.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38, modifies, establishes and rescinds certain financial statement note disclosures.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the City not being able to present budgetary comparisons for the general and each major special revenue fund.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB No. 34 creates new basic financial statements for reporting on the City's financial activities. The basic financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the City's programs between business-type and governmental activities. Except for the restatement explained below, the beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from last year. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at December 31, 2002 and the conversion to the accrual basis of accounting.

In addition to implementing GASB Statement No. 34, the City switched from the purchase method to the consumption method of accounting for inventory of materials and supplies. This change in accounting principle had no effect on fund balance at December 31, 2002.

**Governmental Activities - Restatement of Fund Balance** - It was determined that GASB Interpretation No. 6 had an effect on fund balances as previously reported at December 31, 2002. A restatement is presented to include the intergovernmental payable previously reported in the general long-term obligations account group as a fund liability since it was due and payable at year-end. In addition, notes receivable have been restated between the Community Development fund and a Nonmajor Governmental fund to present the notes receivable in the proper fund. The implementation of GASB Interpretation No. 6 and the prior period adjustments had the following effect on the City's governmental fund balances as previously reported.

	<u>General</u>	<u>Fire Levy</u>	<u>Police Levy</u>	<u>Community Development</u>	<u>Bond Retirement</u>	<u>Industrial Property</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Fund balance								
December 31, 2002	\$ 500,938	\$ (1,014,073)	\$ (780,679)	\$ 3,154,470	\$ 472,774	\$ (4,312,573)	\$ 4,745,058	\$ 2,765,915
Adjustment for notes receivable	-	-	-	2,501,507	-	-	(2,501,507)	-
Adjustment for intergovernmental payable	(300,358)	(571,875)	(671,451)	(20,925)	-	-	(142,523)	(1,707,132)
GASB Interpretation No. 6 adjustments	<u>29,882</u>	<u>59,411</u>	<u>46,045</u>	<u>2,926</u>	<u>-</u>	<u>-</u>	<u>23,723</u>	<u>161,987</u>
Restated fund balance January 1, 2003	<u>\$ 230,462</u>	<u>\$ (1,526,537)</u>	<u>\$ (1,406,085)</u>	<u>\$ 5,637,978</u>	<u>\$ 472,774</u>	<u>\$ (4,312,573)</u>	<u>\$ 2,124,751</u>	<u>\$ 1,220,770</u>

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

The transition from governmental fund balance to net assets of the governmental activities is also presented.

Restated fund balance	
December 31, 2002	\$ 1,220,770
GASB Statement No. 34 adjustments:	
Capital assets	19,356,224
Long-term liabilities	(37,361,345)
Long-term (deferred assets)	24,282,398
Accrued interest payable	<u>(509,564)</u>
Governmental activities net assets, December 31, 2002	<u>\$ 6,988,483</u>

***Business-type Activities - Restatement of Fund Equity*** - A prior period adjustment is required to correct errors and omissions in amounts previously reported in infrastructure capital assets. This prior period adjustment had the following effect on fund equity as previously reported:

	<u>Sewer</u>	<u>Water</u>	<u>Total Enterprise Funds</u>
Fund equity at December 31, 2002	\$31,928,597	\$ 12,165,514	\$44,094,111
Adjustment for capital assets	<u>2,332,935</u>	<u>-</u>	<u>2,332,935</u>
Restated net assets at January 1, 2003	<u>\$34,261,532</u>	<u>\$ 12,165,514</u>	<u>\$46,427,046</u>

**B. Compliance**

Contrary to Section 5705.41 (D), Ohio Revised Code, the City had numerous expenditures which were not certified as to the availability of funds.

The City had negative fund balances in the following funds indicating that revenue from other sources were used to pay obligations of these funds contrary to Ohio Revised Code Section 5705.10. For GAAP purposes, these amounts have been reported as fund liabilities in the respective funds.

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

Fund	Amount
General Fund	\$ 839,806
Fire Levy	455,613
<u>Nonmajor Governmental Funds</u>	
Street Construction, Maintenance and Repair	28,523
Litter Control Program	128,613
Juvenile Diversion Grant	71,551
Weed and Seed	8,482
Capital Projects Public Works	333,964
Demolition	73,457
<u>Enterprise Fund</u>	
Water	1,785,917

**NOTE 4 - DEPOSITS AND INVESTMENTS**

**A. Primary Governments**

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 may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio).

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

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

*Deposits:* At year-end, the carrying amount of the City's deposits was \$3,989,496 and the bank balance was \$4,267,341. Of the bank balance:

1. \$963,007 was covered by federal deposit insurance; and
2. \$3,304,334 was uninsured and uncollateralized as defined by GASB even though it was covered by collateral held by a third party trustee, pursuant to Ohio Revised Code Section 135.181, in collateralized pools securing all public funds on deposits with specific depository institutions. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Investments:* The City's investments are required to be categorized to give an indication of the level of risk assumed by the City at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the City's name.

	Category 3	Reported Amount	Fair Value
Federal agency securities	<u>\$ 4,598,009</u>	<u>\$ 4,598,009</u>	<u>\$ 4,598,009</u>

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

A reconciliation between the classifications of pooled cash and cash equivalents on the financial statements and the classifications of deposits and investments presented in this footnote is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$ 8,587,505	\$ -
Investments:		
Repurchase agreement	(4,598,009)	4,598,009
GASB Statement No. 3	<u>\$ 3,989,496</u>	<u>\$ 4,598,009</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.

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

Public depositories must give security for all public funds on deposits. 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.

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 \$4,479,257 at December 31, 2003 which was supported by a \$4,503,978 bank balance consisting of demand deposits. Of the bank balance, \$100,000 was covered by depository insurance and there was no uninsured and uncollateralized deposits as defined by the Governmental Accounting Standards Board.

The deposit and investment balances at December 31, 2003 are included in the accompanying balance sheet under the following captions:

Cash and cash equivalents	\$ 4,465,953
Restricted assets - cash and cash equivalents	<u>13,304</u>
Total	<u>\$ 4,479,257</u>



**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

**NOTE 5 - INTERFUND TRANSFERS**

- A. Interfund transfers for the year ended December 31, 2003, consisted of the following, as reported in the fund financial statements:

Transfers to General Fund from:	
Police Levy	\$ 160,000
Community Development	632,428
Nonmajor Governmental	169,130
Sewer	93,574
Water	<u>93,574</u>
Total	<u><u>1,148,706</u></u>
Transfers to Fire Levy from:	
General	5,635,000
Community Development	<u>125,568</u>
Total	<u><u>5,760,568</u></u>
Transfers to Police Levy from:	
General	8,990,896
Nonmajor Governmental	<u>444,077</u>
Total	<u><u>9,434,973</u></u>
Transfers to Bond Retirement from:	
General	15,000
Nonmajor Governmental	<u>50,000</u>
Total	<u><u>65,000</u></u>
Transfers to Industrial Property from:	
Bond Retirement	199,446
Nonmajor Governmental	<u>400,000</u>
Total	<u><u>599,446</u></u>
Transfers to Nonmajor Governmental from:	
General	580,000
Community Development	1,864,244
Industrial Property	52,000
Nonmajor Governmental	3,990,000
Sewer	<u>162,000</u>
Total	<u><u>\$6,648,244</u></u>

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

**NOTE 5 - INTERFUND TRANSFERS - (Continued)**

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

- B.** Interfund loans consisted of the following at December 31, 2003, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Industrial Property	General fund	\$ 839,406
	Nonmajor governmental funds	<u>407,321</u>
		<u>1,246,727</u>
Nonmajor Governmental funds	Bond Retirement	150,000
Sewer fund	Nonmajor Governmental funds	692,782
	Water	<u>1,785,917</u>
		<u>2,478,699</u>

**NOTE 6 - INCOME TAXES**

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

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

**NOTE 7 - PROPERTY TAXES**

**A. Primary Government**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2003 for real and public property taxes represents collections of 2002 taxes. Property tax payments received during 2003 for 2003 tangible personal property (other than public utility property) is for 2003 taxes.

2003 real property taxes are levied after October 1, 2003, on the assessed value as of January 1, 2003, the lien date. Assessed values are established by State law at 35 percent of true value. 2003 real property taxes are collected in and intended to finance 2004.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2003 public utility property taxes became a lien December 31, 2002, are levied after October 1, 2003, and are collected in 2003 with real property taxes.

2003 tangible personal property taxes are levied after October 1, 2002, on the values as of December 31, 2002. Collections are made in 2003. Tangible personal property assessments are 25 percent of true value.

The full tax rate for all City operations for the year ended December 31, 2003, was \$3.70 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2003 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real estate	\$ 464,497,640
Tangible personal	115,313,062
Public utility	<u>58,953,840</u>
Total	<u>\$ 638,764,542</u>

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable at September 20.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Youngstown. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2003, and for which there is an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 2003 operations. The receivable is offset by deferred revenue.

**CITY OF YOUNGSTOWN, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

**NOTE 7 - PROPERTY TAXES - (Continued)**

**B. Component Unit**

The WRTA is subsidized by property tax levies passed by the voters of the City. Property taxes of 5.0 mills were levied in 2002, 2000 and 1995 that expire as follows: 4.0 mills in 2005 and 1.0 mill in 2010. Property tax revenue can be used for operating or capital purposes.

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 8 - SPECIAL ASSESSMENTS**

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

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

**NOTE 9 - RECEIVABLES**

**A. Primary Government**

Receivables at December 31, 2003, consisted of taxes, accounts (billings for user charged services), special assessments and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as "Due From Other Governments" on the BFS. Receivables have been recorded to the extent that they are measurable at December 31, 2003, as well as intended to finance fiscal 2003 operations.

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

**NOTE 9 - RECEIVABLES - (Continued)**

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

Income taxes	\$ 6,740,763
Real and other taxes	4,722,223
Accounts	520,654
Notes	3,823,516
Special assessments	2,160,225
Due from other governments	15,092,690

**Business-Type Activities:**

Accounts - Gross	10,461,999
Less: Allowance for Uncollectibles	<u>1,808,082</u>
Net Accounts Receivable	8,653,917

Receivables have been disaggregated on the face of the BFS. Special assessments receivable are not expected to be collected within the subsequent year, but are collected over the life of the assessment.

**B. Component Unit**

Receivables at December 31, 2003, consisted of taxes, accounts, and intergovernmental receivables arising from operating, capital, and planning grants. All receivables are considered fully collectible.

A summary of the principal items of receivable reported on the statement of net assets follows:

Real and other taxes	\$ 2,666,727
Accounts	47,813
Due from other governments	1,601,580

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

**NOTE 10 - CAPITAL ASSETS**

**A. Primary Government**

The capital asset balances of the governmental activities have been restated due to the reporting of depreciation in governmental activities. Under GASB Statement No. 34, the City has elected to “phase in” the retroactive reporting of governmental infrastructure assets. The City plans to retroactively report infrastructure capital assets in the 2005 basic financial statements. Only governmental infrastructure capital assets acquired or constructed in 2003 are reflected in the basic financial statements for the fiscal year ended December 31, 2003.

<u>Governmental Activities:</u>	Balance <u>12/31/02</u>	Adjustments	Restated Balance <u>12/31/02</u>
Land	\$ 2,819,924	\$ -	\$ 2,819,924
Buildings	12,347,324	-	12,347,324
Improvements other than buildings	2,399,431	-	2,399,431
Machinery and equipment	7,261,740	-	7,261,740
Vehicles	9,104,108	-	9,104,108
Less: accumulated depreciation	<u>-</u>	<u>(14,576,303)</u>	<u>(14,576,303)</u>
Total	<u>\$ 33,932,527</u>	<u>\$ (14,576,303)</u>	<u>\$ 19,356,224</u>

The capital asset balances of the business-type activities have been restated due to the reporting of errors and omissions in the prior year in infrastructure.

<u>Business-Type Activities:</u>	Balance <u>12/31/02</u>	Adjustments	Restated Balance <u>12/31/02</u>
Land	\$ 185,446	\$ -	\$ 185,446
Buildings	37,386,491	-	37,386,491
Improvements other than buildings	2,153,877	-	2,153,877
Machinery and equipment	23,601,707	-	23,601,707
Vehicles	3,089,546	-	3,089,546
Infrastructure	21,946,055	2,332,935	24,278,990
Less: accumulated depreciation	<u>(44,578,020)</u>	<u>-</u>	<u>(44,578,020)</u>
Total	<u>\$ 43,785,102</u>	<u>\$ 2,332,935</u>	<u>\$ 46,118,037</u>

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

**NOTE 10 - CAPITAL ASSETS - (Continued)**

Capital asset activity for the year ended December 31, 2003, was as follows:

<b><u>Governmental Activities:</u></b>	Restated Balance 01/01/03	<u>Additions</u>	<u>Disposals</u>	Balance 12/31/03
<i>Capital assets, not being depreciated:</i>				
Land	\$ 2,819,924	\$ 1,748,680	\$ (13,675)	\$ 4,554,929
Total capital assets, not being depreciated	<u>2,819,924</u>	<u>1,748,680</u>	<u>(13,675)</u>	<u>4,554,929</u>
<i>Capital assets, being depreciated:</i>				
Buildings	12,347,324	39,914	(11,021)	12,376,217
Improvements other than buildings	2,399,431	73,006	(20,782)	2,451,655
Machinery and equipment	7,261,740	946,721	(15,326)	8,193,135
Vehicles	9,104,108	170,745	(154,739)	9,120,114
Infrastructure	<u>-</u>	<u>1,116,925</u>	<u>-</u>	<u>1,116,925</u>
Total capital assets, being depreciated	<u>31,112,603</u>	<u>2,347,311</u>	<u>(201,868)</u>	<u>33,258,046</u>
<i>Less: accumulated depreciation:</i>				
Buildings	(4,094,146)	(227,275)	9,642	(4,311,779)
Improvements other than buildings	(1,156,976)	(75,582)	17,489	(1,215,069)
Machinery and equipment	(4,013,303)	(567,921)	10,742	(4,570,482)
Vehicles	(5,311,878)	(703,497)	123,550	(5,891,825)
Infrastructure	<u>-</u>	<u>(9,371)</u>	<u>-</u>	<u>(9,371)</u>
Total accumulated depreciation	<u>(14,576,303)</u>	<u>(1,583,646)</u>	<u>161,423</u>	<u>(15,998,526)</u>
Total capital assets, being depreciated, net	<u>16,536,300</u>	<u>763,665</u>	<u>(40,445)</u>	<u>17,259,520</u>
Governmental activities capital assets, net	<u>\$ 19,356,224</u>	<u>\$ 2,512,345</u>	<u>\$ (54,120)</u>	<u>\$ 21,814,449</u>

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

**NOTE 10 - CAPITAL ASSETS - (Continued)**

<b><u>Business-Type Activities:</u></b>	Restated Balance 01/01/03	<u>Additions</u>	<u>Disposals</u>	Balance 12/31/03
<i>Capital assets, not being depreciated:</i>				
Land	\$ 185,446	\$ -	\$ -	\$ 185,446
Total capital assets, not being depreciated	<u>185,446</u>	<u>-</u>	<u>-</u>	<u>185,446</u>
<i>Capital assets, being depreciated:</i>				
Buildings	37,386,491	1,258,853	(16,336)	38,629,008
Improvements other than buildings	2,153,877	34,880	-	2,188,757
Machinery and equipment	23,601,707	650,587	(91,266)	24,161,028
Vehicles	3,089,546	482,578	(230,509)	3,341,615
Infrastructure	<u>24,278,990</u>	<u>1,051,740</u>	<u>-</u>	<u>25,330,730</u>
Total capital assets, being depreciated	<u>90,510,611</u>	<u>3,478,638</u>	<u>(338,111)</u>	<u>93,651,138</u>
<i>Less: accumulated depreciation:</i>				
Buildings	(13,081,114)	(751,756)	11,735	(13,821,135)
Improvements other than buildings	(1,506,306)	(107,411)	-	(1,613,717)
Machinery and equipment	(17,191,530)	(1,097,697)	72,413	(18,216,814)
Vehicles	(1,990,322)	(271,890)	230,509	(2,031,703)
Infrastructure	<u>(10,808,748)</u>	<u>(308,981)</u>	<u>-</u>	<u>(11,117,729)</u>
Total accumulated depreciation	<u>(44,578,020)</u>	<u>(2,537,735)</u>	<u>314,657</u>	<u>(46,801,098)</u>
Total capital assets, being depreciated, net	<u>45,932,591</u>	<u>940,903</u>	<u>(23,454)</u>	<u>46,850,040</u>
Business-type activities capital assets, net	<u>\$ 46,118,037</u>	<u>\$ 940,903</u>	<u>\$ (23,454)</u>	<u>\$ 47,035,486</u>



**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

**NOTE 10 - CAPITAL ASSETS - (Continued)**

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

**Governmental Activities:**

General government	\$ 291,067
Security of persons and property	674,633
Public health and welfare	79,512
Transportation	375,947
Leisure time activity	145,573
Community environment	<u>16,914</u>
Total depreciation expense - governmental activities	<u>\$ 1,583,646</u>

**B. Component Unit**

Capital asset activity of the WRTA as of December 31, 2003 were as follows:

<u>Description</u>	<u>Balance</u> <u>01/01/03</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/03</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 693,004	\$ -	\$ -	\$ 693,004
Total capital assets, not being depreciated	<u>693,004</u>	<u>-</u>	<u>-</u>	<u>693,004</u>
<i>Capital assets, being depreciated:</i>				
Building and building improvements	7,400,636	655,884	(1,379)	8,055,141
Transportation equipment	13,703,556	156,579	(1,060,163)	12,799,972
Other equipment	<u>1,147,687</u>	<u>44,629</u>	<u>-</u>	<u>1,192,316</u>
Total capital assets, being depreciated	<u>22,251,879</u>	<u>857,092</u>	<u>(1,061,542)</u>	<u>22,047,429</u>
<i>Less: accumulated depreciation:</i>				
Building and building improvements	(3,386,514)	(344,665)	1,379	(3,729,800)
Transportation equipment	(3,710,879)	(1,197,280)	1,057,020	(3,851,139)
Other equipment	<u>(991,990)</u>	<u>(73,268)</u>	<u>-</u>	<u>(1,065,258)</u>
Total accumulated depreciation	<u>(8,089,383)</u>	<u>(1,615,213)</u>	<u>1,058,399</u>	<u>(8,646,197)</u>
Total capital assets, being depreciated, net	<u>14,162,496</u>	<u>(758,121)</u>	<u>(3,143)</u>	<u>13,401,232</u>
Total capital assets, net	<u>\$ 14,855,500</u>	<u>\$ (758,121)</u>	<u>\$ (3,143)</u>	<u>\$ 14,094,236</u>

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

**NOTE 11 - 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 12 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

During 2003, the City has entered into a capitalized lease for computer equipment and a front wheel loader. These lease agreements meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined BFS for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General capital assets consisting of equipment have been capitalized in the statement of net assets in the amount of \$206,785. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the statement of net assets. Principal payments in fiscal year 2003 totaled \$14,047 paid by the Street Construction and Maintenance special revenue fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2003:

<u>Year Ended</u> <u>December 31,</u>	<u>Amount</u>
2004	\$ 90,641
2005	90,641
2006	<u>27,060</u>
Total	208,342
Less: amount representing interest	<u>(15,604)</u>
Present value of net minimum lease payments	<u>\$ 192,738</u>

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

**NOTE 13 - LONG-TERM OBLIGATIONS**

A. The balance of the City's governmental activities long-term obligations at December 31, 2002 has been restated. Pension obligations of \$1,707,132 at December 31, 2002 are not reported as a component of governmental activities long-term obligations as they are due and payable at year-end and are reported as a fund liability. The compensated absences liability increased from \$6,694,408 to \$6,856,395 due to the implementation of GASB Interpretation No. 6 described in Note 3. In addition, an adjustment was made to reflect a \$1,920,000 HUD Section 108 Loan as a liability of the City. The effect on the total governmental activities long-term obligations at January 1, 2003 was an increase of \$374,855 from \$36,986,490 to \$37,361,345. During 2003, the following changes occurred in governmental activities long-term obligations:

Governmental Activities:	Interest Rate	Restated	Additions	Reductions	Balance at 12/31/03	Amounts
		Balance at 01/01/03				Due in One Year
<u>General Obligation Bonds</u>						
1995 Various purpose improvement	3.60-7.50%	\$ 3,735,000	\$ -	\$ (230,000)	\$ 3,505,000	\$ 240,000
1998 Refunding bonds	3.10-5.10%	5,365,000	-	(525,000)	4,840,000	540,000
2000 Pension Refunding bonds	4.40-0.06%	10,155,000	-	(120,000)	10,035,000	160,000
Total General obligation bonds		19,255,000	-	(875,000)	18,380,000	940,000
<u>Industrial Development Revenue Bonds</u>						
1993 Ohio Bell Project	6.00%	720,000	-	(120,000)	600,000	120,000
Total Industrial Development Revenue Bonds		720,000	-	(120,000)	600,000	120,000
<u>HUD Section 108 Loans</u>						
Exal Project	6.52%	2,535,000	-	(350,000)	2,185,000	385,000
Forte Manufacturing	6.84-8.27%	235,000	-	(235,000)	-	-
Beachwood Village	6.84-8.27%	115,000	-	(115,000)	-	-
Youngstown CIC	6.84-9.03%	1,895,000	-	(105,000)	1,790,000	115,000
Mahoning County Chemical Dependency	6.84-9.03%	40,000	-	(40,000)	-	-
Far Art	6.84-9.03%	95,000	-	(40,000)	55,000	55,000
Cantar/Polyair	6.84-9.03%	960,000	-	(290,000)	670,000	320,000
Youngstown CIC #2	6.13%	1,234,950	-	(55,000)	1,179,950	65,000
Housing Rehab Section 108	6.84-9.03%	900,000	-	(50,000)	850,000	50,000
Youngstown Mini-Loan	6.84-9.03%	1,920,000	-	(175,000)	1,745,000	95,000
Total HUD Section 108		9,929,950	-	(1,455,000)	8,474,950	1,085,000
<u>Other Long-Term Obligations</u>						
Notes Payable (Urban Renewal Note)	2.60%	600,000	600,000	(600,000)	600,000	600,000
Due to other governments		-	-	-	-	-
Capital lease obligation		-	206,785	(14,047)	192,738	79,868
Compensated absences		6,856,395	668,413	-	7,524,808	2,698,760
Total other long-term obligations		7,456,395	1,475,198	(614,047)	8,317,546	3,378,628
Total governmental activities long-term obligations		\$ 37,361,345	\$ 1,475,198	\$ (3,064,047)	\$ 35,772,496	\$ 5,523,628

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

**NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)**

<b>Business-Type Activities:</b>	<u>Interest</u> Rate	<u>Balance at</u> 01/01/03	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u> 12/31/03	<u>Amounts</u> Due in One Year
<u>General Obligation Bonds</u>						
1998 Refunding Water Bonds	3.10-5.10%	\$ 1,065,000	\$ -	\$ (70,000)	\$ 995,000	\$ 75,000
1998 Refunding Sewer Bonds	3.10-5.10%	<u>525,000</u>	<u>-</u>	<u>(50,000)</u>	<u>475,000</u>	<u>50,000</u>
Total general obligation bonds		<u>1,590,000</u>	<u>-</u>	<u>(120,000)</u>	<u>1,470,000</u>	<u>125,000</u>
<u>OWDA Loans</u>						
Wastewater Treatment Plant Improvement - Phase I	9.99%	666,535	-	(249,051)	417,484	273,932
Wastewater Treatment Plant Improvement - Phase II	10.84%	650,124	-	(120,068)	530,056	133,084
Wastewater Treatment Plant Improvement - Phase III	8.97%	3,891,414	-	(579,364)	3,312,050	631,333
Water Meter Conversion	8.09%	<u>930,933</u>	<u>-</u>	<u>(447,350)</u>	<u>483,583</u>	<u>483,583</u>
Total OWDA loans		<u>6,139,006</u>	<u>-</u>	<u>(1,395,833)</u>	<u>4,743,173</u>	<u>1,521,932</u>
<u>Other Long-Term Obligations</u>						
Compensated absences		<u>1,298,026</u>	<u>99,555</u>	<u>-</u>	<u>1,397,581</u>	<u>501,240</u>
Total other long-term obligations		<u>1,298,026</u>	<u>99,555</u>	<u>-</u>	<u>1,397,581</u>	<u>501,240</u>
Total business-type activities long-term obligations		<u>\$ 9,027,032</u>	<u>\$ 99,555</u>	<u>\$ (1,515,833)</u>	7,610,754	<u>\$ 2,148,172</u>
Add: Unamortized premium on bond issues					18,404	
Less: Unamortized deferred changes on refundings					<u>(123,539)</u>	
Total reported on the Statement of Net Assets					<u>\$ 7,505,619</u>	

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

**NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)**

Principal and interest requirements to retire the governmental general long-term debt obligations outstanding at December 31, 2003, are as follows:

<u>Year</u>	General	Industrial	HUD	<u>Total</u>
	Obligation	Development	Section 108	
	<u>Bonds</u>	<u>Revenue</u>	<u>Loans</u>	
2004	\$ 1,943,057	\$ 154,200	\$ 1,682,253	\$ 3,779,510
2005	1,935,228	147,000	1,624,030	3,706,258
2006	1,919,665	139,800	1,258,891	3,318,356
2007	1,906,208	132,600	1,263,472	3,302,280
2008	1,915,554	125,400	1,268,307	3,309,261
2009 - 2013	8,062,351	-	3,528,684	11,591,035
2014 - 2018	4,066,670	-	1,200,911	5,267,581
2019 - 2023	3,635,530	-	107,958	3,743,488
2024 - 2028	3,628,963	-	-	3,628,963
2029 - 2031	<u>2,177,300</u>	<u>-</u>	<u>-</u>	<u>2,177,300</u>
Total principal and interest	31,190,526	699,000	11,934,506	43,824,032
Less: amount representing interest	<u>(12,810,526)</u>	<u>(99,000)</u>	<u>(3,459,556)</u>	<u>(16,369,082)</u>
Total principal outstanding	<u>\$ 18,380,000</u>	<u>\$ 600,000</u>	<u>\$ 8,474,950</u>	<u>\$ 27,454,950</u>

Principal and interest requirements to retire the enterprise funds' long-term debt obligations outstanding at December 31, 2003, are as follows:

<u>Year</u>	General	OWDA	<u>Total</u>
	Obligation	Loans	
	<u>Bonds</u>	<u>Loans</u>	
2004	\$ 194,042	\$ 1,957,266	\$ 2,151,308
2005	213,980	1,276,785	1,490,765
2006	232,755	1,118,966	1,351,721
2007	240,405	1,023,695	1,264,100
2008	242,330	464,213	706,543
2009 - 2011	<u>695,025</u>	<u>-</u>	<u>695,025</u>
Total principal and interest	1,818,537	5,840,925	7,659,462
Less: amount representing interest	<u>(348,537)</u>	<u>(1,097,752)</u>	<u>(1,446,289)</u>
Total principal outstanding	<u>\$ 1,470,000</u>	<u>\$ 4,743,173</u>	<u>\$ 6,213,173</u>

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

**NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)**

As of December 31, 2003, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$47,097,119 and unvoted legal debt margin was \$16,299,880.

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 governmental funds, are to be repaid from property tax revenues that are received 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 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 11).

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 governmental funds. The notes are backed by the full faith of the City of Youngstown.

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 will be paid from the fund from which the employees' salaries are paid.

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

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Outstanding balance of general obligation bonds	\$ 995,000	\$ 475,000	\$ 1,470,000
Unamortized premium	12,286	6,118	18,404
Unamortized accounting loss	<u>(82,339)</u>	<u>(41,200)</u>	<u>(123,539)</u>
Net bonds payable	<u>\$ 924,947</u>	<u>\$ 439,918</u>	<u>\$ 1,364,865</u>

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

**NOTE 14 - SHORT TERM DEBT**

Note activity during 2003 consisted of the following:

	<u>Interest</u> <u>Rate</u>	<u>Balance at</u> <u>01/01/03</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance at</u> <u>12/31/03</u>
<u>General Obligation Notes</u>					
Street Improvements	2.75%	\$ 4,150,000	\$ -	\$ (4,150,000)	\$ -
Taxable Street Improvements	2.00%	1,705,000	-	(1,705,000)	-
Street Improvements	2.80%	-	4,145,000	-	4,145,000
Taxable Street Improvements	2.00%	-	1,680,000	-	1,680,000
Final Judgement Notes	2.60%	-	2,400,000	-	2,400,000
 Total		 <u>\$ 5,855,000</u>	 <u>\$ 8,225,000</u>	 <u>\$ (5,855,000)</u>	 <u>\$ 8,225,000</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 15 - RISK MANAGEMENT**

**A. Primary Government**

For calendar year 2003, the City solicited proposals and contracted for a package of municipal liability and property insurance through Jackson, Dieken and Associates.

The insurance package consisted of a policy from Specialty National Insurance including: comprehensive general liability and automobile liability with limits of \$1 million per occurrence, aggregate \$3 million, and deductibles of \$10,000 per occurrence; public officials liability with prior acts coverage and law enforcement liability coverage with limits of \$1 million per occurrence and deductibles of \$25,000. The policy also included commercial property coverage for buildings and personal property in the amount of \$96.4 million, coverage for contractor's equipment in the amount of \$3.45 million and EDP equipment in the amount of \$1.5 million, and automobile comprehensive and collision coverage with deductibles of \$5,000. A crime policy covered theft of up to \$5,000, public employee dishonesty and faithful performance losses with limits of \$100,000 per loss. Excess liability (umbrella coverage) was provided with a combined limit of \$10 million by Specialty National. Travelers Insurance provided a policy for boiler and machinery with a policy limit of \$30 million per accident.

The City paid an annual premium in the amount of \$671,793 for coverage provided by Specialty National Insurance and \$15,923 to Travelers for the Boiler and Machinery policy.

In 2003, Specialty National Insurance Company's Best rating fell below what was required in the City's Proposal specifications and Jackson Dieken placed the City's coverage with Arch Insurance Company effective May 8, 2003, with identical coverage and rates.

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

**NOTE 15 - RISK MANAGEMENT - (Continued)**

The City also continued a crime policy through Hartford Insurance Company at a cost of \$3,486, with endorsements providing faithful performance coverage for the members of the Board of control in the amount of \$1 million each, \$25,000 for the Clerk of Court, \$2,000 for the chief bailiff, and \$100,000 for the finance director. The City separately purchased a faithful performance bond for the Clerk of Court in the amount of \$25,000.

In calendar year 2003, the City paid deductibles to the Ohio Municipal Joint/Self Insurance Pool totaling \$65,604, to Coregis Insurance in the amount of \$15,500 and to Midwest Claims in the amount of \$9,413.

In 2003, the City paid premiums to the State Fund for workers' compensation coverage for calendar year 2002 in the amount of approximately \$1,755,450, after a 50% dividend provided by the BWC to all public employers. The City entered in to a Retrospective Rating Plan with the Bureau of Workers' Compensation for 2003. This resulted in a reduction of 61% of the amount the City would have paid as a premium based on its payroll and loss history. The City's estimated premium for 2003 (payable in 2004) will be \$1,597,462 and the City will also be responsible for payment of actual medical costs and compensation (with a cap of \$100,000 on any one claim) paid to injured workers in 2003.

**B. Component Unit**

WRTA is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, flood and earthquake, errors, and omissions, employment related matters, injuries to employees and employee theft and fraud. Effective December 31, 1994, the Authority commenced participation in the Ohio Transit Insurance Pool Association, Inc. ("OTIP"), related to its risk of property and casualty loss. Under this plan, the Authority receives property and casualty loss coverage in exchange for premiums paid. OTIP self-insures the first \$250,000 of any qualified property loss and the first \$500,000 of any qualified casualty loss subject to a \$1,000 per loss deductible. Per occurrence, excess insurance coverage is maintained by OTIP equal to approximately \$200,000,000 for qualified property losses and \$10,000,000 for qualified casualty losses. The annual aggregate stop-loss limit for casualty is \$3,300,000 and for property is \$500,000. Any underfunding of the plan's liabilities is shared pro-rata by the members based on pool contribution factors comprised of: population, full-time employees, vehicles, property values, budget, claims history times two and net operating expenses.

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



## CITY OF YOUNGSTOWN, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

#### NOTE 16 - EMPLOYEE BENEFITS

##### A. Life/Health Insurance

During 2003, the City provided health insurance benefits to its employees through Medical Mutual of Ohio and through Anthem Insurance. The City paid a total of \$2,992,552 to Medical Mutual and \$3,181,604 to Anthem in premiums in 2003.

Under the plan with Medical Mutual, which covered all City employees until May 1, 2003 and police union employees through December 31, 2003, medical/surgical benefits were provided under a traditional plan where the insurer paid 80% of the cost of a claim after the employee met a deductible of \$200 single/\$400 family, and the employee paid the remaining 20% up to \$180. A PPO plan with no deductibles or co-pays within a network of providers was also available to employees. The cost to the City for premiums for both the traditional and PPO plans were \$282.73 per month per employee for single coverage and \$706.82 for family coverage.

Prescription drugs were included under Medical Mutual's traditional plan and were reimbursed at 80% after deductibles were met as outlined above with no additional premium. An optional prescription drug rider was available to employees enrolled in Medical Mutual's PPO plan at an additional premium in the amount of \$84.93 per month per employee for single and \$212.34 for family coverage, with employees contributing \$47.00 per month toward those premiums.

Dental and vision coverage was provided through the Medical Mutual plan to all City employees except members of the two AFSCME unions (water and clerical) until May 1, 2003, and to police union employees thereafter at a cost of \$18.97 per month per employee for single and \$56.34 for family coverage.

The City contracted with Anthem Insurance to provide health insurance benefits to City employees with the exception of Police union employees. Medical/surgical benefits were provided under a PPO plan (Blue Access) with no deductibles or co-pays within a network of providers. Services outside the network of providers were reimbursed at 80% of the usual and customary fee by Anthem after the employee met a deductible of \$300 single/\$600 family. The premiums paid by the City were \$304.46 per month per employee for single coverage and \$762.23 per month per employee for family coverage. Drug prescription coverage was provided with a drug card that required co-pays of \$5 for generic and \$10 non-generic prescriptions.

On December 1, 2003, the City implemented an employee contribution from management employees of 10% of the premiums paid by the City for their health insurance, and opted for an Anthem plan for management employees that required a co-pay for office and ER visits and increased the co-pay toward prescription drugs to \$8 generic, \$15 non-generic formulary and \$25 non-formulary. The cost of the premiums under the co-pay plan decreased to \$282.48 per month per employee for single coverage and \$707.20 for family coverage.

Dental and vision coverage were provided by Anthem for all employees, other than police and AFSCME union members, commencing May 1, 2003. The cost paid for dental insurance was \$417.06 per month per employee for single coverage, \$51.32 for family coverage. The cost paid for vision insurance was \$7.48 per month per employee for single coverage and \$18.20 for family coverage.

Members of AFSCME 2312 and 2726 (water and clerical) had vision, dental and life insurance provided through The Ohio AFSCME Care Plan. The City contributed \$50.25 per month per AFSCME employee for this coverage.

**CITY OF YOUNGSTOWN, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

**NOTE 16 - EMPLOYEE BENEFITS - (Continued)**

In 2003, the City provided life insurance and accidental death and dismemberment insurance in equal amounts to its active employees, with the exception of AFSCME employees, through a plan with Standard Insurance until April 1, 2003, and a plan through Hartford Life thereafter. The benefit amount was \$9,500, with the exception of wastewater treatment plant union employees who had coverage in the amount of \$15,000 and fire department, 911, and police union employees who had coverage in the amount of \$20,000. In addition, eligible retirees were covered for death benefit amounts ranging from \$1,500 to \$5,000 depending on retirement year of union affiliation. The cost of life insurance coverage for both active and retired employees in 2003 was \$130,103.42.

**B. Compensated Absences**

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

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

For governmental funds, the current portion of unpaid compensated absences is recorded as a current liability in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the statement of activities. In proprietary funds, the entire amount of compensated absences is reported as a fund liability. As of December 31, 2003, the liability for unpaid compensated absences was \$8,922,389 for the entire City.

**NOTE 17 - DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705.

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

**NOTE 17 - DEFINED BENEFIT PENSION PLANS - (Continued)**

For the year ended December 31, 2003, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5% of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1% of their annual covered salary; members in public safety contributed 9%. The City's contribution rate for pension benefits for 2003 was 8.55%, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 11.7% of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2003, 2002, and 2001 were \$1,779,656, \$1,773,821, and \$1,856,588, respectively; 72.50% has been contributed for 2003 and 100% has been contributed for 2002 and 2001. The City and plan members did not make any contributions to the member-directed plan for 2003.

*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, 2003 and 2002 were approximately \$295,059 and \$284,000, respectively, equal to 100% of the required contribution for each year.

**B. Ohio Police and Fire Pension Fund**

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0% of their annual covered salary to fund pension obligations while the City is required to contribute 19.5% for police officers and 24.0% for firefighters. Contributions are authorized by State statute. The City's contributions to the Fund for police and firefighters were \$1,235,894 and \$1,165,254 for the year ended December 31, 2003, \$1,176,325 and \$1,075,911 for the year ended December 31, 2002, and \$1,082,658 and \$986,179 for the year ended December 31, 2001. The full amount has been contributed for 2002 and 2001. 71.62% for police and 70.14% for firefighters has been contributed for 2003 with the remainder being reported as a liability in the respective funds.

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

**NOTE 18 - POSTRETIREMENT BENEFIT PLANS**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2003 local government employer contribution rate was 13.55% of covered payroll (16.70% for public safety and law enforcement); 5.00% of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPER's latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8.00%, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase 4.00% annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 364,881. Actual employer contributions for 2003 which were used to fund postemployment benefits were \$1,040,910. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2002 (the latest information available) were \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

**Component Unit** - The actuarially determined and statutorily required contribution requirement from the WRTA for the years ended December 31, 2003, 2002 and 2001 were \$172,549, \$166,000 and \$137,005, respectively.

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

**NOTE 18 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

**B. Ohio Police and Fire Pension Fund**

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F 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 rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll, of which 7.75% of covered payroll was applied to the postemployment health care program during 2003. 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. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2003 that were used to fund postemployment benefits were \$813,681 for police and \$555,948 for firefighters. The OP&F's total health care expense for the year ended December 31, 2002 (the latest information available) was \$141,028,006, which was net of member contributions of \$12,623,875. The number of OP&F participants eligible to receive health care benefits as of December 31, 2002 (the latest information available), was 13,527 for police and 10,396 for firefighters.

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

**NOTE 19 - BUDGETARY BASIS OF ACCOUNTING**

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund and major special revenue fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

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

**Net Change in Fund Balance**

	<u>General</u>	<u>Fire Levy</u>	<u>Police Levy</u>	<u>Community Development</u>
Budget basis	\$ 836,266	\$ 49,684	\$ 333,165	\$ (294,901)
Net adjustment for revenue accruals	80,287	180,984	236,633	(569,698)
Net adjustment for expenditure accruals	(319,418)	(216,327)	(69,670)	49,062
Net adjustment for other financing sources/uses	(2,267,964)	-	-	-
Adjustment for encumbrances	<u>277,592</u>	<u>33,910</u>	<u>30,289</u>	<u>268,921</u>
GAAP basis	<u>\$ (1,393,237)</u>	<u>\$ 48,251</u>	<u>\$ 530,417</u>	<u>\$ (546,616)</u>

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

**NOTE 20 - CONTINGENT LIABILITIES**

**A. Litigation**

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

*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.

**B. Federal and State Grants**

*Primary Government* - For the period January 1, 2003, to December 31, 2003, 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, 2003, 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 21 – SUBSEQUENT EVENTS**

The City is currently experiencing certain negative financial conditions. As of December 31, 2003, the following funds had negative cash balances:

<b>Fund</b>	<b>Deficit</b>
General Fund	\$ 1,149,099
Street Construction, Maintenance & Repair	28,523
Fire Levy	455,613
Water	1,969,282
Convocation Center Project Fund	333,964
Meadowbrook Pump Station	1,191,414
Health Services for the Homeless	4,248
Litter Control Program	128,613
Demolition Fund	73,457
Weed & Seed Grant Fund	8,482
Juvenile Diversion Grant Fund	71,551

**CITY OF YOUNGSTOWN, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

During the twelve month period ending December 31, 2004 the City reflected deficit cash fund balances as of that date in the following funds:

<b>Fund</b>	<b>Deficit</b>
Water	\$ 379,015
Meadowbrook Pump Station	1,267,228
Wick Building	76,289
Hospitalization-Life Insurance	913
Health Services for the Homeless	5,687
Juvenile Diversion Grant Fund	113,356

For fiscal 2004, the City faces some challenges, like a 27<sup>th</sup> pay period and the expiration of police contracts. The City did negotiate a 0% increase in health care premiums, acquired 10% premium co-payments for management employees, and is currently trying to implement employee co-payments from union members. Also during 2003, the City settled a lawsuit with the EPA regarding inflow and infiltration violations. Remediation costs could have been upwards of \$200 million, but will be much lower under the terms of the settlement at about \$25 million. As the City prepares to make improvements, it has implemented five-year rate increases in the enterprise funds. The City has sufficient cash flow levels in the enterprise funds and healthy financial operations.

In March 2004, the City announced that a \$30 million, 7,000-seat convention center will be constructed using a combination of federal, state, and developer funds. The City will contribute \$2 million in cash from its utility funds toward the cost of the project.

Projections estimate that the City's annual share of the operating profit will be \$700,000. Since the city cash-funded its portion of the project through a federal grant, the \$700,000 will go directly to the bottom line instead of paying any associated debt service. The center is expected to open in November 2005 and will host a minor league hockey team. Other events will include shows that Global Entertainment Corporation, manager of the center, promote such as World Wrestling Entertainment Inc. exhibitions and Disney on Ice.



**CITY OF YOUNGSTOWN  
MAHONING COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

<b>Federal Grantor/ Pass Through Grantor/ Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Disbursements</b>
<b><u>US DEPT OF HOUSING AND URBAN DEVELOPMENT</u></b>				
<i>Direct Programs</i>				
Community Development Block Grant/ Entitlement Grants -24th Yr	B-98-MC-39-0023	14.218	\$84,864	\$84,864
Community Development Block Grant/ Entitlement Grants -25th Yr	B-99-MC-39-0023	14.218	465,267	465,267
Community Development Block Grant/ Entitlement Grants -26th Yr	B-00-MC-39-0023	14.218	525,863	525,863
Community Development Block Grant/ Entitlement Grants -27th Yr	B-01-MC-39-0023	14.218	880,205	940,103
Community Development Block Grant/ Entitlement Grants -28th Yr	B-02-MC-39-0023	14.218	2,243,651	2,831,692
Community Development Block Grant/ Entitlement Grants -29th Yr	B-03-MC-39-0023	14.218	1,913,753	2,042,186
Section 108 Loan Fund	B-03-MC-39-0023	14.218	-	270,400
Subtotal			6,113,603	7,160,375
Emergency Shelter Grants Program	S-01-MC-39-0023	14.231	12,000	12,000
Emergency Shelter Grants Program	S-02-MC-39-0023	14.231	149,176	149,176
Emergency Shelter Grants Program	S-03-MC-39-0023	14.231	33,846	33,846
Subtotal			195,022	195,022
Homeless Outreach and Care Nurse	OH-16B02-1004	14.238	47,000	55,200
HOME Investment Partnerships Program	M-98-MC-39-0209	14.239	10,135	10,135
HOME Investment Partnerships Program	M-99-MC-39-0209	14.239	43,962	43,962
HOME Investment Partnerships Program	M-00-MC-39-0209	14.239	149,989	149,989
HOME Investment Partnerships Program	M-01-MC-39-0209	14.239	316,412	316,412
HOME Investment Partnerships Program	M-02-MC-39-0209	14.239	602,675	602,675
HOME Investment Partnerships Program	M-03-MC-39-0209	14.239	68,200	76,331
Subtotal			1,191,373	1,199,504

CITY OF YOUNGSTOWN  
MAHONING COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2003

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<b><u>US DEPT OF HOUSING AND URBAN DEVELOPMENT</u></b>				
<i>Direct Programs</i>				
CDBG Economic Development Initiative	B-00-SP-OH-0455	14.246	1,925,793	1,925,793
<b>Total US Dept of Housing and Urban Development</b>			<b>9,472,791</b>	<b>10,535,894</b>
<b><u>US DEPARTMENT OF JUSTICE</u></b>				
<i>Direct Programs</i>				
Local Law Enforcement Block Grants Program	02-LB-BX-2765	16.592	88,341	137,070
COPS Universal Hiring Grant	97-UM-WX-0661	16.710	132,067	132,067
<i>Passed Through Governor's Office of Criminal Justice Services</i>				
Juvenile Diversion Grant	JB-013-A048	16.523	84,172	115,772
Byrne Formula Grant	DG-H01-9097	16.579	415,806	163,838
Weed and Seed Grant	WS-QX-0010	16.595	164,531	260,916
<b>Total US Department of Justice</b>			<b>884,917</b>	<b>809,663</b>
<b><u>US DEPARTMENT OF TRANSPORTATION</u></b>				
<i>Passed thru Governor's Office of Highway Safety</i>				
State and Community Highway Safety	AG-1824	20.600	12,784	12,784
Alcohol Traffic Safety & Drunk Driving Prevention	AG-1807	20.601	25,384	25,384
<b>Total US Department of Transportation</b>			<b>38,168</b>	<b>38,168</b>
<b><u>US ENVIRONMENTAL PROTECTION AGENCY</u></b>				
<i>Passed thru Ohio Environmental Protection Agency</i>				
Air Pollution Control Program Support	SFY 2001-2	66.001	258,116	258,116
<i>Home Security - Direct Program</i> Vulnerability Assessments at Water Utilities	HS-83078301-1	66.476	108,452	108,452
<b>Total US Environmental Protection Agency</b>			<b>366,568</b>	<b>366,568</b>

**CITY OF YOUNGSTOWN  
MAHONING COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Disbursements</b>
<b><u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u></b>				
<i>Direct Program</i>				
Public Assistance Grant	FEMA-1484-DR-099	83.448	76,099	76,099
<i>Passed Through Ohio Emergency Management Agency</i>				
Assistance to Firefighters Grant	EMW-FG-18430	83.554	9,256	9,256
<i>Total Federal Emergency Management Agency</i>			<b>85,355</b>	<b>85,355</b>
<b><u>US DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>				
<i>Passed Through Ohio Department of Health</i>				
Immunization Action Plan Grant	50-2-1-P-AZ-GRF	93.268	141,039	129,769
Federal AIDS Prevention	50-2-1-P-AS-392	93.940	273,440	308,881
Sexually Transmitted Disease Control	50-2-01-2-BX-392	93.977	20,570	14,909
Maternal and Child Health Block Grant	50-2-01-F-AJ-320	93.994	7,265	14,325
Dental Sealant Grant	50-2-01-F-AJ-320	93.994	25,000	42,773
<i>Total US Department of Health and Human Services</i>			<b>467,314</b>	<b>510,657</b>
<b>Total Receipts and Expenditures of Federal Awards</b>			<b>\$11,315,113</b>	<b>\$12,346,305</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

**CITY OF YOUNGSTOWN  
MAHONING COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B-- COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS**

The City of Youngstown 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 City of Youngstown. 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 and/or tangible personal property. At December 31, 2003, the net amount of loans outstanding under this program were \$3,823,518.

**NOTE C -- MATCHING REQUIREMENTS**

Certain Federal programs require that the City of Youngstown contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has complied with the matching requirements for all federal financial assistance programs. The expenditure of non-Federal matching funds is not included on the Schedule.

**NOTE D -- COMMINGLING OF FEDERAL FUNDS**

The City does not account for all federal grants in separate funds. Consequently, it is impracticable to specifically identify federal financial assistance program expenditures for each federal financial assistance program. Consequently, in certain cases, federal financial assistance expenditures reflected in the Schedule of Federal Awards Expenditures are based on the FIFO method, i.e. first in, first out.

**NOTE E -- SUBRECIPIENTS**

The City of Youngstown passes-through certain Federal assistance received from Community Development Block Grants and the HOME Investment Partnership Program to other governments or not-for-profit agencies (subrecipients). As described in Note A, the City of Youngstown records expenditures of Federal awards to subrecipients when paid in cash. It is not practicable to identify total amounts provided to subrecipients for each federal program.

The subrecipient agencies have certain compliance responsibilities related to administering these Federal Programs. Under Federal Circular A-133, the City of Youngstown 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.



## Auditor of State Betty Montgomery

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

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

To Members of Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Youngstown, Mahoning County, Ohio (the City), as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 7, 2005. We did not audit the financial statements of the 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the City of Youngstown's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect 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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 and 2003-002. We also noted certain immaterial instances of noncompliance that we have reported to City of Youngstown's management in a separate letter dated January 7, 2005.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Youngstown's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 of Youngstown's ability to record, process, summarize and report financial data consistent with the management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2003-003.

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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. We consider item 2003-003 listed above to be a material weakness. 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 the City of Youngstown's management in a separate letter dated January 7, 2005.

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

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

**Betty Montgomery**  
Auditor of State

January 7, 2005



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To Members of 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, 2003. 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 of Youngstown'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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the City of Youngstown's compliance with those requirements and performing such other procedures as we consider 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, 2003. However, 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 January 7, 2005.

### **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 of Youngstown's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



**Betty Montgomery**  
Auditor of State

January 7, 2005



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

**CITY OF YOUNGSTOWN  
MAHONING COUNTY  
DECEMBER 31, 2003**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<b>(d)(1)(i)</b>	Type of Financial Statement Opinion	<b>Unqualified</b>
<b>(d)(1)(ii)</b>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	<b>Yes</b>
<b>(d)(1)(ii)</b>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	<b>No</b>
<b>(d)(1)(iii)</b>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	<b>Yes</b>
<b>(d)(1)(iv)</b>	Were there any material internal control weakness conditions reported for major federal programs?	<b>No</b>
<b>(d)(1)(iv)</b>	Were there any other reportable internal control weakness conditions reported for major federal programs?	<b>No</b>
<b>(d)(1)(v)</b>	Type of Major Programs' Compliance Opinion	<b>Unqualified</b>
<b>(d)(1)(vi)</b>	Are there any reportable findings under § .510?	<b>No</b>
<b>(d)(1)(vii)</b>	Major Programs (list):	Community Development Block Grants/Entitlement Grants - <b>CFDA #14.218</b>  HOME Investment Partnerships Program - <b>CFDA #14.239</b>  Economic Development Initiative Program - <b>CFDA #14.246</b>
<b>(d)(1)(viii)</b>	Dollar Threshold: Type A/B Programs	Type A: > \$ 370,389 Type B: all others
<b>(d)(1)(ix)</b>	Low Risk Auditee?	<b>No</b>

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

<b>Finding Number</b>	<b>2003-001</b>
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**Noncompliance Citation - Material Citation:**

Ohio Revised 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 money from another fund or funds has been used to pay the obligations of the fund carrying the deficit balance. As of December 31, 2003, the following funds had negative cash balances:

General Fund #001	(\$ 1,149,099)
Street Construction, Maintenance & Repair #106	(\$ 28,523)
Fire Levy #110	(\$ 455,613)
Water #103	(\$ 1,969,282)
Capital Projects Public Works #250	(\$ 333,964)
Meadowbrook Pump Station #429	(\$ 1,191,413)
Demolition Fund #251	(\$ 73,457)
Health Services for Homeless #665	(\$ 4,248)
Litter Control Program #680	(\$ 128,613)
Weed and Seed grant #710	(\$ 8,482)
Juvenile Diversion #711	(\$ 71,551)

We also noted that during the course of our testing in the year under audit, deficit fund balances existed in numerous funds contrary to the aforementioned code section.

We recommend, where possible, the Finance Director certify the availability of funds prior to any expenditures being made.

<b>Finding Number</b>	<b>2003-002</b>
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**Noncompliance Citation - Material Citation:**

Ohio Revised Code Section 5705.41 (D) states that: "no subdivision or taxing unit shall make any contract or order involving the expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificates - If no certificate is furnished as required, upon request of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the City may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.

<b>Finding Number (Continued)</b>	<b>2003-002</b>
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- B. If the amount involved is less than one thousand dollars (three thousand dollars effective April 7, 2003) the fiscal officer issues a certificate, but may authorize it to be paid without the affirmation of Council, if such expenditure is otherwise valid.

Of the sixty (60) expenditures examined in our disbursement testing, none were found to be certified by the Finance Director.

We recommend, where possible, that the Finance Director, certify the availability of funds prior to expenditures being made. When prior certification is not feasible, we encourage the Finance Director to utilize Then and Now Certificates to ensure that purchases are certified upon entering into a contract or order involving the expenditure of the City's money as per the requirements set forth in Ohio Revised Code Section 5705.41 (D).

<b>Finding Number</b>	<b>2003-003</b>
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**Reportable Condition/Material Weakness - Disbursements**

The following weaknesses existed in the City's disbursement cycle:

1. The City does not consistently apply the encumbrance method of accounting. We noted exceptions in 70% of the vouchers tested during the year, whereby direct pay orders and purchase orders were dated subsequent to the invoice date. We also noted exceptions in 76% of the vouchers tested for the months of January, February and March of 2004. These expenditures were for goods and services ordered and received in 2003, however purchase orders were not issued until 2004. Additionally, our testing indicated purchase orders were not authorized nor certified for all purchases. We noted that 100% of the vouchers tested during the year were not certified.
2. Packing slips or receiving slips were not always attached to vouchers as supporting documentation for payments. Of the vouchers tested, 80% were not stamped "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.

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

1. Purchase requests should be certified by the fiscal officer and posted as encumbrances in the accounting system at the time the order is placed with the vendor. All purchase orders should be reviewed and approved by an appropriate official before any commitments or payments are made. Also, department heads should certify on the purchase order, or other voucher support documentation, that goods or services are received.
2. 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.

The City should have a formalized accounting policies and procedures manual. The accounting policies and procedures manual should address who is authorized to initiate transactions as well as related approvals. This should also address policies and procedures to be followed regarding proper cutoff of the posting of expenditure transactions to ensure they are recorded in the proper period.

**CITY OF YOUNGSTOWN  
MAHONING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
DECEMBER 31, 2003**

<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
<b>2002-001</b>	Internal control weaknesses in the City disbursement cycle.	<b>No</b>	Partially Corrected, Some Weaknesses Repeated
<b>2002-002</b>	Ohio Revised 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 City had funds with negative cash balances.	<b>No</b>	Not Corrected, Repeated
<b>2002-003</b>	Ohio Revised Code, Section 5705.39, provides that appropriations not exceed amounts certified as available by the budget commission.	<b>No</b>	Not Corrected, Repeated in Management Letter
<b>2002-004</b>	Ohio Revised Code, Section 5705.41 (D), 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."	<b>No</b>	Not Corrected, Repeated

**CITY OF YOUNGSTOWN  
MAHONING COUNTY  
FOR THE YEAR ENDED DECEMBER 31, 2003**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A-133 §.315 (c)**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
<b>2003-001</b>	<p>In 2002 the City passed an additional ½% Income Tax increase. We believe that over a two-year period, we will generate enough revenue to resolve all outstanding year-end negative balances.</p> <p>The City passed water rate increases of 8.5% beginning January 1, 2004 and 5.5% beginning January 1, 2005 to resolve negative balances in the Water Fund.</p> <p>The City has secured long term financing for capital projects in the Water Fund and the Meadowbrook Pump Station to resolve negative balances in those funds.</p>	01/2005	Finance Director
<b>2003-002</b>	<p>The City agrees that the Director of Finance needs to certify the availability of funds prior to expenditure. We currently do not have the staffing to accomplish this task. When additional staffing is available, we will implement a system which complies with the applicable law.</p>	10/2005	Finance Director
<b>2003-003</b>	<p>We believe that implementing a Central Purchasing system will substantially eliminate these problems. Once funds are available to hire additional staff, we intend to centralize the purchasing function and address and correct all the current weaknesses in the disbursement cycle.</p>	01/2006	Finance Director





**Auditor of State  
Betty Montgomery**

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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.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 24, 2005**