



Mary Taylor, CPA  
Auditor of State





# Dave Yost • Auditor of State

February 10, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Reports completed prior to that date contain the signature of my predecessor.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

DAVE YOST  
Auditor of State

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**CITY OF YOUNGSTOWN  
MAHONING COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Members of Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Youngstown, Mahoning County, Ohio (the City), as of and for the year ended December 31, 2009, 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 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Youngstown, Mahoning County, Ohio, as of December 31, 2009, and the respective changes in financial position and cash flows, thereof and the respective budgetary comparison for the General, Police Levy, Fire Levy, Community Development Block Grant and Covelli Centre Project funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2010, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine 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 also not a required part 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.

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

**Mary Taylor, CPA**  
Auditor of State

October 28, 2010

## CITY OF YOUNGSTOWN, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009 UNAUDITED

The management's discussion and analysis of the City of Youngstown's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2009. 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 2009 are as follows:

- The City restated net assets as described in Note 3.D. The total net assets of the City decreased \$167,710. Net assets of governmental activities increased \$1,582,752 or 2.23% from 2008 and net assets of business-type activities decreased \$1,750,462 or 2.84% from 2008.
- General revenues accounted for \$51,530,576 or 64.99% of total governmental activities revenue. Program specific revenues accounted for \$27,761,486 or 35.01% of total governmental activities revenue of \$79,292,062.
- The City had \$77,709,310 in expenses related to governmental activities; \$27,761,486 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$49,947,824 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$51,530,576.
- The general fund had revenues and other financing sources of \$39,717,685 in 2009. This represents a decrease of \$2,241,804 from 2008. The expenditures and other financing uses of the general fund, which totaled \$38,721,489 in 2009, decreased \$2,766,403 from 2008. The increase in fund balance was \$999,196 in the general fund at December 31, 2009.
- The fire levy fund had revenues and other financing sources of \$13,271,505 in 2009. This represents a decrease of \$412,626 from 2008. The expenditures of the fire levy fund, which totaled \$13,884,554 in 2009, decreased \$44,743 from 2008. The decrease in fund balance was \$613,049 in the fire levy fund at December 31, 2009.
- The police levy fund had revenues and other financing sources of \$19,100,758 in 2009. This represents a decrease of \$1,740,736 from 2008. The expenditures of the police levy fund, which totaled \$20,527,727 in 2009, decreased \$538,240 from 2008. The decrease in fund balance was \$1,426,969 in the police levy fund at December 31, 2009.
- The community development fund had revenues of \$5,071,452 in 2009. This represents an increase of \$571,366 from 2008. The expenditures and other financing uses of the community development fund, which totaled \$5,233,042 in 2009, increased \$400,835 from 2008. The decrease in fund balance was \$161,590 in the community development fund at December 31, 2009.
- The Covelli centre project fund had revenues and other financing sources of \$1,174,533 in 2009. This represents an increase of \$35,727 from 2008. The expenditures of the Covelli centre project fund, which totaled \$1,236,943 in 2009, decreased \$57,642 from 2008. The decrease in fund balance was \$62,410 in the Covelli centre project fund at December 31, 2009.
- The bond retirement fund had of \$2,363,702 in 2009. This represents a decrease of \$527,674 from 2008. The expenditures of the bond retirement fund, which totaled \$2,514,880 in 2009, decreased \$391,388 from 2008. The decrease in fund balance was \$151,178 in the bond retirement fund at December 31, 2009.

## CITY OF YOUNGSTOWN, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009 UNAUDITED

- The business development fund had revenues and other financing sources of \$6,367,631 in 2009. This represents an increase of \$2,373,534 from 2008. The expenditures of the business development fund, which totaled \$11,175,078 in 2009, increased \$7,374,896 from 2008. The decrease in fund balance was \$4,807,447 in the business development fund at December 31, 2009.
- Net assets for the business-type activities, which are made up of the sewer and water enterprise funds, decreased in 2009 by \$1,750,462. The enterprise funds did not have 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.

#### **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 2009?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. The accrual basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's net 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.

The City's statement of net assets and statement of activities can be found on pages 18-20 of this report.

## CITY OF YOUNGSTOWN, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009 UNAUDITED

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

##### ***Fund Financial Statements***

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

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focuses 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.

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, Covelli centre project, bond retirement and business development funds. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 21-31 of this report.

##### ***Proprietary Funds***

The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sewer and water operations. The sewer and water funds are considered major funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City's internal service fund accounts for worker's compensation insurance. The basic proprietary fund financial statements can be found on pages 32-35 of this report.

##### ***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency funds are the City's only fiduciary fund type. The basic fiduciary fund financial statement can be found on page 36 of this report.

**CITY OF YOUNGSTOWN, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
UNAUDITED**

***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 37-74 of this report.

**Government-Wide Financial Analysis**

The table below provides a summary of the City's net assets for 2009 and 2008 as restated in Note 3.D.:

	Governmental Activities 2009	Business-type Activities 2009	Net Assets Restated		2009 Total	Restated 2008 Total
			Governmental Activities 2008	Business-type Activities 2008		
<u>Assets</u>						
Current and other assets	\$ 30,966,955	\$ 9,250,651	\$ 31,773,084	\$ 11,968,789	\$ 40,217,606	\$ 43,741,873
Capital assets	<u>104,651,882</u>	<u>63,524,851</u>	<u>94,584,870</u>	<u>62,950,256</u>	<u>168,176,733</u>	<u>157,535,126</u>
Total assets	<u>135,618,837</u>	<u>72,775,502</u>	<u>126,357,954</u>	<u>74,919,045</u>	<u>208,394,339</u>	<u>201,276,999</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	36,088,494	10,601,184	33,850,801	10,829,376	46,689,678	44,680,177
Other liabilities	<u>26,826,363</u>	<u>2,254,627</u>	<u>21,385,925</u>	<u>2,419,516</u>	<u>29,080,990</u>	<u>23,805,441</u>
Total liabilities	<u>62,914,857</u>	<u>12,855,811</u>	<u>55,236,726</u>	<u>13,248,892</u>	<u>75,770,668</u>	<u>68,485,618</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	74,840,462	54,706,353	69,610,269	53,866,528	129,546,815	123,476,797
Restricted	11,998,040	-	13,524,083	-	11,998,040	13,524,083
Unrestricted (deficit)	<u>(14,134,522)</u>	<u>5,213,338</u>	<u>(12,013,124)</u>	<u>7,803,625</u>	<u>(8,921,184)</u>	<u>(4,209,499)</u>
Total net assets	<u>\$ 72,703,980</u>	<u>\$ 59,919,691</u>	<u>\$ 71,121,228</u>	<u>\$ 61,670,153</u>	<u>\$ 132,623,671</u>	<u>\$ 132,791,381</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2009, the City's assets exceeded liabilities by \$132,623,671, a decrease of \$167,710 from December 31, 2008. At year-end, net assets were \$72,703,980 and \$59,919,691 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 80.70% of total assets. Capital assets include land, buildings, improvement other than buildings, machinery and equipment, vehicles, infrastructure and construction in progress. Capital assets, net of related debt to acquire the assets at December 31, 2009, were \$74,840,462 and \$54,706,353 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, \$11,998,040, at December 31, 2009, 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, 2009  
UNAUDITED**

The table below shows the changes in net assets for fiscal years 2009 and 2008 as restated in Note 3.D.

	<b>Change in Net Assets</b>					
			<u>Restated</u>		2009 Total	Restated 2008 Total
	Governmental Activities 2009	Business-type Activities 2009	Governmental Activities 2008	Business-type Activities 2008		
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 11,205,705	\$ 41,286,941	\$ 9,284,246	\$ 39,640,874	\$ 52,492,646	\$ 48,925,120
Operating grants and contributions	13,846,828	-	10,801,918	-	13,846,828	10,801,918
Capital grants and contributions	<u>2,708,953</u>	<u>-</u>	<u>1,305,034</u>	<u>-</u>	<u>2,708,953</u>	<u>1,305,034</u>
Total program revenues	<u>27,761,486</u>	<u>41,286,941</u>	<u>21,391,198</u>	<u>39,640,874</u>	<u>69,048,427</u>	<u>61,032,072</u>
General revenues:						
Property taxes	2,311,972	-	2,355,765	-	2,311,972	2,355,765
Income taxes	41,293,461	-	46,861,971	-	41,293,461	46,861,971
Unrestricted grants and entitlements	3,945,587	-	5,280,469	-	3,945,587	5,280,469
Payment in lieu of taxes	182,879	-	318,241	-	182,879	318,241
Investment earnings	57,699	6,001	112,922	32,428	63,700	145,350
Sale of capital assets	977,967	9,733	-	-	987,700	-
Sale of easements	-	-	1,242,629	-	-	1,242,629
Miscellaneous	<u>2,761,011</u>	<u>10,737</u>	<u>3,735,398</u>	<u>29,111</u>	<u>2,771,748</u>	<u>3,764,509</u>
Total general revenues	<u>51,530,576</u>	<u>26,471</u>	<u>59,907,395</u>	<u>61,539</u>	<u>51,557,047</u>	<u>59,968,934</u>
Total revenues	<u>79,292,062</u>	<u>41,313,412</u>	<u>81,298,593</u>	<u>39,702,413</u>	<u>120,605,474</u>	<u>121,001,006</u>
Expenses:						
General government	12,208,060	-	13,536,677	-	12,208,060	13,536,677
Security of persons and property	39,462,307	-	38,345,224	-	39,462,307	38,345,224
Public health and welfare	2,612,375	-	2,538,509	-	2,612,375	2,538,509
Transportation	8,620,079	-	9,735,133	-	8,620,079	9,735,133
Community environment	6,371,906	-	5,271,235	-	6,371,906	5,271,235
Leisure time activity	3,170,263	-	3,088,174	-	3,170,263	3,088,174
Utility services	3,136,676	-	3,144,131	-	3,136,676	3,144,131
Interest and fiscal charges	2,127,644	-	2,282,241	-	2,127,644	2,282,241
Water	-	24,975,276	-	21,853,778	24,975,276	21,853,778
Sewer	<u>-</u>	<u>18,088,598</u>	<u>-</u>	<u>15,231,428</u>	<u>18,088,598</u>	<u>15,231,428</u>
Total expenses	<u>77,709,310</u>	<u>43,063,874</u>	<u>77,941,324</u>	<u>37,085,206</u>	<u>120,773,184</u>	<u>115,026,530</u>
Increase (decrease) in net assets before transfers	1,582,752	(1,750,462)	3,357,269	2,617,207	(167,710)	5,974,476
Transfers	<u>-</u>	<u>-</u>	<u>651,493</u>	<u>(651,493)</u>	<u>-</u>	<u>-</u>
Change in net assets	1,582,752	(1,750,462)	4,008,762	1,965,714	(167,710)	5,974,476
Net assets at beginning of year	<u>71,121,228</u>	<u>61,670,153</u>	<u>67,112,466</u>	<u>59,704,439</u>	<u>132,791,381</u>	<u>126,816,905</u>
Net assets at end of year	<u>\$ 72,703,980</u>	<u>\$ 59,919,691</u>	<u>\$ 71,121,228</u>	<u>\$ 61,670,153</u>	<u>\$ 132,623,671</u>	<u>\$ 132,791,381</u>

**CITY OF YOUNGSTOWN, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
UNAUDITED**

**Governmental Activities**

Governmental activities net assets increased by \$1,582,752 in 2009. This increase is a result of the City's overall revenues exceeding expenses total.

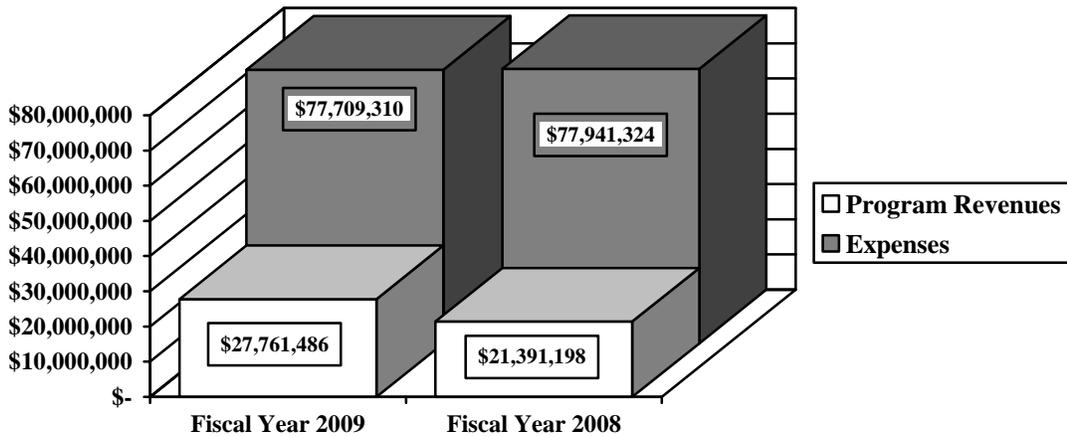
Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$39,462,307 of the total expenses of the City during 2009. These expenses were partially funded by \$1,351,556 in direct charges to users of the services and \$2,393,565 in grants and contributions. General government expenses totaled \$12,208,060. General government expenses were partially funded by \$5,642,488 in direct charges to users of the services, and \$2,708,953 in capital grants and contributions.

During 2009, the state and federal government and other local sources contributed to the City a total of \$13,846,828 in operating grants and contributions and \$2,708,953 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$7,420,638 subsidized community environment programs, \$2,722,616 subsidized transportation programs, \$1,309,959 subsidized public health and welfare programs, and \$2,393,565 subsidized security of persons and property programs.

General revenues totaled \$51,530,576, and amounted to 64.99% of total governmental revenues during 2009. These revenues primarily consist of income tax revenue of \$41,293,461. 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 \$2,311,972 and \$3,945,587, 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.

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



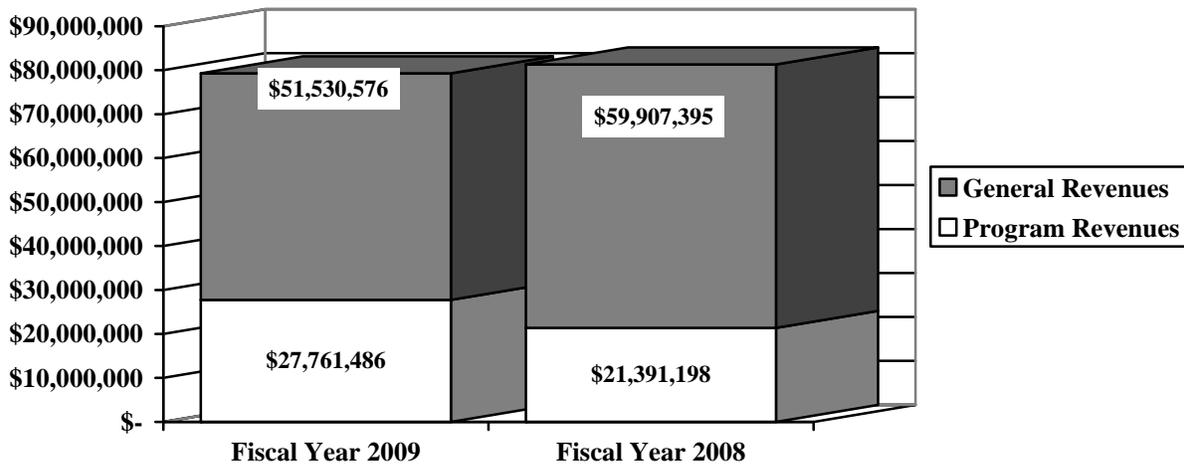
**CITY OF YOUNGSTOWN, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
UNAUDITED**

	<b>Governmental Activities</b>			
	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>	<b>Restated</b>	
			<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
	<b>2009</b>	<b>2009</b>	<b>2008</b>	<b>2008</b>
Program Expenses:				
General government	\$ 12,208,060	\$ 3,856,619	\$ 13,536,677	\$ 4,632,652
Security of persons and property	39,462,307	35,717,186	38,345,224	35,778,275
Public health and welfare	2,612,375	(2,399,507)	2,538,509	1,365,560
Transportation	8,620,079	5,624,743	9,735,133	6,413,461
Community environment	6,371,906	(1,092,377)	5,271,235	46,420
Leisure time activity	3,170,263	2,976,840	3,088,174	2,887,386
Utility services	3,136,676	3,136,676	3,144,131	3,144,131
Interest and fiscal charges	2,127,644	2,127,644	2,282,241	2,282,241
<b>Total</b>	<b>\$ 77,709,310</b>	<b>\$ 49,947,824</b>	<b>\$ 77,941,324</b>	<b>\$ 56,550,126</b>

The dependence upon general revenues for governmental activities is apparent, with 64.28% and 72.55% of expenses supported through taxes and other general revenues during 2009 and 2008, respectively.

**Governmental Activities - General and Program Revenues**



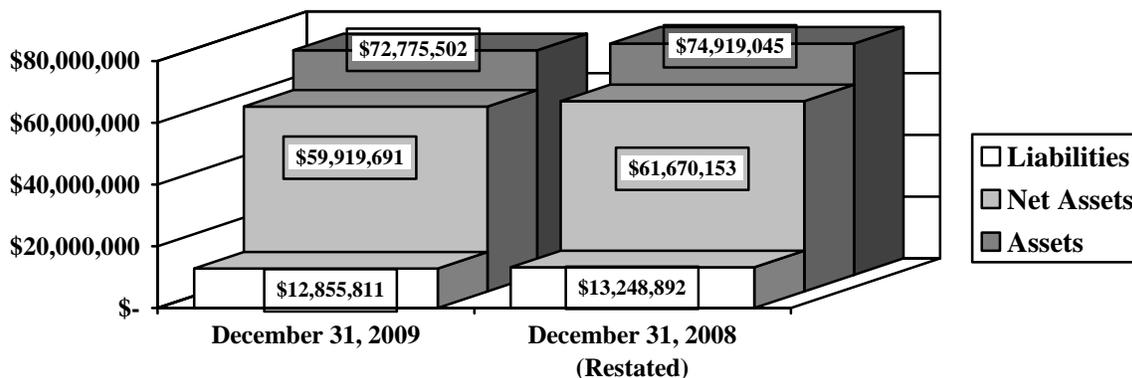
**CITY OF YOUNGSTOWN, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
UNAUDITED

**Business-type Activities**

Business-type activities include the sewer and water enterprise funds. These programs had program revenues of \$41,286,941, general revenues of \$26,471 and expenses of \$43,063,874 for 2009. The graph below shows the business-type activities assets, liabilities and net assets at year-end.

**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 deficit of \$11,562,620 which is \$6,594,020 higher than last year's deficit balance total of \$4,968,600. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2009 for all major and nonmajor governmental funds.

**CITY OF YOUNGSTOWN, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
UNAUDITED**

	Fund Balances (Deficit) <u>12/31/09</u>	Fund Balances (Deficit) <u>12/31/08</u>	Increase/ (Decrease)
Major funds:			
General	\$ 4,719,238	\$ 3,723,042	\$ 996,196
Fire levy	(971,514)	(358,465)	(613,049)
Police levy	(1,693,805)	(266,836)	(1,426,969)
Community development	935,743	1,097,333	(161,590)
Covelli centre project	(12,362,521)	(12,300,111)	(62,410)
Bond Retirement	708,536	859,714	(151,178)
Industrial property	(7,938,529)	(3,131,082)	(4,807,447)
Other nonmajor governmental funds	<u>5,040,232</u>	<u>5,407,805</u>	<u>(367,573)</u>
Total	<u>\$ (11,562,620)</u>	<u>\$ (4,968,600)</u>	<u>\$ (6,594,020)</u>

**General Fund**

The City's general fund balance increased \$996,196 throughout the year. The table that follows assists in illustrating the revenues of the general fund.

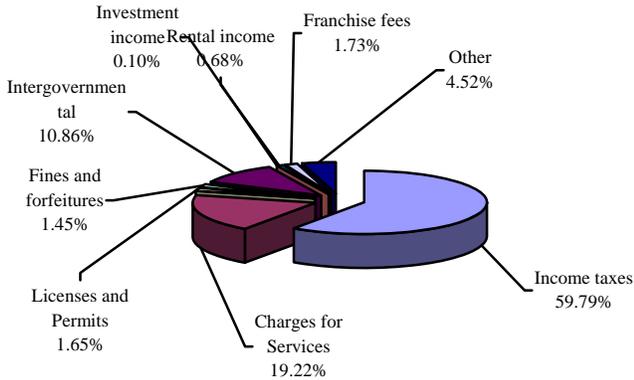
	<u>2009</u> <u>Amount</u>	<u>2008</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Income taxes	\$ 21,695,143	\$ 24,457,996	(11.30) %
Charges for services	6,973,607	5,938,537	17.43 %
Licenses and permits	600,478	658,659	(8.83) %
Fines and forfeitures	526,545	410,784	28.18 %
Intergovernmental	3,942,324	4,836,072	(18.48) %
Investment income	35,407	75,910	(53.36) %
Rental income	246,615	278,772	(11.54) %
Contributions and donations	-	3,600	(100.00) %
Franchise fees	626,276	745,447	(15.99) %
Other	<u>1,640,461</u>	<u>2,956,805</u>	(44.52) %
Total	<u>\$ 36,286,856</u>	<u>\$ 40,362,582</u>	(10.10) %

Income tax revenue represents 59.79% of all general fund revenue and decreased by 11.30% in 2009. Fines and forfeitures related to court costs and parking fines increased by 28.18% in 2009. Investment income decreased significantly due to the declining economy and interest rates. Contributions and donations decreased during 2009 from 2008 as a result of less donations received by the City. The decrease in other revenues is a result of a RITA retainer distribution refund back to the City in 2008. All other revenue remained comparable to 2008.

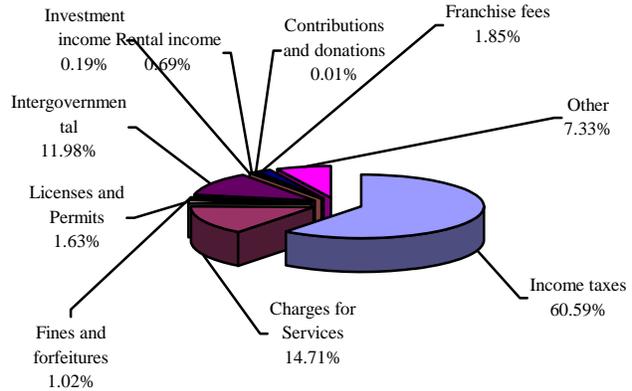
**CITY OF YOUNGSTOWN, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
UNAUDITED**

**Revenues – Fiscal Year 2009**



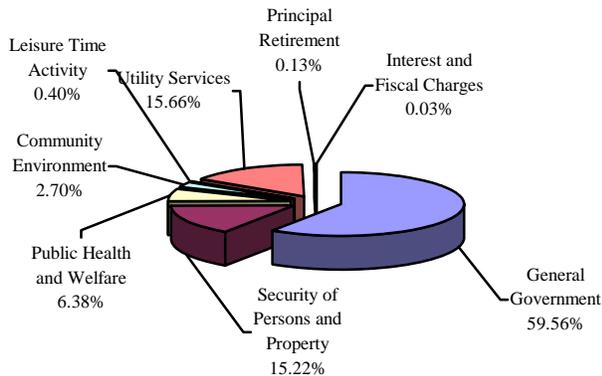
**Revenues – Fiscal Year 2008**



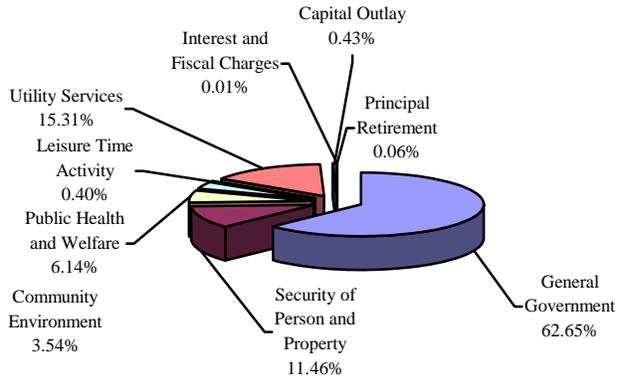
The table that follows assists in illustrating the expenditures of the general fund.

	<u>2009 Amount</u>	<u>2008 Amount</u>	<u>Percentage Change</u>
<b><u>Expenditures</u></b>			
General government	\$ 11,976,438	\$ 12,875,060	(6.98) %
Security of persons and property	3,060,420	2,353,526	30.04 %
Public health and welfare	1,282,207	1,261,549	1.64 %
Community environment	542,041	726,214	(25.36) %
Leisure time activity	79,652	81,385	(2.13) %
Utility services	3,136,676	3,144,131	(0.24) %
Capital outlay	-	87,960	(100.00) %
Principal retirement	25,361	11,622	118.22 %
Interest and fiscal charges	5,157	1,445	256.89 %
<b>Total</b>	<b><u>\$ 20,107,952</u></b>	<b><u>\$ 20,542,892</u></b>	<b>(2.12) %</b>

**Expenditures – Fiscal Year 2009**



**Expenditures – Fiscal Year 2008**



## CITY OF YOUNGSTOWN, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009 UNAUDITED

The most significant increase was in the area of security of persons and property, which was primarily related to increased costs associated with the emergency 911 system and street lights. Decreased spending on Federal Plaza events resulted in a decline in leisure time activities expenditures. The City entered into a capital lease for telephone and voicemail equipment which will be retired through the general fund, which resulted in expenditures in capital outlay and principal retirement during 2008.

#### ***Fire Levy Fund***

The fire levy fund had revenues and other financing sources of \$13,271,505 in 2009. This represents a decrease of \$412,626 from 2008. The expenditures of the fire levy fund, which totaled \$13,884,554 in 2009, decreased \$44,743 from 2008. The decrease in fund balance was \$613,049 in the fire levy fund at December 31, 2009.

#### ***Police Levy Fund***

The police levy fund had revenues and other financing sources of \$19,100,758 in 2009. This represents a decrease of \$1,740,736 from 2008. The expenditures of the police levy fund, which totaled \$20,527,727 in 2009, decreased \$538,240 from 2008. The decrease in fund balance was \$1,426,969 in the police levy fund at December 31, 2009.

#### ***Community Development Fund***

The community development fund had revenues of \$5,071,452 in 2009. This represents an increase of \$571,366 from 2008. The expenditures and other financing uses of the community development fund totaled \$5,233,042 in 2009, increased \$400,835 from 2008. The decrease in fund balance was \$161,590 in the community development fund at December 31, 2009.

#### ***Covelli Centre Project Fund***

The Covelli centre project fund had revenues and other financing sources of \$1,174,533 in 2009. This represents an increase of \$35,727 from 2008. The expenditures of the Covelli centre project fund, which totaled \$1,236,943 in 2009, decreased \$57,642 from 2008. The decrease in fund balance was \$62,410 in the Covelli centre project fund at December 31, 2009.

#### ***Bond Retirement Fund***

The bond retirement fund had of \$2,363,702 in 2009. This represents a decrease of \$527,674 from 2008. The expenditures of the bond retirement fund, which totaled \$2,514,880 in 2009, decreased \$391,388 from 2008. The decrease in fund balance was \$151,178 in the bond retirement fund at December 31, 2009.

#### ***Business Development Fund***

The business development fund had revenues and other financing sources of \$6,367,631 in 2009. This represents an increase of \$2,373,534 from 2008. The expenditures of the business development fund, which totaled \$11,175,078 in 2009, increased \$7,374,896 from 2008. The decrease in fund balance was \$4,807,447 in the business development fund at December 31, 2009.

#### ***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.

**CITY OF YOUNGSTOWN, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
UNAUDITED**

Budgetary information is presented for the general fund, fire levy, police levy, community development and Covelli centre fund. In the general fund, actual expenditures and other financing uses of \$40,474,765 came in \$988,631 higher than final budgeted expenditures of \$39,486,134. Original budgeted revenues and other financing sources of \$41,995,473 were decreased by \$2,276,005 to \$39,719,468 in the final budgeted revenues. Actual budgeted revenues and other financing sources were \$43,581,396 which were \$3,861,928 higher than final budgeted revenues.

***Proprietary Funds***

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

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2009, the City had \$168,176,733 (net of accumulated depreciation) invested in land, buildings, improvements other than buildings (I.O.T.B.), machinery and equipment, vehicles, infrastructure and construction in progress (CIP). Of this total, \$104,651,882 was reported in governmental activities and \$63,524,851 was reported in business-type activities. The following table shows fiscal 2009 balances compared to 2008:

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

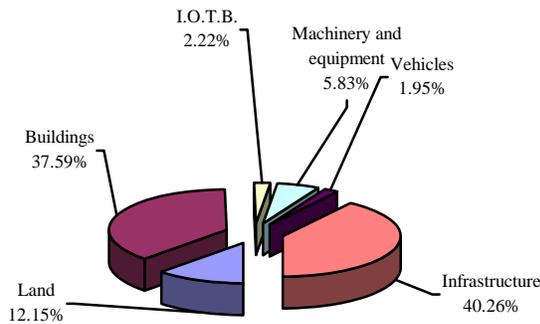
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land	\$ 12,712,840	\$ 6,222,946	\$ 345,591	\$ 345,591	\$ 13,058,431	\$ 6,568,537
C.I.P.	-	655,868	223,716	-	223,716	655,868
Buildings	39,340,084	37,795,834	24,129,241	24,934,963	63,469,325	62,730,797
I.O.T.B.	2,324,055	2,354,996	338,761	304,651	2,662,816	2,659,647
Machinery and equipment	6,096,426	6,703,789	5,095,720	5,400,712	11,192,146	12,104,501
Vehicles	2,040,996	2,376,099	1,542,350	1,136,872	3,583,346	3,512,971
Infrastructure	42,137,481	38,475,338	31,849,472	30,827,467	73,986,953	69,302,805
<b>Totals</b>	<b>\$ 104,651,882</b>	<b>\$ 94,584,870</b>	<b>\$ 63,524,851</b>	<b>\$ 62,950,256</b>	<b>\$ 168,176,733</b>	<b>\$ 157,535,126</b>

**CITY OF YOUNGSTOWN, OHIO**

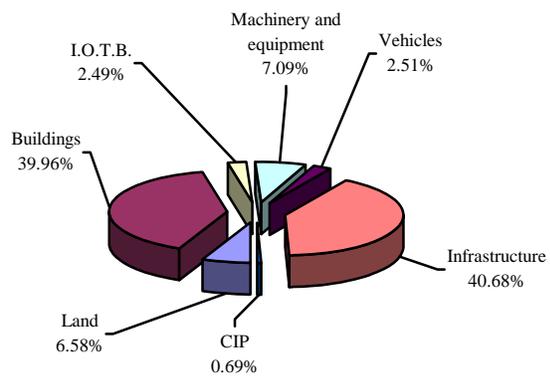
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
UNAUDITED**

The following graphs show the breakdown of governmental capital assets by category for 2009 and 2008.

**Capital Assets - Governmental Activities 2009**



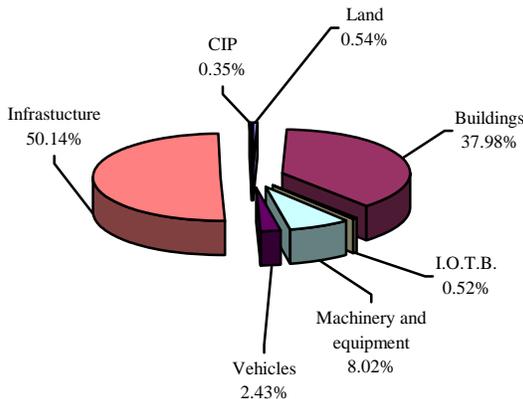
**Capital Assets - Governmental Activities 2008**



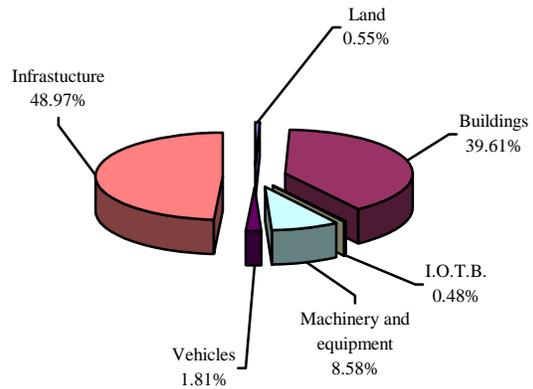
The City's largest governmental activities capital asset categories are buildings and infrastructure. The net book value of the City's buildings and infrastructure (cost less accumulated depreciation) represents approximately 37.59% and 40.26% of the City's total capital assets at December 31, 2009, respectively.

The following graphs show the breakdown of business-type capital assets by category for 2009 and 2008.

**Capital Assets - Business-Type Activities 2009**



**Capital Assets - Business-Type Activities 2008**



The City's 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 50.14% 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 YEAR ENDED DECEMBER 31, 2009  
UNAUDITED

***Debt Administration***

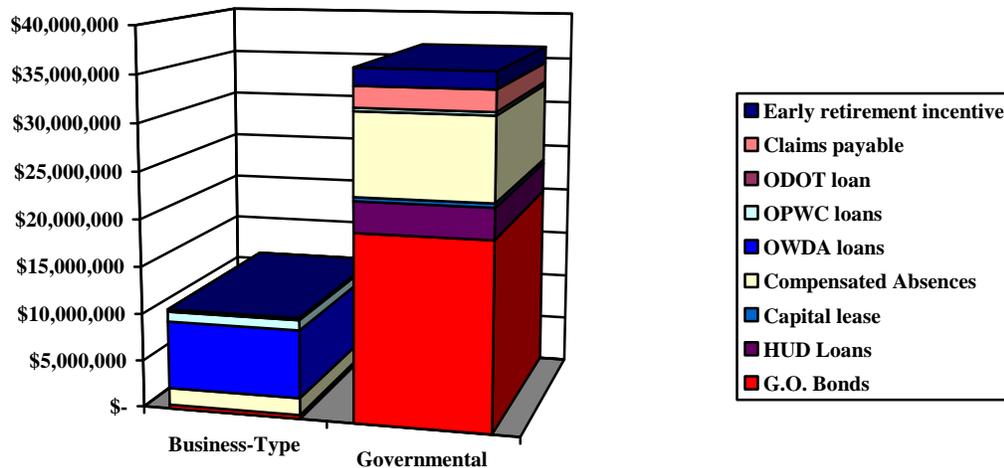
The City had the following long-term obligations outstanding at December 31, 2009 and 2008 as restated in Note 12:

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008 Restated</u>
General obligation bonds	\$ 19,720,000	\$ 20,960,000
HUD Section 108 loans	3,209,950	3,674,950
OPWC loan	342,860	364,289
Capital lease obligation	439,479	522,448
Claims payable	2,176,698	1,183,976
Early retirement incentive	1,795,584	-
Compensated absences	<u>8,825,611</u>	<u>8,767,614</u>
Total long-term obligations	<u>\$ 36,510,182</u>	<u>\$ 35,473,277</u>

	<u>Business-Type Activities</u>	
	<u>2009</u>	<u>2008</u>
General obligation bonds	\$ 425,000	\$ 630,000
OWDA loans	7,133,846	7,431,774
OPWC loan	1,071,621	1,086,805
ODOT loan	223,716	-
Compensated absences	<u>1,782,686</u>	<u>1,728,057</u>
Total long-term obligations	<u>\$ 10,636,869</u>	<u>\$ 10,876,636</u>

A comparison of the long-term obligations by category is depicted in the chart below. See Note 12 to the basic financial statements for further detail on the City's long-term obligations outstanding at year-end.

**Long-term obligations**



## **CITY OF YOUNGSTOWN, OHIO**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009 UNAUDITED**

#### **Economic Conditions and Outlook**

The City's administration considered the impact of various economic factors when establishing the 2010 budget. The economy in Youngstown was decimated during the last quarter century due to the collapse of its principal industry, iron and steel production. The City is working hard to build on the success of the last few years and leave its big industry past behind by continuing to aggressively pursue small light industrial and commercial development. So far, more than 7,500 new jobs have been created, with additional job opportunities anticipated as various development agreements are secured.

Over the past several years, the City has twice received SBA leadership awards for small business development and is continuing its efforts to locate and grow new industry in Youngstown. Nevertheless, the City continues to lose population and unemployment remains above the national average for 2010. The primary objectives of the City include aggressive investments in new development, a commitment to job creation, a continued emphasis on fiscal stability, as well as improving the quality of life for its citizens.

At the end of 2009 the City of Youngstown had a positive cash balance in its operating funds. The City's fortunate financial position is largely due to three factors: asset sales, aggressive cost containment, and employee reductions through buyouts, attrition and planned layoffs.

Building on the successes of the last few years, Mayor Williams' agenda of implementing Youngstown 2010 continues to provide a sturdy foundation for the future of Youngstown. Youngstown has come through its dependence on just one industry and is moving forward. Furthermore, the City continues to revitalize its economy, improve its quality of life and strengthen its future.

The City's current financial position is at risk, but remains tentatively balanced. Let there be no doubt, the City's core mission is straightforward: to continue with conservative budgeting practices, to stimulate economic growth, to create new and even better jobs, and ensure that Youngstown continues to embark on the path of steady growth. The City will continue to right itself relative to revenues and expenditures. For these reasons, as we slowly exit the most troubling period the economy has experienced since the 1930s, the City expects the actions undertaken by the administration to be successful in preserving the financial stability of the general fund by the end of 2010.

#### **Contacting the City's Financial Management**

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

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**CITY OF YOUNGSTOWN, OHIO**

STATEMENT OF NET ASSETS  
DECEMBER 31, 2009

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents. . . . .	\$ 5,221,788	\$ 1,637,739	\$ 6,859,527
Cash and cash equivalents with fiscal and escrow agents . . . . .	729,001	-	729,001
Receivables (net of allowances for uncollectibles):			
Income taxes . . . . .	10,773,967	-	10,773,967
Real and other taxes . . . . .	2,492,844	-	2,492,844
Accounts . . . . .	903,243	6,902,765	7,806,008
Notes . . . . .	2,166,618	-	2,166,618
Special assessments . . . . .	38,977	-	38,977
Internal balances . . . . .	178,923	(178,923)	-
Due from other governments . . . . .	7,982,565	-	7,982,565
Materials and supplies inventory. . . . .	10,399	875,787	886,186
Deferred charges . . . . .	468,630	13,283	481,913
Capital assets:			
Land . . . . .	12,712,840	345,591	13,058,431
Construction in progress. . . . .	-	223,716	223,716
Depreciable capital assets, net. . . . .	91,939,042	62,955,544	154,894,586
Total capital assets. . . . .	<u>104,651,882</u>	<u>63,524,851</u>	<u>168,176,733</u>
Total assets . . . . .	<u>135,618,837</u>	<u>72,775,502</u>	<u>208,394,339</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	1,158,851	328,132	1,486,983
Contracts payable . . . . .	809,938	263,922	1,073,860
Accrued wages and benefits . . . . .	1,221,222	335,837	1,557,059
Due to other governments . . . . .	2,483,140	1,163,436	3,646,576
Claims and judgements payable . . . . .	95,502	-	95,502
Accrued interest payable. . . . .	550,784	163,300	714,084
Unearned revenue. . . . .	1,506,926	-	1,506,926
Notes payable . . . . .	19,000,000	-	19,000,000
Long-term liabilities:			
Due within one year. . . . .	4,462,245	833,746	5,295,991
Due in more than one year . . . . .	31,626,249	9,767,438	41,393,687
Total liabilities . . . . .	<u>62,914,857</u>	<u>12,855,811</u>	<u>75,770,668</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt . . . . .	74,840,462	54,706,353	129,546,815
Restricted for:			
Debt service. . . . .	743,025	-	743,025
Capital projects . . . . .	4,651,362	-	4,651,362
Community development . . . . .	4,987,113	-	4,987,113
Street repair and maintenance. . . . .	647,344	-	647,344
Public health and welfare . . . . .	256,593	-	256,593
Law enforcement . . . . .	610,180	-	610,180
Other purposes . . . . .	102,423	-	102,423
Unrestricted (deficit) . . . . .	<u>(14,134,522)</u>	<u>5,213,338</u>	<u>(8,921,184)</u>
Total net assets. . . . .	<u>\$ 72,703,980</u>	<u>\$ 59,919,691</u>	<u>\$ 132,623,671</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF YOUNGSTOWN, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2009

	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Governmental Activities:</b>				
General government . . . . .	\$ 12,208,060	\$ 5,642,488	\$ -	\$ 2,708,953
Security of persons and property . . . . .	39,462,307	1,351,556	2,393,565	-
Public health and welfare . . . . .	2,612,375	3,701,923	1,309,959	-
Transportation. . . . .	8,620,079	272,720	2,722,616	-
Community environment. . . . .	6,371,906	43,645	7,420,638	-
Leisure time activity. . . . .	3,170,263	193,373	50	-
Utility services . . . . .	3,136,676	-	-	-
Interest and fiscal charges. . . . .	2,127,644	-	-	-
<b>Total governmental activities . . . . .</b>	<b>77,709,310</b>	<b>11,205,705</b>	<b>13,846,828</b>	<b>2,708,953</b>
<b>Business-type Activities:</b>				
Sewer . . . . .	18,088,598	15,850,586	-	-
Water . . . . .	24,975,276	25,436,355	-	-
<b>Total business-type activities . . . . .</b>	<b>43,063,874</b>	<b>41,286,941</b>	<b>-</b>	<b>-</b>
<b>Total primary government. . . . .</b>	<b>\$ 120,773,184</b>	<b>\$ 52,492,646</b>	<b>\$ 13,846,828</b>	<b>\$ 2,708,953</b>

**General Revenues:**

Property and other local taxes levied for:
Debt service. . . . .
Special revenue . . . . .
Income taxes levied for:
General purposes . . . . .
Fire levy. . . . .
Police levy . . . . .
Capital projects . . . . .
Grants and entitlements not restricted to specific programs. . . . .
Payment in lieu of taxes . . . . .
Investment earnings . . . . .
Gain on sale of assets . . . . .
Miscellaneous . . . . .
<b>Total general revenues. . . . .</b>
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>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (3,856,619)	\$ -	\$ (3,856,619)
(35,717,186)	-	(35,717,186)
2,399,507	-	2,399,507
(5,624,743)	-	(5,624,743)
1,092,377	-	1,092,377
(2,976,840)	-	(2,976,840)
(3,136,676)	-	(3,136,676)
(2,127,644)	-	(2,127,644)
(49,947,824)	-	(49,947,824)
-	(2,238,012)	(2,238,012)
-	461,079	461,079
-	(1,776,933)	(1,776,933)
(49,947,824)	(1,776,933)	(51,724,757)
2,016,127	-	2,016,127
295,845	-	295,845
22,203,776	-	22,203,776
6,299,364	-	6,299,364
8,403,625	-	8,403,625
4,386,696	-	4,386,696
3,945,587	-	3,945,587
182,879	-	182,879
57,699	6,001	63,700
977,967	9,733	987,700
2,761,011	10,737	2,771,748
51,530,576	26,471	51,557,047
1,582,752	(1,750,462)	(167,710)
71,121,228	61,670,153	132,791,381
<u>\$ 72,703,980</u>	<u>\$ 59,919,691</u>	<u>\$ 132,623,671</u>

**CITY OF YOUNGSTOWN, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2009

	<u>General</u>	<u>Fire Levy</u>	<u>Police Levy</u>	<u>Community Development</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ -	\$ 27,354	\$ -	\$ 4,311
Cash and cash equivalents with fiscal and escrow agents . . . . .	-	-	-	-
Receivables (net of allowance for uncollectibles):				
Income taxes . . . . .	5,770,715	1,650,958	2,202,515	-
Real and other taxes . . . . .	-	-	-	-
Accounts . . . . .	903,243	-	-	-
Interfund loans . . . . .	297,363	-	-	-
Special assessments. . . . .	916	-	-	-
Due from other governments . . . . .	1,529,243	-	12,665	3,448,178
Materials and supplies inventory . . . . .	-	2,278	-	-
Notes receivable . . . . .	1,500,000	-	-	666,618
	<u>10,001,480</u>	<u>1,680,590</u>	<u>2,215,180</u>	<u>4,119,107</u>
Total assets . . . . .	\$ 10,001,480	\$ 1,680,590	\$ 2,215,180	\$ 4,119,107
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 156,822	\$ 66,990	\$ 36,877	\$ 87,026
Contracts payable . . . . .	731	-	33	25,114
Accrued wages and benefits . . . . .	257,550	362,253	463,084	20,467
Compensated absences payable. . . . .	31,214	62,007	72,536	-
Early retirement incentive payable. . . . .	-	318,423	95,006	-
Interfund loan payable. . . . .	-	-	1,029,421	-
Due to other governments . . . . .	360,244	872,022	917,420	50,775
Claims and judgements payable . . . . .	95,502	-	-	-
Deferred revenue. . . . .	4,380,179	970,409	1,294,608	2,999,982
Unearned revenue . . . . .	-	-	-	-
Accrued interest payable. . . . .	-	-	-	-
Notes payable . . . . .	-	-	-	-
	<u>5,282,242</u>	<u>2,652,104</u>	<u>3,908,985</u>	<u>3,183,364</u>
Total liabilities. . . . .	\$ 5,282,242	\$ 2,652,104	\$ 3,908,985	\$ 3,183,364
<b>Fund Balances:</b>				
Reserved for encumbrances . . . . .	98,969	769	26,517	1,738
Reserved for debt service . . . . .	-	-	-	-
Reserved for materials and supplies inventory . .	-	2,278	-	-
Reserved for notes. . . . .	1,500,000	-	-	666,618
Unreserved, undesignated, (deficit) reported in:				
General fund . . . . .	3,120,269	-	-	-
Special revenue funds. . . . .	-	(974,561)	(1,720,322)	267,387
Capital projects funds. . . . .	-	-	-	-
	<u>4,719,238</u>	<u>(971,514)</u>	<u>(1,693,805)</u>	<u>935,743</u>
Total fund balances (deficits) . . . . .	\$ 4,719,238	\$ (971,514)	\$ (1,693,805)	\$ 935,743
Total liabilities and fund balances . . . . .	\$ 10,001,480	\$ 1,680,590	\$ 2,215,180	\$ 4,119,107

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Covelli Centre Project</b>	<b>Bond Retirement</b>	<b>Business Development</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 129,535	\$ -	\$ 4,001,049	\$ 4,162,249
-	729,001	-	-	729,001
-	-	-	1,149,779	10,773,967
1,764	2,491,080	-	-	2,492,844
-	-	-	-	903,243
-	-	-	1,295,716	1,593,079
-	177	-	37,884	38,977
-	141,908	-	2,850,571	7,982,565
-	-	-	8,121	10,399
-	-	-	-	2,166,618
<u>\$ 1,764</u>	<u>\$ 3,491,701</u>	<u>\$ -</u>	<u>\$ 9,343,120</u>	<u>\$ 30,852,942</u>
\$ -	\$ -	\$ 322,390	\$ 488,746	\$ 1,158,851
-	-	372,853	411,207	809,938
-	-	-	117,868	1,221,222
-	-	-	-	165,757
-	-	-	-	413,429
250,000	150,000	163,658	-	1,593,079
-	-	-	282,679	2,483,140
-	-	-	-	95,502
-	1,126,239	-	2,852,194	13,623,611
-	1,506,926	-	-	1,506,926
214,285	-	129,628	194	344,107
11,900,000	-	6,950,000	150,000	19,000,000
<u>12,364,285</u>	<u>2,783,165</u>	<u>7,938,529</u>	<u>4,302,888</u>	<u>42,415,562</u>
-	-	61,361	183,885	373,239
-	708,536	-	-	708,536
-	-	-	8,121	10,399
-	-	-	-	2,166,618
-	-	-	-	3,120,269
(12,362,521)	-	-	877,782	(13,912,235)
-	-	(7,999,890)	3,970,444	(4,029,446)
<u>(12,362,521)</u>	<u>708,536</u>	<u>(7,938,529)</u>	<u>5,040,232</u>	<u>(11,562,620)</u>
<u>\$ 1,764</u>	<u>\$ 3,491,701</u>	<u>\$ -</u>	<u>\$ 9,343,120</u>	<u>\$ 30,852,942</u>

**CITY OF YOUNGSTOWN, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2009

<b>Total governmental fund balances</b>		\$ (11,562,620)
<i>Amounts reported for governmental activities on 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.		104,651,882
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property taxes receivable	\$ 984,154	
Income taxes receivable	6,332,785	
Special assessments receivable	38,977	
Intergovernmental receivable	<u>6,267,695</u>	
Total		13,623,611
On the statement of net assets interest is accrued on outstanding bonds, notes and loans payable, whereas in governmental funds, interest is accrued when due.		(206,677)
Unamortized premiums on bond issuance are not recognized in the funds.		(144,081)
Unamortized bond issuance costs are not recognized in the funds.		468,630
Unamortized deferred charges on refundings are not recognized in the funds.		565,769
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities are as follows:		
General obligation bonds	(19,720,000)	
HUD Section 108 loans	(3,209,950)	
OPWC loan	(342,860)	
Compensated absences	(8,659,854)	
Early retirement incentive	(1,382,155)	
Capital lease payable	<u>(439,479)</u>	
Total		(33,754,298)
Internal service funds are used by management to charge the costs of workers compensation to individual funds. The assets and liabilities of the internal service funds are included in governmental activities on the statement of net assets.		(1,117,159)
An internal balance is recorded in governmental activities to reflect underpayments to the internal service fund by the business-type activities.		<u>178,923</u>
<b>Net assets of governmental activities</b>		<u><u>\$ 72,703,980</u></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, 2009

	<u>General</u>	<u>Fire Levy</u>	<u>Police Levy</u>	<u>Community Development</u>
<b>Revenues:</b>				
Income taxes . . . . .	\$ 21,695,143	\$ 6,182,792	\$ 8,248,241	\$ -
Property and other local taxes . . . . .	-	-	-	-
Charges for services . . . . .	6,973,607	7,370	6,974	41,513
Licenses and permits . . . . .	600,478	200	87	-
Fines and forfeitures . . . . .	526,545	-	4,334	-
Intergovernmental . . . . .	3,942,324	267,142	1,629,694	5,029,455
Investment income . . . . .	35,407	-	-	-
Rental income . . . . .	246,615	-	11,729	-
Contributions and donations . . . . .	-	600	4,000	-
Franchise fees . . . . .	626,276	-	-	-
Payment in lieu of taxes . . . . .	-	-	-	-
Other . . . . .	1,640,461	31,242	454,505	484
Total revenues . . . . .	<u>36,286,856</u>	<u>6,489,346</u>	<u>10,359,564</u>	<u>5,071,452</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	11,976,438	-	-	-
Security of persons and property . . . . .	3,060,420	13,811,936	20,527,727	-
Public health and welfare . . . . .	1,282,207	-	-	-
Transportation . . . . .	-	-	-	-
Community environment . . . . .	542,041	-	-	1,954,212
Leisure time activity . . . . .	79,652	-	-	-
Utility services . . . . .	3,136,676	-	-	-
Capital outlay . . . . .	-	-	-	-
Debt service:				
Principal retirement . . . . .	25,361	57,608	-	465,000
Interest and fiscal charges . . . . .	5,157	15,010	-	182,240
Total expenditures . . . . .	<u>20,107,952</u>	<u>13,884,554</u>	<u>20,527,727</u>	<u>2,601,452</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>16,178,904</u>	<u>(7,395,208)</u>	<u>(10,168,163)</u>	<u>2,470,000</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets . . . . .	1,008,692	2,290	1,845	-
Transfers in . . . . .	2,422,137	6,779,869	8,739,349	-
Transfers out . . . . .	(18,613,537)	-	-	(2,631,590)
Total other financing sources (uses) . . . . .	<u>(15,182,708)</u>	<u>6,782,159</u>	<u>8,741,194</u>	<u>(2,631,590)</u>
Net change in fund balances . . . . .	996,196	(613,049)	(1,426,969)	(161,590)
<b>Fund balances (deficits) at beginning of year . . . . .</b>	<u>3,723,042</u>	<u>(358,465)</u>	<u>(266,836)</u>	<u>1,097,333</u>
<b>Fund balances (deficits) at end of year . . . . .</b>	<u>\$ 4,719,238</u>	<u>\$ (971,514)</u>	<u>\$ (1,693,805)</u>	<u>\$ 935,743</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Covelli Centre Project</b>	<b>Bond Retirement</b>	<b>Business Development</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ -	\$ 4,305,718	\$ 40,431,894
295,845	1,892,091	-	-	2,187,936
150	-	-	527,625	7,557,239
-	-	-	-	600,765
-	-	-	312,572	843,451
-	288,732	1,693,517	8,069,934	20,920,798
58	-	22,234	11	57,710
-	-	741,177	60,403	1,059,924
-	-	-	50	4,650
-	-	-	-	626,276
-	182,879	-	-	182,879
25,161	-	910,632	250,850	3,313,335
<u>321,214</u>	<u>2,363,702</u>	<u>3,367,560</u>	<u>13,527,163</u>	<u>77,786,857</u>
-	51,950	-	-	12,028,388
-	-	-	595,425	37,995,508
-	-	-	1,334,440	2,616,647
-	-	-	6,987,296	6,987,296
-	-	-	2,494,537	4,990,790
-	-	-	2,635,786	2,715,438
-	-	-	-	3,136,676
443,303	-	11,018,931	1,628,919	13,091,153
-	1,261,429	-	-	1,809,398
793,640	915,404	156,147	3,468	2,071,066
<u>1,236,943</u>	<u>2,228,783</u>	<u>11,175,078</u>	<u>15,679,871</u>	<u>87,442,360</u>
<u>(915,729)</u>	<u>134,919</u>	<u>(7,807,518)</u>	<u>(2,152,708)</u>	<u>(9,655,503)</u>
4,000	-	-	44,656	1,061,483
849,319	-	3,000,071	6,314,964	28,105,709
-	(286,097)	-	(4,574,485)	(26,105,709)
<u>853,319</u>	<u>(286,097)</u>	<u>3,000,071</u>	<u>1,785,135</u>	<u>3,061,483</u>
(62,410)	(151,178)	(4,807,447)	(367,573)	(6,594,020)
(12,300,111)	859,714	(3,131,082)	5,407,805	(4,968,600)
<u>\$ (12,362,521)</u>	<u>\$ 708,536</u>	<u>\$ (7,938,529)</u>	<u>\$ 5,040,232</u>	<u>\$ (11,562,620)</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, 2009

**Net change in fund balances - total governmental funds** \$ (6,594,020)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Capital asset additions	\$ 14,919,812	
Current year depreciation	<u>(4,671,128)</u>	
Total		10,248,684

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. (181,672)

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

Delinquent taxes	124,036	
Intergovernmental	(424,091)	
Municipal income taxes	861,567	
Special assessments	<u>(34,274)</u>	
Interest		
Total		527,238

Repayment of bond, loan, note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 1,809,398

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due.

Accrued interest	(14,474)	
Bond premium	9,052	
Deferred charges on refunding	(25,864)	
Bond issuance costs	<u>(25,292)</u>	
Total		(56,578)

Some expenses reported in the statement of activities, such as compensated absences and early retirement incentives, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (1,303,329)

Internal service funds used by management to charge the cost of workers compensation to individual funds is not reported in the expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds, including the internal balance, are allocated among the governmental activities. (2,866,969)

**Change in net assets of governmental activities** \$ 1,582,752

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, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Revenues:</b>				
Income taxes . . . . .	\$ 22,976,541	22,064,657	\$ 21,710,465	\$ (354,192)
Charges for services . . . . .	7,311,328	6,330,804	6,908,452	577,648
Licenses and permits . . . . .	635,496	624,670	600,478	(24,192)
Fines and forfeitures . . . . .	500,734	484,699	473,142	(11,557)
Intergovernmental . . . . .	4,233,043	4,325,489	3,999,790	(325,699)
Investment income . . . . .	37,472	41,000	35,407	(5,593)
Rental income . . . . .	260,997	241,500	246,615	5,115
Franchise fees . . . . .	661,476	595,000	625,027	30,027
Other . . . . .	1,747,483	1,654,300	1,651,191	(3,109)
Total revenues . . . . .	<u>38,364,570</u>	<u>36,362,119</u>	<u>36,250,567</u>	<u>(111,552)</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	12,192,883	12,697,257	12,355,892	341,365
Security of persons and property . . . . .	3,348,767	3,009,267	2,980,187	29,080
Public health and welfare . . . . .	1,623,955	1,269,141	1,250,282	18,859
Community environment . . . . .	257,312	563,026	544,444	18,582
Basic utility services . . . . .	3,252,756	3,252,756	3,149,296	103,460
Leisure time activity . . . . .	75,250	81,150	81,127	23
Total expenditures . . . . .	<u>20,750,923</u>	<u>20,872,597</u>	<u>20,361,228</u>	<u>511,369</u>
Excess of revenues over expenditures . . . . .	<u>17,613,647</u>	<u>15,489,522</u>	<u>15,889,339</u>	<u>399,817</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets . . . . .	1,067,515	1,006,000	1,008,692	2,692
Repayment of float loans . . . . .	-	-	3,900,000	3,900,000
Issuance of float loans . . . . .	-	-	(1,500,000)	(1,500,000)
Transfers in . . . . .	2,563,388	2,351,349	2,422,137	70,788
Transfers out . . . . .	(18,310,221)	(18,613,537)	(18,613,537)	-
Total other financing sources (uses) . . . . .	<u>(14,679,318)</u>	<u>(15,256,188)</u>	<u>(12,782,708)</u>	<u>2,473,480</u>
Net change in fund balance . . . . .	2,934,329	233,334	3,106,631	2,873,297
<b>Fund balance (deficit) at beginning of year . . . .</b>	(3,371,924)	(3,371,924)	(3,371,924)	-
<b>Prior year encumbrances appropriated . . . . .</b>	344,712	344,712	344,712	-
<b>Fund balance (deficit) at end of year . . . . .</b>	<u>\$ (92,883)</u>	<u>\$ (2,793,878)</u>	<u>\$ 79,419</u>	<u>\$ 2,873,297</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)  
 FIRE LEVY  
 FOR THE YEAR ENDED DECEMBER 31, 2009

	<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. . . . .	\$ 6,584,853	\$ 6,166,871	\$ 6,211,207	\$ 44,336
Charges for services . . . . .	7,813	10,000	7,370	(2,630)
Licenses and permits. . . . .	212	-	200	200
Intergovernmental . . . . .	283,212	265,522	267,142	1,620
Contributions and donations. . . . .	636	-	600	600
Franchise fees . . . . .	33,122	11,500	31,242	19,742
Total revenues. . . . .	<u>6,909,848</u>	<u>6,453,893</u>	<u>6,517,761</u>	<u>63,868</u>
<b>Expenditures:</b>				
Current:				
Security of persons and property. . . . .	13,324,019	13,351,239	13,354,117	(2,878)
Total expenditures . . . . .	<u>13,324,019</u>	<u>13,351,239</u>	<u>13,354,117</u>	<u>(2,878)</u>
Excess of expenditures over revenues . . . . .	<u>(6,414,171)</u>	<u>(6,897,346)</u>	<u>(6,836,356)</u>	<u>60,990</u>
<b>Other financing sources:</b>				
Sale of capital assets . . . . .	2,428	-	2,290	2,290
Transfers in . . . . .	7,187,724	6,809,869	6,779,869	(30,000)
Total other financing sources . . . . .	<u>7,190,152</u>	<u>6,809,869</u>	<u>6,782,159</u>	<u>(27,710)</u>
Net change in fund balance . . . . .	775,981	(87,477)	(54,197)	33,280
<b>Fund balance at beginning of year . . . . .</b>	19,957	19,957	19,957	-
<b>Prior year encumbrances appropriated. . . . .</b>	47,281	47,281	47,281	-
<b>Fund balance (deficit) at end of year . . . . .</b>	<u>\$ 843,219</u>	<u>\$ (20,239)</u>	<u>\$ 13,041</u>	<u>\$ 33,280</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, 2009

	<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. . . . .	\$ 9,100,198	\$ 8,388,739	\$ 8,286,261	\$ (102,478)
Charges for services . . . . .	7,659	-	6,974	6,974
Licenses and permits. . . . .	96	-	87	87
Fines and forfeitures. . . . .	4,760	-	4,334	4,334
Intergovernmental . . . . .	1,775,866	1,623,000	1,617,030	(5,970)
Rental income . . . . .	12,881	15,000	11,729	(3,271)
Contributions and donations. . . . .	4,393	2,000	4,000	2,000
Other . . . . .	499,329	451,000	454,668	3,668
Total revenues. . . . .	<u>11,405,182</u>	<u>10,479,739</u>	<u>10,385,083</u>	<u>(94,656)</u>
<b>Expenditures:</b>				
Current:				
Security of persons and property . . . . .	19,381,562	22,853,479	20,475,019	2,378,460
Total expenditures . . . . .	<u>19,381,562</u>	<u>22,853,479</u>	<u>20,475,019</u>	<u>2,378,460</u>
Excess of expenditures over revenues . . . . .	<u>(7,976,380)</u>	<u>(12,373,740)</u>	<u>(10,089,936)</u>	<u>2,283,804</u>
<b>Other financing sources:</b>				
Sale of capital assets . . . . .	2,026	-	1,845	1,845
Transfers in . . . . .	9,597,792	8,739,349	8,739,349	-
Total other financing sources . . . . .	<u>9,599,818</u>	<u>8,739,349</u>	<u>8,741,194</u>	<u>1,845</u>
Net change in fund balance . . . . .	1,623,438	(3,634,391)	(1,348,742)	2,285,649
<b>Fund balance at beginning of year . . . . .</b>	49,534	49,534	49,534	-
<b>Prior year encumbrances appropriated. . . . .</b>	<u>210,590</u>	<u>210,590</u>	<u>210,590</u>	<u>-</u>
<b>Fund balance (deficit) at end of year . . . . .</b>	<u>\$ 1,883,562</u>	<u>\$ (3,374,267)</u>	<u>\$ (1,088,618)</u>	<u>\$ 2,285,649</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)  
 COMMUNITY DEVELOPMENT  
 FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Charges for services . . . . .	\$ 5,986	\$ 40,613	\$ 41,513	\$ 900
Intergovernmental . . . . .	770,485	5,227,237	5,343,097	115,860
Other . . . . .	70	474	484	10
Total revenues . . . . .	<u>776,541</u>	<u>5,268,324</u>	<u>5,385,094</u>	<u>116,770</u>
<b>Expenditures:</b>				
Current:				
Community environment . . . . .	1,364,887	4,621,326	2,238,644	2,382,682
Debt service:				
Principal retirement . . . . .	283,569	465,000	465,000	-
Interest and fiscal charges . . . . .	<u>111,135</u>	<u>324,734</u>	<u>182,240</u>	<u>142,494</u>
Total expenditures . . . . .	<u>1,759,591</u>	<u>5,411,060</u>	<u>2,885,884</u>	<u>2,525,176</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(983,050)</u>	<u>(142,736)</u>	<u>2,499,210</u>	<u>2,641,946</u>
<b>Other financing sources (uses):</b>				
Repayment of principal on float loans . . . . .	18,459	125,234	128,010	2,776
Transfers out . . . . .	<u>(1,604,810)</u>	<u>(4,935,085)</u>	<u>(2,631,590)</u>	<u>2,303,495</u>
Total other financing sources (uses) . . . . .	<u>(1,586,351)</u>	<u>(4,809,851)</u>	<u>(2,503,580)</u>	<u>2,306,271</u>
Net change in fund balance . . . . .	(2,569,401)	(4,952,587)	(4,370)	4,948,217
<b>Fund balance at beginning of year . . . . .</b>	<u>6,943</u>	<u>6,943</u>	<u>6,943</u>	<u>-</u>
<b>Fund balance (deficit) at end of year . . . . .</b>	<u>\$ (2,562,458)</u>	<u>\$ (4,945,644)</u>	<u>\$ 2,573</u>	<u>\$ 4,948,217</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)  
 COVELLI CENTRE PROJECT  
 FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Other local taxes . . . . .	\$ 254,055	\$ 283,998	\$ 307,700	\$ 23,702
Charges for services . . . . .	123	138	150	12
Investment income . . . . .	48	54	58	4
Other . . . . .	20,774	23,223	25,161	1,938
Total revenues . . . . .	<u>275,000</u>	<u>307,413</u>	<u>333,069</u>	<u>25,656</u>
<b>Expenditures:</b>				
Capital outlay . . . . .	233,135	233,135	455,466	(222,331)
Debt service:				
Principal retirement . . . . .	-	-	11,900,000	(11,900,000)
Interest and fiscal charges . . . . .	802,060	1,058,860	836,454	222,406
Total expenditures . . . . .	<u>1,035,195</u>	<u>1,291,995</u>	<u>13,191,920</u>	<u>(11,899,925)</u>
Excess of expenditures over revenues . . . . .	<u>(760,195)</u>	<u>(984,582)</u>	<u>(12,858,851)</u>	<u>(11,874,269)</u>
<b>Other financing sources:</b>				
Sale of capital assets . . . . .	-	3,692	4,000	308
Issuance of notes . . . . .	-	-	11,900,000	11,900,000
Transfers in . . . . .	-	783,895	849,319	65,424
Total other financing sources . . . . .	<u>-</u>	<u>787,587</u>	<u>12,753,319</u>	<u>11,965,732</u>
Net change in fund balance . . . . .	(760,195)	(196,995)	(105,532)	91,463
<b>Fund balance (deficit) at beginning of year . . . . .</b>	(146,008)	(146,008)	(146,008)	-
<b>Prior year encumbrances appropriated . . . . .</b>	<u>1,540</u>	<u>1,540</u>	<u>1,540</u>	<u>-</u>
<b>Fund balance (deficit) at end of year . . . . .</b>	<u>\$ (904,663)</u>	<u>\$ (341,463)</u>	<u>\$ (250,000)</u>	<u>\$ 91,463</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF YOUNGSTOWN, OHIO

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2009

	Business-type Activities -Enterprise Funds			Governmental Activities - Internal Service Funds
	Sewer	Water	Total	
<b>Assets:</b>				
Current assets:				
Equity in pooled cash and cash equivalents . . .	\$ 767,532	\$ 870,207	\$ 1,637,739	\$ 1,059,539
Receivables (net of allowance for uncollectibles):				
Accounts . . . . .	3,519,843	3,382,922	6,902,765	-
Materials and supplies inventory . . . . .	445,386	430,401	875,787	-
Total current assets . . . . .	4,732,761	4,683,530	9,416,291	1,059,539
Noncurrent assets:				
Deferred charges . . . . .	4,414	8,869	13,283	-
Capital assets:				
Land . . . . .	270,062	75,529	345,591	-
Construction in progress. . . . .	111,858	111,858	223,716	-
Depreciable capital assets, net . . . . .	41,181,841	21,773,703	62,955,544	-
Total capital assets . . . . .	41,563,761	21,961,090	63,524,851	-
Total noncurrent assets . . . . .	41,568,175	21,969,959	63,538,134	-
Total assets . . . . .	46,300,936	26,653,489	72,954,425	1,059,539
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable. . . . .	139,060	189,072	328,132	-
Contracts payable. . . . .	168,651	95,271	263,922	-
Accrued wages and benefits . . . . .	162,710	173,127	335,837	-
Due to other governments . . . . .	142,714	1,020,722	1,163,436	-
Claims payable . . . . .	-	-	-	761,847
Accrued interest payable . . . . .	106,813	56,487	163,300	-
Current portion of general obligation bonds . . . . .	60,000	145,000	205,000	-
Current portion of OWDA loans . . . . .	225,980	83,909	309,889	-
Current portion of OPWC loans . . . . .	10,018	50,558	60,576	-
Current portion of compensated absences . . . . .	140,250	118,031	258,281	-
Total current liabilities . . . . .	1,156,196	1,932,177	3,088,373	761,847
Long-term liabilities:				
General obligation bonds . . . . .	58,096	126,219	184,315	-
OWDA loans . . . . .	4,848,243	1,975,714	6,823,957	-
OPWC loans. . . . .	178,648	832,397	1,011,045	-
ODOT loan. . . . .	111,858	111,858	223,716	-
Claims payable . . . . .	-	-	-	1,414,851
Compensated absences . . . . .	674,413	849,992	1,524,405	-
Total long-term liabilities . . . . .	5,871,258	3,896,180	9,767,438	1,414,851
Total liabilities . . . . .	7,027,454	5,828,357	12,855,811	2,176,698
<b>Net assets:</b>				
Invested in capital assets, net of related debt.	36,070,918	18,635,435	54,706,353	-
Unrestricted (deficit) . . . . .	3,202,564	2,189,697	5,392,261	(1,117,159)
Total net assets (deficit). . . . .	\$ 39,273,482	\$ 20,825,132	60,098,614	\$ (1,117,159)
Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds.			(178,923)	
Net assets of business-type activities			\$ 59,919,691	

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, 2009

	<u>Business-type Activities - Enterprise Funds</u>			<b>Governmental</b>
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	<b>Activities - Internal Service Funds</b>
<b>Operating revenues:</b>				
Charges for services . . . . .	\$ 15,850,586	\$ 25,436,355	\$ 41,286,941	\$ 1,144,350
Other . . . . .	-	4,067	4,067	-
Total operating revenues . . . . .	<u>15,850,586</u>	<u>25,440,422</u>	<u>41,291,008</u>	<u>1,144,350</u>
<b>Operating expenses:</b>				
Personal services . . . . .	6,820,620	7,732,630	14,553,250	-
Contract services . . . . .	7,791,858	3,469,613	11,261,471	-
Materials and supplies . . . . .	1,245,999	12,797,248	14,043,247	-
Other . . . . .	58,580	2,617	61,197	-
Depreciation . . . . .	1,852,154	669,059	2,521,213	-
Claims . . . . .	-	-	-	2,279,443
Total operating expenses . . . . .	<u>17,769,211</u>	<u>24,671,167</u>	<u>42,440,378</u>	<u>2,279,443</u>
Operating income (loss) . . . . .	<u>(1,918,625)</u>	<u>769,255</u>	<u>(1,149,370)</u>	<u>(1,135,093)</u>
<b>Nonoperating revenues (expenses):</b>				
Income tax revenue . . . . .	-	6,670	6,670	-
Interest revenue . . . . .	-	6,001	6,001	-
Interest expense and fiscal charges . . . . .	(224,338)	(131,034)	(355,372)	-
Gain on disposal of capital assets . . . . .	186	9,547	9,733	-
Total nonoperating revenues (expenses) . . . . .	<u>(224,152)</u>	<u>(108,816)</u>	<u>(332,968)</u>	<u>-</u>
Income (loss) before transfers . . . . .	<u>(2,142,777)</u>	<u>660,439</u>	<u>(1,482,338)</u>	<u>(1,135,093)</u>
Transfers out . . . . .	-	-	-	(2,000,000)
Changes in net assets . . . . .	<u>(2,142,777)</u>	<u>660,439</u>	<u>(1,482,338)</u>	<u>(3,135,093)</u>
<b>Net assets at beginning of year (restated) . . . . .</b>	<u>41,416,259</u>	<u>20,164,693</u>	<u>61,580,952</u>	<u>2,017,934</u>
<b>Net assets (deficit) at end of year . . . . .</b>	<u>\$ 39,273,482</u>	<u>\$ 20,825,132</u>	<u>\$ 60,098,614</u>	<u>\$ (1,117,159)</u>
Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds.			<u>(268,124)</u>	
Changes in net assets of business-type activities			<u>\$ (1,750,462)</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF YOUNGSTOWN, OHIO**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Business-type Activities - Enterprise Funds</u>			<b>Governmental</b>
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	<b>Activities - Internal Service Fund</b>
<b>Cash flows from operating activities:</b>				
Cash received from customers . . . . .	\$ 15,971,990	\$ 25,199,481	\$ 41,171,471	\$ -
Cash received from other funds . . . . .	-	-	-	1,144,350
Cash received from other operations. . . . .	-	4,067	4,067	-
Cash payments for personal services . . . . .	(6,822,185)	(7,755,269)	(14,577,454)	-
Cash payments for contract services . . . . .	(8,034,880)	(3,435,225)	(11,470,105)	-
Cash payments for materials and supplies . . . . .	(1,281,351)	(12,729,036)	(14,010,387)	-
Cash payments for other expenses . . . . .	(58,580)	(2,283)	(60,863)	-
Cash payments for other claims . . . . .	-	-	-	(1,286,721)
Net cash provided by (used in) operating activities. . . . .	<u>(225,006)</u>	<u>1,281,735</u>	<u>1,056,729</u>	<u>(142,371)</u>
<b>Cash flows from noncapital financing activities:</b>				
Cash received from other funds . . . . .	3,027,212	-	3,027,212	-
Cash payments for transfers out. . . . .	-	-	-	(2,000,000)
Cash received from income taxes . . . . .	-	6,670	6,670	-
Net cash provided by (used in) noncapital financing activities . . . . .	<u>3,027,212</u>	<u>6,670</u>	<u>3,033,882</u>	<u>(2,000,000)</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition of capital assets . . . . .	(1,939,718)	(1,153,416)	(3,093,134)	-
Gain on sale of capital assets . . . . .	8,249	20,281	28,530	-
Principal retirement on bonds. . . . .	(65,000)	(140,000)	(205,000)	-
Principal retirement on loans . . . . .	(224,308)	(110,587)	(334,895)	-
Proceeds from loans . . . . .	111,858	133,641	245,499	-
Interest and fiscal charges. . . . .	(209,572)	(116,995)	(326,567)	-
Net cash used in capital and related financing activities . . . . .	<u>(2,318,491)</u>	<u>(1,367,076)</u>	<u>(3,685,567)</u>	<u>-</u>
<b>Cash flows from investing activities:</b>				
Interest received . . . . .	-	6,001	6,001	-
Net cash provided by investing activities . . . . .	<u>-</u>	<u>6,001</u>	<u>6,001</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents . . . . .	483,715	(72,670)	411,045	(2,142,371)
<b>Cash and cash equivalents at beginning of year</b>	<u>283,817</u>	<u>942,877</u>	<u>1,226,694</u>	<u>3,201,910</u>
<b>Cash and cash equivalents at end of year . . . . .</b>	<u><u>\$ 767,532</u></u>	<u><u>\$ 870,207</u></u>	<u><u>\$ 1,637,739</u></u>	<u><u>\$ 1,059,539</u></u>

- - continued

**CITY OF YOUNGSTOWN, OHIO**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Business-type Activities - Enterprise Funds</u>			<b>Governmental</b>
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	<b>Activities - Internal Service Fund</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
Operating income (loss) . . . . .	\$ (1,918,625)	\$ 769,255	\$ (1,149,370)	\$ (1,135,093)
Adjustments:				
Depreciation . . . . .	1,852,154	669,059	2,521,213	-
Changes in assets and liabilities:				
(Increase) in materials and supplies inventory . . . . .	(18,895)	(36,096)	(54,991)	-
(Increase) decrease in accounts receivable . . . . .	121,404	(236,874)	(115,470)	-
Decrease in accounts payable. . . . .	(348,531)	(15,683)	(364,214)	-
Increase in contracts payable. . . . .	83,220	69,793	153,013	-
Increase in accrued wages and benefits. . . . .	23,179	11,288	34,467	-
Increase (decrease) in due to other governments . . . . .	(45,868)	23,320	(22,548)	-
Increase in compensated absences payable. . . . .	26,956	27,673	54,629	-
Increase in claims payable . . . . .	-	-	-	992,722
Net cash provided by (used in) operating activities . . . . .	<u>\$ (225,006)</u>	<u>\$ 1,281,735</u>	<u>\$ 1,056,729</u>	<u>\$ (142,371)</u>

**Noncash investing, capital and financing activities:**

At December 31, 2008, the Sewer fund purchased \$141,084 in capital assets on account.  
 At December 31, 2009, the Sewer fund purchased \$98,923 in capital assets on account.  
 At December 31, 2008, the Water fund purchased \$13,911 in capital assets on account.  
 At December 31, 2009, the Water fund purchased \$77,543 in capital assets on account.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF YOUNGSTOWN, OHIO**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2009**

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 1,566,035
Cash in segregated accounts . . . . .	367,326
Receivables:	
Accounts . . . . .	<u>1,039,954</u>
Total assets. . . . .	<u>\$ 2,973,315</u>
<b>Liabilities:</b>	
Due to other governments . . . . .	\$ 1,039,954
Deposits held and due to others . . . . .	<u>1,933,361</u>
Total liabilities. . . . .	<u>\$ 2,973,315</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

## **CITY OF YOUNGSTOWN, OHIO**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009**

#### **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) guidance issued on or before November 30, 1989, to its governmental and business-type activities and its proprietary funds provided it does not conflict with or contradict GASB pronouncements. The City has the option to also apply FASB guidance 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 this FASB guidance. The City's significant accounting policies are described below.

##### **A. Reporting Entity**

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

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. The City has no component units.

## CITY OF YOUNGSTOWN, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

##### *JOINTLY GOVERNED ORGANIZATIONS*

###### Western Reserve Transit Authority

The Western Reserve Transit Authority (WRTA) is a legally separate entity created pursuant to Sections 306.30 through 306.71 of the Ohio Revised Code for the purpose of providing public transportation in the greater Youngstown area. Prior to January 1, 2009, the WRTA was reported as a component unit of the City. Effective for 2009, an amendment was made to add and include Mahoning County to the WRTA. In addition, the former five-member Board of Trustees which was appointed by the City (four by the mayor and one by City Council) was amended to be governed by a seven member Board of Trustees in which the City appoints three members and Mahoning County appoints four members. Continued existence of the WRTA is not dependent on the City's continued participation. The City does not make any financial contributions to the WRTA. Funding is received through property taxes, charges for services, and State and federal subsidies and grants. Separately issued financial statements can be obtained from the Western Reserve Transit Authority, 604 Mahoning Avenue, Youngstown, Ohio 44446.

###### 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 2009. Financial information can be obtained from the Mahoning County Drug Task Force, 26 South Phelps Street, Youngstown, Ohio 44503.

###### East Gate Regional Council of Governments

The East Gate Regional Council of Governments (EGRCG) is a jointly governed organization among 27 local governments in Ashtabula, Columbiana, Mahoning and Trumbull counties. The Board is comprised of one representative from each city, village, county or governmental agency and one additional representative for each 20,000 population. The City of Youngstown currently has five representatives on the 48-member Board. Each participant's control over the operation of EGRCG is limited to its representation on the Board. EGRCG develops and reviews plans for regional growth and development and aids in coordinating plans among local governments. Continued existence of EGRCG is not dependent on the City's continued participation. In 2009, the City contributed \$28,709. Complete financial statements can be obtained from the East Gate Regional Council of Governments, 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, 2009

#### 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.

##### Regional Council of Governments

In 1971, 38 municipalities joined together to organize a Regional Council of Governments (RCOG) to administer tax collection and enforcement concerns facing the cities and villages. The first official act of the RCOG was to form the Regional Income Tax Agency (RITA). Today RITA serves as the income tax collection agency for 143 municipalities throughout the State of Ohio. The City began using RITA for its income tax collection services during 2006.

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

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.

#### **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.

## CITY OF YOUNGSTOWN, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

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.

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

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

## CITY OF YOUNGSTOWN, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

Community development fund - This fund accounts for monies received from the Federal Government under the Community Development Block Grant Program, the Emergency Shelter Program.

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

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

Business development fund - This fund accounts for the acquisition, construction, or improvement of capital facilities.

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

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

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.

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

**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.

## CITY OF YOUNGSTOWN, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

***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.

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, 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.

## CITY OF YOUNGSTOWN, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

*Unearned Revenue and Deferred Revenue* - Unearned revenue and deferred revenue arise 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, 2009, but which were levied to finance year 2010 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as unearned revenue. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2009, are recorded as deferred revenue in the governmental funds.

On governmental fund financial statements, receivables that will not be collected within the available period have 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.

#### **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. 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.

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

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

*Estimated Resources* - The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. On or prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate of estimated resources may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the original and final amended official certificates of estimated resources issued during 2009.

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

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

*Lapsing of Appropriations* - At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations except for grant funds and capital projects funds, unencumbered balances for these funds are rolled forward and are not reappropriated. The encumbered appropriation balance is carried forward to the succeeding year and is not reappropriated.

**G. Cash and 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 2009, investments were limited to an investment in a U.S. Treasury note. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2009 amounted to \$35,407, of which \$26,696 was assigned from other City funds.

## CITY OF YOUNGSTOWN, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

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 City's investment account at year end is provided in Note 4.

#### **H. Inventories of Materials and Supplies**

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

On the fund financial statements, reported 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.

#### **I. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net 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 funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their 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, bridges, culverts, storm sewers, streets, and water, and sewer lines. Governmental activities infrastructure consisting of traffic signals, sidewalks and streets were reported retroactively back to 1980 and governmental activities infrastructure consisting of bridges and culverts were reported retroactively back to 1919. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

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

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 2009, 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	15 - 65	65

**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 15 to the BFS.

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

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

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

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

**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 and compensated absences 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.

**L. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” 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, notes and debt service 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.

## CITY OF YOUNGSTOWN, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

##### **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.

##### **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 or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

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

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Issuance costs are recorded as deferred charges.

Bond premiums are deferred and accreted over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds.

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction from the face amount of the new debt.

On the governmental fund financial statements, issuance costs, bond premiums, and bond discounts are recognized in the current period.

##### **S. Operating Revenues and Expenses**

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

##### **T. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of City Administration and that are either unusual in nature or infrequent in occurrence. The City had no extraordinary or special items to report at December 31, 2009.

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For 2009, the City has implemented GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards", and GASB Statement No. 57 "Other Postemployment Benefit (OPEB) Measurements by Agent Employers and Agent Multiple-Employers".

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the City.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the City.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the City.

GASB Statement No. 57 establishes standards for the measurement and financial reporting of actuarially determined information by agent employers with individual-employer OPEB plans that have fewer than 100 total plan members and by the agent multiple-employer OPEB plans in which they participate. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the City.

**B. Deficit Fund Balances**

Fund balances at December 31, 2009 included the following individual fund deficits:

<u>Fund</u>	<u>Deficit</u>
<u>Major funds:</u>	
Fire levy	\$ 971,514
Police levy	1,693,805
Covelli centre project	12,362,521
Business development	7,938,529
<u>Nonmajor funds:</u>	
Parks and recreation	134,586
HUD section 108	22,521
Street construction maintenance and repair	33,613
Ashford commons	194

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

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

All funds, except for the police levy fund, Covelli Centre project fund, and the business development fund (See Note 2.C. for detail), complied with Ohio State law, which does not permit a cash basis deficit at year end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities and short-term notes payable.

**C. Compliance**

The City had a negative cash fund balance in the police levy fund, Covelli Centre project fund, and the business development fund at December 31, 2009, indicating that revenues from other sources were used to pay obligations of these funds contrary to Ohio Revised Code Section 5705.10. For GAAP purposes, the negative amounts have been reported as a fund liability in the funds (See Note 5.B).

Contrary to Ohio Revised Code Section 5705.41(D), the City did not certify the availability of funds prior to incurring obligations.

**D. Accounting Change**

The net assets of the governmental activities, business-type activities, and the internal service fund have been restated at the beginning of the year to report an accounting change in the reporting of the long-term claims payable related to the workers' compensation retrospective rating plan.

The accounting change had the following effect on net assets as previously reported:

	Governmental Activities	Business-Type Activities	Internal Service Fund
Net assets, December 31, 2008	\$ 72,059,048	\$ 61,549,893	\$ 2,835,494
Accounting change	(937,820)	120,260	(817,560)
Restated net assets, January 1, 2009	\$ 71,121,228	\$ 61,670,153	\$ 2,017,934

**NOTE 4 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the City into three categories.

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 the City Council has identified as not required for use within the current five 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.

## CITY OF YOUNGSTOWN, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

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

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Finance Director 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.

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

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

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

**A. Deposits with Financial Institutions**

At December 31, 2009, the carrying amount of all City deposits was \$8,793,093. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2009, \$8,770,025 of the City’s bank balance of \$9,521,480 was exposed to custodial risk as discussed below, while \$751,455 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the City’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

**B. Investments**

As of December 31, 2009, the City had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
U.S. Treasury note	\$ 728,796	\$ 728,796
Total	<u>\$ 728,796</u>	<u>\$ 728,796</u>

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the City’s investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* The City’s investments in the U.S. Treasury note were rated AAA and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The U.S. Treasury notes are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty’s trust department or agent but not in the City’s name. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Director of Finance or qualified trustee.

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

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

*Concentration of Credit Risk:* The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2009:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
U.S. Treasury note	\$ 728,796	100.00
Total	<u>\$ 728,796</u>	<u>100.00</u>

**C. Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of December 31, 2009.

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 8,793,093
Investments	<u>728,796</u>
Total	<u>\$ 9,521,889</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 5,950,789
Business type activities	1,637,739
Agency funds	<u>1,933,361</u>
Total	<u>\$ 9,521,889</u>

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund transfers for the year ended December 31, 2009, consisted of the following, as reported in the fund financial statements:

Transfers to general fund from:	
Community development	\$ 197,852
Internal service	2,000,000
Bond retirement	184,019
Nonmajor governmental	<u>40,266</u>
Total	<u>2,422,137</u>
Transfers to fire levy from:	
General	6,649,869
Community development	<u>130,000</u>
Total	<u>6,779,869</u>
Transfers to police levy from:	
General	<u>8,739,349</u>
Total	<u>8,739,349</u>
Transfers to Covelli Centre project from:	
General	<u>849,319</u>
Total	<u>849,319</u>
Transfers to business development from:	
General	2,325,000
Community development	576,518
Bond retirement	<u>98,553</u>
Total	<u>3,000,071</u>
Transfers to nonmajor governmental from:	
General	\$ 50,000
Community development	1,727,220
Bond retirement	3,525
Nonmajor governmental	<u>4,534,219</u>
Total	<u>6,314,964</u>
Grand Total	<u>\$ 28,105,709</u>

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. Several transfers were made contrary to Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

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

**B.** Interfund loans consisted of the following at December 31, 2009, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Police levy fund	\$ 297,363
Nonmajor governmental funds	Police levy fund	732,058
Nonmajor governmental funds	Covelli Centre project fund	250,000
Nonmajor governmental funds	Business development fund	163,658
Nonmajor governmental funds	Nonmajor governmental funds	<u>150,000</u>
Total		<u>\$ 1,593,079</u>

The primary purpose of the interfund loans is to cover negative cash in various governmental funds and to cover costs in funds where revenues were not received by December 31, 2009. The interfund loans are expected to be repaid within the next year.

**NOTE 6 - INCOME TAXES**

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

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

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

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

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

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

## CITY OF YOUNGSTOWN, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

#### NOTE 7 - PROPERTY TAXES

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2009 public utility property taxes became a lien December 31, 2008, are levied after October 1, 2009, and are collected in 2010 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

Beginning in calendar year 2009 tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property tax collections in calendar year 2009 represent delinquent collections.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2009-2010, the City will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Youngstown. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2009 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2009 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The full tax rate for all City operations for the year ended December 31, 2009 was \$3.70 per \$1,000 of assessed value.

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

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

The assessed values of real and tangible personal property upon which 2009 property tax receipts were based are as follows:

Real Property

Residential/Agricultural	\$ 333,240,240
Commercial/Industrial/Mineral	143,604,020
Tangible Personal Property	1,871,683
Public Utility	43,766,200
Total Assessed Value	\$ 522,482,143

**NOTE 8 - SPECIAL ASSESSMENTS**

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

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

**NOTE 9 - RECEIVABLES**

Receivables at December 31, 2009, consisted of taxes, accounts (billings for user charged services), notes, 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, 2009. A summary of the principal items of receivables reported on the statement of net assets follows:

**Governmental activities:**

Income taxes	\$ 10,773,967
Real and other taxes	2,492,844
Accounts	903,243
Notes	2,166,618
Special assessments	38,977
Due from other governments	7,982,565

**Business-type activities:**

Accounts - gross	9,186,373
Less - allowance for uncollectibles	(2,283,608)
Net accounts receivable	\$ 6,902,765

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

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

Receivables have been disaggregated on the face of the BFS. The only receivable not expected to be collected within the subsequent year are the special assessments which are collected over the life of the assessment and notes receivable which will be repaid over a period ranging from one to eight years. Accounts receivable in the business-type activities for utilities have been reported net of a twenty-five percent allowance for uncollectible accounts.

**NOTE 10 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2009, for governmental activities was as follows:

	Balance			Balance
<b><u>Governmental activities:</u></b>	<u>12/31/08</u>	<u>Additions</u>	<u>Disposals</u>	<u>12/31/09</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 6,222,946	\$ 6,550,531	\$ (60,637)	\$ 12,712,840
Construction progress	<u>655,868</u>	<u>-</u>	<u>(655,868)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>6,878,814</u>	<u>6,550,531</u>	<u>(716,505)</u>	<u>12,712,840</u>
<i>Capital assets, being depreciated:</i>				
Buildings	45,880,180	3,023,006	(82,090)	48,821,096
Improvements other than buildings	4,938,232	200,282	(106,800)	5,031,714
Machinery and equipment	14,893,664	415,532	(174,850)	15,134,346
Vehicles	10,473,741	305,544	(287,982)	10,491,303
Infrastructure	<u>53,007,863</u>	<u>5,080,785</u>	<u>-</u>	<u>58,088,648</u>
Total capital assets, being depreciated	<u>129,193,680</u>	<u>9,025,149</u>	<u>(651,722)</u>	<u>137,567,107</u>
<i>Less: accumulated depreciation:</i>				
Buildings	(8,084,346)	(1,449,673)	53,007	(9,481,012)
Improvements other than buildings	(2,583,236)	(207,421)	82,998	(2,707,659)
Machinery and equipment	(8,189,875)	(1,002,887)	154,842	(9,037,920)
Vehicles	(8,097,642)	(592,505)	239,840	(8,450,307)
Infrastructure	<u>(14,532,525)</u>	<u>(1,418,642)</u>	<u>-</u>	<u>(15,951,167)</u>
Total accumulated depreciation	<u>(41,487,624)</u>	<u>(4,671,128)</u>	<u>530,687</u>	<u>(45,628,065)</u>
Total capital assets, being depreciated, net	<u>87,706,056</u>	<u>4,354,021</u>	<u>(121,035)</u>	<u>91,939,042</u>
Governmental activities capital assets, net	<u>\$ 94,584,870</u>	<u>\$ 10,904,552</u>	<u>\$ (837,540)</u>	<u>\$ 104,651,882</u>

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

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

Capital asset activity for the year ended December 31, 2009, for business-type activities was as follows:

<b><u>Business-Type Activities</u></b>	<u>Balance</u> 12/31/08	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> 12/31/09
<i>Capital assets, not being depreciated:</i>				
Land	\$ 345,591	\$ -	\$ -	\$ 345,591
Construction in progress	-	223,716	-	223,716
Total capital assets, not being depreciated	<u>345,591</u>	<u>223,716</u>	<u>-</u>	<u>569,307</u>
<i>Capital assets, being depreciated:</i>				
Buildings	42,783,590	72,762	(39,175)	42,817,177
Improvements other than buildings	2,381,972	56,012	(2,561)	2,435,423
Machinery and equipment	26,707,397	340,921	(60,826)	26,987,492
Vehicles	4,036,776	748,780	(222,768)	4,562,788
Infrastructure	<u>44,967,416</u>	<u>1,672,414</u>	<u>-</u>	<u>46,639,830</u>
Total capital assets, being depreciated	<u>120,877,151</u>	<u>2,890,889</u>	<u>(325,330)</u>	<u>123,442,710</u>
<i>Less: accumulated depreciation:</i>				
Buildings	(17,848,627)	(871,081)	31,772	(18,687,936)
Improvements other than buildings	(2,077,321)	(21,902)	2,561	(2,096,662)
Machinery and equipment	(21,306,685)	(645,253)	60,166	(21,891,772)
Vehicles	(2,899,904)	(332,568)	212,034	(3,020,438)
Infrastructure	<u>(14,139,949)</u>	<u>(650,409)</u>	<u>-</u>	<u>(14,790,358)</u>
Total accumulated depreciation	<u>(58,272,486)</u>	<u>(2,521,213)</u>	<u>306,533</u>	<u>(60,487,166)</u>
Total capital assets, being depreciated, net	<u>62,604,665</u>	<u>369,676</u>	<u>(18,797)</u>	<u>62,955,544</u>
Business-type activities capital assets, net	<u>\$ 62,950,256</u>	<u>\$ 593,392</u>	<u>\$ (18,797)</u>	<u>\$ 63,524,851</u>

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

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

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

**Governmental activities:**

General government	\$ 407,171
Security of persons and property	656,130
Public health and welfare	63,758
Transportation	1,703,668
Leisure time activity	343,947
Community environment	<u>1,496,454</u>
 Total depreciation expense - governmental activities	 <u>\$ 4,671,128</u>

**Business-type activities:**

Sewer	\$ 1,852,154
Water	<u>669,059</u>
 Total depreciation expense - business-type activities	 <u>\$ 2,521,213</u>

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

In a prior year, the City entered into capitalized leases for equipment and a fire truck. During prior years, the City entered into capitalized leases for equipment and two fire trucks. 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 and vehicles have been capitalized in the statement of net assets in the amount of \$137,084 and \$532,586, respectively. These amounts represent the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the statement of net assets. Principal payments in 2009 totaled \$25,361 paid by the general fund and \$57,608 paid by the fire levy 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, 2009:

<u>Year Ended</u> <u>December 31,</u>	<u>Amount</u>
2010	\$ 153,101
2011	152,150
2012	93,032
2013	<u>91,331</u>
 Total	 489,614
Less: amount representing interest	<u>(50,135)</u>
 Present value of net minimum lease payments	 <u>\$ 439,479</u>

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

**NOTE 12 - LONG-TERM OBLIGATIONS**

The long-term obligations balance of the governmental activities at December 31, 2008 was restated to include \$1,183,976 in workers' compensation claims payable as a component of long-term obligations (see Note 3.D for detail). During 2009, the following changes occurred in governmental activities long-term obligations:

<b>Governmental activities:</b>	<u>Interest Rate</u>	<u>(Restated) Balance 12/31/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/09</u>	<u>Due in One Year</u>
<u>General Obligation Bonds</u>						
1998 Refunding bonds	3.10-5.10%	\$ 2,020,000	\$ -	\$ (635,000)	\$ 1,385,000	\$ 675,000
2000 Pension refunding bonds	4.40-6.00%	1,690,000	-	(200,000)	1,490,000	215,000
2005 Various purpose refunding bonds	3.00-4.375%	8,890,000	-	(390,000)	8,500,000	400,000
2006 Pension refunding bonds	3.65-4.25%	<u>8,360,000</u>	<u>-</u>	<u>(15,000)</u>	<u>8,345,000</u>	<u>20,000</u>
Total General obligation bonds		<u>20,960,000</u>	<u>-</u>	<u>(1,240,000)</u>	<u>19,720,000</u>	<u>1,310,000</u>
<u>HUD Section 108 Loans</u>						
Youngstown CIC	6.84-9.03%	1,095,000	-	(175,000)	920,000	190,000
Youngstown CIC #2	6.13%	764,950	-	(110,000)	654,950	125,000
Housing rehab Section 108	6.84-9.03%	600,000	-	(50,000)	550,000	50,000
Youngstown mini-loan	6.84-9.03%	<u>1,215,000</u>	<u>-</u>	<u>(130,000)</u>	<u>1,085,000</u>	<u>130,000</u>
Total HUD Section 108		<u>3,674,950</u>	<u>-</u>	<u>(465,000)</u>	<u>3,209,950</u>	<u>495,000</u>
<u>Other Long-Term Obligations</u>						
OPWC loan	0.00%	364,289	-	(21,429)	342,860	21,429
Capital lease obligation		522,448	-	(82,969)	439,479	129,885
Claims payable		1,183,976	2,279,443	(1,286,721)	2,176,698	761,847
Early retirement incentive		-	1,795,584	-	1,795,584	440,359
Compensated absences		<u>8,767,614</u>	<u>255,146</u>	<u>(197,149)</u>	<u>8,825,611</u>	<u>1,303,725</u>
Total other long-term obligations		<u>10,838,327</u>	<u>4,330,173</u>	<u>(1,588,268)</u>	<u>13,580,232</u>	<u>2,657,245</u>
Total governmental activities						
long-term obligations		<u>\$ 35,473,277</u>	<u>\$ 4,330,173</u>	<u>\$ (3,293,268)</u>	<u>36,510,182</u>	<u>\$ 4,462,245</u>
Add: Unamortized premium on bond issue					144,081	
Less: Unamortized deferred charges on refundings					<u>(565,769)</u>	
Total reported on statement of net assets					<u>\$ 36,088,494</u>	

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

During 2009, the following changes occurred in business-type activities long-term obligations:

<b>Business-type activities:</b>	Interest <u>Rate</u>	Balance <u>12/31/08</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/09</u>	Amounts Due in <u>One Year</u>
<u>General obligation bonds</u>						
1998 refunding water bonds	3.10-5.10%	\$ 435,000	\$ -	\$ (140,000)	\$ 295,000	\$ 60,000
1998 refunding sewer bonds	3.10-5.10%	<u>195,000</u>	<u>-</u>	<u>(65,000)</u>	<u>130,000</u>	<u>145,000</u>
Total general obligation bonds		<u>630,000</u>	<u>-</u>	<u>(205,000)</u>	<u>425,000</u>	<u>205,000</u>
<u>OWDA loans</u>						
Orchard Meadow overflow elimination	3.81%	3,977,866	-	(163,511)	3,814,355	169,800
Pump station improvements	3.79%	1,313,977	-	(54,109)	1,259,868	56,180
Waterline replacement	4.48%	156,869	-	(6,888)	149,981	7,200
Elevated storage tanks	4.48%	1,785,134	-	(66,288)	1,718,846	69,290
Waterline construction	5.56%	<u>197,928</u>	<u>-</u>	<u>(7,132)</u>	<u>190,796</u>	<u>7,419</u>
Total OWDA loans		<u>7,431,774</u>	<u>-</u>	<u>(297,928)</u>	<u>7,133,846</u>	<u>309,889</u>
<u>Other long-term obligations</u>						
ODOT State infrastructure bank loan		-	223,716	-	223,716	-
OPWC loans		1,086,805	21,783	(36,967)	1,071,621	60,576
Compensated absences		<u>1,728,057</u>	<u>54,629</u>	<u>-</u>	<u>1,782,686</u>	<u>258,281</u>
Total other long-term obligations		<u>2,814,862</u>	<u>300,128</u>	<u>(36,967)</u>	<u>3,078,023</u>	<u>318,857</u>
Total business-type activities long-term obligations		<u>\$ 10,876,636</u>	<u>\$ 300,128</u>	<u>\$ (539,895)</u>	<u>10,636,869</u>	<u>\$ 833,746</u>
Add: Unamortized premium on bond issues					6,248	
Less: Unamortized deferred changes on refundings					<u>(41,933)</u>	
Total reported on the statement of net assets					<u>\$ 10,601,184</u>	

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

Principal and interest requirements to retire the governmental activities long-term debt obligations outstanding at December 31, 2009, are as follows:

Year Ended December 31,	General Obligation Bonds Payable		
	Principal	Interest	Total
2010	\$ 1,310,000	\$ 1,291,162	\$ 2,601,162
2011	1,365,000	1,229,257	2,594,257
2012	1,075,000	1,162,135	2,237,135
2013	1,130,000	1,114,105	2,244,105
2014	1,180,000	1,059,325	2,239,325
2015 - 2019	4,555,000	2,925,562	7,480,562
2020 - 2024	4,660,000	1,487,498	6,147,498
2025 - 2029	3,120,000	669,044	3,789,044
2030 - 2031	<u>1,325,000</u>	<u>85,213</u>	<u>1,410,213</u>
Total	<u>\$ 19,720,000</u>	<u>\$ 11,023,301</u>	<u>\$ 30,743,301</u>

Year Ended December 31,	HUD Section 108 Loans Payable			OPWC Loan Payable		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 495,000	\$ 234,665	\$ 729,665	\$ 21,429	\$ -	\$ 21,429
2011	535,000	198,655	733,655	21,429	-	21,429
2012	600,000	159,254	759,254	21,429	-	21,429
2013	460,000	113,194	573,194	21,429	-	21,429
2014	464,950	74,567	539,517	21,429	-	21,429
2015 - 2019	655,000	114,352	769,352	107,142	-	107,142
2020 - 2024	-	-	-	107,144	-	107,144
2025	-	-	-	21,429	-	21,429
Total	<u>\$ 3,209,950</u>	<u>\$ 894,687</u>	<u>\$ 4,104,637</u>	<u>\$ 342,860</u>	<u>\$ -</u>	<u>\$ 342,860</u>

Principal and interest requirements to retire the business-type activities long-term debt obligations outstanding at December 31, 2009, are as follows:

Year Ended December 31,	General Obligation Bonds Payable			OWDA Loans Payable		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 205,000	\$ 21,675	\$ 226,675	\$ 309,889	\$ 281,360	\$ 591,249
2011	220,000	11,220	231,220	322,334	268,916	591,250
2012	-	-	-	335,279	255,971	591,250
2013	-	-	-	348,749	242,501	591,250
2014	-	-	-	362,766	228,486	591,252
2015 - 2019	-	-	-	2,044,671	911,580	2,956,251
2020 - 2024	-	-	-	2,490,472	465,779	2,956,251
2025 - 2027	-	-	-	919,686	41,631	961,317
Total	<u>\$ 425,000</u>	<u>\$ 32,895</u>	<u>\$ 457,895</u>	<u>\$ 7,133,846</u>	<u>\$ 2,696,224</u>	<u>\$ 9,830,070</u>

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

Year Ended December 31,	OPWC Loans Payable			ODOT State Infrastructure Bank Loan		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 60,576	\$ -	\$ 60,576	\$ -	\$ -	\$ -
2011	119,077	-	119,077	-	-	-
2012	119,076	-	119,076	294,089	78,884	372,973
2013	119,077	-	119,077	303,275	69,698	372,973
2014	119,076	-	119,076	312,740	60,233	372,973
2015 - 2019	595,383	-	595,383	1,715,986	148,880	1,864,866
2020 - 2024	595,382	-	595,382	-	-	-
2025 - 2029	433,690	-	433,690	-	-	-
2030	58,500	-	58,500	-	-	-
Total	<u>\$ 2,219,837</u>	<u>\$ -</u>	<u>\$ 2,219,837</u>	<u>\$ 2,626,090</u>	<u>\$ 357,695</u>	<u>\$ 2,983,785</u>

As of December 31, 2009, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$35,652,634 and unvoted legal debt margin was \$28,633,575.

On May 12, 2005, the City issued \$9,990,000 in general obligation refunding bonds. A portion of the bond issuance was used to retire Street Improvement notes, Urban Renewal notes, and Final Judgement notes which matured during 2006. A portion of these bonds was used to currently refund the 1995 Various Purpose Improvement Bonds (principal \$3,265,000). The refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets. The refunding issue is comprised of current interest bonds, par value \$9,990,000 at the time of issuance. The annual interest rate on the bonds is 3.000-4.375%.

On November 16, 2006, the City issued pension refunding bonds. These bonds refunded the \$7,455,000 callable portion of the 2000 pension refunding bond issue. These bonds are general obligations of the City, for which its full faith and credit is pledged for repayment. The reacquisition price exceeded the net carrying amount of the old debt by \$646,594. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

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

The City has entered into an agreement with the Ohio Department of Transportation (ODOT) for a State Infrastructure Bank (SIB) direct loan transaction for the improvements to the Brier Hill Industrial Park area in the amount of \$2,626,090. The amounts due to ODOT are payable solely from water and sewer revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 2009, the City has outstanding borrowings of \$223,716 in the business-type activities. The loan agreement requires principal and interest payments to begin thirty-seven months after the closing date of the loan and bears an interest rate of 3.00%.

The City has entered into debt financing arrangements through the OWDA to fund construction projects. The amounts due to the OWDA are payable solely from water and sewer revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 2009, the City has outstanding borrowings of \$7,133,846 in the business-type activities. The loan agreements require semi-annual payments and are paid from the sewer and water funds.

## CITY OF YOUNGSTOWN, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

#### NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

The City has pledged future water and sewer revenues to repay OWDA and ODOT loans. The loans are payable solely from water and sewer fund revenues and are payable through 2027. Annual principal and interest payments on the water loans are expected to require 12.18 percent of net revenues and .69 percent of total revenue of the water fund. Water loan principal and interest paid for the current year was \$175,118. Annual principal and interest payments on the sewer loans are expected to require over 100 percent of net revenues and 2.63 percent of total revenue of the sewer fund. Sewer loan principal and interest paid for the current year was \$417,247. The total principal and interest remaining to be paid on the water and sewer loans is \$12,813,855.

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

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

An OPWC loan was issued in 2006 to finance the Kirk Rd. storage tank project. The loan was issued in the amount of \$944,380, is interest free and is paid from the water fund.

An OPWC loan was issued in 2007 to finance the Gypsy Lane water and sanitary improvements project. The loan was issued in the amount of \$267,151, is interest free and is paid from the water and sewer fund.

An OPWC loan was issued in 2009 to finance the Boardman Elevated Water Tank project. As of December 31, 2009, the City has received proceeds of \$21,783 and is payable from the water fund. Principal payments will not begin on the loan until fiscal year 2011.

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.

The City offered fire and police employees an early retirement incentive (ERI) in 2009. Employees who elected to participate in the ERI will receive a payment for their unused sick leave, to the extent allowed by the current labor agreement, along with a payment of their annual salary over a five year period. The ERI liability is recorded in the governmental activities statement of net assets as a component of "long-term liabilities". The ERI payments will be made from the fire levy and police levy funds.

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

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

**NOTE 13 - SHORT TERM DEBT**

Note activity during 2009 consisted of the following:

	Interest <u>Rate</u>	Balance <u>12/31/08</u>	<u>Issued</u>	<u>Retired</u>	Balance <u>12/31/09</u>
<u>General obligation notes</u>					
Taxable street improvements, series 2008	2.35%	\$ 1,365,000	\$ -	\$ (1,365,000)	\$ -
Taxable street improvements, series 2009	1.75%	-	1,295,000	-	1,295,000
Taxable convocation center, series 2008	6.74%	11,900,000	-	(11,900,000)	-
Taxable convocation center, series 2009	5.57%	-	11,900,000	-	11,900,000
Taxable land acquisition, series 2009-1	5.80%	-	5,000,000	-	5,000,000
Taxable land acquisition, series 2009-2	5.16%	-	805,000	-	805,000
Total		<u>\$ 13,265,000</u>	<u>\$ 19,000,000</u>	<u>\$ (13,265,000)</u>	<u>\$ 19,000,000</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 taxable street improvements notes, series 2009, were issued on December 4, 2009 and mature on December 3, 2010. The taxable convocation center notes, series 2009, were issued on September 22, 2009 and mature on September 22, 2010. The taxable land acquisition notes, series 2009, were issued on July 23, 2009 and mature on July 23, 2010. The taxable land acquisition notes, series 2009-2, were issued on December 29, 2009 and mature on July 23, 2010. The note liabilities are reflected in the funds which received the proceeds.

**NOTE 14 - RISK MANAGEMENT**

**A. Property and Liability**

For calendar year 2009, the City solicited proposals and contracted for a package of municipal liability and property insurance through Jackson, Dieken and Associates at an annual premium of \$492,102.

The insurance package consisted of a policy from HCC Insurance Company including: comprehensive general liability and automobile liability with limits of \$1 million per occurrence, aggregate \$3 million and deductibles of \$50,000 per occurrence; public officials liability with prior acts coverage and law enforcement liability coverage with limits of \$1 million per occurrence and deductibles of \$50,000. Two umbrella policies provided additional coverage in the amount of \$10 million. The policy also included JAC Management, LLC and Eric Ryan as additional insured for management of the Covelli Centre, at a premium cost of \$65,000. Coverage was provided for loss to buildings and personal property in the amount of \$161,084,828 with a \$10,000 deductible, coverage for contractor's equipment in the amount of \$3.45 million and EDP equipment in the amount of \$1.5 million and auto physical damage catastrophic coverage at two locations with a limit of \$1 million per occurrence and \$25,000 deductible.

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

In 2009, the City paid deductibles to Midwest Claims in the amount of \$186,032.

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

**NOTE 14 - RISK MANAGEMENT - (Continued)**

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

**B. Workers' Compensation**

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

In 2009, the City paid premiums to the State Fund for Workers' Compensation for calendar year 2009 in the amount of approximately \$920,305. The City reimbursed the Bureau of Workers Compensation for actual medical costs and compensation paid to injured workers in the amount of \$366,416 under the Retrospective Rating Plan.

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

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

The claims liability of \$2,176,698 reported at December 31, 2009, as estimated by the third party administrator, is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Of the \$2,176,698 claims liability, \$761,847 of the liability is due within one year and is reported as a current liability in the statement of net assets for the proprietary funds. The remaining portion is a noncurrent liability of \$1,414,851. The estimate was not affected by non-incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in the funds' claims liability amount in 2009 and 2008 were:

<u>Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2009	\$ 1,183,976	\$ 2,279,443	\$ (1,286,721)	\$ 2,176,698
2008	2,120,730	715,565	(1,652,319)	1,183,976

**CITY OF YOUNGSTOWN, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**NOTE 15 - EMPLOYEE BENEFITS**

**A. Life/Health Insurance**

During 2009, the City provided health insurance benefits to its employees through Anthem Insurance. In 2009, management and non-management employees were enrolled in an Anthem Health II Plan. Medical/surgical benefits were provided under a PPO Plan (Blue Access) with no deductibles and copays of \$10 per office visit and \$50 for emergency room visits 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. Drug prescription coverage was provided with a drug card that required co-pays of \$8 for generic and \$15 formulary and \$25 nongeneric/formulary.

The premiums paid by the City were \$408.29 per month per employee for single coverage and \$1,020.73 per month per employee for family coverage for employees in the Health II plan. Premiums for vision were \$5.46 single and \$13.27 family. Premiums for dental were \$22.32 single and \$67.18 family. On May 1, 2010, premiums increased to \$1,081.97 per month family and \$432.79 per month single for Health II. Vision coverage was \$5.58 single and \$13.55 family. Dental increased to \$22.59 single and \$68.00 family.

During 2009, management employees contributed 10% of the premiums paid by the City for their health insurance. Union employees contributed between 7-10%, with caps, toward their premiums in accordance with collective bargaining agreement reached. Dental and vision coverage were provided by Anthem for all employees, other than AFSCME union members. Members of AFSCME 2312 and 2726 (water and clerical) had vision, dental, and life insurance provided through the Ohio AFSCME Care Plan. The City contributed \$55.75 per month per AFSCME employee for this coverage.

Through April 30, 2009, the City provided life insurance and accidental death and dismemberment insurance in equal amounts to its active employee with the exception of AFSCME employees through a plan with Hartford Life. On May 1, 2009, the City changed its life insurance carrier to Standard Life. The benefit amounts remained the same: \$9,500 with the exception of Waste Water Treatment Plant union employees who had coverage in the amount of \$15,000 and Fire Department, 911, Police and Street department union employees who had coverage in the amount of \$20,000. In addition, eligible retirees were covered for death amount benefit amounts ranging from \$1,500 to \$5,000 depending on retirement.

**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, 2009, the liability for unpaid compensated absences was \$10,608,297 for the entire City.

## CITY OF YOUNGSTOWN, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

#### NOTE 16 - PENSION PLANS

##### A. Ohio Public Employees Retirement System

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan 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 Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the 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, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2009, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2009 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 10.10%. The City's contribution rate for 2009 was 14.00%, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.63% of covered payroll.

The City's contribution rate for pension benefits for 2009 was 7.00% from January 1 through March 31, 2009 and 8.50% from April 1 through December 31, 2009, except for those plan members in law enforcement and public safety. For those classifications, pension contributions were 10.63% from January 1 through March 31, 2009 and 12.13% from April 1 through December 31, 2009. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2009, 2008 and 2007 were \$1,876,114, \$1,798,159 and \$2,018,950, respectively; 91.89% has been contributed for 2009 and 100% has been contributed for 2008 and 2007.

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

Plan Description - 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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

**NOTE 16 - PENSION PLANS - (Continued)**

Funding Policy - Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute. For 2009, the portion of the City's contributions to fund pension obligations was 12.75% for police officers and 17.25% for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$1,508,128 and \$1,419,614 for the year ended December 31, 2009, \$1,567,110 and \$1,438,342 for the year ended December 31, 2008 and \$1,497,640 and \$1,425,258 for the year ended December 31, 2007. The full amount has been contributed for 2008 and 2007. 76.74% has been contributed for police and 74.46% has been contributed for firefighters for 2009.

**NOTE 17 - POSTRETIREMENT BENEFIT PLANS**

**A. Ohio Public Employees Retirement System**

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but not does mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administrated in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2009, local government employers contributed 14.00% of covered payroll (17.63% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for 2009 was 7.00% from January 1 through March 31, 2009 and 5.50% from April 1 through December 31, 2009.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

## CITY OF YOUNGSTOWN, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

#### **NOTE 17 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2009, 2008 and 2007 were \$1,367,641, \$1,798,160 and \$1,334,539, respectively; 91.89% has been contributed for 2009 and 100% has been contributed for 2008 and 2007.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

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

Plan Description - The City contributes to the OP&F Pension Fund sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-employment 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.

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

OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts, one for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2009, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

**CITY OF YOUNGSTOWN, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**NOTE 17 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

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

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$798,420 and \$555,501 for the year ended December 31, 2009, \$829,647 and \$562,829 for the year ended December 31, 2008 and \$792,329 and \$557,020 for the year ended December 31, 2007. The full amount has been contributed for 2008 and 2007. 76.74% has been contributed for police and 74.46% has been contributed for firefighters for 2009.

**NOTE 18 - BUDGETARY BASIS OF ACCOUNTING**

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

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

**NOTE 18 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

	<b>Net Change in Fund Balance</b>				
	<u>General</u>	<u>Fire Levy</u>	<u>Police Levy</u>	<u>Community Development</u>	<u>Covelli Centre Project</u>
Budget basis	\$ 3,106,631	\$ (54,197)	\$ (1,348,742)	\$ (4,370)	\$ (105,532)
Net adjustment for revenue accruals	36,289	(28,415)	(25,519)	(313,642)	(11,855)
Net adjustment for expenditure accruals	35,332	(544,750)	(111,905)	282,694	11,954,977
Net adjustment for other financing sources/uses	(2,400,000)	-	-	(128,010)	(11,900,000)
Adjustment for encumbrances	<u>217,944</u>	<u>14,313</u>	<u>59,197</u>	<u>1,738</u>	<u>-</u>
GAAP basis	<u>\$ 996,196</u>	<u>\$ (613,049)</u>	<u>\$ (1,426,969)</u>	<u>\$ (161,590)</u>	<u>\$ (62,410)</u>

**NOTE 19 - CONTINGENT LIABILITIES**

**A. Litigation**

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

The Youngstown Municipal Court judges are seeking writs of mandamus to compel the City of Youngstown to provide them suitable accommodations and to pay for their legal representation. The chances of a Writ ordering the City to provide suitable accommodations being issued are better than 90%. The question will remain as to how much time the City will have to comply and how much it will need to spend for suitable accommodations. The ultimate resolution of this matter cannot be determined at this time.

**B. Federal and State Grants**

For the period January 1, 2009, to December 31, 2009, 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.

**CITY OF YOUNGSTOWN, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**NOTE 20 - SIGNIFICANT SUBSEQUENT EVENTS**

In February 2010, it was officially announced that V&M Star (V&M) plans to invest \$650 million and create 350 jobs at a new steel rolling mill in Youngstown. The deal involves the use of federal stimulus funds and an agreement with the City of Girard to annex approximately 191 acres to the City of Youngstown. Youngstown and Girard have created a joint economic development zone that is centered on the expansion of V&M, which is located on the border between the two cities. The cities of Youngstown and Girard will share income tax revenues from the V&M employees, as well as income tax revenues generated from the estimated 400-500 construction workers that will be working on the expansion site over the next two years.

On January 20, 2010, the City was awarded an ARRA railway grant related to the V&M expansion in the amount of \$16,076,143.

CITY OF YOUNGSTOWN  
MAHONING COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2009

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<b>U.S DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
<i>Direct Programs</i>				
<i>Community Development Block Grant Entitlement Grants (CDBG) Cluster</i>				
Community Development Block Grant/ Entitlement Grants - 30th Year	B-04-MC-39-0023	14.218	5,314	5,313
Community Development Block Grant/ Entitlement Grants - 31st Year	B-05-MC-39-0023	14.218	87	87
Community Development Block Grant/ Entitlement Grants - 32nd Year	B-06-MC-39-0023	14.218	236,038	236,038
Community Development Block Grant/ Entitlement Grants - 33rd Year	B-07-MC-39-0023	14.218	416,840	404,970
Community Development Block Grant/ Entitlement Grants - 34th Year	B-08-MC-39-0023	14.218	1,815,792	1,896,666
Community Development Block Grant/ Entitlement Grants - 35th Year	B-09-MC-39-0023	14.218	1,558,283	1,597,876
Community Development Block Grant/ Neighborhood Stabilization Program	B-08-MN-39-0014	14.218	918,216	918,154
ARRA - Community Development Block Grant/ ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded)	B-09-MY-39-0023	14.253	931,166	934,166
<i>SubtotalCommunity Development Block Grant/ Entitlement Grants Cluster</i>			5,881,736	5,993,270
Emergency Shelter Grants Program	S-07-MC-39-0023	14.231	100	1,643
Emergency Shelter Grants Program	S-08-MC-39-0023	14.231	128,221	128,221
Emergency Shelter Grants Program	S-09-MC-39-0023	14.231	65,781	65,780
<i>Subtotal</i>		14.231	194,102	195,644
Shelter Plus Care	OH-16B70-4016	14.238	15,000	15,411
Shelter Plus Care	OH-16B0-4003	14.238	-	550
<i>Subtotal</i>		14.238	15,000	15,961
HOME Investment Partnerships Program	M-05-MC-39-0023	14.239	-	6,617
HOME Investment Partnerships Program	M-06-MC-39-0023	14.239	-	129,602
HOME Investment Partnerships Program	M-07-MC-39-0023	14.239	30,759	30,376
HOME Investment Partnerships Program	M-08-MC-39-0023	14.239	1,264,566	289,359
HOME Investment Partnerships Program	M-09-MC-39-0023	14.239	-	604,512
HOME Investment Partnerships Program	M-10-MC-39-0023	14.239	-	243,327
<i>Subtotal</i>		14.239	1,295,325	1,303,793
ARRA - Homelessness Prevention and Rapid Re-Housing Program	S-09-MY-39-0023	14.257	185,475	185,475
<b>TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			<b>7,571,638</b>	<b>7,694,143</b>

**CITY OF YOUNGSTOWN  
MAHONING COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

<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>U.S. DEPARTMENT OF JUSTICE</u></b>				
<i>Direct Programs</i>				
Public Safety Partnership and Community Policing Grant	2009-RK-WX-0682	16.710	132,995	-
<i>Passed Through City of Cleveland</i>				
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	2007-DD-BX-0650	16.580	148,053	148,053
<i>Passed Through Governor's Office of Criminal Justice Services</i>				
Community Prosecution and Project Safe Neighborhoods	2003-PS-PSN-394	16.609	8,899	-
Community Prosecution and Project Safe Neighborhoods	2007-PS-PSN-339	16.609	125,201	125,201
<i>Subtotal</i>		16.609	134,100	125,201
<i>Edward Byrne Memorial Justice Assistance Grant (JAG) Program Cluster</i>				
Edward Byrne Memorial Justice Assistance Grant Program	2008-DD-BX-0265	16.738	44,797	16,170
Edward Byrne Memorial Justice Assistance Grant Program	2007-JG-A01-6442	16.738	27,826	13,244
<i>Direct Program</i>				
Edward Byrne Memorial Justice Assistance Grant Program	2009-DJ-BX-0798	16.738	155,894	89,385
<i>Subtotal</i>		16.738	228,517	118,799
ARRA -Recovery Act Edward Byrne Memorial Justice Grant (JAG) Program/Grants to States and Territories	2009-RA-A02-2315	16.803	32,428	-
ARRA -Recovery Act Edward Byrne Memorial Justice Grant (JAG) Program/Grants to Units of Local Governments	2009-SB-B9-0579	16.804	682,388	682,388
<i>Subtotal Edward Byrne Justice Assistance Grant, (JAG), Program Cluster</i>			943,333	801,187
<b>TOTAL U.S. DEPARTMENT OF JUSTICE</b>			<b>1,358,481</b>	<b>1,074,441</b>
<b><u>USDOT-FEDERAL HIGHWAY ADMINISTRATION</u></b>				
<i>Passed Through The Ohio Department of Transportation</i>				
ARRA - Highway Planning and Construction	MAH-62	20.205	106,620	106,620
<b>TOTAL U.S. DOT - FEDERAL HIGHWAY ADMINISTRATION</b>			<b>106,620</b>	<b>106,620</b>
<b><u>NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION</u></b>				
<i>Passed Through Governor's Office of Highway Safety</i>				
Alcohol Impaired Driving Countermeasures Incentive Grants I	HVEO-2009-50-00-00475-00	20.601	27,202	27,202
<b>TOTAL NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION</b>			<b>27,202</b>	<b>27,202</b>

CITY OF YOUNGSTOWN  
MAHONING COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>				
<i>Passed Through Ohio Department of Health</i>				
Immunization Grants	50-2-001-2-IM-0209	93.268	115,720	115,720
HIV Prevention Activities-Health Department Based	50-2-001-2-HP-0209	93.940	225,451	225,451
Preventive Health Services-Sexually Transmitted Diseases Control Grants	50-2-001-2-ST-0210	93.977	41,141	31,575
Preventive Health Services-Sexually Transmitted Diseases Control Grants	50-2-001-2-ST-0109	93.977	17,113	27,896
<i>Subtotal</i>		93.977	58,254	59,471
Maternal and Child Health Services Block Grants to the States	50-2-001-1-DS-0209	93.994	30,000	30,000
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>429,425</b>	<b>430,642</b>
<b><u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u></b>				
<i>Passed Through Ohio Environmental Protection Agency</i>				
Air Pollution Control Program Support	SFY 2007-08	66.001	-	5,170
Air Pollution Control Program Support	SFY 2008-09	66.001	176,956	176,956
Air Pollution Control Program Support	SFY 2008-09	66.001	(2,605) *	-
Air Pollution Control Program Support	SFY 2009-10	66.001	103,166	76,292
<i>Subtotal</i>		66.001	277,517	258,418
<i>Passed Through U.S. Army Corp of Engineers</i>				
ARRA - Construction Grants for Wastewater Treatment Works	125997	66.418	283,763	-
<b>TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY</b>			<b>561,280</b>	<b>258,418</b>
<b><u>U.S. DEPARTMENT OF HOMELAND SECURITY</u></b>				
<i>Direct Programs</i>				
Assistance to Firefighters Grant	EMW-2007-FO-10744	97.044	20,152	20,152
Assistance to Firefighters Grant	EMW-2008-FO-01392	97.044	24,620	24,620
Assistance to Firefighters Grant	EMW-2007-FF-00915	97.044	221,370	221,370
<i>Subtotal</i>		97.044	266,142	266,142
<b>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</b>			<b>266,142</b>	<b>266,142</b>
<b>Total Expenditures of Federal Awards</b>			<b>10,320,788</b>	<b>9,857,608</b>

The accompanying notes are an integral part of this schedule.  
\* Returned funds

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**CITY OF YOUNGSTOWN  
MAHONING COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
DECEMBER 31, 2009**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the City of Youngstown's (the City's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - SUBRECIPIENTS**

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

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

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

The City has a revolving loan fund (RLF) program to provide low-interest loans to businesses to create jobs for low to moderate income persons and also to lend money to eligible persons to rehabilitate homes. The federal Department of Housing and Urban Development (HUD) grants money for these loans to the City. The Schedule reports loans made and administrative costs as disbursements on the Schedule. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans.

These loans are collateralized by mortgages on the property and/or tangible personal property.

Activity in the CDBG revolving loan fund during 2009 is as follows:

Beginning loans receivable balance as of January 1, 2009	\$814,592
Loans made	0
Loan principal repaid	147,974
Ending loans receivable balance as of December 31, 2009	\$666,618

It is not practical to determine either the amount of cash on hand or administrative costs attributable to CDBG loans as financial activity of the CDBG loan programs are commingled with other CDBG program funds.

The table above reports loans receivable net of allowance for uncollectible accounts.

**NOTE D - MATCHING REQUIREMENTS**

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

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the 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 City of Youngstown, Mahoning County, (the City) as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 28, 2010. 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 the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-001 and 2009-002.

We did note certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated October 28, 2010.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the City's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, City Council, and federal awarding agencies and pass-through entities, and others within the City. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

October 28, 2010



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Members of Council:

### Compliance

We have audited the compliance of City of Youngstown (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended December 31, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal programs. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the City'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 included in the Comptroller General of the United States' *Government Auditing Standards*; 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 reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Youngstown complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2009.

### Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the City's management in a separate letter dated October 28, 2010.

We intend this report solely for the information and use of management, City Council, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

October 28, 2010

**CITY OF YOUNGSTOWN  
MAHONING COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2009**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	ARRA-Community Development Block Grant/Entitlement Grant Cluster, CFDA # 14.218, 14.253, Home Investment Partnership Program, CFDA # 14.239, and ARRA-Recovery Act Edward Byrne Memorial Justice Assistance Program, CFDA # 16,738, 16.803, 16.804
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

**FINDING NUMBER 2009-01**

**Noncompliance Citation**

**Ohio Revised Code § 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.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

- A. "Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the City can authorize the drawing of a warrant for the payment of the amount due. The City has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the City.

- B. Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
- C. Super Blanket Certificate** – The City may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

**FINDING NUMBER 2009-01  
 (Continued)**

The City did not properly certify 51 out of 60 (85%) of expenditures tested prior to incurring the obligation. The City did not utilize the certification exceptions described above for those expenditures lacking prior certification.

Of the sixty (60) expenditures examined in our disbursement testing, only nine (9) were found to be certified by the Finance Director.

We recommend 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).

**Officials' Response:** See Corrective Action Plan.

**FINDING NUMBER 2009-02**

**Noncompliance Citation**

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

As of December 31, 2009, the Police Levy Fund had a negative cash balance of \$1,030,081. We recommend that the City comply with the aforementioned Ohio Revised Code.

**Officials' Response:** See Corrective Action Plan.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

<b>Finding Number</b>	<b>None</b>
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**CITY OF YOUNGSTOWN  
MAHONING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
DECEMBER 31, 2009**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2008-01	Deficit cash balances in funds contrary to ORC § 5705.10(H).	No	Not corrected. Repeated as Finding Number 2009-02.
2008-02	City expenditures lacked certification required by ORC § 5705.41(D)	No	Not corrected. Not corrected. Repeated as Finding Number 2009-01.

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**CITY OF YOUNGSTOWN  
MAHONING COUNTY  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
<b>2009-001</b>	<p>The City agrees that the Director of Finance needs to certify the availability of funds prior to expenditure. All purchase orders are certified via Ordinance either on an individual basis (est. 30% of purchase orders) or through the annual budget process (est. 70% of purchase orders).</p> <p>We presently implement the certification of funds method at year-end and throughout the year when encumbrances are received by the Finance Department prior to securing goods or services.</p> <p>The City is replacing all mission critical applications currently running on the mainframe computer with a completely integrated software package. The Financial Management module of the New World Systems ERP solution Logos.NET will be implemented and in place January 2011. This system will enable us to comply with the applicable law at our current staffing levels.</p>	Jan 2011	Finance Director
<b>2009-002</b>	<p>The City Administration and the Finance Director chose to fully fund Police operations for the Calendar Year 2009 with expectations that deficit balance would be addressed during contract negotiations.</p>	Jan 2011	Finance Director





# Dave Yost • Auditor of State

**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 10, 2011**