



Dave Yost • Auditor of State

**CITY OF YOUNGSTOWN
MAHONING COUNTY**

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Dave Yost • 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 the City of Youngstown, Mahoning County, Ohio (the City), as of and for the year ended December 31, 2010, 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 the City of Youngstown, Mahoning County, Ohio, as of December 31, 2010, and the respective changes in financial position and cash flows, thereof and the respective budgetary comparisons for the General, Fire Levy, Police Levy, 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 November 20, 2012, 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.

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

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements taken as a whole. The federal awards expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards expenditure schedule is management's responsibility, and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subjected to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

November 20, 2012

CITY OF YOUNGSTOWN, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010 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, 2010. 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 2010 are as follows:

- The total net assets of the City increased \$21,968,205. Net assets of governmental activities increased \$15,285,096 or 21.02% from 2009 and net assets of business-type activities increased \$6,683,109 or 11.15% from 2009.
- General revenues accounted for \$49,196,340 or 53.02% of total governmental activities revenue. Program specific revenues accounted for \$43,584,109 or 46.98% of total governmental activities revenue of \$92,780,449.
- The City had \$77,499,536 in expenses related to governmental activities; \$43,584,109 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$33,915,427 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$49,196,340.
- The general fund had revenues and other financing sources of \$37,397,066 in 2010. This represents a decrease of \$2,320,619 from 2009. The expenditures and other financing uses of the general fund, which totaled \$37,789,639 in 2010, decreased \$931,850 from 2009. The decrease in fund balance was \$392,573 in the general fund at December 31, 2010.
- The fire levy fund had revenues and other financing sources of \$13,158,555 in 2010. This represents a decrease of \$112,950 from 2009. The expenditures of the fire levy fund, which totaled \$13,174,608 in 2010, decreased \$709,946 from 2009. The decrease in fund balance was \$16,053 in the fire levy fund at December 31, 2010.
- The police levy fund had revenues and other financing sources of \$19,904,504 in 2010. This represents an increase of \$803,746 from 2009. The expenditures of the police levy fund, which totaled \$18,731,738 in 2010, decreased \$1,795,989 from 2009. The increase in fund balance was \$1,172,766 in the police levy fund at December 31, 2010.
- The Covelli Centre fund had revenues and other financing sources of \$995,388 in 2009. This represents a decrease of \$179,145 from 2009. The expenditures of the Covelli Centre fund, which totaled \$686,187 in 2010, decreased \$550,756 from 2009. The increase in fund balance was \$309,201 in the Covelli Centre fund at December 31, 2010.
- The business development fund had revenues and other financing sources of \$16,392,648 in 2010. This represents an increase of \$10,025,017 from 2009. The expenditures and other financing uses of the business development fund, which totaled \$8,343,156 in 2010, decreased \$2,831,922 from 2009. The increase in fund balance was \$8,049,492 in the business development fund at December 31, 2010.
- Net assets for the business-type activities, which are made up of the sewer and water enterprise funds, increased in 2010 by \$6,683,109. The enterprise funds had adequate charges for services revenue to cover operating expenses.

CITY OF YOUNGSTOWN, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010 UNAUDITED

Using this Annual Financial Report

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

The statement of net 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 2010?" 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.

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.

CITY OF YOUNGSTOWN, OHIO

MANAGEMENTS DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010 UNAUDITED

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, Covelli Centre 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 32-36 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 37 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 38-76 of this report.

CITY OF YOUNGSTOWN, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010 UNAUDITED

Government-Wide Financial Analysis

The table below provides a summary of the City's net assets for 2010 and 2009:

	Net Assets					
	Governmental	Business-type	Governmental	Business-type	2010	2009
	Activities	Activities	Activities	Activities	Total	Total
	2010	2010	2009	2009	2010	2009
<u>Assets</u>						
Current and other assets	\$ 31,598,468	\$ 10,516,704	\$ 30,966,955	\$ 9,250,651	\$ 42,115,172	\$ 40,217,606
Capital assets	110,067,695	70,870,314	104,651,882	63,524,851	180,938,009	168,176,733
Total assets	<u>141,666,163</u>	<u>81,387,018</u>	<u>135,618,837</u>	<u>72,775,502</u>	<u>223,053,181</u>	<u>208,394,339</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	33,214,780	12,413,351	36,088,494	10,601,184	45,628,131	46,689,678
Other liabilities	20,462,307	2,370,867	26,826,363	2,254,627	22,833,174	29,080,990
Total liabilities	<u>53,677,087</u>	<u>14,784,218</u>	<u>62,914,857</u>	<u>12,855,811</u>	<u>68,461,305</u>	<u>75,770,668</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	87,386,641	60,305,706	74,840,462	54,706,353	147,692,347	129,546,815
Restricted	12,287,719	-	11,998,040	-	12,287,719	11,998,040
Unrestricted (deficit)	<u>(11,685,284)</u>	<u>6,297,094</u>	<u>(14,134,522)</u>	<u>5,213,338</u>	<u>(5,388,190)</u>	<u>(8,921,184)</u>
Total net assets	<u>\$ 87,989,076</u>	<u>\$ 66,602,800</u>	<u>\$ 72,703,980</u>	<u>\$ 59,919,691</u>	<u>\$ 154,591,876</u>	<u>\$ 132,623,671</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2010, the City's assets exceeded liabilities by \$154,591,876, an increase of \$21,968,205 from December 31, 2009. At year-end, net assets were \$87,989,076 and \$66,602,800 for the governmental activities and the business-type activities, respectively. The increase in net assets of the governmental activities is a result of contributions, donations and reimbursements received for the V&M Star project. The increase in the net assets of the business-type activities is from contributions received from the OWDA through the American Reinvestment and Recovery Act (ARRA) for various sewer projects and from increased water and sewer collections.

Capital assets reported on the government-wide statements represent the largest portion of the City's net assets. At year-end, capital assets represented 81.12% 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, 2010, were \$87,386,641 and \$60,305,706 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, \$11,621,492, at December 31, 2010, 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, 2010
UNAUDITED**

The table below shows the changes in net assets for fiscal years 2010 and 2009

	Change in Net Assets					
	Governmental	Business-type	Governmental	Business-type	2010	2009
	Activities	Activities	Activities	Activities	Total	Total
	2010	2010	2009	2009		
Revenues						
Program revenues:						
Charges for services	\$ 11,878,746	\$ 45,889,004	\$ 11,205,705	\$ 41,286,941	\$ 57,767,750	\$ 52,492,646
Operating grants and contributions	14,538,883	-	13,846,828	-	14,538,883	13,846,828
Capital grants and contributions	17,166,480	2,405,413	2,708,953	-	19,571,893	2,708,953
Total program revenues	43,584,109	48,294,417	27,761,486	41,286,941	91,878,526	69,048,427
General revenues:						
Property taxes	2,322,218	-	2,311,972	-	2,322,218	2,311,972
Income taxes	41,172,771	-	41,293,461	-	41,172,771	41,293,461
Unrestricted grants and entitlements	4,517,739	-	3,945,587	-	4,517,739	3,945,587
Payment in lieu of taxes	172,428	-	182,879	-	172,428	182,879
Investment earnings	13,836	7,010	57,699	6,001	20,846	63,700
Sale of capital assets	-	-	977,967	9,733	-	987,700
Miscellaneous	997,348	111,916	2,761,011	10,737	1,109,264	2,771,748
Total general revenues	49,196,340	118,926	51,530,576	26,471	49,315,266	51,557,047
Total revenues	92,780,449	48,413,343	79,292,062	41,313,412	141,193,792	120,605,474
Expenses:						
General government	12,807,415	-	12,208,060	-	12,807,415	12,208,060
Security of persons and property	36,250,404	-	39,462,307	-	36,250,404	39,462,307
Public health and welfare	2,593,545	-	2,612,375	-	2,593,545	2,612,375
Transportation	8,960,130	-	8,620,079	-	8,960,130	8,620,079
Community environment	9,379,739	-	6,371,906	-	9,379,739	6,371,906
Leisure time activity	2,873,212	-	3,170,263	-	2,873,212	3,170,263
Utility services	2,765,724	-	3,136,676	-	2,765,724	3,136,676
Interest and fiscal charges	1,869,367	-	2,127,644	-	1,869,367	2,127,644
Water	-	24,364,361	-	24,975,276	24,364,361	24,975,276
Sewer	-	17,361,690	-	18,088,598	17,361,690	18,088,598
Total expenses	77,499,536	41,726,051	77,709,310	43,063,874	119,225,587	120,773,184
Increase (decrease) in net assets before transfers	15,280,913	6,687,292	1,582,752	(1,750,462)	21,968,205	(167,710)
Transfers	4,183	(4,183)	-	-	-	-
Change in net assets	15,285,096	6,683,109	1,582,752	(1,750,462)	21,968,205	(167,710)
Net assets at beginning of year	72,703,980	59,919,691	71,121,228	61,670,153	132,623,671	132,791,381
Net assets at end of year	\$ 87,989,076	\$ 66,602,800	\$ 72,703,980	\$ 59,919,691	\$ 154,591,876	\$ 132,623,671

CITY OF YOUNGSTOWN, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED**

Governmental Activities

Governmental activities net assets increased by \$15,285,096 in 2010. This increase is a result of the City's overall revenues exceeding expenses total.

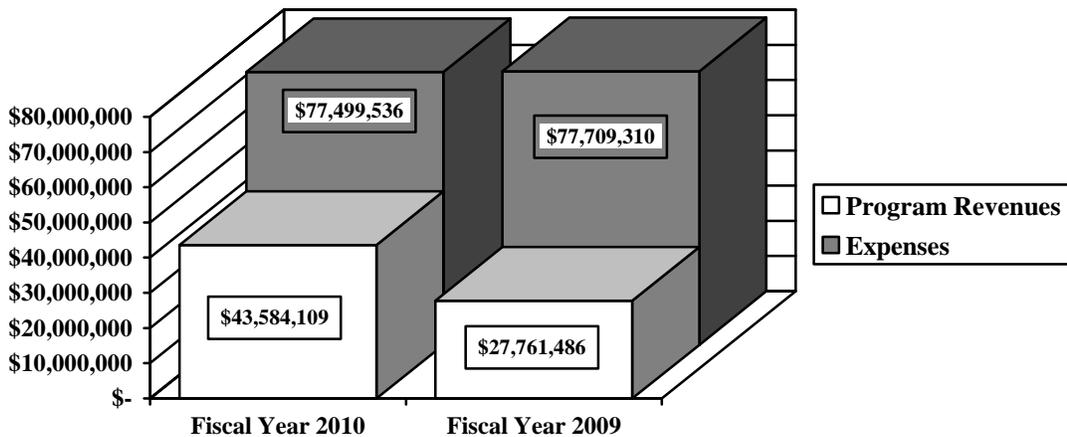
Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$36,250,404 of the total expenses of the City during 2010. These expenses were partially funded by \$810,139 in direct charges to users of the services and \$2,723,511 in grants and contributions. General government expenses totaled \$12,807,415. General government expenses were partially funded by \$6,425,768 in direct charges to users of the services, and \$2,067,879 in capital grants and contributions.

During 2010, the state and federal government and other local sources contributed to the City a total of \$14,538,883 in operating grants and contributions and \$17,166,480 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$7,436,683 subsidized community environment programs, \$2,970,086 subsidized transportation programs, \$1,103,331 subsidized public health and welfare programs, and \$2,723,511 subsidized security of persons and property programs. Of the total capital grants and contributions, \$15,098,601 subsidized community environment programs.

General revenues totaled \$49,196,340, and amounted to 53.02% of total governmental revenues during 2010. These revenues primarily consist of income tax revenue of \$41,172,771. 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 \$2,322,218 and \$4,517,739, 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

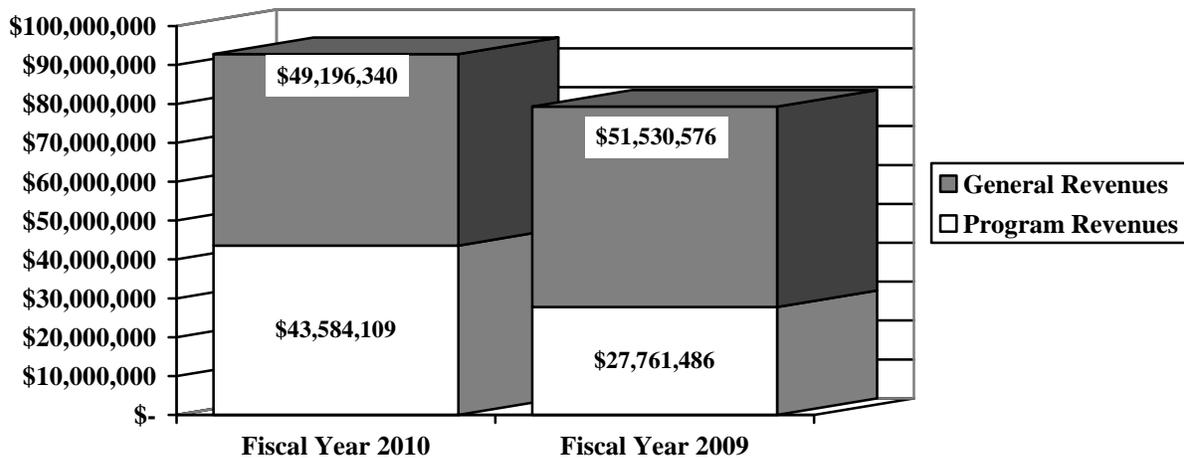
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED**

Governmental Activities

	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
Program Expenses:				
General government	\$ 12,807,415	\$ 4,313,768	\$ 12,208,060	\$ 3,856,619
Security of persons and property	36,250,404	32,716,754	39,462,307	35,717,186
Public health and welfare	2,593,545	(2,657,336)	2,612,375	(2,399,507)
Transportation	8,960,130	5,692,245	8,620,079	5,624,743
Community environment	9,379,739	(13,207,478)	6,371,906	(1,092,377)
Leisure time activity	2,873,212	2,422,383	3,170,263	2,976,840
Utility services	2,765,724	2,765,724	3,136,676	3,136,676
Interest and fiscal charges	1,869,367	1,869,367	2,127,644	2,127,644
Total	\$ 77,499,536	\$ 33,915,427	\$ 77,709,310	\$ 49,947,824

The dependence upon general revenues for governmental activities is apparent, with 43.76% and 64.28% of expenses supported through taxes and other general revenues during 2010 and 2009, respectively.

Governmental Activities - General and Program Revenues



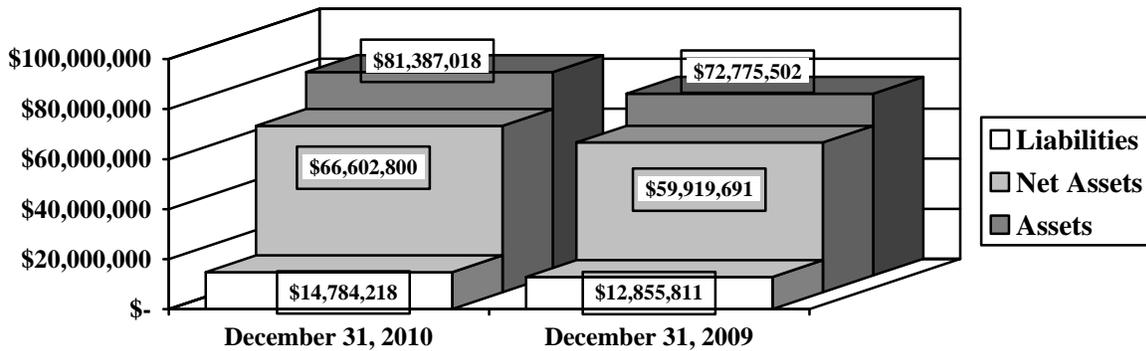
CITY OF YOUNGSTOWN, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED**

Business-type Activities

Business-type activities include the sewer and water enterprise funds. These programs had program revenues of \$48,294,417, general revenues of \$118,926, expenses of \$41,726,051 and transfers out of \$4,183 for 2010. 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 restated fund balances as described in Note 3.B. The City's governmental funds (as presented on the balance sheet on pages 21-22) reported a combined fund deficit of \$3,847,711 which is \$7,714,909 lower than last year's restated deficit balance total of \$11,562,620. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2010 for all major and nonmajor governmental funds.

CITY OF YOUNGSTOWN, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED**

	Fund Balances (Deficit) <u>12/31/10</u>	Fund Balances (Deficit) Restated <u>12/31/09</u>	Increase/ (Decrease)
Major funds:			
General	\$ 3,326,665	\$ 3,719,238	\$ (392,573)
Fire levy	(987,567)	(971,514)	(16,053)
Police levy	(521,039)	(1,693,805)	1,172,766
Covelli centre project	(12,053,320)	(12,362,521)	309,201
Business development	110,963	(7,938,529)	8,049,492
Other nonmajor governmental funds	<u>6,276,587</u>	<u>7,684,511</u>	<u>(1,407,924)</u>
Total	<u>\$ (3,847,711)</u>	<u>\$ (11,562,620)</u>	<u>\$ 7,714,909</u>

General Fund

The City's general fund balance decreased \$392,573 throughout the year. The table that follows assists in illustrating the revenues of the general fund.

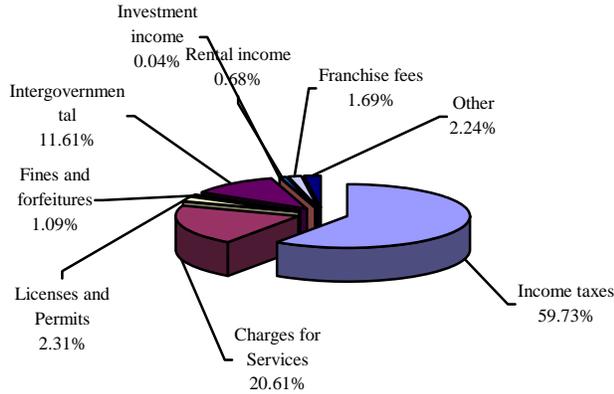
	<u>2010 Amount</u>	<u>2009 Amount</u>	<u>Percentage Change</u>
<u>Revenues</u>			
Income taxes	\$ 21,750,326	\$ 21,695,143	0.25 %
Charges for services	7,504,634	6,973,607	7.61 %
Licenses and permits	842,923	600,478	40.38 %
Fines and forfeitures	396,555	526,545	(24.69) %
Intergovernmental	4,228,474	3,942,324	7.26 %
Investment income	13,836	35,407	(60.92) %
Rental income	246,540	246,615	(0.03) %
Franchise fees	615,164	626,276	(1.77) %
Other	<u>816,307</u>	<u>1,640,461</u>	(50.24) %
Total	<u>\$ 36,414,759</u>	<u>\$ 36,286,856</u>	0.35 %

Income tax revenue represents 59.73% of all general fund revenue and increased slightly by 0.25% in 2010. Charges for services for health contributed to the 7.61% in charges for services. Fines and forfeitures related to court costs and parking fines decreased by 24.69% in 2010. Inheritance taxes increased by approximately \$186,000, contributing to the overall increase of 7.26% in intergovernmental revenue. Investment income decreased significantly due to the declining economy and interest rates. The decrease in other revenues is a result of a RITA retainer distribution refund back to the City in 2009. All other revenue remained comparable to 2010.

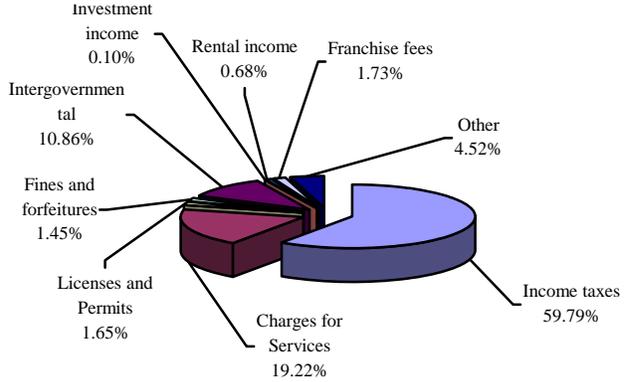
CITY OF YOUNGSTOWN, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED**

Revenues – Fiscal Year 2010



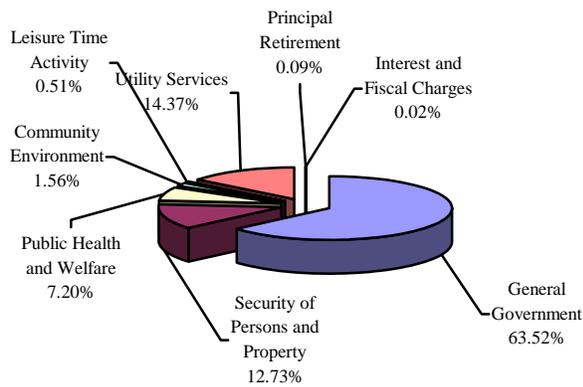
Revenues – Fiscal Year 2009



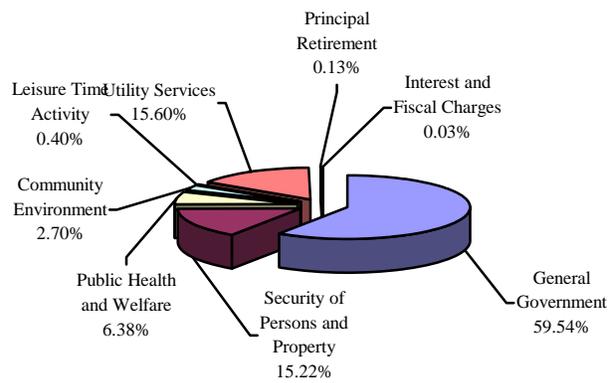
The table that follows assists in illustrating the expenditures of the general fund.

	<u>2010 Amount</u>	<u>2009 Amount</u>	<u>Percentage Change</u>
Expenditures			
General government	\$ 12,221,227	\$ 11,976,438	2.04 %
Security of persons and property	2,450,105	3,060,420	(19.94) %
Public health and welfare	1,385,801	1,282,207	8.08 %
Community environment	299,239	542,041	(44.79) %
Leisure time activity	97,204	79,652	22.04 %
Utility services	2,765,724	3,136,676	(11.83) %
Principal retirement	17,529	25,361	(30.88) %
Interest and fiscal charges	3,836	5,157	(25.62) %
Total	<u><u>\$ 19,240,665</u></u>	<u><u>\$ 20,107,952</u></u>	(4.31) %

Expenditures – Fiscal Year 2010



Expenditures – Fiscal Year 2009



CITY OF YOUNGSTOWN, OHIO

MANAGEMENTS DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010 UNAUDITED

The most significant decrease was in the area of security of persons and property, which was primarily related to decreased costs associated with prisoner housing costs. Costs in the planning office decreased, causing the variance in community environment. Increased spending on Federal Plaza events resulted in an increase in leisure time activities expenditures. All other expenditures remained comparable to the prior year, or were insignificant in dollar amount.

Fire Levy Fund

The fire levy fund had revenues and other financing sources of \$13,158,555 in 2010. This represents a decrease of \$112,950 from 2009. The expenditures of the fire levy fund, which totaled \$13,174,608 in 2010, decreased \$709,946 from 2009. The decrease in fund balance was \$16,053 in the fire levy fund at December 31, 2010.

Police Levy Fund

The police levy fund had revenues and other financing sources of \$19,904,504 in 2010. This represents an increase of \$803,746 from 2009. The expenditures of the police levy fund, which totaled \$18,731,738 in 2010, decreased \$1,795,989 from 2009. The increase in fund balance was \$1,172,766 in the police levy fund at December 31, 2010.

Covelli Centre Fund

The Covelli Centre fund had revenues and other financing sources of \$995,388 in 2009. This represents a decrease of \$179,145 from 2009. The expenditures of the Covelli Centre fund, which totaled \$686,187 in 2010, decreased \$550,756 from 2009 due to less capital outlay and interest and fiscal charges. The increase in fund balance was \$309,201 in the Covelli Centre fund at December 31, 2010.

Business Development Fund

The business development fund had revenues and other financing sources of \$16,392,648 in 2010. This represents an increase of \$10,025,017 from 2009 as a result of approximately \$10,500,000 received in contributions and donations received in 2010 to reimburse the City for various projects, such as the V&M Star project. The expenditures and other financing uses of the business development fund totaled \$8,343,156 in 2010, decreased \$2,831,922 from 2009. The increase in fund balance was \$8,049,492 in the business development fund at December 31, 2010.

Budgeting Highlights

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

Budgetary information is presented for the general fund, fire levy, police levy, community development and Covelli centre fund. In the general fund, actual expenditures and other financing uses of \$42,595,393 came in \$3,716,613 higher than final budgeted expenditures of \$38,878,780. Original budgeted revenues and other financing sources of \$39,760,520 were increased by \$561,193 to \$40,321,713 in the final budgeted revenues. Actual budgeted revenues and other financing sources were \$40,321,712 which were \$1 lower than final budgeted revenues.

CITY OF YOUNGSTOWN, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED

Proprietary Funds

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

Capital Assets and Debt Administration

Capital Assets

Certain balances in the governmental and business-type activities capital assets at December 31, 2009 have been reclassified out of machinery and equipment to report computer software as a separate capital assets line item. At the end of fiscal 2010, the City had \$180,938,009 (net of accumulated depreciation) invested in land, buildings, improvements other than buildings (I.O.T.B.), machinery and equipment, computer software, vehicles, infrastructure and construction in progress (CIP). Of this total, \$110,067,695 was reported in governmental activities and \$70,870,314 was reported in business-type activities. The following table shows fiscal 2010 balances compared to 2009:

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

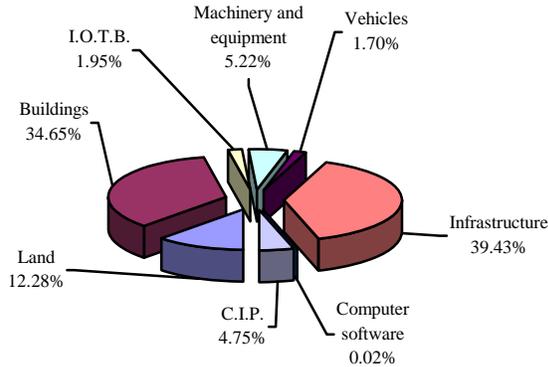
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2010	Restated 2009	2010	Restated 2009	2010	Restated 2009
Land	\$ 13,513,765	\$ 12,712,840	\$ 471,224	\$ 345,591	\$ 13,984,989	\$ 13,058,431
C.I.P.	5,227,713	-	3,727,439	223,716	8,955,152	223,716
Buildings	38,142,381	39,340,084	24,911,663	24,129,241	63,054,044	63,469,325
I.O.T.B.	2,145,050	2,324,055	445,911	338,761	2,590,961	2,662,816
Machinery and equipment	5,745,847	6,067,687	5,971,220	5,077,296	11,717,067	11,144,983
Computer software	20,156	28,739	19,433	18,424	39,589	47,163
Vehicles	1,872,272	2,040,996	1,582,519	1,542,350	3,454,791	3,583,346
Infrastructure	43,400,511	42,137,481	33,740,905	31,849,472	77,141,416	73,986,953
Totals	<u>\$ 110,067,695</u>	<u>\$ 104,651,882</u>	<u>\$ 70,870,314</u>	<u>\$ 63,524,851</u>	<u>\$ 180,938,009</u>	<u>\$ 168,176,733</u>

CITY OF YOUNGSTOWN, OHIO

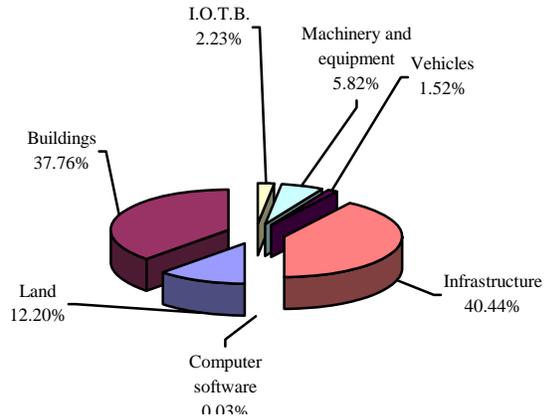
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED**

The following graphs show the breakdown of governmental capital assets by category for 2010 and 2009.

Capital Assets - Governmental Activities 2010



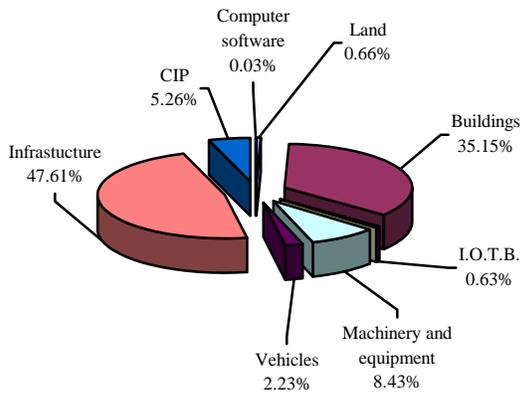
Capital Assets - Governmental Activities 2009



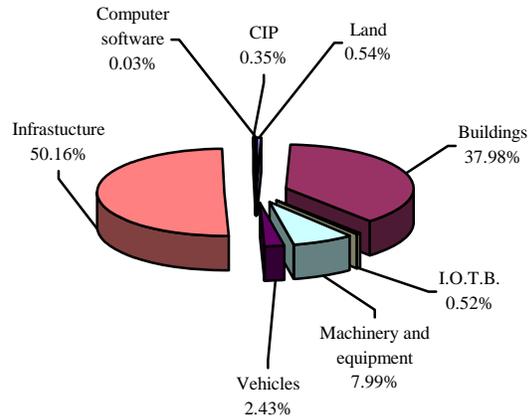
The City's largest governmental activities capital asset categories are buildings and infrastructure. The net book value of the City's buildings and infrastructure (cost less accumulated depreciation) represents approximately 34.65% and 39.43% of the City's total capital assets at December 31, 2010, respectively.

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

Capital Assets - Business-Type Activities 2010



Capital Assets - Business-Type Activities 2009



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 47.61% 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

**MANAGEMENTS DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED**

Debt Administration

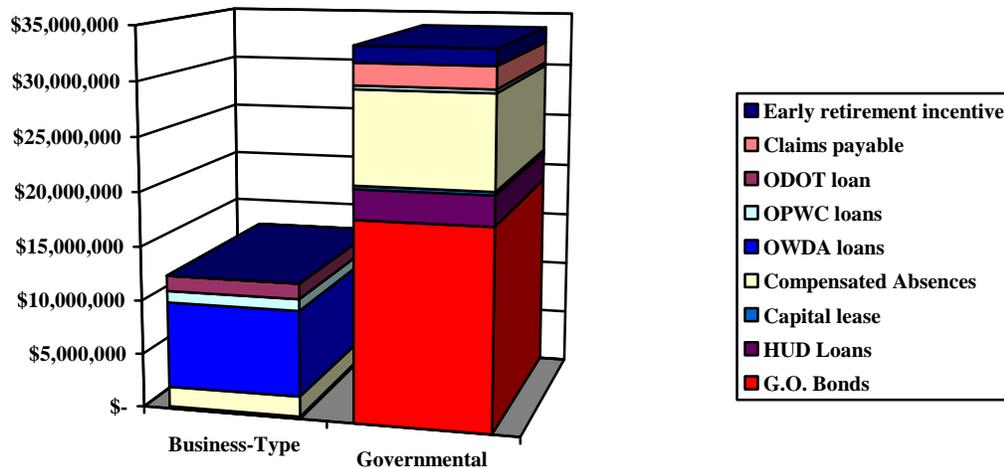
The City had the following long-term obligations outstanding at December 31, 2010 and 2009:

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
General obligation bonds	\$ 18,415,000	\$ 19,720,000
HUD Section 108 loans	2,714,950	3,209,950
OPWC loan	321,431	342,860
Capital lease obligation	309,594	439,479
Claims payable	1,978,011	2,176,698
Early retirement incentive	1,471,957	1,795,584
Compensated absences	<u>8,408,713</u>	<u>8,825,611</u>
Total long-term obligations	<u>\$ 33,619,656</u>	<u>\$ 36,510,182</u>

	<u>Business-Type Activities</u>	
	<u>2010</u>	<u>2009</u>
General obligation bonds	\$ 215,000	\$ 425,000
OWDA loans	7,895,636	7,133,846
OPWC loan	1,067,410	1,071,621
ODOT loan	1,410,672	223,716
Compensated absences	<u>1,848,743</u>	<u>1,782,686</u>
Total long-term obligations	<u>\$ 12,437,461</u>	<u>\$ 10,636,869</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

MANAGEMENTS DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010 UNAUDITED

Economic Conditions and Outlook

The City's administration considered the impact of various economic factors when establishing the 2011 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 8,150 new jobs have been created, with additional job opportunities anticipated as various development agreements are secured. A working example is Vallourec's V&M Star \$650 million expansion of its steel-rolling pipe mill, with expected completion in late 2011 and an estimated addition of 550 contract and full-time employees.

Over the past several years, the City has twice received SBA leadership awards for small business development and is continuing its efforts to locate and grow new industry in Youngstown. Nevertheless, the City continues to lose population and unemployment remains above the national average for 2011. 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 2010 the City of Youngstown had a positive cash balance in all of its operating funds. The City's fortunate financial position is largely due to two factors: aggressive cost containment and employee reductions through buyouts and attrition.

Building on the successes of the last few years, Mayor Williams' agenda to implement 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 better jobs, and to ensure that Youngstown continues to embark on the path of steady growth. The City will continue to right itself relative to revenues and expenditures. For these reasons, as we slowly exit the most troubling period the economy has experienced since the 1930s, the City expects the actions undertaken by management will be successful in maintaining balanced operations through the end of 2011.

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, 2010

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents . . .	\$ 5,092,516	\$ 2,461,634	\$ 7,554,150
Cash and cash equivalents with fiscal and escrow agents.	470,706	-	470,706
Receivables (net of allowance for uncollectibles):			
Income taxes.	10,823,433	-	10,823,433
Real and other taxes	2,747,794	-	2,747,794
Accounts.	928,324	7,191,944	8,120,268
Notes receivable.	3,548,661	-	3,548,661
Special assessments	39,595	-	39,595
Internal balances	60,889	(60,889)	-
Due from other governments	7,438,995	132,316	7,571,311
Materials and supplies inventory.	4,217	782,724	786,941
Deferred charges	443,338	8,975	452,313
Capital assets:			
Land and construction in progress.	18,741,478	4,198,663	22,940,141
Depreciable capital assets, net.	91,326,217	66,671,651	157,997,868
Total capital assets, net.	<u>110,067,695</u>	<u>70,870,314</u>	<u>180,938,009</u>
Total assets	<u>141,666,163</u>	<u>81,387,018</u>	<u>223,053,181</u>
Liabilities:			
Accounts payable.	649,970	205,371	855,341
Contracts payable.	1,387,747	579,377	1,967,124
Accrued wages and benefits	1,265,767	390,421	1,656,188
Due to other governments	2,093,781	1,033,128	3,126,909
Accrued interest payable	365,042	162,570	527,612
Unearned revenue	1,600,000	-	1,600,000
Notes payable	13,100,000	-	13,100,000
Long-term liabilities:			
Due within one year	4,426,523	900,825	5,327,348
Due in more than one year.	28,788,257	11,512,526	40,300,783
Total liabilities	<u>53,677,087</u>	<u>14,784,218</u>	<u>68,461,305</u>
Net assets:			
Invested in capital assets, net of related debt . . .	87,386,641	60,305,706	147,692,347
Restricted for:			
Debt service	1,536,649	-	1,536,649
Capital projects	4,620,228	-	4,620,228
Community development	4,493,710	-	4,493,710
Street repair and maintenance.	745,242	-	745,242
Public health and welfare.	162,314	-	162,314
Law enforcement	729,576	-	729,576
Unrestricted (deficit)	<u>(11,685,284)</u>	<u>6,297,094</u>	<u>(5,388,190)</u>
Total net assets	<u>\$ 87,989,076</u>	<u>\$ 66,602,800</u>	<u>\$ 154,591,876</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF YOUNGSTOWN, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government.	\$ 12,807,415	\$ 6,425,768	\$ -	\$ 2,067,879
Security of persons and property . . .	36,250,404	810,139	2,723,511	-
Public health and welfare	2,593,545	4,147,550	1,103,331	-
Transportation.	8,960,130	297,799	2,970,086	-
Community environment	9,379,739	51,933	7,436,683	15,098,601
Leisure time activity.	2,873,212	145,557	305,272	-
Utility services	2,765,724	-	-	-
Interest and fiscal charges.	1,869,367	-	-	-
Total governmental activities	<u>77,499,536</u>	<u>11,878,746</u>	<u>14,538,883</u>	<u>17,166,480</u>
Business-type activities:				
Sewer	17,361,690	18,655,280	-	2,405,413
Water	24,364,361	27,233,724	-	-
Total business-type activities	<u>41,726,051</u>	<u>45,889,004</u>	<u>-</u>	<u>2,405,413</u>
Totals	<u>\$ 119,225,587</u>	<u>\$ 57,767,750</u>	<u>\$ 14,538,883</u>	<u>\$ 19,571,893</u>

General revenues:

- Property taxes levied for:
 - Debt service.
 - Special revenue
- Income taxes levied for:
 - General purposes
 - Fire levy.
 - Police levy.
 - Capital outlay
- Grants and entitlements not restricted to specific programs
- Payment in lieu of taxes
- Investment earnings
- Miscellaneous

Total general revenues

Transfers

Change in net assets

Net assets at beginning of year.

Net assets at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (4,313,768)	\$ -	\$ (4,313,768)
(32,716,754)	-	(32,716,754)
2,657,336	-	2,657,336
(5,692,245)	-	(5,692,245)
13,207,478	-	13,207,478
(2,422,383)	-	(2,422,383)
(2,765,724)	-	(2,765,724)
(1,869,367)	-	(1,869,367)
<u>(33,915,427)</u>	<u>-</u>	<u>(33,915,427)</u>
-	3,699,003	3,699,003
<u>-</u>	<u>2,869,363</u>	<u>2,869,363</u>
-	6,568,366	6,568,366
<u>(33,915,427)</u>	<u>6,568,366</u>	<u>(27,347,061)</u>
2,065,135	-	2,065,135
257,083	-	257,083
21,719,993	-	21,719,993
6,419,714	-	6,419,714
8,562,458	-	8,562,458
4,470,606	-	4,470,606
4,517,739	-	4,517,739
172,428	-	172,428
13,836	7,010	20,846
997,348	111,916	1,109,264
<u>49,196,340</u>	<u>118,926</u>	<u>49,315,266</u>
<u>4,183</u>	<u>(4,183)</u>	<u>-</u>
15,285,096	6,683,109	21,968,205
<u>72,703,980</u>	<u>59,919,691</u>	<u>132,623,671</u>
<u>\$ 87,989,076</u>	<u>\$ 66,602,800</u>	<u>\$ 154,591,876</u>

CITY OF YOUNGSTOWN, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	<u>General</u>	<u>Fire Levy</u>	<u>Police Levy</u>	<u>Covelli Centre</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ -	\$ 6,855	\$ 8,711	\$ 5,539
Cash and cash equivalents with fiscal and escrow agents.	-	-	-	-
Receivables:				
Income taxes.	5,727,864	1,681,575	2,242,951	-
Real and other taxes	-	-	-	18,940
Accounts.	895,864	-	3,506	-
Interfund loans.	-	-	-	-
Special assessments	1,120	-	-	-
Due from other funds	-	-	-	-
Due from other governments.	1,630,286	-	20,136	-
Materials and supplies inventory.	1,422	932	-	-
Notes receivable.	3,000,000	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 11,256,556</u>	<u>\$ 1,689,362</u>	<u>\$ 2,275,304</u>	<u>\$ 24,479</u>
Liabilities:				
Accounts payable.	\$ 76,326	\$ 4,949	\$ 11,915	\$ 3,700
Contracts payable.	105,175	-	-	-
Accrued wages and benefits payable	282,741	366,796	480,140	-
Compensated absences payable	8,412	62,007	-	-
Early retirement incentive payable.	-	304,800	114,051	-
Interfund loans payable.	1,976,318	-	-	-
Due to other governments	125,077	951,482	873,877	-
Due to other funds	1,000,000	-	-	-
Deferred revenue	4,355,842	986,895	1,316,360	-
Unearned revenue	-	-	-	-
Accrued interest payable	-	-	-	174,099
Notes payable	-	-	-	11,900,000
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Total liabilities	<u>7,929,891</u>	<u>2,676,929</u>	<u>2,796,343</u>	<u>12,077,799</u>
Fund balances:				
Reserved for supplies inventory	1,422	932	-	-
Reserved for debt service	-	-	-	-
Reserved for notes.	3,000,000	-	-	-
Unreserved, undesignated (deficit), reported in:				
General fund.	325,243	-	-	-
Special revenue funds	-	(988,499)	(521,039)	(12,053,320)
Capital projects funds	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances (deficits).	<u>3,326,665</u>	<u>(987,567)</u>	<u>(521,039)</u>	<u>(12,053,320)</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 11,256,556</u>	<u>\$ 1,689,362</u>	<u>\$ 2,275,304</u>	<u>\$ 24,479</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Business Development	Other Governmental Funds	Total Governmental Funds
\$ 2,069,375	\$ 2,077,773	\$ 4,168,253
-	470,706	470,706
-	1,171,043	10,823,433
-	2,728,854	2,747,794
20,257	8,697	928,324
-	2,126,318	2,126,318
-	38,475	39,595
-	1,000,000	1,000,000
-	5,788,573	7,438,995
-	1,863	4,217
-	548,661	3,548,661
<u>\$ 2,089,632</u>	<u>\$ 15,960,963</u>	<u>\$ 33,296,296</u>
\$ 67,898	\$ 485,182	\$ 649,970
859,361	423,211	1,387,747
-	136,090	1,265,767
-	-	70,419
-	-	418,851
-	150,000	2,126,318
-	143,345	2,093,781
-	-	1,000,000
-	6,596,347	13,255,444
-	1,600,000	1,600,000
1,410	201	175,710
1,050,000	150,000	13,100,000
<u>1,978,669</u>	<u>9,684,376</u>	<u>37,144,007</u>
-	1,863	4,217
-	455,561	455,561
-	548,661	3,548,661
-	-	325,243
-	1,464,710	(12,098,148)
110,963	3,805,792	3,916,755
<u>110,963</u>	<u>6,276,587</u>	<u>(3,847,711)</u>
<u>\$ 2,089,632</u>	<u>\$ 15,960,963</u>	<u>\$ 33,296,296</u>

CITY OF YOUNGSTOWN, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2010

Total governmental fund balances		\$ (3,847,711)
<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.		110,067,695
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property taxes receivable	\$ 1,128,854	
Income taxes receivable	6,352,138	
Special assessments receivable	39,595	
Intergovernmental receivable	5,734,857	
Total		13,255,444
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.		(189,332)
Unamortized premiums on bond issuance are not recognized in the funds.		(135,029)
Unamortized bond issuance costs are not recognized in the funds.		443,338
Unamortized deferred charges on refundings are not recognized in the funds.		539,905
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	(18,415,000)	
HUD Section 108 loans	(2,714,950)	
OPWC loan	(321,431)	
Compensated absences	(8,338,294)	
Early retirement incentive	(1,053,106)	
Capital lease payable	(309,594)	
Total		(31,152,375)
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.		(1,053,748)
An internal balance is recorded in governmental activities to reflect underpayments to the internal service fund by the business-type activities.		60,889
Net assets of governmental activities		\$ 87,989,076

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, 2010

	<u>General</u>	<u>Fire Levy</u>	<u>Police Levy</u>	<u>Covelli Centre</u>
Revenues:				
Income taxes	\$ 21,750,326	\$ 6,403,228	\$ 8,540,705	\$ -
Property and other local taxes.	-	-	-	257,083
Charges for services.	7,504,634	10,892	6,789	-
Licenses and permits	842,923	10	99	-
Fines and forfeitures	396,555	914	6,132	-
Intergovernmental.	4,228,474	183,405	1,110,374	-
Investment income.	13,836	-	-	-
Rental income	246,540	-	4,132	-
Contributions and donations.	1,773	-	1,200	-
Franchise fees	615,164	-	-	-
Payment in lieu of taxes	-	-	-	-
Other	814,534	425	10,025	115,475
Total revenues	<u>36,414,759</u>	<u>6,598,874</u>	<u>9,679,456</u>	<u>372,558</u>
Expenditures:				
Current:				
General government	12,221,227	-	-	-
Security of persons and property	2,450,105	13,042,872	18,731,738	-
Public health and welfare.	1,385,801	-	-	-
Transportation	-	-	-	-
Community environment	299,239	-	-	60,062
Leisure time activity	97,204	-	-	-
Utility services	2,765,724	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement.	17,529	112,356	-	-
Interest and fiscal charges	3,836	19,380	-	626,125
Total expenditures	<u>19,240,665</u>	<u>13,174,608</u>	<u>18,731,738</u>	<u>686,187</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>17,174,094</u>	<u>(6,575,734)</u>	<u>(9,052,282)</u>	<u>(313,629)</u>
Other financing sources (uses):				
Sale of capital assets.	431	681	1,048	-
Transfers in	981,876	6,559,000	10,224,000	622,830
Transfers (out).	(18,548,974)	-	-	-
Total other financing sources (uses)	<u>(17,566,667)</u>	<u>6,559,681</u>	<u>10,225,048</u>	<u>622,830</u>
Net change in fund balances	(392,573)	(16,053)	1,172,766	309,201
Fund balances (deficits) at beginning of year (restated)	<u>3,719,238</u>	<u>(971,514)</u>	<u>(1,693,805)</u>	<u>(12,362,521)</u>
Fund balances (deficits) at end of year	<u>\$ 3,326,665</u>	<u>\$ (987,567)</u>	<u>\$ (521,039)</u>	<u>\$ (12,053,320)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Business Development	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 4,459,159	\$ 41,153,418
-	1,920,435	2,177,518
-	529,874	8,052,189
-	-	843,032
-	456,237	859,838
3,441,655	16,523,604	25,487,512
-	-	13,836
1,281,328	48,163	1,580,163
10,501,955	29,250	10,534,178
-	-	615,164
-	172,428	172,428
663,765	55,116	1,659,340
<u>15,888,703</u>	<u>24,194,266</u>	<u>93,148,616</u>
-	184,886	12,406,113
-	1,678,662	35,903,377
-	1,162,442	2,548,243
-	7,189,982	7,189,982
-	5,054,630	5,413,931
-	2,386,626	2,483,830
-	-	2,765,724
7,733,770	4,877,255	12,611,025
-	1,821,429	1,951,314
209,386	985,880	1,844,607
<u>7,943,156</u>	<u>25,341,792</u>	<u>85,118,146</u>
<u>7,945,547</u>	<u>(1,147,526)</u>	<u>8,030,470</u>
38,907	43,372	84,439
465,038	6,961,412	25,814,156
(400,000)	(7,265,182)	(26,214,156)
<u>103,945</u>	<u>(260,398)</u>	<u>(315,561)</u>
8,049,492	(1,407,924)	7,714,909
<u>(7,938,529)</u>	<u>7,684,511</u>	<u>(11,562,620)</u>
<u>\$ 110,963</u>	<u>\$ 6,276,587</u>	<u>\$ (3,847,711)</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, 2010

Net change in fund balances - total governmental funds \$ 7,714,909

*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	\$ 10,157,373	
Transfers from other funds, net of accumulated depreciation	4,183	
Current year depreciation	(4,719,673)	
Total		5,441,883

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. (26,070)

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

Delinquent taxes	144,700	
Intergovernmental	(532,838)	
Municipal income taxes	19,353	
Special assessments	618	
Total		(368,167)

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. 1,951,314

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

Accrued interest	17,345	
Bond premium	9,052	
Deferred charges on refunding	(25,864)	
Bond issuance costs	(25,292)	
Total		(24,759)

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. 650,609

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. (54,623)

Change in net assets of governmental activities \$ 15,285,096

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
 FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues:				
Income taxes	\$ 23,184,950	\$ 23,512,189	\$ 21,762,844	\$ (1,749,345)
Charges for services.	7,930,202	8,042,132	7,443,784	(598,348)
Licenses and permits	898,004	910,679	842,923	(67,756)
Fines and forfeitures	431,025	437,109	404,587	(32,522)
Intergovernmental.	4,451,647	4,514,479	4,178,594	(335,885)
Investment income.	14,740	14,948	13,836	(1,112)
Rental income	262,650	266,357	246,540	(19,817)
Francise fees	660,980	670,309	620,437	(49,872)
Other	879,826	892,244	825,860	(66,384)
Total revenues	<u>38,714,024</u>	<u>39,260,446</u>	<u>36,339,405</u>	<u>(2,921,041)</u>
Expenditures:				
Current:				
General government	12,005,849	12,677,685	12,443,252	234,433
Security of persons and property	3,466,504	2,606,802	2,578,053	28,749
Public health and welfare.	1,490,546	1,480,402	1,454,846	25,556
Community environment	193,286	193,886	193,432	454
Basic utility services	3,160,347	2,810,347	2,780,271	30,076
Leisure time activity	96,120	101,620	96,565	5,055
Total expenditures	<u>20,412,652</u>	<u>19,870,742</u>	<u>19,546,419</u>	<u>324,323</u>
Excess of revenues over expenditures	<u>18,301,372</u>	<u>19,389,704</u>	<u>16,792,986</u>	<u>(2,596,718)</u>
Other financing sources (uses):				
Sale of capital assets.	459	466	431	(35)
Repayment of float loans.	-	-	3,000,000	3,000,000
Issuance of float loans	-	-	(4,500,000)	(4,500,000)
Transfers in	1,046,037	1,060,801	981,876	(78,925)
Transfers (out).	<u>(18,494,638)</u>	<u>(19,008,038)</u>	<u>(18,548,974)</u>	<u>459,064</u>
Total other financing sources (uses)	<u>(17,448,142)</u>	<u>(17,946,771)</u>	<u>(19,066,667)</u>	<u>(1,119,896)</u>
Net change in fund balances	853,230	1,442,933	(2,273,681)	(3,716,614)
Fund balance at beginning of year	79,419	79,419	79,419	-
Prior year encumbrances appropriated	217,944	217,944	217,944	-
Fund balance (deficit) at end of year.	<u>\$ 1,150,593</u>	<u>\$ 1,740,296</u>	<u>\$ (1,976,318)</u>	<u>\$ (3,716,614)</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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Income taxes	\$ 6,464,717	\$ 6,389,097	\$ 6,389,097	\$ -
Charges for services.	11,021	10,892	10,892	-
Licenses and permits	10	10	10	-
Fines and forfeitures	925	914	914	-
Intergovernmental.	185,576	183,405	183,405	-
Other	430	425	425	-
Total revenues	<u>6,662,679</u>	<u>6,584,743</u>	<u>6,584,743</u>	<u>-</u>
Expenditures:				
Current:				
Security of persons and property	12,752,457	13,172,556	13,164,923	7,633
Total expenditures	<u>12,752,457</u>	<u>13,172,556</u>	<u>13,164,923</u>	<u>7,633</u>
Excess of expenditures over revenues.	<u>(6,089,778)</u>	<u>(6,587,813)</u>	<u>(6,580,180)</u>	<u>7,633</u>
Other financing sources:				
Sale of capital assets.	689	681	681	-
Transfers in	6,636,632	6,559,000	6,559,000	-
Total other financing sources.	<u>6,637,321</u>	<u>6,559,681</u>	<u>6,559,681</u>	<u>-</u>
Net change in fund balances	547,543	(28,132)	(20,499)	7,633
Fund balance at beginning of year	13,041	13,041	13,041	-
Prior year encumbrances appropriated . . .	14,313	14,313	14,313	-
Fund balance (deficit) at end of year	<u>\$ 574,897</u>	<u>\$ (778)</u>	<u>\$ 6,855</u>	<u>\$ 7,633</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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Income taxes	\$ 8,151,568	\$ 8,522,022	\$ 8,522,022	\$ -
Charges for services.	6,494	6,789	6,789	-
Licenses and permits	95	99	99	-
Fines and forfeitures	5,865	6,132	6,132	-
Intergovernmental.	1,054,959	1,102,902	1,102,902	-
Rental income	3,952	4,132	4,132	-
Contributions and donations.	1,148	1,200	1,200	-
Other	6,236	6,519	6,519	-
Total revenues	<u>9,230,317</u>	<u>9,649,795</u>	<u>9,649,795</u>	<u>-</u>
Expenditures:				
Current:				
Security of persons and property	18,282,251	18,847,902	18,836,711	11,191
Total expenditures	<u>18,282,251</u>	<u>18,847,902</u>	<u>18,836,711</u>	<u>11,191</u>
Excess of expenditures over revenues.	<u>(9,051,934)</u>	<u>(9,198,107)</u>	<u>(9,186,916)</u>	<u>11,191</u>
Other financing sources:				
Sale of capital assets.	1,002	1,048	1,048	-
Transfers in	9,773,681	10,217,853	10,224,000	6,147
Total other financing sources.	<u>9,774,683</u>	<u>10,218,901</u>	<u>10,225,048</u>	<u>6,147</u>
Net change in fund balances	722,749	1,020,794	1,038,132	17,338
Fund balance (deficit) at beginning of year .	(1,088,618)	(1,088,618)	(1,088,618)	-
Prior year encumbrances appropriated . . .	59,197	59,197	59,197	-
Fund balance (deficit) at end of year.	<u>\$ (306,672)</u>	<u>\$ (8,627)</u>	<u>\$ 8,711</u>	<u>\$ 17,338</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
 FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other local taxes	\$ 245,251	\$ 239,907	\$ 239,907	\$ -
Other	118,047	115,475	115,475	-
Total revenues	<u>363,298</u>	<u>355,382</u>	<u>355,382</u>	<u>-</u>
Expenditures:				
Current:				
Community environment	200,000	60,500	56,362	4,138
Debt service:				
Principal retirement	-	-	11,900,000	(11,900,000)
Interest and fiscal charges	662,830	666,330	666,311	19
Total expenditures	<u>862,830</u>	<u>726,830</u>	<u>12,622,673</u>	<u>(11,895,843)</u>
Excess of expenditures over revenues	<u>(499,532)</u>	<u>(371,448)</u>	<u>(12,267,291)</u>	<u>(11,895,843)</u>
Other financing sources:				
Issuance of notes	-	-	11,900,000	11,900,000
Transfers in	636,702	622,830	622,830	-
Total other financing sources	<u>636,702</u>	<u>622,830</u>	<u>12,522,830</u>	<u>11,900,000</u>
Net change in fund balances	137,170	251,382	255,539	4,157
Fund balance (deficit) at beginning of year .	<u>(250,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>-</u>
Fund balance at end of year	<u>\$ (112,830)</u>	<u>\$ 1,382</u>	<u>\$ 5,539</u>	<u>\$ 4,157</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF YOUNGSTOWN, OHIO

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 DECEMBER 31, 2010

	<u>Business-type Activities - Enterprise Funds</u>			Governmental
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	Activities - Internal Service Fund
Assets:				
Current assets:				
Equity in pooled cash and cash equivalents	\$ 1,223,378	\$ 1,238,256	\$ 2,461,634	\$ 924,263
Receivables:				
Accounts	3,704,719	3,487,225	7,191,944	-
Due from other governments	130,745	1,571	132,316	-
Materials and supplies inventory	385,773	396,951	782,724	-
Total current assets	<u>5,444,615</u>	<u>5,124,003</u>	<u>10,568,618</u>	<u>924,263</u>
Noncurrent assets:				
Deferred charges	2,982	5,993	8,975	-
Capital assets:				
Land and construction in progress	1,605,484	2,593,179	4,198,663	-
Depreciable capital assets, net	44,228,991	22,442,660	66,671,651	-
Total capital assets, net	<u>45,834,475</u>	<u>25,035,839</u>	<u>70,870,314</u>	<u>-</u>
Total noncurrent assets	<u>45,837,457</u>	<u>25,041,832</u>	<u>70,879,289</u>	<u>-</u>
Total assets	<u>51,282,072</u>	<u>30,165,835</u>	<u>81,447,907</u>	<u>924,263</u>
Liabilities:				
Current liabilities:				
Accounts payable	176,380	28,991	205,371	-
Contracts payable	38,366	541,011	579,377	-
Accrued wages and benefits payable	186,499	203,922	390,421	-
Due to other governments	105,111	928,017	1,033,128	-
Current portion of compensated absences payable	120,427	149,924	270,351	-
Current portion of claims payable	-	-	-	714,394
Accrued interest payable	118,126	44,444	162,570	-
Current portion of general obligation bonds payable	56,959	133,931	190,890	-
Current portion of OWDA loans payable	291,332	87,674	379,006	-
Current portion of OPWC loans payable	10,019	50,559	60,578	-
Total current liabilities	<u>1,103,219</u>	<u>2,168,473</u>	<u>3,271,692</u>	<u>714,394</u>
Long-term liabilities:				
Compensated absences payable	703,087	875,305	1,578,392	-
Claims payable	-	-	-	1,263,617
OWDA loans payable	5,621,374	1,895,256	7,516,630	-
OPWC loans payable	205,848	800,984	1,006,832	-
ODOT loan payable	705,336	705,336	1,410,672	-
Total long-term liabilities	<u>7,235,645</u>	<u>4,276,881</u>	<u>11,512,526</u>	<u>1,263,617</u>
Total liabilities	<u>8,338,864</u>	<u>6,445,354</u>	<u>14,784,218</u>	<u>1,978,011</u>
Net assets:				
Invested in capital assets, net of related debt	38,943,607	21,362,099	60,305,706	-
Unrestricted (deficit)	3,999,601	2,358,382	6,357,983	(1,053,748)
Total net assets (deficit)	<u>\$ 42,943,208</u>	<u>\$ 23,720,481</u>	<u>66,663,689</u>	<u>\$ (1,053,748)</u>
Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds			(60,889)	
Net assets of business-type activities			<u>\$ 66,602,800</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF YOUNGSTOWN, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Business-type Activities - Enterprise Funds</u>			Governmental
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	Activities - Internal Service Fund
Operating revenues:				
Charges for services	\$ 18,655,280	\$ 27,233,724	\$ 45,889,004	\$ 2,394,223
Other operating revenues	-	85,114	85,114	-
Total operating revenues.	<u>18,655,280</u>	<u>27,318,838</u>	<u>45,974,118</u>	<u>2,394,223</u>
Operating expenses:				
Personal services	7,213,291	8,141,127	15,354,418	-
Contract services.	6,391,926	3,326,495	9,718,421	-
Materials and supplies.	1,211,850	12,179,540	13,391,390	-
Claims expense	-	-	-	2,730,812
Depreciation.	1,936,921	697,362	2,634,283	-
Other	426,795	16	426,811	-
Total operating expenses.	<u>17,180,783</u>	<u>24,344,540</u>	<u>41,525,323</u>	<u>2,730,812</u>
Operating income (loss)	<u>1,474,497</u>	<u>2,974,298</u>	<u>4,448,795</u>	<u>(336,589)</u>
Nonoperating revenues (expenses):				
Interest and fiscal charges	(214,246)	(104,516)	(318,762)	-
Gain on sale of capital assets	6,129	20,673	26,802	-
Interest income.	-	7,010	7,010	-
Total nonoperating revenues (expenses).	<u>(208,117)</u>	<u>(76,833)</u>	<u>(284,950)</u>	<u>-</u>
Income (loss) before capital contributions and transfers	<u>1,266,380</u>	<u>2,897,465</u>	<u>4,163,845</u>	<u>(336,589)</u>
Transfer in	-	-	-	400,000
Transfer out	(2,067)	(2,116)	(4,183)	-
Capital contributions.	2,405,413	-	2,405,413	-
Change in net assets	3,669,726	2,895,349	6,565,075	63,411
Net assets (deficit) at beginning of year	<u>39,273,482</u>	<u>20,825,132</u>		<u>(1,117,159)</u>
Net assets (deficit) at end of year.	<u>\$ 42,943,208</u>	<u>\$ 23,720,481</u>		<u>\$ (1,053,748)</u>
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds.			118,034	
Change in net assets of business-type activities.			<u>\$ 6,683,109</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF YOUNGSTOWN, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Business-type Activities - Enterprise Funds</u>			Governmental
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	Activities - Internal Service Fund
Cash flows from operating activities:				
Cash received from customers	\$ 18,339,659	\$ 27,131,552	\$ 45,471,211	\$ -
Cash received from other funds.	-	-	-	2,394,223
Cash received from other operations	-	81,412	81,412	-
Cash payments for personal services	(7,212,422)	(8,133,829)	(15,346,251)	-
Cash payments for contract services	(6,506,616)	(2,546,653)	(9,053,269)	-
Cash payments for materials and supplies	(1,179,763)	(13,063,275)	(14,243,038)	-
Cash payments for claims.	-	-	-	(2,929,499)
Cash payments for other expenses	(426,795)	(16)	(426,811)	-
Net cash provided by (used in) operating activities	<u>3,014,063</u>	<u>3,469,191</u>	<u>6,483,254</u>	<u>(535,276)</u>
Cash flows from noncapital financing activities:				
Cash received from transfers in.	-	-	-	400,000
Net cash provided by noncapital financing activities.	<u>-</u>	<u>-</u>	<u>-</u>	<u>400,000</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(6,170,251)	(3,363,227)	(9,533,478)	-
Gain on sale of capital assets.	10,097	20,673	30,770	-
Intergovernmental	2,405,413	-	2,405,413	-
Principal retirement on bonds	(65,000)	(145,000)	(210,000)	-
Principal retirement on loans	(235,998)	(134,467)	(370,465)	-
Loan issuances	1,695,160	619,840	2,315,000	-
Interest and fiscal charges	(197,638)	(105,971)	(303,609)	-
Net cash used in capital and related financing activities	<u>(2,558,217)</u>	<u>(3,108,152)</u>	<u>(5,666,369)</u>	<u>-</u>
Cash flows from investing activities:				
Interest received.	-	7,010	7,010	-
Net cash provided by investing activities	<u>-</u>	<u>7,010</u>	<u>7,010</u>	<u>-</u>
Net increase (decrease) in cash and cash cash equivalents	455,846	368,049	823,895	(135,276)
Cash and cash equivalents at beginning of year.	<u>767,532</u>	<u>870,207</u>	<u>1,637,739</u>	<u>1,059,539</u>
Cash and cash equivalents at end of year	<u>\$ 1,223,378</u>	<u>\$ 1,238,256</u>	<u>\$ 2,461,634</u>	<u>\$ 924,263</u>

- - Continued

CITY OF YOUNGSTOWN, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Fund
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	
Reconciliation of operating loss to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 1,474,497	\$ 2,974,298	\$ 4,448,795	\$ (336,589)
Adjustments:				
Depreciation.	1,936,921	697,362	2,634,283	-
Changes in assets and liabilities:				
Decrease in materials and supplies inventory	59,613	33,450	93,063	-
(Increase) in accounts receivable	(184,876)	(104,303)	(289,179)	-
(Increase) in intergovernmental receivable	(130,745)	(1,571)	(132,316)	-
Increase (decrease) in accounts payable.	37,320	(160,081)	(122,761)	-
Increase (decrease) in contracts payable.	(173,704)	34,740	(138,964)	-
Increase in accrued wages and benefits	23,789	30,795	54,584	-
(Decrease) in intergovernmental payable	(37,603)	(92,705)	(130,308)	-
Increase in compensated absences payable	8,851	57,206	66,057	-
(Decrease) in claims payable.	-	-	-	(198,687)
Net cash provided by (used in) operating activities. . .	<u>\$ 3,014,063</u>	<u>\$ 3,469,191</u>	<u>\$ 6,483,254</u>	<u>\$ (535,276)</u>

Noncash investing, capital and financing activities:

At December 31, 2010 and 2009, the Sewer fund purchased \$142,342 and \$98,923, respectively, in capital assets on account.
 At December 31, 2010 and 2009, the Water fund purchased \$488,543 and \$77,543, respectively, in capital assets on account.
 During 2010 the Sewer and Water funds made transfers of \$2,067 and \$2,116, respectively, to transfer capital assets, net of accumulated depreciation, to the governmental activities.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF YOUNGSTOWN, OHIO

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2010**

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 1,280,628
Cash in segregated accounts.	367,691
Receivables:	
Accounts	<u>1,004,026</u>
Total assets	<u>\$ 2,652,345</u>
Liabilities:	
Due to other governments	\$ 989,210
Deposits held and due to others.	<u>1,663,135</u>
Total liabilities.	<u>\$ 2,652,345</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, 2010

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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the financial statements incomplete or misleading. The City has no component units.

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

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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 2010. Austintown Township served as the fiscal agent for the Force during 2010. Financial information can be obtained from the Mahoning County Drug Task Force, 82 Ohltown Road, Austintown, Ohio 44515.

East Gate Regional Council of Governments

The East Gate Regional Council of Governments (EGRCG) is a jointly governed organization among 27 local governments in Ashtabula, Columbiana, Mahoning and Trumbull counties. The Board is comprised of one representative from each city, village, county or governmental agency and one additional representative for each 20,000 population. The City of Youngstown currently has five representatives on the 48-member Board. Each participant's control over the operation of EGRCG is limited to its representation on the Board. EGRCG develops and reviews plans for regional growth and development and aids in coordinating plans among local governments. Continued existence of EGRCG is not dependent on the City's continued participation. In 2010, the City contributed \$43,431. 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, 2010

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 190 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, 2010

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, 2010

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

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

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; (b) revenues collected for payment of general obligation debt principal, interest and related costs; and (c) 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 retrospective rating plan.

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

D. Measurement Focus and Basis of Accounting

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

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

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

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

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.

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, 2010, but which were levied to finance year 2011 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, 2010, are recorded as deferred revenue in the governmental funds.

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

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

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.

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 2010.

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

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

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 2010, investments were limited to investments in U.S. Government money market accounts and a U.S Treasury bill. 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 2010 amounted to \$13,836, of which \$10,623 was assigned from other City funds.

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

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

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

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

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

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.

During 2010, the City implemented GASB Statement 51, "Accounting and Financial Reporting for Intangible Assets" (See Note 3). GASB Statement 51 provides guidance on the reporting of intangible assets, including internally generated computer software. The City's intangible assets include internally generated computer software. This asset class is reported separately from other capital assets classes reported in the capital asset schedule in Note 10. Internally generated computer software is depreciated as described below.

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 2010, there were no capitalized interest costs incurred on construction projects in the proprietary funds.

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-type Activities Estimated Lives</u>
Buildings	50	50
Improvements other than buildings	20	20
Machinery and equipment	5 - 30	5 - 30
Computer software	5	5
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.

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.

CITY OF YOUNGSTOWN, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

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

L. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." Other outstanding balances outstanding between funds are reported as "due to/from other funds." 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 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.

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. The proprietary funds received capital contributions from grants in the amount of \$2,405,213 during 2010.

CITY OF YOUNGSTOWN, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

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

Q. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation 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, 2010.

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2010, the City has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, internally generated computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have a significant effect on the financial statements of the County other than the reclassification of previously reported intangible assets (computer software) to a separate line item in the schedule of capital assets in Note 10.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the City.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the City.

B. Prior Period Adjustment

The fund balances of the general fund and the public works capital projects nonmajor governmental fund have been restated at January 1, 2010, to report proceeds of sale of assets that were received during 2009 in the amount of \$1,000,000 in the public works capital projects fund rather than in the general fund in accordance with Ohio Revised Code Section 5705.10.

The prior period adjustment had the following effect on fund balances as previously reported:

	<u>General</u>	<u>Other Governmental</u>
Fund balance, December 31, 2009	\$ 4,719,238	\$ 6,684,511
Prior period adjustment	<u>(1,000,000)</u>	<u>1,000,000</u>
Restated fund balance, January 1, 2010	<u>\$ 3,719,238</u>	<u>\$ 7,684,511</u>

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Deficit Fund Balances

Fund balances at December 31, 2010 included the following individual fund deficits:

<u>Fund</u>	<u>Deficit</u>
<u>Major funds:</u>	
Fire levy	\$ 987,567
Police levy	521,039
Covelli Centre project	12,053,320
<u>Nonmajor funds:</u>	
Parks and recreation	49,180
HUD section 108	11,423
Demolition	16,001
Ashford commons	201

All funds, except for the general fund (see Note 3.D. 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.

D. Compliance

The City had a negative cash balance of \$2,075,411 in the general fund at December 31, 2010, indicating that revenues from other sources were used to pay obligations of the fund contrary to Ohio Revised Code Section 5705.10. For GAAP purposes, the negative amount has been reported as a fund liability in the general fund (See Note 5.B).

NOTE 4 - DEPOSITS AND INVESTMENTS

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, 2010

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.

A. Deposits with Financial Institutions

At December 31, 2010, the carrying amount of all City deposits was \$9,202,469. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosure", as of December 31, 2010, \$9,358,371 of the City's bank balance of \$10,110,121 was exposed to custodial risk as discussed below, while \$751,750 was covered by the FDIC.

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2010, the City had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
U.S. Treasury Bill	\$ 303,866	\$ 303,866
U.S. Government money markets	<u>166,840</u>	<u>166,840</u>
Total	<u>\$ 470,706</u>	<u>\$ 470,706</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 investment in the U.S. Treasury Bill was rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The City's investments in U.S. Government money markets were rated AAAM by Standard & Poor's. The City's investment policy does not specifically address credit risk beyond requiring the City to only invest in securities authorized by State statute.

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 Bill is exposed to custodial credit risk in that it is 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, 2010

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, 2010:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
U.S. Treasury Bill	303,866	64.56
U.S. Government money markets	<u>166,840</u>	<u>35.44</u>
Total	<u>\$ 470,706</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, 2010.

Cash and investments per note

Carrying amount of deposits	\$ 9,202,469
Investments	<u>470,706</u>
Total	<u>\$ 9,673,175</u>

Cash and investments per statement of net assets

Governmental activities	\$ 5,563,222
Business type activities	2,461,634
Agency funds	<u>1,648,319</u>
Total	<u>\$ 9,673,175</u>

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund transfers for the year ended December 31, 2010, consisted of the following, as reported in the fund financial statements:

Transfers to general fund from:	
Business development	\$ 400,000
Nonmajor governmental	<u>581,876</u>
Total	<u>981,876</u>
Transfers to fire levy from:	
General	6,429,000
Nonmajor governmental	<u>130,000</u>
Total	<u>6,559,000</u>
Transfers to police levy from:	
General	<u>10,224,000</u>
Total	<u>10,224,000</u>
Transfers to Covelli Centre project from:	
General	<u>622,830</u>
Total	<u>622,830</u>
Transfers to business development from:	
Nonmajor governmental	<u>465,038</u>
Total	<u>465,038</u>
Transfers to nonmajor governmental from:	
General	873,144
Nonmajor governmental	<u>6,088,268</u>
Total	<u>6,961,412</u>
Transfers to internal service from:	
General	<u>\$ 400,000</u>
Total	<u>400,000</u>
Grand Total	<u>\$ 26,214,156</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.

The sewer and water enterprise funds made transfers in 2010 of \$2,067 and \$2,116, respectively, to the governmental activities to transfer capital assets, net of accumulated depreciation.

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- B.** Interfund loans consisted of the following at December 31, 2010, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Nonmajor governmental funds	General fund	\$ 1,976,318
Nonmajor governmental funds	Nonmajor governmental funds	<u>150,000</u>
Total		<u>\$ 2,126,318</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, 2010. The interfund loans are expected to be repaid within the next year.

- C.** Due to/from other funds consisted of the following at December 31, 2010, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Nonmajor governmental fund - Public works capital projects fund	General fund	\$ 1,000,000

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, 2010

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 proceeding 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. 2010 public utility property taxes became a lien December 31, 2009, are levied after October 1, 2010, and are collected in 2011 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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 in 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 was 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, 2010 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 2010 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, 2010 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, 2010**

NOTE 7 - PROPERTY TAXES - (Continued)

The assessed values of real and tangible personal property upon which 2010 property tax receipts were based are as follows:

<u>Real Property</u>	
Residential/Agricultural	\$ 330,862,810
Commercial/Industrial/Mineral	141,488,060
Public Utility	<u>45,626,770</u>
Total Assessed Value	<u>\$ 517,977,640</u>

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.

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CITY OF YOUNGSTOWN, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

NOTE 9 - RECEIVABLES

Receivables at December 31, 2010, 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, 2010. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:

Income taxes	\$ 10,823,433
Real and other taxes	2,747,794
Accounts	928,324
Notes	3,548,661
Special assessments	39,595
Due from other governments	7,438,995

Business-type activities:

Accounts - gross	9,585,617
Less - allowance for uncollectibles	<u>(2,393,673)</u>
Net accounts receivable	<u>\$ 7,191,944</u>

Receivables have been disaggregated on the face of the BFS. The only receivable not expected to be collected within the subsequent year are the 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.

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CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 10 - CAPITAL ASSETS

Certain balances in the governmental and business-type activities capital assets at December 31, 2009 have been reclassified out of machinery and equipment to report computer software as a separate capital assets line item. Capital asset activity for the year ended December 31, 2010, for governmental activities was as follows:

	(Restated)			
	Balance			Balance
<u>Governmental activities:</u>	12/31/09	Additions	Disposals	12/31/10
<i>Capital assets, not being depreciated:</i>				
Land	\$ 12,712,840	\$ 816,002	\$ (15,077)	\$ 13,513,765
Construction in progress	-	5,227,713	-	5,227,713
Total capital assets, not being depreciated	12,712,840	6,043,715	(15,077)	18,741,478
<i>Capital assets, being depreciated:</i>				
Buildings	48,821,096	266,353	-	49,087,449
Improvements other than buildings	5,031,714	36,018	-	5,067,732
Machinery and equipment	14,540,794	795,868	(55,757)	15,280,905
Computer software	593,552	-	-	593,552
Vehicles	10,491,303	275,678	(39,947)	10,727,034
Infrastructure	<u>58,088,648</u>	<u>2,743,924</u>	<u>-</u>	<u>60,832,572</u>
Total capital assets, being depreciated	<u>137,567,107</u>	<u>4,117,841</u>	<u>(95,704)</u>	<u>141,589,244</u>
<i>Less: accumulated depreciation:</i>				
Buildings	(9,481,012)	(1,464,056)	-	(10,945,068)
Improvements other than buildings	(2,707,659)	(215,023)	-	(2,922,682)
Machinery and equipment	(8,473,107)	(1,106,715)	44,764	(9,535,058)
Computer software	(564,813)	(8,583)	-	(573,396)
Vehicles	(8,450,307)	(444,402)	39,947	(8,854,762)
Infrastructure	<u>(15,951,167)</u>	<u>(1,480,894)</u>	<u>-</u>	<u>(17,432,061)</u>
Total accumulated depreciation	<u>(45,628,065)</u>	<u>(4,719,673)</u>	<u>84,711</u>	<u>(50,263,027)</u>
Total capital assets, being depreciated, net	<u>91,939,042</u>	<u>(601,832)</u>	<u>(10,993)</u>	<u>91,326,217</u>
Governmental activities capital assets, net	<u>\$ 104,651,882</u>	<u>\$ 5,441,883</u>	<u>\$ (26,070)</u>	<u>\$ 110,067,695</u>

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 10 - CAPITAL ASSETS - (Continued)

Capital asset activity for the year ended December 31, 2010, for business-type activities was as follows:

<u>Business-Type Activities</u>	(Restated)			Balance
	Balance <u>12/31/09</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/10</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 345,591	\$ 125,633	\$ -	\$ 471,224
Construction in progress	<u>223,716</u>	<u>3,503,723</u>	<u>-</u>	<u>3,727,439</u>
Total capital assets, not being depreciated	<u>569,307</u>	<u>3,629,356</u>	<u>-</u>	<u>4,198,663</u>
<i>Capital assets, being depreciated:</i>				
Buildings	42,817,177	1,692,806	-	44,509,983
Improvements other than buildings	2,435,423	129,598	-	2,565,021
Machinery and equipment	26,926,774	1,562,419	(47,868)	28,441,325
Computer software	60,718	8,600	-	69,318
Vehicles	4,562,788	392,938	(102,912)	4,852,814
Infrastructure	<u>46,639,830</u>	<u>2,572,180</u>	<u>-</u>	<u>49,212,010</u>
Total capital assets, being depreciated	<u>123,442,710</u>	<u>6,358,541</u>	<u>(150,780)</u>	<u>129,650,471</u>
<i>Less: accumulated depreciation:</i>				
Buildings	(18,687,936)	(910,384)	-	(19,598,320)
Improvements other than buildings	(2,096,662)	(22,448)	-	(2,119,110)
Machinery and equipment	(21,849,478)	(662,459)	41,832	(22,470,105)
Computer software	(42,294)	(7,591)	-	(49,885)
Vehicles	(3,020,438)	(350,654)	100,797	(3,270,295)
Infrastructure	<u>(14,790,358)</u>	<u>(680,747)</u>	<u>-</u>	<u>(15,471,105)</u>
Total accumulated depreciation	<u>(60,487,166)</u>	<u>(2,634,283)</u>	<u>142,629</u>	<u>(62,978,820)</u>
Total capital assets, being depreciated, net	<u>62,955,544</u>	<u>3,724,258</u>	<u>(8,151)</u>	<u>66,671,651</u>
Business-type activities capital assets, net	<u>\$ 63,524,851</u>	<u>\$ 7,353,614</u>	<u>\$ (8,151)</u>	<u>\$ 70,870,314</u>

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 10 - CAPITAL ASSETS - (Continued)

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

Governmental activities:

General government	\$ 403,872
Security of persons and property	696,074
Public health and welfare	59,815
Transportation	1,716,345
Leisure time activity	349,098
Community environment	<u>1,494,469</u>
 Total depreciation expense - governmental activities	 <u>\$ 4,719,673</u>

Business-type activities:

Sewer	\$ 1,936,921
Water	<u>697,362</u>
 Total depreciation expense - business-type activities	 <u>\$ 2,634,283</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 \$103,778 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 2010 totaled \$17,529 paid by the general fund and \$112,356 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, 2010:

<u>Year Ended</u> <u>December 31,</u>	<u>Amount</u>
2011	\$ 152,150
2012	93,032
2013	<u>91,331</u>
 Total	 336,513
Less: amount representing interest	<u>(26,919)</u>
 Present value of net minimum lease payments	 <u>\$ 309,594</u>

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 12 - LONG-TERM OBLIGATIONS

During 2010, the following changes occurred in governmental activities long-term obligations:

Governmental activities:	<u>Interest Rate</u>	<u>Balance 12/31/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/10</u>	<u>Due in One Year</u>
<u>General Obligation Bonds</u>						
1998 Refunding bonds	3.10-5.10%	\$ 1,385,000	\$ -	\$ (670,000)	\$ 715,000	\$ 715,000
2000 Pension refunding bonds	4.40-6.00%	1,490,000	-	(215,000)	1,275,000	225,000
2005 Various purpose refunding bonds	3.00-4.375%	8,500,000	-	(400,000)	8,100,000	410,000
2006 Pension refunding bonds	3.65-4.25%	<u>8,345,000</u>	<u>-</u>	<u>(20,000)</u>	<u>8,325,000</u>	<u>20,000</u>
Total General obligation bonds		<u>19,720,000</u>	<u>-</u>	<u>(1,305,000)</u>	<u>18,415,000</u>	<u>1,370,000</u>
<u>HUD Section 108 Loans</u>						
Youngstown CIC	6.84-9.03%	920,000	-	(190,000)	730,000	210,000
Youngstown CIC #2	6.13%	654,950	-	(125,000)	529,950	140,000
Housing rehab Section 108	6.84-9.03%	550,000	-	(50,000)	500,000	50,000
Youngstown mini-loan	6.84-9.03%	<u>1,085,000</u>	<u>-</u>	<u>(130,000)</u>	<u>955,000</u>	<u>135,000</u>
Total HUD Section 108		<u>3,209,950</u>	<u>-</u>	<u>(495,000)</u>	<u>2,714,950</u>	<u>535,000</u>
<u>Other Long-Term Obligations</u>						
OPWC loan	0.00%	342,860	-	(21,429)	321,431	21,429
Capital lease obligation		439,479	-	(129,885)	309,594	137,200
Claims payable		2,176,698	2,730,812	(2,929,499)	1,978,011	714,394
Early retirement incentive		1,795,584	95,224	(418,851)	1,471,957	418,851
Compensated absences		<u>8,825,611</u>	<u>-</u>	<u>(416,898)</u>	<u>8,408,713</u>	<u>1,229,649</u>
Total other long-term obligations		<u>13,580,232</u>	<u>2,826,036</u>	<u>(3,916,562)</u>	<u>12,489,706</u>	<u>2,521,523</u>
Total governmental activities						
long-term obligations		<u>\$ 36,510,182</u>	<u>\$ 2,826,036</u>	<u>\$ (5,716,562)</u>	<u>33,619,656</u>	<u>\$ 4,426,523</u>
Add: Unamortized premium on bond issue					135,029	
Less: Unamortized deferred charges on refundings					<u>(539,905)</u>	
Total reported on statement of net assets					<u>\$ 33,214,780</u>	

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

During 2010, the following changes occurred in business-type activities long-term obligations:

Business-type activities:	<u>Interest</u> <u>Rate</u>	<u>Balance</u> <u>12/31/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/10</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
<u>General obligation bonds</u>						
1998 refunding water bonds	3.10-5.10%	\$ 295,000	\$ -	\$ (145,000)	\$ 150,000	\$ 150,000
1998 refunding sewer bonds	3.10-5.10%	<u>130,000</u>	<u>-</u>	<u>(65,000)</u>	<u>65,000</u>	<u>65,000</u>
Total general obligation bonds		<u>425,000</u>	<u>-</u>	<u>(210,000)</u>	<u>215,000</u>	<u>215,000</u>
<u>OWDA loans</u>						
Orchard Meadow overflow elimination	3.81%	3,814,355	-	(169,800)	3,644,555	176,331
Pump station improvements	3.79%	1,259,868	-	(56,180)	1,203,688	58,329
Waterline replacement	4.48%	149,981	-	(7,200)	142,781	7,526
Elevated storage tanks	4.48%	1,718,846	-	(69,290)	1,649,556	72,430
Waterline construction	5.56%	190,796	-	(7,419)	183,377	7,718
WWTP roof replacement	3.25%	-	512,103	-	512,103	22,588
Sludge storage tank covers	3.25%	-	185,836	-	185,836	20,823
Woodland & Andrews Ave.	3.25%	-	366,524	-	366,524	13,261
Boardman storage tank	3.83%	-	6,016	-	6,016	-
Briar Hill tank design	3.91%	-	400	-	400	-
Roger Lindgren Way - waterlines	3.91%	-	400	-	400	-
Roger Lindgren Way - forcemain	3.91%	<u>-</u>	<u>400</u>	<u>-</u>	<u>400</u>	<u>-</u>
Total OWDA loans		<u>7,133,846</u>	<u>1,071,679</u>	<u>(309,889)</u>	<u>7,895,636</u>	<u>379,006</u>
<u>OPWC loans</u>						
Kirk Rd. water storage tank	0.00%	802,723	-	(47,219)	755,504	47,219
Boardman elevated water tank	0.00%	21,783	19,146	-	40,929	-
Gypsy Lane water and sanitary improvements	0.00%	247,115	-	(13,357)	233,758	13,359
Kirkmere sanitary sewer	0.00%	<u>-</u>	<u>37,219</u>	<u>-</u>	<u>37,219</u>	<u>-</u>
Total OPWC loans		<u>1,071,621</u>	<u>56,365</u>	<u>(60,576)</u>	<u>1,067,410</u>	<u>60,578</u>
<u>Other long-term obligations</u>						
ODOT State infrastructure bank loan		223,716	1,186,956	-	1,410,672	-
Compensated absences		<u>1,782,686</u>	<u>66,057</u>	<u>-</u>	<u>1,848,743</u>	<u>270,351</u>
Total other long-term obligations		<u>2,006,402</u>	<u>1,253,013</u>	<u>-</u>	<u>3,259,415</u>	<u>270,351</u>
Total business-type activities long-term obligations		<u>\$ 10,636,869</u>	<u>\$ 2,381,057</u>	<u>\$ (580,465)</u>	<u>12,437,461</u>	<u>924,935</u>
Add: Unamortized premium on bond issues					4,222	4,222
Less: Unamortized deferred changes on refundings					<u>(28,332)</u>	<u>(28,332)</u>
Total reported on the statement of net assets					<u>\$ 12,413,351</u>	<u>\$ 900,825</u>

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire the governmental activities long-term debt obligations outstanding at December 31, 2010, are as follows:

Year Ended December 31,	General Obligation Bonds Payable		
	Principal	Interest	Total
2011	\$ 1,370,000	\$ 1,229,257	\$ 2,599,257
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	795,000	1,002,049	1,797,049
2016 - 2020	4,795,000	2,306,811	7,101,811
2021 - 2025	4,375,000	1,292,786	5,667,786
2026 - 2030	3,015,000	536,771	3,551,771
2031	680,000	28,900	708,900
Total	<u>\$ 18,415,000</u>	<u>\$ 9,732,139</u>	<u>\$ 28,147,139</u>

Year Ended December 31,	HUD Section 108 Loans Payable			OPWC Loan Payable		
	Principal	Interest	Total	Principal	Interest	Total
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	225,000	46,929	271,929	21,428	-	21,428
2016 - 2020	430,000	67,423	497,423	107,143	-	107,143
2021 - 2025	-	-	-	107,144	-	107,144
Total	<u>\$ 2,714,950</u>	<u>\$ 660,022</u>	<u>\$ 3,374,972</u>	<u>\$ 321,431</u>	<u>\$ -</u>	<u>\$ 321,431</u>

Principal and interest requirements to retire the business-type activities long-term debt obligations outstanding at December 31, 2010, are as follows:

Year Ended December 31,	General Obligation Bonds Payable			OWDA Loans Payable		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 215,000	\$ 11,220	\$ 226,220	\$ 335,595	\$ 280,721	\$ 616,316
2012	-	-	-	348,975	267,342	616,317
2013	-	-	-	362,893	253,423	616,316
2014	-	-	-	377,374	238,944	616,318
2015	-	-	-	392,429	223,886	616,315
2016 - 2020	-	-	-	2,210,083	871,501	3,081,584
2021 - 2025	-	-	-	2,674,475	393,266	3,067,741
2026 - 2027	-	-	-	488,657	20,583	509,240
Total	<u>\$ 215,000</u>	<u>\$ 11,220</u>	<u>\$ 226,220</u>	<u>\$ 7,190,481</u>	<u>\$ 2,549,666</u>	<u>\$ 9,740,147</u>

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Year Ended December 31,	OPWC Loans Payable			ODOT State Infrastructure Bank Loan		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 60,578	\$ -	\$ 60,578	\$ -	\$ -	\$ -
2012	60,576	-	60,576	158,512	47,130	205,642
2013	60,576	-	60,576	163,304	42,338	205,642
2014	60,576	-	60,576	168,239	37,403	205,642
2015	60,577	-	60,577	173,324	32,318	205,642
2016 - 2020	302,882	-	302,882	747,293	75,275	822,568
2021 - 2025	302,883	-	302,883	-	-	-
2026 - 2028	80,614	-	80,614	-	-	-
Total	<u>\$ 989,262</u>	<u>\$ -</u>	<u>\$ 989,262</u>	<u>\$ 1,410,672</u>	<u>\$ 234,464</u>	<u>\$ 1,645,136</u>

As of December 31, 2010, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$36,428,213 and unvoted legal debt margin was \$10,073,770.

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, 2010, the City has outstanding borrowings of \$1,410,672 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%.

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

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, 2010, the City has outstanding borrowings of \$7,895,636 in the business-type activities. The loan agreements require semi-annual payments and are paid from the sewer and water funds. The WWTP roof replacement, sludge storage tank cover, Boardman storage tank, Briar Hill tank design, Roger Lindgren Way - waterlines and Roger Lindgren Way - forcemain projects financed through OWDA are not closed out at December 31, 2010. Future annual debt service principal and interest requirements for these loans, which have a combined balance of \$705,155 outstanding at December 31, 2010, are not available.

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 12.22 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 \$174,324. Annual principal and interest payments on the sewer loans are expected to require over 100 percent of net revenues and 4.75 percent of total revenue of the sewer fund. Sewer loan principal and interest paid for the current year was \$416,925. The total principal and interest remaining to be paid on the water and sewer loans is \$11,385,283.

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.

The City has entered into debt financing arrangements through the OPWC to fund sewer and water construction projects. At December 31, 2010, the City has outstanding borrowings of \$1,067,410 in the business-type activities. The loan agreements require semi-annual payments and are paid from the sewer and water funds. The Boardman elevated water tank and Kirkmere sanitary sewer projects financed through OPWC are not closed out at December 31, 2010. Future annual debt service principal and interest requirements for these loans, which have a combined balance of \$78,148 outstanding at December 31, 2010, are not available.

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 and 2010. 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 liability has been recorded at the present value of future payouts. 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, 2010

NOTE 13 - SHORT TERM DEBT

Note activity during 2010 consisted of the following:

	<u>Interest</u> <u>Rate</u>	<u>Balance</u> <u>12/31/09</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>12/31/10</u>
<u>General obligation notes</u>					
Taxable street improvements, series 2009	1.75%	\$ 1,295,000	\$ -	\$ (1,295,000)	\$ -
Taxable street improvements, series 2010	1.75%	-	1,200,000	-	1,200,000
Taxable convocation center, series 2009	5.57%	11,900,000	-	(11,900,000)	-
Taxable convocation center, series 2010	5.34%	-	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>\$ 19,000,000</u>	<u>\$ 13,100,000</u>	<u>\$ (19,000,000)</u>	<u>\$ 13,100,000</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 2010, were issued on December 3, 2010 and mature on December 2, 2011. The taxable convocation center notes, series 2010, were issued on September 22, 2010 and mature on September 22, 2011. The taxable land acquisition notes, series 2009-1, were issued on July 23, 2009 and matured on July 23, 2010. The taxable land acquisition notes, series 2009-2, were issued on December 29, 2009 and matured 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 2010, the City contracted for a package of municipal liability and property insurance through Jackson, Dieken and Associates at an annual premium of \$493,779.

The insurance package consisted of a policy from U.S Specialty Insurance Company including: comprehensive general liability and automobile liability with limits of \$1 million per occurrence, aggregate \$3 million and deductibles of \$50,000 per occurrence; public officials liability with prior acts coverage and law enforcement liability coverage with limits of \$1 million per occurrence and deductibles of \$50,000. Two umbrella policies provided additional coverage in the amount of \$10 million. The policy also included JAC Management, LLC and Eric Ryan as additional insured for management of the Covelli Centre, at a premium cost of \$72,000. Coverage was provided for loss to buildings and personal property in the amount of \$168,191,260 with a \$10,000 deductible, coverage for contractor's equipment and EDP equipment in the amount of \$13,093,971 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 2010, the City paid deductibles to Midwest Claims in the amount of \$169,817.

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 14 - RISK MANAGEMENT

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 2010, the City paid premiums to the State Fund for Workers' Compensation for calendar year 2010 in the amount of approximately \$804,257. The City reimbursed the Bureau of Workers Compensation for actual medical costs and compensation paid to injured workers in the amount of \$761,847 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 \$1,978,011 reported at December 31, 2010, 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 \$1,978,011 claims liability, \$714,394 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 \$1,263,617. 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 2010 and 2009 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>
2010	\$ 2,176,698	\$ 2,730,812	\$ (2,929,499)	\$ 1,978,011
2009	1,183,976	2,279,443	(1,286,721)	2,176,698

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 15 - EMPLOYEE BENEFITS

A. Life/Health Insurance

During 2010, the City provided health insurance benefits to its employees through Anthem Insurance. In 2010, 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 \$533.90 per month per employee for single coverage and \$1,334.74 per month per employee for family coverage for employees in the Health II plan. Premiums for vision were \$5.14 single and \$12.48 family. Premiums for dental were \$23.47 single and \$70.65 family.

During 2010, management employees contributed 10% of the premiums paid by the City for their health insurance. Union employees contributed 10%, with caps, toward their premiums in accordance with collective bargaining agreement reached. Dental and vision coverage were provided by Anthem for all employees, other than AFSCME union members. Members of AFSCME 2312 and 2726 (water and clerical) had vision, dental, and life insurance provided through the Ohio AFSCME Care Plan. The City contributed \$55.75 per month per AFSCME employee for this coverage.

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 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, 2010, the liability for unpaid compensated absences was \$10,257,456 for the entire City.

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

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 2010, 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 2010 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 10.5% and 11.1%, respectively. The City's contribution rate for 2010 was 14.00%, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.87% of covered payroll.

The City's contribution rate for pension benefits for members in the Traditional Plan for 2010 was 8.50% from January 1 through February 28, 2010 and 9.00% from March 1 through December 31, 2010. The City's contribution rate for pension benefits for members in the Combined Plan for 2010 was 9.27% from January 1 through February 28, 2010 and 9.77% from March 1 through December 31, 2010. For those plan members in law enforcement and public safety pension contributions were 12.37% from January 1 through February 28, 2010 and 12.87% from March 1 through December 31, 2010. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2010, 2009, and 2008 were \$1,522,090, \$1,876,114, and \$1,798,159, respectively; 100% has been contributed for 2010, 2009 and 2008. Contributions to the member-directed plan for 2010 were \$34,419 made by the City and \$24,585 made by the plan members.

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 16 - PENSION PLANS - (Continued)

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.

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 2010, 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 \$1,470,416 and \$1,394,364 for the year ended December 31, 2010, \$1,508,128 and \$1,419,614 for the year ended December 31, 2009, and \$1,567,110 and \$1,438,342, for the year ended December 31, 2008. The full amount has been contributed for 2009 and 2008. 73.14% has been contributed for police and 71.61% has been contributed for firefighters for 2010.

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 does not 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 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.

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 17 - POSTRETIREMENT BENEFIT PLANS - (Continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2010, local government employers contributed 14.00% of covered payroll (17.87% 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 members in the Traditional Plan for 2010 was 5.50% from January 1 through February 28, 2010 and 5.00% from March 1 through December 31, 2010. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2010 was 4.73% from January 1 through February 28, 2010 and 4.23% from March 1 through December 31, 2010.

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.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2010, 2009, and 2008 were \$866,290, \$1,367,641, and \$1,798,160, respectively; 100% has been contributed for 2010, 2009 and 2008.

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 for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases 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.

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 17 - POSTRETIREMENT BENEFIT PLANS - (Continued)

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% 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, 2010, 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).

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 \$778,455 and \$545,621 for the year ended December 31, 2010, \$798,420 and \$555,501 for the year ended December 31, 2009, and \$829,647 and \$562,829, for the year ended December 31, 2008. The full amount has been contributed for 2009 and 2008. 73.14% has been contributed for police and 71.61% has been contributed for firefighters for 2010.

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); and,
3. 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.

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	<u>General</u>	<u>Fire Levy</u>	<u>Police Levy</u>	<u>Covelli Centre Project</u>
Budget basis	\$ (2,273,681)	\$ (20,499)	\$ 1,038,132	\$ 255,539
Net adjustment for revenue accruals	75,354	14,131	29,664	17,176
Net adjustment for expenditure accruals	305,754	(9,685)	104,973	11,936,486
Net adjustment for other financing sources/uses	<u>1,500,000</u>	<u>-</u>	<u>-</u>	<u>(11,900,000)</u>
GAAP basis	<u>\$ (392,573)</u>	<u>\$ (16,053)</u>	<u>\$ 1,172,769</u>	<u>\$ 309,201</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 are high, but such a writ would not result in a monetary judgment. It will still however, remain the City's obligation to provide suitable accommodations as part of its regular budget process.

On October 26, 1998, the U.S. EPA filed an enforcement action in Federal Court seeking injunctive relief and penalties against the City for violations of the Clean Water Act. On March 5, 2002, the U.S. EPA and the City entered into a consent decree. Pursuant to that decree, the City paid \$90,000 in penalties to the U.S. EPA and the Ohio EPA.

CITY OF YOUNGSTOWN, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

NOTE 19 - CONTINGENT LIABILITIES

In addition, the consent decree called for the City to make various short-term improvements to its collection system (all completed at present), submit reports to the U.S. and Ohio EPAs on a regular basis and develop a long-term control plan (LTCP) for its combined sewer overflows. Preliminary estimates of a LTCP place the cost at anywhere from \$200 to \$500 million dollars and anywhere from 15 years to 25 years to complete, with monitoring to determine if the City is meeting requirements of the Clean Water Act thereafter. The consent calls for stipulated penalties if the City fails to meet certain milestones in its LTCP. However, stipulated penalties do not arise until the City submitted a financial assessment of a proposed LTCP and the U.S. EPA has yet to approve it. The City and the U.S. EPA have been unable to agree as to how much the City can afford and should be required to spend on a LTCP and how much time it should have to complete the plan. Because the plan has not been approved, no milestones have been set and no stipulated penalties invoked.

The EPA recently re-established contact with the City in regard to the establishment of a long-term control plan. The EPA informed the City that it had determined that the fulfillment of such a plan would be a 'high burden' on the City and that, therefore, it would be willing to accept a plan which would be carried out in a series of phases. The goal of the negotiations is to reach an agreed upon long-term control plan by the end of January 2012. Phase I will likely cost between One Hundred Million Dollars and One Hundred Fifty Million Dollars and be executed over a period of ten to fifteen years. It will be funded through a series of already ongoing sewer rate increases.

B. Federal and State Grants

For the period January 1, 2010, to December 31, 2010, 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
MAHONING COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2010

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<u>U.S DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
<i>Direct Programs</i>				
<i>Community Development Block Grant Entitlement Grants (CDBG) Cluster</i>				
Community Development Block Grant/ Entitlement Grants - 30th Year	B-04-MC-39-0023	14.218	24,332	24,332
Community Development Block Grant/ Entitlement Grants - 31st Year	B-05-MC-39-0023	14.218	-	-
Community Development Block Grant/ Entitlement Grants - 32nd Year	B-06-MC-39-0023	14.218	29,562	29,562
Community Development Block Grant/ Entitlement Grants - 33rd Year	B-07-MC-39-0023	14.218	23,724	23,724
Community Development Block Grant/ Entitlement Grants - 34th Year	B-08-MC-39-0023	14.218	525,839	525,148
Community Development Block Grant/ Entitlement Grants - 35th Year	B-09-MC-39-0023	14.218	1,982,454	1,982,454
Community Development Block Grant/ Entitlement Grants - 36th Year	B-10-MN-39-0023	14.218	2,359,239	2,423,129
Community Development Block Grant/ Neighborhood Stabilization Program	B-08-MN-39-0014	14.218	1,196,393	1,196,656
ARRA - Community Development Block Grant/ ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded)	B-09-MY-39-0023	14.253	118,877	118,877
<i>Passed through Mahoning County</i> Community Development Block Grant/ Entitlement Grants	-	14.218	<u>491,226</u>	<u>813,845</u>
<i>Subtotal/Community Development Block Grant/ Entitlement Grants Cluster</i>			6,751,646	7,137,727
Emergency Shelter Grants Program	S-07-MC-39-0023	14.231	-	-
Emergency Shelter Grants Program	S-08-MC-39-0023	14.231	13	13
Emergency Shelter Grants Program	S-09-MC-39-0023	14.231	106,853	106,853
Emergency Shelter Grants Program	S-10-MC-39-0023	14.231	<u>72,408</u>	<u>72,408</u>
<i>Subtotal</i>		14.231	179,274	179,274
Shelter Plus Care	OH-16B70-4016	14.238	-	905
Shelter Plus Care	OH-16B0-4003	14.238	<u>-</u>	<u>-</u>
<i>Subtotal</i>		14.238	-	905

CITY OF YOUNGSTOWN
MAHONING COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2010

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<u>U.S DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
HOME Investment Partnerships Program	M-05-MC-39-0023	14.239	-	-
HOME Investment Partnerships Program	M-06-MC-39-0023	14.239	-	19,963
HOME Investment Partnerships Program	M-07-MC-39-0023	14.239	-	40,577
HOME Investment Partnerships Program	M-08-MC-39-0023	14.239	-	56,259
HOME Investment Partnerships Program	M-09-MC-39-0023	14.239	-	144,988
HOME Investment Partnerships Program	M-10-MC-39-0023	14.239	705,717	424,546
HOME Investment Partnerships Program	M-11-MC-39-0023	14.239	-	68,671
<i>Subtotal</i>		14.239	705,717	755,004
ARRA - Homelessness Prevention and Rapid Re-Housing Progr.	S-09-MY-39-0023	14.257	541,162	541,162
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			8,177,799	8,614,072
<u>U.S. DEPARTMENT OF JUSTICE</u>				
<i>Direct Programs</i>				
ARRA-Public Safety Partnership and Community Policing Grant	2009-RK-WX-0682	16.710	564,735	564,735
Congressionally Recommended Awards	2009-JG-B01-T11521	16.753	526,329	526,329
<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	12,664	12,664
<i>Passed Through Governor's Office of Criminal Justice Services</i>				
Violence Against Women Formula Grant	2009-AR-VA2-1263	16.588	28,722	28,722
<i>Direct Program</i>				
Bulletproof Vest Partnership Program	2006-BU-BX-06030580	16.607	8,000	8,000
<i>Passed Through Governor's Office of Criminal Justice Services</i>				
Community Prosecution and Project Safe Neighborhoods	2003-PS-PSN-394	16.609	-	8,898
<i>Subtotal</i>		16.609	-	8,898

CITY OF YOUNGSTOWN
MAHONING COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2010

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF JUSTICE</u>				
<i>Direct Program</i>				
<i>Edward Byrne Memorial Justice Assistance Grant (JAG) Program Cluster</i>				
Edward Byrne Memorial Justice Assistance Grant Program	2010-DJ-BX-0256	16.738	124,645	124,645
ARRA - Recovery Act Edward Byrne Memorial Justice Grant (JAG) Program/Grants to States and Territories	2009-RA-A02-2315	16.803	<u>137,782</u>	<u>170,210</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			1,402,877	1,444,203
<u>USDOT-FEDERAL HIGHWAY ADMINISTRATION</u>				
<i>Passed Through The Ohio Department of Transportation</i>				
<i>Highway Planning and Construction Cluster</i>				
ARRA - Highway Planning and Construction	86325	20.205	219,685	219,685
	82086	20.205	77,884	77,884
	87521	20.205	271,260	271,260
Highway Planning and Construction	80675	20.205	9,862	9,862
	81055	20.205	4,849	4,849
	-	20.205	<u>1,186,956</u>	<u>1,186,956</u>
<i>Subtotal Highway Planning and Construction Cluster</i>			1,770,496	1,770,496
TOTAL U.S. DOT - FEDERAL HIGHWAY ADMINISTRATION			1,770,496	1,770,496
<u>NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION</u>				
<i>Passed Through Governor's Office of Highway Safety</i>				
<i>Highway Safety Cluster</i>				
Alcohol Impaired Driving Countermeasures Incentive Grants I	HVEO-2009-50-00-00475-00	20.601	<u>32,807</u>	<u>32,807</u>
TOTAL NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION			32,807	32,807
<u>U.S. DEPARTMENT OF ENERGY</u>				
<i>Direct Programs</i>				
Energy Efficiency and Conservation Block Grants	DE-SC002996	81.128	<u>744,800</u>	<u>404,378</u>
TOTAL U.S. DEPARTMENT OF ENERGY			744,800	404,378

CITY OF YOUNGSTOWN
MAHONING COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2010

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<u>U.S DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
<i>Passed Through Ohio Department of Health</i>				
Immunization Grants	50-2-001-2-IM-0310	93.268	98,278	130,165
HIV Prevention Activities-Health Department Based	50-2-001-2-HP-0310	93.940	233,729	299,401
Preventive Health Services-Sexually Transmitted Diseases Control Grants	50-2-001-2-ST-0311	93.977	30,000	31,766
Maternal and Child Health Services Block Grants to the States	50-2-001-1-DS-0209	93.994	6,402	1,826
Maternal and Child Health Services Block Grants to the States	50-2-001-1-DS-0310	93.994	<u>30,000</u>	<u>48,485</u>
<i>Subtotal</i>			36,402	50,311
<i>Passed Through Mahoning Youngstown Community Action Partnership</i>				
Community Service Block Grant	10-005	93.569	<u>186,467</u>	<u>282,554</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			584,876	794,197
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>				
<i>Passed Through Ohio Environmental Protection Agency</i>				
Air Pollution Control Program Support	SFY 2008-09	66.001	82,294	46,929
Air Pollution Control Program Support	SFY 2009-10	66.001	166,657	166,657
Air Pollution Control Program Support	SFY 2010-11	66.001	<u>13,529</u>	<u>13,529</u>
<i>Subtotal</i>		66.001	262,480	227,115
<i>Passed Through U.S. Army Corp of Engineers</i>				
ARRA - Construction Grants for Wastewater Treatment Works	125997	66.418	<u>283,763</u>	<u>-</u>
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			546,243	227,115
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
<i>Direct Programs</i>				
Assistance to Firefighters Grant	EMW-2007-FF-00915	97.044	<u>183,405</u>	<u>184,205</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			183,405	184,205
Total Expenditures of Federal Awards			<u>13,443,303</u>	<u>13,471,473</u>

The accompanying notes are an integral part of this schedule.

**CITY OF YOUNGSTOWN
MAHONING COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
DECEMBER 31, 2010**

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 City reports expenditures of Federal awards to subrecipients when paid in cash.

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

NOTE 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 2010 is as follows:

Beginning loans receivable balance as of January 1, 2010	\$666,618
Loans made	0
Loan principal repaid	125,855
Ending loans receivable balance as of December 31, 2010	<u>\$540,763</u>

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.



Dave Yost • 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 City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Youngstown, Mahoning County, (the City) as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 20, 2012. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings and questioned costs we identified a certain deficiency in internal control over financial reporting that we consider a material weakness and other deficiencies we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-01 described in the accompanying schedule of findings and questioned costs to be a material weakness.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2010-02 and 2010-03 described in the accompanying schedule of findings and questioned costs to be significant deficiencies

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 and questioned costs as items 2010-01 through 2010-003.

We also noted certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated November 20, 2012.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. 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.



Dave Yost
Auditor of State

November 20, 2012



Dave Yost • 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 the 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 could directly and materially affect each of the City of Youngstown's major federal programs for the year ended December 31, 2010. The *summary of auditor's results* section of the accompanying schedule of findings and questioned costs 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 opine on the City's compliance based on our audit.

Our compliance audit followed 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*. These 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 these 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 these requirements.

As described in findings 2010-04 through 2010-07 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding allowability applicable to its Energy Efficiency Block Grant major federal programs, procurement applicable to its Energy Efficiency Block Grant and Congressionally Recommended Awards Grant major federal programs and Special Tests and Provisions applicable to its Highway Planning and Construction Grant major federal financial assistance program. Compliance with these requirements is necessary, in our opinion, for the City to comply with requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the City of Youngstown complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2010.

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 the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-04 through 2010-07 to be material weaknesses.

The City's responses to the findings we identified are described in the accompanying schedule of findings and questioned costs. 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, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

November 20, 2012

**CITY OF YOUNGSTOWN
MAHONING COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Community Development Block Grant Entitlement Grants (CDBG) Cluster, CFDA # 14.218, 14.253, HOME Investment Partnerships Program, CFDA # 14.239, Homelessness Prevention and Rapid Re-Housing Program, CFDA #14.257, Public Safety Partnership and Community Policing Grant, CFDA # 16.710, Congressionally Recommended Awards, CFDA # 16.753, Highway Planning and Construction Cluster, CFDA # 20.205, Energy Efficiency and Conservation Block Grants, CFDA # 81.128.
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 404,144 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2010-01

Noncompliance and Material Weakness

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, 2010, the General Fund had a negative cash balance of \$2,075,411. This deficit occurred due to the City incorrectly classifying loans receivable as cash and cash equivalents, which overstated their general fund cash balance.

We recommend the City comply with the aforementioned section of the Ohio Revised Code.

Officials' Response: See Corrective Action Plan.

FINDING NUMBER 2010-02

Noncompliance and Significant Deficiency

Ohio Revised Code § 5705.09(F) requires that a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose be established.

During our audit we noted sanitation revenues were being accounted for in the general fund. An analysis showed that sanitation receipts were greater than the expenditures relating to sanitation, i.e., total sanitation revenue for 2010 was \$4,054,028 and total expenditures relating to sanitation were \$2,785,997 for an excess of \$1,268,031 which indicates that sanitation revenues are subsidizing general fund operations.

Financial monitoring performed by the City did not identify excesses of revenues over expenditures related to sanitation activity in the general fund.

To enhance internal accounting control, we recommend the City establish an enterprise fund to account for the revenues and expenses of the sanitation activity.

Officials' Response: See Corrective Action Plan.

FINDING NUMBER 2010-03

Noncompliance and Significant Deficiency

§ 5705.10 Ohio Revised Code requires the proceeds of the sale of a permanent improvement to be deposited into either a capital projects fund, sinking fund or bond retirement fund. We noted that on December 07, 2009, the City deposited the proceeds of the sale of a fire station, a permanent improvement, in the amount of \$1,000,000 into the general fund.

The City has authorized this adjustment as a payable to the Business Development Fund of \$1,000,000.

To enhance internal accounting control we recommend the City monitor significant and unusual revenues and ensure they are posted to the appropriate funds as required by the Ohio Revised Code.

Officials' Response: See Corrective Action Plan.

3. FINDINGS FOR FEDERAL AWARDS

1. Suspension and Debarment

Finding Number	2010-04
CFDA Title and Number	Energy Efficiency and Conservation Block Grant CFDA # 81.128 and Congressionally Recommended Awards CFDA # 16.753
Federal Award Number / Year	Energy Efficiency and Conservation Block Grant/DE-SC0002996 & Congressionally Recommended Awards/2009-JG-B01-T11521
Federal Agency	Energy Efficiency and Conservation Block Grant/U.S. Department of Energy & Congressionally Recommended Awards/U.S. Department of Justice
Pass-Through Agency	N/A

Noncompliance and Material Weakness

2 CFR § 180.300 provides that a non-federal entity that enters into a covered transaction with an entity at a lower tier must verify that the entity is not suspended or debarred or otherwise excluded from participation in federal award programs. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity;

- The City entered into covered transactions with a vendor for the Congressionally Recommended Award Grant, CFDA 16.753, in the amount of \$480,700 and while the vendor was not suspended or debarred, there was no documentation the City either reviewed the *Excluded Parties List System (EPLS)*, collected a certification from the vendor or added a clause or condition to the covered transaction with the vendor. This contract represented 91% of total federal expenditures for this program;

**FINDING NUMBER 2010-04
 (Continued)**

- The City entered into covered transactions with a vendor for the Energy Efficiency and Conservation Block Grant Program, CFDA 81.128, in the amount of \$404,379 and while the vendor was not suspended or debarred, there was no documentation the City either reviewed the *Excluded Parties Limit System, (EPLS)*, collected a certification from the vendors or added a clause or condition to the covered transactions with the vendors. These contracts represented 76% of total federal expenditures for this program;

To enhance internal accounting control we recommend grant coordinators correspond with the grantor regarding compliance requirements prior to and throughout the grant period as well as attend appropriate training regarding grants the City receives.

Officials' Response: See Corrective Action Plan.

2. Procurement

Finding Number	2010-05
CFDA Title and Number	Energy Efficiency and Conservation Block Grant CFDA # 81.128
Federal Award Number / Year	Energy Efficiency and Conservation Block Grant/DE-SC0002996
Federal Agency	U.S. Department of Energy
Pass-Through Agency	N/A

Noncompliance and Material Weakness

10 CFR, Part 600, Subpart C §600.236(i) delineates the elements required to be included in contracts where Department of Energy funding is being used. The City signed a contract with a private contractor on June 17, 2009 to develop and administer the City's Energy Efficiency and Conservation Block Grant. While this contract contained clauses addressing the purpose, goals and objectives and the proposal including pricing method, the contract did not contain all of the clauses required for Federal funding. The following elements were not included in the contract:

- Administrative, contractual, or legal remedies in instances where contractors violate or breach contract terms, and provide for such sanctions and penalties as may be appropriate. (Contracts more than the simplified acquisition threshold)
- Termination for cause and for convenience by the grantee or subgrantee including the manner by which it will be effected and the basis for settlement. (All contracts in excess of \$10,000)
- Compliance with Executive Order 11246 of September 24, 1965, entitled "Equal Employment Opportunity," as amended by Executive Order 11375 of October 13, 1967, and as supplemented in Department of Labor regulations (41 CFR chapter 60). (All construction contracts awarded in excess of \$10,000 by grantees and their contractors or subgrantees)
- Compliance with the Copeland "Anti-Kickback" Act (18 U.S.C. 874) as supplemented in Department Electronic Code of Federal Regulations
- Compliance with the Davis-Bacon Act (40 U.S.C. 276a to 276a-7) as supplemented by Department of Labor regulations (29 CFR Part 5). (Construction contracts in excess of \$2000 awarded by grantees and subgrantees when required by Federal grant program legislation)

**FINDING NUMBER 2010-05
(Continued)**

- Compliance with Sections 103 and 107 of the Contract Work Hours and Safety Standards Act (40 U.S.C. 327–330) as supplemented by Department of Labor regulations (29 CFR Part 5). (Construction contracts awarded by grantees and subgrantees in excess of \$2000, and in excess of \$2500 for other contracts which involve the employment of mechanics or laborers)
- Notice of awarding agency requirements and regulations pertaining to reporting.
- Notice of awarding agency requirements and regulations pertaining to patent rights with respect to any discovery or invention which arises or is developed in the course of or under such contract.
- Awarding agency requirements and regulations pertaining to copyrights and rights in data.
- Access by the grantee, the subgrantee, the Federal grantor agency, the Comptroller General of the United States, or any of their duly authorized representatives to any books, documents, papers, and records of the contractor which are directly pertinent to that specific contract for the purpose of making audit, examination, excerpts, and transcriptions.
- Retention of all required records for three years after grantees or subgrantees make final payments and all other pending matters are closed.
- Compliance with all applicable standards, orders, or requirements issued under section 306 of the Clean Air Act (42 U.S.C. 1857(h)), section 508 of the Clean Water Act (33 U.S.C. 1368), Executive Order 11738, and Environmental Protection Agency regulations (40 CFR part 15). (Contracts, subcontracts, and subgrants of amounts in excess of \$100,000).
- Mandatory standards and policies relating to energy efficiency which are contained in the state energy conservation plan issued in compliance with the Energy Policy and Conservation Act (Pub. L.94–163, 89 Stat. 871).

10 CFR, Part 600, Subpart C §600.236(b) and (b)(3) describe procurement standards and requires grantees use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards.

Grantees are to maintain a written code of standards of conduct governing the performance of their employees engaged in the award and administration of contracts. No employee, officer or agent of the grantee shall participate in selection, or in the award or administration of a contract supported by Federal funds if a conflict of interest, real or apparent, would be involved. Such a conflict would arise when:

- (i) The employee, officer or agent,
- (ii) Any member of his immediate family,
- (iii) His or her partner, or
- (iv) An organization which employs, or is about to employ, any of the above, has a financial or other interest in the firm selected for award. The grantee's or subgrantee's officers, employees or agents will neither solicit nor accept gratuities, favors or anything of monetary value from contractors, potential contractors, or parties to subagreements. Grantee and subgrantees may set minimum rules where the financial interest is not substantial or the gift is an unsolicited item of nominal intrinsic value. To the extent permitted by State or local law or regulations, such standards or conduct will provide for penalties, sanctions, or other disciplinary actions for violations of such standards by the grantee's and subgrantee's officers, employees, or agents, or by contractors or their agents. The awarding agency may in regulation provide additional prohibitions relative to real, apparent, or potential conflicts of interest.

**FINDING NUMBER 2010-05
 (Continued)**

In the future, contracts for grants should contain all of the required provisions to ensure compliance with Federal standards before Federal monies are committed to the completion of a project. The City should also maintain written procurement standards to govern the administration of contracts related to federal grants.

Officials' Response: See Corrective Action Plan.

3. Special Tests and Provisions

Finding Number	2010-06
CFDA Title and Number	Highway Planning and Construction Cluster CFDA # 20.205
Federal Award Number / Year	Federal Street Resurfacing Project PID # 86325, Mahoning Glenwood Avenue Project PID # 87521 & Mahoning Elm Street Bridge Project PID # 82086
Federal Agency	U.S. Department of Transportation – Federal Highway Administration
Pass-Through Agency	Ohio Department of Transportation

Noncompliance and Material Weakness

2 CFR §176.210 requires the City to separately account for the source and application of ARRA funding. The City did not establish a separate cost center in the accounting records to separately account for the source and application of ARRA funding for the Highway Planning & Construction Cluster, CFDA Number 20.205, nor did they record these monies on their books. Consequently, the City violated Ohio Revised Code Section 5705.41(B) when it failed to appropriate these monies. Expenditures from the cluster that were funded through ARRA were \$568,829 and represent 97% of total cluster expenditures.

We recommend the City reflect this activity on their books and budget for these monies accordingly and establish a separate cost center in the accounting records to separately account for the source and application of ARRA funding for the Highway Planning & Construction Cluster. This will allow the City to better account for ARRA funding.

Officials' Response: See Corrective Action Plan.

4. Allowable Costs

Finding Number	2010-07
CFDA Title and Number	Energy Efficiency and Conservation Block Grant CFDA # 81.128
Federal Award Number / Year	Energy Efficiency and Conservation Block Grant/DE-SC0002996
Federal Agency	U.S. Department of Energy
Pass-Through Agency	N/A

Noncompliance, Material Weakness and Questioned Costs

2 CFR 225 Appendix A, Part C basic cost principals provides, in part, that costs charged to a federal financial assistance program;

- Be necessary and reasonable for proper and efficient performance and administration of Federal awards;
- Be allocable to Federal awards under the provisions of 2 CFR part 225;
- Be authorized or not prohibited under State or local laws or regulations;
- Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items;
- Be adequately documented.

The invoices and supporting documentation must be accurate, complete and sufficiently detailed to substantiate any claim for payment from these funds. During a review of invoices submitted by the contractor managing the Energy Efficiency and Conservation Block Grant (EECBG) for the City, we noted the invoices submitted to the City did not include certified payroll records for work completed. Therefore, all payments made from EECBG funding for 2010 for \$305,568 are considered unallowable.

Based on the foregoing, we are issuing questioned costs in the amount of \$305,568 for expenditures charged to the Energy Efficiency Block Grant, CFDA Number 81.028, project number DE-SC0002996. These questioned costs will be submitted to the U.S. Department of Energy for follow up.

Officials' Response: See Corrective Action Plan.

**CITY OF YOUNGSTOWN
MAHONING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-01	ORC 5705.41 (D) Not encumbering or certifying the availability of funds prior to commitment	Yes	
2009-02	ORC 5705.10 (H) Deficit cash balance in police levy fund	Yes	

**CITY OF YOUNGSTOWN
MAHONING COUNTY
FOR THE YEAR ENDED DECEMBER 31, 2010**

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

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2010-001	<p>The City Administration and the Finance Director chose to book the Float Loans as cash equivalents because of the ability to drawdown on the Letters of Credit immediately upon request to the Banks by the City.</p> <p>The City has structured the new Financial Accounting system to account for the float loans as cash equivalents.</p>	Jan 2011	Finance Director
2010-002	<p>The City Administration and the Finance Director implemented billing City residents for sanitation billing in 1991. Over the years, costs for sanitation services were greater than what was collected from residents. The City is responsible for all pickup costs regardless of the ability to collect from its residents.</p> <p>The Finance Director proposed to City Council an increase in the sanitation rate structure in order to mitigate collections. Ordinances were passed since 1991 to meet increases in the delivery of sanitation services.</p> <p>The City will perform a historical evaluation of sanitation costs to determine if the City has incorrectly booked this class of revenue in the General Fund.</p>	Mar 2013	Finance Director
2010-003	<p>The Finance Director has agreed that the \$1,000,000 in proceeds from the sale of the Fire Station should be booked into the capital improvement Business Development Fund.</p> <p>The City will process a correcting entry to re-book the Fire Station proceeds in 2012.</p>	Dec 2012	Finance Director
2010-004	<p>The City Administration along with City Council will pursue the recommendation of the State Auditor staff to hire a grant coordinator to monitor compliance with the Excluded Parties Lists System (EPLS) maintained by the General Services Administration (GSA).</p>	Mar 2013	Finance Director

**CITY OF YOUNGSTOWN
MAHONING COUNTY
FOR THE YEAR ENDED DECEMBER 31, 2010**

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

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2010-005	The City Administration along with City Council will pursue the recommendation of the State Auditor staff to hire a grant coordinator to ensure that all clauses will be met in the contracts relative to Federal funding. The grant coordinator will also ensure Federal standards are maintained and that the City's procurement procedures conform to applicable Federal law.	Mar 2013	Finance Director
2010-006	The City Administration along with City Council will pursue the recommendation of the State Auditor staff to hire a grant coordinator to monitor compliance with future ARRA funding and the requirements of establishing a separate cost center for such funds.	Mar 2013	Finance Director
2010-007	<p>It was the understanding of the Finance Director that the U.S. Department of Energy audited the Energy Efficiency and Conservation Block Grant that was awarded to the City of Youngstown and found that the City was in compliance with all provisions of the grant.</p> <p>The Finance Director will wait for the response from the U.S. Department of Energy concerning the questioned costs of the Energy Efficiency Block Grant.</p> <p>The City Administration along with City Council will pursue the recommendation of the State Auditor staff to hire a grant coordinator to monitor compliance with all future Energy Grants.</p>	Mar 2013	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
DECEMBER 20, 2012