



Dave Yost • Auditor of State

**CITY OF YOUNGSTOWN
MAHONING COUNTY
DECEMBER 31, 2015**

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MAHONING COUNTY
DECEMBER 31, 2015**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Members of Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Youngstown, Mahoning County, Ohio (the City), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General, Fire Levy, Police Levy, Covelli Centre and Community Development funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended December 31, 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule 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 schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2017, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

April 25, 2017

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CITY OF YOUNGSTOWN, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015 (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, 2015. 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 2015 are as follows:

- The total net position of the City increased \$13,406,061. Net position of governmental activities increased \$4,294,341 or 10.93% from 2014 and net position of business-type activities increased \$9,111,720 or 13.08% from 2014.
- General revenues accounted for \$53,945,873 or 68.52% of total governmental activities revenue. Program specific revenues accounted for \$24,779,763 or 31.48% of total governmental activities revenue of \$78,725,636.
- The City had \$74,431,295 in expenses related to governmental activities; \$24,779,763 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$49,651,532 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$53,945,873.
- The general fund had revenues and other financing sources of \$39,790,918 in 2015. This represents a decrease of \$685,180 from 2014. The expenditures and other financing uses of the general fund, which totaled \$38,942,804 in 2015, increased \$460,030 from 2014. The increase in fund balance was \$848,114 in the general fund at December 31, 2015.
- The fire levy fund had revenues and other financing sources of \$13,929,397 in 2015. This represents a decrease of \$34,755 from 2014. The expenditures of the fire levy fund, which totaled \$13,196,731, in 2015, decreased \$391,686 from 2014. The increase in fund balance was \$732,666 in the fire levy fund at December 31, 2015.
- The police levy fund had revenues and other financing sources of \$18,927,029 in 2015. This represents an increase of \$484,882 from 2014. The expenditures of the police levy fund, which totaled \$18,092,942 in 2015, increased \$173,359 from 2014. The increase in fund balance was \$834,087 in the police levy fund at December 31, 2015.
- The Covelli Centre fund had revenues and other financing sources of \$10,658,531 in 2015. This represents an increase of \$159,269 from 2014. The expenditures of the Covelli Centre fund, which totaled \$10,554,643 in 2015, decreased \$514,133 from 2014. The decrease in fund balance was \$103,888 in the Covelli Centre fund at December 31, 2015.
- The community development fund had revenues and other financing sources of \$3,397,877 in 2015. This represents a decrease of \$775,338 from 2014. The expenditures of the community development fund, which totaled \$3,455,136 in 2015, decreased \$805,165 from 2014. The decrease in fund balance was \$57,259 in the community development fund at December 31, 2015.
- The bond retirement fund had revenues and other financing sources of \$2,318,339 in 2015. This represents an increase of \$152,811 from 2014. The expenditures and other financing uses of the bond retirement fund, which totaled \$1,767,850 in 2015, decreased \$385,727 from 2014. The increase in fund balance was \$550,489 in the bond retirement fund at December 31, 2015.

CITY OF YOUNGSTOWN, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015 (UNAUDITED)

- Net position for the business-type activities, which are made up of the sewer and water enterprise funds, increased in 2015 by \$9,111,720. The enterprise funds had adequate charges for services revenue to cover operating expenses.

Using this Annual Financial Report

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

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

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?" The statement of net position and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. The accrual basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's net position and changes in that position. This change in net position is important because it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. 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 position and the statement of activities, the City is divided into two distinct kinds of activities:

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

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

The City's statement of net position and statement of activities can be found on pages 17-19 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

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015 (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 11.

Governmental Funds

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

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

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, fire levy, police levy, community development, Covelli Centre and bond retirement 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 20-30 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 31-34 of this report.

Fiduciary Funds

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 36-84 of this report.

CITY OF YOUNGSTOWN, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

Government-Wide Financial Analysis

The table below provides a summary of the City's net position for 2015 and 2014:

	Net Position				2015 Total	2014 Total
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities		
	2015	2015	2014	2014		
<u>Assets</u>						
Current and other assets	\$ 39,217,731	\$ 42,318,072	\$ 35,335,407	\$ 36,661,167	\$ 81,535,803	\$ 71,996,574
Capital assets	90,491,875	74,827,548	93,418,774	72,277,450	165,319,423	165,696,224
Total assets	129,709,606	117,145,620	128,754,181	108,938,617	246,855,226	237,692,798
Deferred Outflows of Resources	7,886,504	1,776,863	5,074,494	1,193,797	9,663,367	6,268,291
<u>Liabilities</u>						
Long-term liabilities outstanding	32,617,059	28,269,155	35,101,947	29,629,248	60,886,214	64,731,195
Net pension liability	56,949,335	9,703,538	53,978,384	9,484,367	66,652,873	63,462,751
Other liabilities	2,427,374	1,999,616	3,975,866	1,357,255	4,426,990	5,333,121
Total liabilities	91,993,768	39,972,309	93,056,197	40,470,870	131,966,077	133,527,067
Deferred Inflows of Resources	2,035,523	176,910	1,500,000	-	2,212,433	1,500,000
<u>Net Position</u>						
Net investment in capital assets	74,474,144	47,216,852	76,098,559	44,347,958	121,690,996	120,446,517
Restricted	14,767,717	-	15,861,969	-	14,767,717	15,861,969
Unrestricted (deficit)	(45,675,042)	31,556,412	(52,688,050)	25,313,586	(14,118,630)	(27,374,464)
Total net position	\$ 43,566,819	\$ 78,773,264	\$ 39,272,478	\$ 69,661,544	\$ 122,340,083	\$ 108,934,022

During 2015, the City adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. As a result of implementing GASB 68, the City is reporting a net pension liability and deferred inflows/outflows of resources related to the pension on the accrual basis of accounting. This implementation had the effect of restating net position at December 31, 2014, from \$88,172,297 to \$39,272,478 for governmental activities and from \$77,948,753 to \$69,661,544 for business type activities.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2015, the City's assets exceeded liabilities by \$122,340,083, an increase of \$13,406,061 from December 31, 2014. At year-end, net position were \$43,566,819 and \$78,773,264 for the governmental activities and the business-type activities, respectively. The increase in net positions of the governmental and business-type activities are a result of the City's overall revenues exceeding its expenses.

Capital assets reported on the government-wide statements represent the largest portion of the City's net position. At year-end, capital assets represented 66.97% 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, 2015, were \$74,474,144 and \$47,216,852 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$14,767,717, at December 31, 2015, 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, 2015
(UNAUDITED)**

The table below shows the changes in net position for fiscal years 2015 and 2014:

	Change in Net Position					
	Governmental Activities 2015	Business-type Activities 2015	Governmental Activities 2014	Business-type Activities 2014	2015 Total	2014 Total
Revenues						
Program revenues:						
Charges for services	\$ 13,744,353	\$ 57,776,487	\$ 13,798,744	\$ 58,729,364	\$ 71,520,840	\$ 72,528,108
Operating grants and contributions	8,798,569	-	8,864,794	-	8,798,569	8,864,794
Capital grants and contributions	<u>2,236,841</u>	<u>-</u>	<u>4,856,288</u>	<u>-</u>	<u>2,236,841</u>	<u>4,856,288</u>
Total program revenues	<u>24,779,763</u>	<u>57,776,487</u>	<u>27,519,826</u>	<u>58,729,364</u>	<u>82,556,250</u>	<u>86,249,190</u>
General revenues:						
Property taxes	2,025,571	-	1,952,606	-	2,025,571	1,952,606
Income taxes	44,525,552	-	43,090,060	-	44,525,552	43,090,060
Unrestricted grants and entitlements	4,061,454	-	4,025,605	-	4,061,454	4,025,605
Payment in lieu of taxes	593,459	-	583,050	-	593,459	583,050
Investment earnings	219,305	-	29,333	-	219,305	29,333
Miscellaneous	<u>2,520,532</u>	<u>8,778</u>	<u>1,860,081</u>	<u>19,095</u>	<u>2,529,310</u>	<u>1,879,176</u>
Total general revenues	<u>53,945,873</u>	<u>8,778</u>	<u>51,540,735</u>	<u>19,095</u>	<u>53,954,651</u>	<u>51,559,830</u>
Total revenues	<u>78,725,636</u>	<u>57,785,265</u>	<u>79,060,561</u>	<u>58,748,459</u>	<u>136,510,901</u>	<u>137,809,020</u>
Expenses:						
General government	12,891,859	-	12,900,839	-	12,891,859	12,900,839
Security of persons and property	35,874,924	-	34,209,464	-	35,874,924	34,209,464
Public health and welfare	2,072,025	-	2,005,218	-	2,072,025	2,005,218
Transportation	10,099,376	-	9,831,733	-	10,099,376	9,831,733
Community environment	7,331,455	-	6,904,925	-	7,331,455	6,904,925
Leisure time activity	3,069,487	-	2,874,866	-	3,069,487	2,874,866
Utility services	2,415,349	-	2,056,638	-	2,415,349	2,056,638
Interest and fiscal charges	676,820	-	930,227	-	676,820	930,227
Water	-	29,088,990	-	29,361,172	29,088,990	29,361,172
Sewer	<u>-</u>	<u>19,584,555</u>	<u>-</u>	<u>19,768,763</u>	<u>19,584,555</u>	<u>19,768,763</u>
Total expenses	<u>74,431,295</u>	<u>48,673,545</u>	<u>71,713,910</u>	<u>49,129,935</u>	<u>123,104,840</u>	<u>120,843,845</u>
Increase in net position before transfers	4,294,341	9,111,720	7,346,651	9,618,524	13,406,061	16,965,175
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	<u>4,294,341</u>	<u>9,111,720</u>	<u>7,346,651</u>	<u>9,618,524</u>	<u>13,406,061</u>	<u>16,965,175</u>
Net position at beginning of year (restated)	<u>39,272,478</u>	<u>69,661,544</u>	<u>31,925,827</u>	<u>60,043,020</u>	<u>108,934,022</u>	<u>91,968,847</u>
Net position at end of year	<u>\$ 43,566,819</u>	<u>\$ 78,773,264</u>	<u>\$ 39,272,478</u>	<u>\$ 69,661,544</u>	<u>\$ 122,340,083</u>	<u>\$ 108,934,022</u>

CITY OF YOUNGSTOWN, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR
THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)

Governmental Activities

Governmental activities net position increased by \$4,294,341 in 2015. This increase is a result of the City's overall revenues exceeding its expenses.

Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$35,874,924 of the total expenses of the City during 2015. These expenses were partially funded by \$1,111,818 in direct charges to users of the services and \$861,636 in grants and contributions. General government expenses totaled \$12,891,859. General government expenses were partially funded by \$8,469,015 in direct charges to users of the services, and \$1,053,128 in capital grants and contributions.

During 2015, the state and federal government and other local sources contributed to the City a total of \$8,798,569 in operating grants and contributions and \$2,236,841 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$4,588,570 subsidized community environment programs, \$2,679,933 subsidized transportation programs, \$522,472 subsidized public health and welfare, \$861,636 subsidized security of persons and property programs, and \$145,958 subsidized leisure activities. Of the total capital grants and contributions, \$221,274 subsidized community environment programs, \$962,439 subsidized transportation programs and \$1,053,128 subsidized general government programs.

General revenues totaled \$53,945,873, and amounted to 68.52% of total governmental revenues during 2015. These revenues primarily consist of income tax revenue of \$44,525,552. 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 \$2,025,571 and \$4,061,454, 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.

	Governmental Activities			
	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>	Total Cost of Services <u>2014</u>	Net Cost of Services <u>2014</u>
Program expenses:				
General government	\$ 12,891,859	\$ 3,369,716	\$ 12,900,839	\$ 1,846,411
Security of persons and property	35,874,924	33,901,470	34,209,464	32,754,454
Public health and welfare	2,072,025	(2,578,729)	2,005,218	(2,828,596)
Transportation	10,099,376	6,457,004	9,831,733	6,259,396
Community environment	7,331,455	2,521,611	6,904,925	519,514
Leisure time activity	3,069,487	2,888,291	2,874,866	2,656,040
Utility service	2,415,349	2,415,349	2,056,638	2,056,638
Interest and fiscal charges	<u>676,820</u>	<u>676,820</u>	<u>930,227</u>	<u>930,227</u>
Total	<u>\$ 74,431,295</u>	<u>\$49,651,532</u>	<u>\$ 71,713,910</u>	<u>\$44,194,084</u>

The dependence upon general revenues for governmental activities is apparent, with 72.48% and 71.87% of expenses supported through taxes and other general revenues during 2015 and 2014, respectively.

CITY OF YOUNGSTOWN, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)

Business-type Activities

Business-type activities include the sewer and water enterprise funds. These programs had program revenues of \$57,776,487, and general revenues of \$8,778 and expenses of \$48,673,545 for 2015.

Financial Analysis of the Government's Funds

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

Governmental Funds

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

The City's governmental funds (as presented on the balance sheet on pages 20-21) reported a combined fund balance of \$17,256,377 which is \$2,331,848 higher than last year's balance total of \$14,924,529. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2015 for all major and nonmajor governmental funds.

	Fund Balances (Deficit) <u>12/31/15</u>	Fund Balances (Deficit) <u>12/31/14</u>	Increase/ (Decrease) <u></u>
Major funds:			
General	\$ 6,428,028	\$ 5,579,914	\$ 848,114
Fire levy	364,794	(367,872)	732,666
Police levy	801,118	(32,969)	834,087
Community development	382,061	439,320	(57,259)
Covelli centre project	86,191	(17,697)	103,888
Bond retirement	751,685	201,196	550,489
Other nonmajor governmental funds	<u>8,442,500</u>	<u>9,122,637</u>	<u>(680,137)</u>
Total	<u>\$ 17,256,377</u>	<u>\$ 14,924,529</u>	<u>\$ 2,331,848</u>

CITY OF YOUNGSTOWN, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR
THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)

General Fund

The City's general fund balance increased \$848,114 throughout the year. The table that follows assists in illustrating the revenues of the general fund.

	<u>2015</u> <u>Amount</u>	<u>2014</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Income taxes	\$ 22,464,821	\$ 22,907,450	(1.93) %
Charges for services	7,340,798	7,298,484	0.58 %
Licenses and permits	363,334	448,830	(19.05) %
Fines and forfeitures	523,287	543,214	(3.67) %
Intergovernmental	3,797,702	3,751,926	1.22 %
Investment income	219,305	29,333	647.64 %
Rental income	3,113,824	3,129,533	(0.50) %
Franchise fee	529,637	509,045	4.05 %
Other	<u>1,068,090</u>	<u>548,626</u>	<u>94.68 %</u>
Total	<u>\$ 39,420,798</u>	<u>\$ 39,166,441</u>	<u>0.65 %</u>

Income tax revenue represents 56.99% of all general fund revenue and decreased by 1.93% in 2015. Fines and forfeitures related to court costs and parking fines decreased by 3.67% during 2015, and licenses and permits revenues decreased by 19.05%. Franchise fees increased by 4.05% in 2015, and other revenue increased 94.68% in 2015.

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

	<u>2015</u> <u>Amount</u>	<u>2014</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
General Government	\$ 11,916,349	\$ 11,731,748	1.57 %
Security of persons and property	2,931,367	2,623,976	11.71 %
Public health and welfare	1,418,664	1,362,355	4.13 %
Community environment	1,523,136	882,116	72.67 %
Leisure time activity	99,939	107,797	(7.29) %
Utility service	<u>2,415,349</u>	<u>2,056,638</u>	<u>17.44 %</u>
Total	<u>\$ 20,304,804</u>	<u>\$ 18,764,630</u>	<u>8.21 %</u>

CITY OF YOUNGSTOWN, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

General Fund (continued)

Costs in multiple areas increased significantly, specifically in wages and fringe benefits that caused the increase in security of property and persons, community environment and utility service 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 \$13,929,397 in 2015. This represents a decrease of \$34,755 from 2014. The expenditures of the fire levy fund, which totaled \$13,196,731 in 2015, decreased \$391,686 from 2014. The increase in fund balance was \$732,666 in the fire levy fund at December 31, 2015.

Police Levy Fund

The police levy fund had revenues and other financing sources of \$18,927,029 in 2015. This represents an increase of \$484,882 from 2014. The expenditures of the police levy fund, which totaled \$18,092,942 in 2015, increased \$173,359 from 2014. The increase in fund balance was \$834,087 in the police levy fund at December 31, 2015.

Community Development Fund

The community development fund had revenues and other financing sources of \$3,397,877 in 2015. This represents a decrease of \$775,338 from 2014. The expenditures of the community development fund, which totaled \$3,455,136 in 2015, decreased \$805,165 from 2014. The decrease in fund balance was \$57,259 in the community development fund at December 31, 2015.

Covelli Centre Fund

The Covelli Centre fund had revenues and other financing sources of \$10,658,531 in 2015. This represents a decrease of \$159,269 from 2014. The expenditures of the Covelli Centre fund, which totaled \$10,554,643 in 2015, decreased \$514,133 from 2014. The increase in fund balance was \$103,888 in the Covelli Centre fund at December 31, 2015.

Bond Retirement Fund

The bond retirement fund had revenues and other financing sources of \$2,318,339 in 2015. This represents an increase of \$152,811 from 2014. The expenditures and other financing uses of the bond retirement fund, which totaled \$1,767,850 in 2015, decreased \$385,727. The increase in fund balance was \$550,489 in the bond retirement fund at December 31, 2015.

CITY OF YOUNGSTOWN, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)

Budgeting Highlights

The City's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the City's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission 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 \$39,737,205 came in \$1,996,245 lower than final budgeted expenditures of \$41,733,450. Original budgeted revenues and other financing sources of \$41,446,292 were increased by \$230,000 to \$41,676,292 in the final budgeted revenues. Actual revenues and other financing sources were \$39,283,848 which were \$2,392,444 lower than final budgeted revenues.

Proprietary Funds

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

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2015, the City had \$165,319,423 (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, \$90,491,875 was reported in governmental activities and \$74,827,548 was reported in business-type activities. The following table shows fiscal 2015 balances compared to 2014:

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 14,049,527	\$ 14,049,527	\$ 1,062,688	\$ 1,062,688	\$ 15,112,215	\$ 15,112,215
C.I.P.	2,219,138	1,288,992	-	10,458,418	2,219,138	11,747,410
Buildings	33,903,439	35,487,357	38,286,002	27,914,054	72,189,441	63,401,411
I.O.T.B.	2,879,050	3,134,246	690,746	324,850	3,569,796	3,459,096
Machinery and equipment	2,375,660	2,692,340	5,484,619	3,995,387	7,860,279	6,687,727
Computer software	20,396	31,625	344,795	415,790	365,191	447,415
Vehicles	2,100,160	2,332,707	1,789,862	1,496,229	3,890,022	3,828,936
Infrastructure	32,944,505	34,401,980	27,168,836	26,610,034	60,113,341	61,012,014
Total	\$ 90,491,875	\$ 93,418,774	\$ 74,827,548	\$ 72,277,450	\$ 165,319,423	\$ 165,696,224

CITY OF YOUNGSTOWN, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

The City's largest governmental activities capital asset categories are buildings and infrastructure. The net book value of the City's buildings and infrastructure (cost less accumulated depreciation) represents approximately 37.47% and 36.41% of the City's total governmental capital assets at December 31, 2015, respectively.

The City's largest business-type capital asset category is buildings. The net book value (cost less accumulated depreciation) of the City's buildings represents approximately 51.17% of the City's total business-type activities capital assets. The City's second largest business-type capital asset category is infrastructure, which primarily includes water and sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's utility lines (cost less accumulated depreciation) represents approximately 36.31% of the City's total business-type activities capital assets. See Note 10 to the basic financial statements for further detail on capital assets.

Debt Administration

The City had the following short-term and long-term obligations outstanding at December 31, 2015 and 2014:

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Net pension liability	\$56,949,335	\$53,978,384
General obligation bonds	12,865,000	13,660,000
HUD Section 108 loans	430,000	655,000
Short-term notes payable	700,000	600,000
Long-term notes payable	9,860,000	10,660,000
OPWC loan	214,288	235,717
Capital lease obligations	639,522	740,728
Claims payable	2,551,800	2,883,773
Compensated absences	<u>6,377,265</u>	<u>6,604,357</u>
Total	<u>\$90,587,210</u>	<u>\$90,017,959</u>
	<u>Business-Type</u>	
	<u>2015</u>	<u>2014</u>
Net pension liability	\$ 9,703,538	\$ 9,484,367
OWDA loans	22,133,757	23,127,246
OPWC loan	3,303,560	3,479,910
ODOT loan	1,073,380	1,322,336
Short-term note payable	1,100,000	-
Compensated absences	<u>1,758,458</u>	<u>1,699,756</u>
Total	<u>\$39,072,693</u>	<u>\$39,113,615</u>

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

CITY OF YOUNGSTOWN, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015 (UNAUDITED)

Economic Conditions and Outlook

The City's administration considered the impact of various economic factors when establishing the 2016 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 10,740 new jobs have been created, with additional job opportunities anticipated as various development agreements are secured. A working example is the Youngstown Business Incubator's \$5.5 million take over and renovation of the 60,000 square foot Vindicator office building, expected to be completed in the first quarter of 2016 with estimated workforce increase of 120 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 2016. 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 2015 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 three factors: aggressive cost containment, steady income tax collections, and employee reductions through buyouts and attrition.

Under the leadership of Mayor Jay Williams, the City was able to implement Youngstown 2010 plan which provides a sturdy foundation for the future of Youngstown. During 2012, Mayor Williams resigned as Mayor to accept a position in the Obama Administration. Mayor John McNally is continuing to follow the blueprint of the Youngstown 2010 plan to build on the successes of the last few years. 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 2016.

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, and 26 S. Phelps Street, Youngstown, Ohio 44503.

CITY OF YOUNGSTOWN, OHIO

STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 11,921,171	\$ 31,503,330	\$ 43,424,501
Receivables (net of allowance for uncollectibles):			
Income taxes	13,917,408	-	13,917,408
Real and other taxes	2,896,773	-	2,896,773
Loan receivable for State Tax Credits	2,341,900	-	2,341,900
Accounts	1,266,448	9,446,496	10,712,944
Notes receivable	142,000	-	142,000
Special assessments	27,771	-	27,771
Internal balances	(213,934)	213,934	-
Due from other governments	6,196,101	175,681	6,371,782
Materials and supplies inventory	390,278	966,299	1,356,577
Deferred charges	316,878	-	316,878
Net pension asset	14,937	12,332	27,269
Capital assets:			
Land and construction in progress	16,268,665	1,062,689	17,331,354
Depreciable capital assets, net	74,223,210	73,764,859	147,988,069
Total capital assets, net	<u>90,491,875</u>	<u>74,827,548</u>	<u>165,319,423</u>
Total assets	<u>129,709,606</u>	<u>117,145,620</u>	<u>246,855,226</u>
Deferred Outflows of Resources:			
Pension	7,886,504	1,776,863	9,663,367
Liabilities:			
Accounts payable	318,718	149,983	468,701
Contracts payable	66,846	122,951	189,797
Accrued wages and benefits payable	474,277	152,902	627,179
Due to other governments	805,679	95,086	900,765
Accrued interest payable	61,854	378,694	440,548
Notes payable	700,000	1,100,000	1,800,000
Long-term liabilities:			
Net pension liability	56,949,335	9,703,538	66,652,873
Due within one year	2,931,343	1,913,182	4,844,525
Due in more than one year	29,685,716	26,355,973	56,041,689
Total liabilities	<u>91,993,768</u>	<u>39,972,309</u>	<u>131,966,077</u>
Deferred Inflows of Resources:			
Property taxes levied for the next fiscal year	1,803,199	-	1,803,199
Pensions	232,324	176,910	409,234
Total deferred inflows of resources	<u>2,035,523</u>	<u>176,910</u>	<u>2,212,433</u>
Net Position:			
Net investment in capital assets	74,474,144	47,216,852	121,690,996
Restricted for:			
Debt service	1,774,086	-	1,774,086
Capital projects	6,282,694	-	6,282,694
Community development	2,869,726	-	2,869,726
Street maintenance and repair	2,702,533	-	2,702,533
Public health and welfare	138,352	-	138,352
Leisure time activities	(69,909)	-	(69,909)
Law enforcement	1,070,235	-	1,070,235
Unrestricted (deficit)	<u>(45,675,042)</u>	<u>31,556,412</u>	<u>(14,118,630)</u>
Total net position	<u>\$ 43,566,819</u>	<u>\$ 78,773,264</u>	<u>\$ 122,340,083</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF YOUNGSTOWN, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 12,891,859	\$ 8,469,015	\$ -	\$ 1,053,128
Security of persons and property	35,874,924	1,111,818	861,636	-
Public health and welfare	2,072,025	4,128,282	522,472	-
Transportation	10,099,376	-	2,679,933	962,439
Community environment	7,331,455	-	4,588,570	221,274
Leisure time activity	3,069,487	35,238	145,958	-
Utility services	2,415,349	-	-	-
Interest and fiscal charges	676,820	-	-	-
Total governmental activities	74,431,295	13,744,353	8,798,569	2,236,841
Business-type Activities:				
Sewer	19,584,555	24,201,258	-	-
Water	29,088,990	33,575,229	-	-
Total business-type activities	48,673,545	57,776,487	-	-
Totals	\$ 123,104,840	\$ 71,520,840	\$ 8,798,569	\$ 2,236,841

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

Payments in lieu of taxes

Investment earnings

Miscellaneous

Total general revenues

Change in net position

Net position at beginning of year (restated)

Net position at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Position

Governmental Activities		Business-type Activities		Total	
\$	(3,369,716)	\$	-	\$	(3,369,716)
	(33,901,470)		-		(33,901,470)
	2,578,729		-		2,578,729
	(6,457,004)		-		(6,457,004)
	(2,521,611)		-		(2,521,611)
	(2,888,291)		-		(2,888,291)
	(2,415,349)		-		(2,415,349)
	(676,820)		-		(676,820)
	<u>(49,651,532)</u>		<u>-</u>		<u>(49,651,532)</u>
	-		4,616,703		4,616,703
	-		4,486,239		4,486,239
	-		9,102,942		9,102,942
	<u>(49,651,532)</u>		<u>9,102,942</u>		<u>(40,548,590)</u>
	1,811,629		-		1,811,629
	213,942		-		213,942
	23,242,846		-		23,242,846
	7,021,677		-		7,021,677
	9,369,440		-		9,369,440
	4,891,589		-		4,891,589
	4,061,454		-		4,061,454
	593,459		-		593,459
	219,305		-		219,305
	2,520,532		8,778		2,529,310
	<u>53,945,873</u>		<u>8,778</u>		<u>53,954,651</u>
	4,294,341		9,111,720		13,406,061
	<u>39,272,478</u>		<u>69,661,544</u>		<u>108,934,022</u>
\$	<u>43,566,819</u>	\$	<u>78,773,264</u>	\$	<u>122,340,083</u>

CITY OF YOUNGSTOWN, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	<u>General</u>	<u>Fire Levy</u>	<u>Police Levy</u>	<u>Community Development</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 159,824	\$ 111,656	\$ 213,549	\$ 3,648
Receivables:				
Income taxes	7,190,462	2,219,380	2,961,478	-
Real and other taxes	-	-	-	-
Loan receivable for State Tax Credits	2,341,900	-	-	-
Accounts	1,131,571	-	-	-
Special assessments	1,764	-	-	23,919
Due from other governments	1,203,705	-	884,178	2,307,757
Notes receivable	-	-	-	142,000
Materials and supplies inventory	1,682	-	45,827	-
Total assets	<u>\$ 12,030,908</u>	<u>\$ 2,331,036</u>	<u>\$ 4,105,032</u>	<u>\$ 2,477,324</u>
Liabilities:				
Accounts payable	\$ 82,865	\$ 3,435	\$ 5,338	\$ -
Contracts payable	-	-	-	-
Accrued wages and benefits payable	101,239	134,025	190,369	7,678
Due to other governments	67,897	337,458	331,710	3,263
Accrued interest payable	-	-	-	-
Notes payable	-	-	-	-
Total liabilities	<u>252,001</u>	<u>474,918</u>	<u>527,417</u>	<u>10,941</u>
Deferred Inflows of Resources				
Delinquent property tax revenue not available	-	-	-	-
Property taxes levied for the next fiscal year	-	-	-	-
Income taxes	4,831,668	1,491,324	1,989,981	-
Special assessments	1,764	-	-	23,919
Unavailable revenue	517,447	-	786,516	2,060,403
Total deferred inflows of resources	<u>5,350,879</u>	<u>1,491,324</u>	<u>2,776,497</u>	<u>2,084,322</u>
Fund Balances:				
Nonspendable	39,229	-	45,827	-
Restricted	-	-	-	382,061
Committed	-	-	-	-
Assigned	812,357	-	-	-
Unassigned (deficit)	5,576,442	364,794	755,291	-
Total fund balances	<u>6,428,028</u>	<u>364,794</u>	<u>801,118</u>	<u>382,061</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 12,030,908</u>	<u>\$ 2,331,036</u>	<u>\$ 4,105,032</u>	<u>\$ 2,477,324</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Covelli Centre</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 358,320	\$ 751,685	\$ 7,715,842	\$ 9,314,524
-	-	1,546,088	13,917,408
26,554	2,870,219	-	2,896,773
-	-	-	2,341,900
134,877	-	-	1,266,448
-	82	2,006	27,771
-	-	1,800,461	6,196,101
-	-	-	142,000
-	-	342,769	390,278
<u>\$ 519,751</u>	<u>\$ 3,621,986</u>	<u>\$ 11,407,166</u>	<u>\$ 36,493,203</u>
\$ 31,038	\$ -	\$ 196,042	\$ 318,718
-	-	66,846	66,846
-	-	40,966	474,277
-	-	65,351	805,679
2,522	-	1,261	3,783
400,000	-	300,000	700,000
<u>433,560</u>	<u>-</u>	<u>670,466</u>	<u>2,369,303</u>
-	1,067,020	-	1,067,020
-	1,803,199	-	1,803,199
-	-	1,038,901	9,351,874
-	82	2,006	27,771
-	-	1,253,293	4,617,659
<u>-</u>	<u>2,870,301</u>	<u>2,294,200</u>	<u>16,867,523</u>
-	-	342,769	427,825
-	751,685	8,291,709	9,425,455
-	-	106,409	106,409
-	-	-	812,357
86,191	-	(298,387)	6,484,331
<u>86,191</u>	<u>751,685</u>	<u>8,442,500</u>	<u>17,256,377</u>
<u>\$ 519,751</u>	<u>\$ 3,621,986</u>	<u>\$ 11,407,166</u>	<u>\$ 36,493,203</u>

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CITY OF YOUNGSTOWN, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2015

Total governmental fund balances	\$	17,256,377
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Recognition of net pension liability/asset and related deferred outflows and inflows of resources		(49,280,218)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		90,491,875
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property taxes receivable	1,067,020	
Income taxes receivable	9,351,874	
Special assessments receivable	27,771	
Intergovernmental receivable	4,617,659	
Total		15,064,324
On the statement of net position interest is accrued on outstanding bonds, notes and loans payable, whereas in the governmental funds, interest is expensed when due.		(58,071)
Unamortized premiums on bond issuance are not recognized in the funds.		(89,769)
Unamortized bond issuance costs are not recognized in the funds.		316,878
Unamortized deferred charges on refundings are not recognized in the funds.		410,585
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:		
General obligation bonds	(12,865,000)	
HUD Section 108 loans	(430,000)	
OPWC loan	(214,288)	
Notes payable	(9,860,000)	
Compensated absences	(6,377,265)	
Capital lease payable	(639,522)	
Total		(30,386,075)
An internal service fund is used by management to charge the costs of workers compensation to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.		54,847
An internal balance is recorded in the governmental activities to reflect overpayments to the internal service fund by the business-type activities.		(213,934)
Net position of governmental activities	\$	43,566,819

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF YOUNGSTOWN, OHIO

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>General</u>	<u>Fire Levy</u>	<u>Police Levy</u>	<u>Community Development</u>
Revenues:				
Income taxes	\$ 22,464,821	\$ 6,725,071	\$ 8,973,718	\$ -
Real and other taxes	-	-	-	-
Charges for services	7,340,798	-	-	-
Licenses and permits	363,334	-	-	-
Fines and forfeitures	523,287	-	746	-
Intergovernmental	3,797,702	24,582	683,671	3,375,877
Investment income	219,305	-	-	-
Rental income	3,113,824	-	21,923	-
Contributions and donations	400	-	-	-
Franchise fees	529,637	-	-	-
Payments in lieu of taxes	401,155	-	-	-
Other	666,535	120	26,506	-
Total revenues	<u>39,420,798</u>	<u>6,749,773</u>	<u>9,706,564</u>	<u>3,375,877</u>
Expenditures:				
Current:				
General government	11,916,349	-	-	-
Security of persons and property	2,931,367	13,084,280	18,092,942	-
Public health and welfare	1,418,664	-	-	-
Transportation	-	-	-	-
Community environment	1,523,136	-	-	3,183,207
Leisure time activity	99,939	-	-	-
Utility services	2,415,349	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	91,739	-	225,000
Interest and fiscal charges	-	20,712	-	46,929
Total expenditures	<u>20,304,804</u>	<u>13,196,731</u>	<u>18,092,942</u>	<u>3,455,136</u>
Excess (deficiency) of revenues over (under) expenditures	<u>19,115,994</u>	<u>(6,446,958)</u>	<u>(8,386,378)</u>	<u>(79,259)</u>
Other financing sources (uses):				
Note issuance	-	-	-	-
Sale of capital assets	120	28,624	2,465	-
Transfers in	370,000	7,151,000	9,218,000	22,000
Transfers (out)	(18,638,000)	-	-	-
Total other financing sources (uses)	<u>(18,267,880)</u>	<u>7,179,624</u>	<u>9,220,465</u>	<u>22,000</u>
Net change in fund balances	848,114	732,666	834,087	(57,259)
Fund balances (deficit)				
at beginning of year	5,579,914	(367,872)	(32,969)	439,320
Fund balances at end of year	<u>\$ 6,428,028</u>	<u>\$ 364,794</u>	<u>\$ 801,118</u>	<u>\$ 382,061</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Covelli Centre	Bond Retirement	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 4,684,912	\$ 42,848,522
213,942	1,774,943	-	1,988,885
-	-	24,093	7,364,891
-	-	1,550	364,884
-	-	372,305	896,338
-	240,549	6,242,228	14,364,609
-	-	-	219,305
-	-	1,450,343	4,586,090
-	-	1,000	1,400
-	-	-	529,637
-	-	192,304	593,459
442,589	302,847	1,032,509	2,471,106
656,531	2,318,339	14,001,244	76,229,126
-	165,534	-	12,081,883
-	-	185,119	34,293,708
-	-	588,073	2,006,737
-	-	8,292,129	8,292,129
171,468	-	773,183	5,650,994
-	-	2,620,361	2,720,300
-	-	-	2,415,349
-	-	3,863,312	3,863,312
10,260,000	814,843	409,467	11,801,049
123,175	480,592	8,555	679,963
10,554,643	1,460,969	16,740,199	83,805,424
(9,898,112)	857,370	(2,738,955)	(7,576,298)
9,860,000	-	-	9,860,000
-	-	16,937	48,146
142,000	-	6,951,881	23,854,881
-	(306,881)	(4,910,000)	(23,854,881)
10,002,000	(306,881)	2,058,818	9,908,146
103,888	550,489	(680,137)	2,331,848
(17,697)	201,196	9,122,637	14,924,529
\$ 86,191	\$ 751,685	\$ 8,442,500	\$ 17,256,377

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, 2015

Net change in fund balances - total governmental funds		\$ 2,331,848
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Except for amounts reported as deferred inflows/outflows, changes in the net pension asset/liability are reported as pension expense in the statement of activities		(380,399)
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 depreciation expense exceeded capital outlay in the current period.	1,467,028	
Capital asset additions	<u>(4,393,927)</u>	
Current year depreciation		(2,926,899)
Total		
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.		-
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	36,686	
Property taxes	1,677,030	
Income taxes	795,255	
Intergovernmental revenues	<u>(1,273)</u>	
Special assessments		2,507,698
Total		
Proceeds of notes are reported as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase long-term liabilities on the statement of net position.		(9,860,000)
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 position.		11,801,049
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due.	43,858	
Accrued interest	9,052	
Bonds premium	(25,864)	
Deferred charges on refunding	<u>(25,292)</u>	
Bond issuance costs		1,754
Total		
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.		230,067
The internal service fund 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 of the internal service funds, including the internal balance, are allocated among the governmental activities.		<u>589,223</u>
		<u>\$ 4,294,341</u>
Change in net position of governmental activities		

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF YOUNGSTOWN, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
Income taxes	\$ 22,817,300	\$ 23,155,000	\$ 21,869,194	\$ (1,285,806)
Charges for services	7,229,650	7,336,000	7,262,442	(73,558)
Licenses and permits	270,000	272,000	238,139	(33,861)
Fines and forfeitures	545,500	553,500	509,016	(44,484)
Intergovernmental	3,812,900	3,919,000	3,803,258	(115,742)
Investment income	275,940	280,000	219,305	(60,695)
Rental income	266,080	270,000	257,769	(12,231)
Franchise fees	522,350	530,000	529,148	(852)
Payment in lieu of taxes	389,277	395,000	401,155	6,155
Other	59,140	60,000	228,302	168,302
Total revenues	<u>36,188,137</u>	<u>36,770,500</u>	<u>35,317,728</u>	<u>(1,452,772)</u>
Expenditures:				
Current:				
General government	12,774,404	13,228,948	11,955,263	1,273,685
Security of persons and property	1,400,000	1,482,772	1,437,273	45,499
Public health and welfare	1,693,041	1,701,081	1,461,200	239,881
Community environment	1,469,617	1,605,482	1,523,136	82,346
Basic utility services	2,725,000	2,769,167	2,414,333	354,834
Total expenditures	<u>20,062,062</u>	<u>20,787,450</u>	<u>18,791,205</u>	<u>1,996,245</u>
Excess of revenues over expenditures	<u>16,126,075</u>	<u>15,983,050</u>	<u>16,526,523</u>	<u>543,473</u>
Other financing sources (uses):				
Sale of capital assets	250,000	250,000	120	(249,880)
Transfers in	4,475,792	4,655,792	3,966,000	(689,792)
Transfers (out)	(20,946,000)	(20,946,000)	(20,946,000)	-
Total other financing sources (uses)	<u>(16,220,208)</u>	<u>(16,040,208)</u>	<u>(16,979,880)</u>	<u>(939,672)</u>
Net change in fund balance	(94,133)	(57,158)	(453,357)	(396,199)
Fund balance at beginning of year	<u>1,481,128</u>	<u>1,481,128</u>	<u>1,481,128</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,386,995</u>	<u>\$ 1,423,970</u>	<u>\$ 1,027,771</u>	<u>\$ (396,199)</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Income taxes	\$ 6,284,300	\$ 6,525,000	\$ 6,516,668	\$ (8,332)
Other	-	24,582	24,702	120
Total revenues	<u>6,284,300</u>	<u>6,549,582</u>	<u>6,541,370</u>	<u>(8,212)</u>
Expenditures:				
Current:				
Security of persons and property	13,890,882	13,937,665	13,865,770	71,895
Total expenditures	<u>13,890,882</u>	<u>13,937,665</u>	<u>13,865,770</u>	<u>71,895</u>
Excess of expenditures over revenues	<u>(7,606,582)</u>	<u>(7,388,083)</u>	<u>(7,324,400)</u>	<u>63,683</u>
Other financing sources:				
Sale of capital assets	29,700	29,700	28,624	(1,076)
Transfers in	7,271,000	7,271,000	7,271,000	-
Total other financing sources	<u>7,300,700</u>	<u>7,300,700</u>	<u>7,299,624</u>	<u>(1,076)</u>
Net change in fund balance	(305,882)	(87,383)	(24,776)	62,607
Fund balance at beginning of year	136,432	136,432	136,432	-
Fund balance at end of year	<u>\$ (169,450)</u>	<u>\$ 49,049</u>	<u>\$ 111,656</u>	<u>\$ 62,607</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, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Income taxes	\$ 8,707,434	\$ 8,700,000	\$ 8,695,657	\$ (4,343)
Fines and forfeitures	-	-	746	746
Intergovernmental	600,513	754,435	751,087	(3,348)
Rental income	22,019	22,000	21,923	(77)
Other	40,034	48,976	18,417	(30,559)
Total revenues	<u>9,370,000</u>	<u>9,525,411</u>	<u>9,487,830</u>	<u>(37,581)</u>
Expenditures:				
Current:				
Security of persons and property	18,835,537	19,180,901	18,882,101	298,800
Total expenditures	<u>18,835,537</u>	<u>19,180,901</u>	<u>18,882,101</u>	<u>298,800</u>
Excess of expenditures over revenues	<u>(9,465,537)</u>	<u>(9,655,490)</u>	<u>(9,394,271)</u>	<u>261,219</u>
Other financing sources:				
Sale of capital assets	-	-	2,465	2,465
Transfers in	9,418,000	9,418,000	9,339,204	(78,796)
Total other financing sources	<u>9,418,000</u>	<u>9,418,000</u>	<u>9,341,669</u>	<u>(76,331)</u>
Net change in fund balance	(47,537)	(237,490)	(52,602)	184,888
Fund balance at beginning of year	266,151	266,151	266,151	-
Fund balance at end of year	<u>\$ 218,614</u>	<u>\$ 28,661</u>	<u>\$ 213,549</u>	<u>\$ 184,888</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, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues:				
Other local taxes	\$ 185,301	\$ 240,000	\$ 210,992	\$ (29,008)
Other	295,749	383,050	446,878	63,828
Total revenues	<u>481,050</u>	<u>623,050</u>	<u>657,870</u>	<u>34,820</u>
Expenditures:				
Current:				
Community environment	175,000	207,625	140,430	67,195
Debt service:				
Principal retirement	400,000	400,000	400,000	-
Interest and fiscal charges	155,000	122,265	122,249	16
Total expenditures	<u>730,000</u>	<u>729,890</u>	<u>662,679</u>	<u>67,211</u>
Excess of expenditures over revenues	<u>(248,950)</u>	<u>(106,840)</u>	<u>(4,809)</u>	<u>102,031</u>
Other financing sources:				
Loan repayment	72,312	72,312	72,315	3
Transfers in	142,000	142,000	142,000	-
Total other financing sources	<u>214,312</u>	<u>214,312</u>	<u>214,315</u>	<u>3</u>
Net change in fund balance	(34,638)	107,472	209,506	102,034
Fund balance at beginning of year	148,814	148,814	148,814	-
Fund balance at end of year	<u>\$ 114,176</u>	<u>\$ 256,286</u>	<u>\$ 358,320</u>	<u>\$ 102,034</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF YOUNGSTOWN, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 COMMUNITY DEVELOPMENT
 FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 5,390,000	\$ 4,155,031	\$ 3,442,351	\$ (712,680)
Total revenues	<u>5,390,000</u>	<u>4,155,031</u>	<u>3,442,351</u>	<u>(712,680)</u>
Expenditures:				
Current:				
Community environment	-	5,831,934	3,463,642	2,368,292
Total expenditures	<u>-</u>	<u>5,831,934</u>	<u>3,463,642</u>	<u>2,368,292</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,390,000</u>	<u>(1,676,903)</u>	<u>(21,291)</u>	<u>1,655,612</u>
Other financing sources:				
Transfers in	-	-	22,000	22,000
Total other financing sources	<u>-</u>	<u>-</u>	<u>22,000</u>	<u>22,000</u>
Net change in fund balance	5,390,000	(1,676,903)	709	1,677,612
Fund balance (deficit) at beginning of year	2,939	2,939	2,939	-
Fund balance (deficit) at end of year	<u>\$ 5,392,939</u>	<u>\$ (1,673,964)</u>	<u>\$ 3,648</u>	<u>\$ 1,677,612</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF YOUNGSTOWN, OHIO

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds			Governmental
	Sewer	Water	Total	Activities - Internal Service Fund
Assets:				
Current assets:				
Equity in pooled cash and cash equivalents	\$ 16,098,703	\$ 15,404,627	\$ 31,503,330	\$ 2,606,647
Receivables:				
Accounts	5,071,096	4,375,400	9,446,496	-
Due from other governments	175,681	-	175,681	-
Materials and supplies inventory	541,889	424,410	966,299	-
Total current assets	<u>21,887,369</u>	<u>20,204,437</u>	<u>42,091,806</u>	<u>2,606,647</u>
Noncurrent assets:				
Net pension asset	6,102	6,230	12,332	-
Capital assets:				
Land and construction in progress	737,159	325,530	1,062,689	-
Depreciable capital assets, net	<u>41,584,211</u>	<u>32,180,648</u>	<u>73,764,859</u>	-
Total capital assets, net	<u>42,321,370</u>	<u>32,506,178</u>	<u>74,827,548</u>	-
Total assets	<u>64,214,841</u>	<u>52,716,845</u>	<u>116,931,686</u>	<u>2,606,647</u>
Deferred outflows of resources:				
Pension	879,195	897,668	1,776,863	-
Liabilities:				
Current liabilities:				
Accounts payable	126,465	23,518	149,983	-
Contracts payable	96,216	26,735	122,951	-
Accrued wages and benefits payable	75,105	77,797	152,902	-
Due to other governments	49,866	45,220	95,086	-
Current portion of compensated absences payable	147,036	177,175	324,211	-
Current portion of claims payable	-	-	-	536,353
Accrued interest payable	155,668	223,026	378,694	-
Note payable	1,100,000	-	1,100,000	-
OWDA loans payable	578,661	577,482	1,156,143	-
OPWC loans payable	46,896	129,452	176,348	-
ODOT loans payable	128,240	128,240	256,480	-
Total current liabilities	<u>2,504,153</u>	<u>1,408,645</u>	<u>3,912,798</u>	<u>536,353</u>
Long-term liabilities:				
Net pension liability	4,801,325	4,902,213	9,703,538	-
Compensated absences payable	650,463	783,785	1,434,248	-
Claims payable	-	-	-	2,015,447
OWDA loans payable	9,295,283	11,682,331	20,977,614	-
OPWC loans payable	1,124,633	2,002,578	3,127,211	-
ODOT loans payable	408,450	408,450	816,900	-
Total long-term liabilities	<u>16,280,154</u>	<u>19,779,357</u>	<u>36,059,511</u>	<u>2,015,447</u>
Total liabilities	<u>18,784,307</u>	<u>21,188,002</u>	<u>39,972,309</u>	<u>2,551,800</u>
Deferred inflows of resources:				
Pension	87,536	89,374	176,910	-
Net position:				
Net investment in capital assets	29,639,207	17,577,645	47,216,852	-
Unrestricted	16,582,986	14,759,492	31,342,478	54,847
Total net position	<u>\$ 46,222,193</u>	<u>\$ 32,337,137</u>	<u>78,559,330</u>	<u>\$ 54,847</u>
Adjustment to reflect the consolidation of the internal service fund activities related to enterprise funds			213,934	
Net position of business-type activities			<u>\$ 78,773,264</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF YOUNGSTOWN, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<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	\$ 24,201,258	\$ 33,575,229	\$ 57,776,487	\$ 1,000,977
Other operating revenues	-	3,778	3,778	-
Total operating revenues	<u>24,201,258</u>	<u>33,579,007</u>	<u>57,780,265</u>	<u>1,000,977</u>
Operating expenses:				
Personal services	7,718,894	8,209,304	15,928,198	-
Contract services	7,870,871	3,130,922	11,001,793	-
Materials and supplies	1,694,032	16,344,205	18,038,237	-
Claims expense	-	-	-	311,777
Depreciation	2,032,880	971,679	3,004,559	-
Total operating expenses	<u>19,316,677</u>	<u>28,656,110</u>	<u>47,972,787</u>	<u>311,777</u>
Operating income	<u>4,884,581</u>	<u>4,922,897</u>	<u>9,807,478</u>	<u>689,200</u>
Nonoperating revenues (expenses):				
Interest and fiscal charges	(321,408)	(479,327)	(800,735)	-
Gain on sale of capital assets	3,228	1,772	5,000	-
Total nonoperating expenses	<u>(318,180)</u>	<u>(477,555)</u>	<u>(795,735)</u>	<u>-</u>
Change in net position	4,566,401	4,445,342	9,011,743	689,200
Net position (deficit) at beginning of year (restated)	<u>41,655,792</u>	<u>27,891,795</u>		<u>(634,353)</u>
Net position at end of year	<u>\$ 46,222,193</u>	<u>\$ 32,337,137</u>		<u>\$ 54,847</u>
Adjustment to reflect the consolidation of internal service funds activities related to enterprise fund			<u>99,977</u>	
Change in net position of business-type activities			<u>\$ 9,111,720</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF YOUNGSTOWN, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2015

	<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	\$ 24,308,091	\$ 33,866,678	\$ 58,174,769	\$ -
Cash received from other funds	-	-	-	1,000,977
Cash received from other operations	-	3,778	3,778	-
Cash payments for personal services	(8,035,830)	(8,525,444)	(16,561,274)	-
Cash payments for contract services	(7,829,314)	(3,137,636)	(10,966,950)	-
Cash payments for materials and supplies	(1,655,927)	(16,355,087)	(18,011,014)	-
Cash payments for claims	-	-	-	(643,750)
Net cash provided by operating activities	<u>6,787,020</u>	<u>5,852,289</u>	<u>12,639,309</u>	<u>357,227</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(2,593,735)	(2,960,922)	(5,554,657)	-
Gain on sale of capital assets	3,228	1,772	5,000	-
Principal retirement on loans	(732,251)	(810,150)	(1,542,401)	-
Loan issuances	1,223,606	-	1,223,606	-
Interest and fiscal charges	(321,408)	(479,327)	(800,735)	-
Net cash used in capital and related financing activities	<u>(2,420,560)</u>	<u>(4,248,627)</u>	<u>(6,669,187)</u>	<u>-</u>
Net increase in cash and cash equivalents	4,366,460	1,603,662	5,970,122	357,227
Cash and cash equivalents at beginning of year	11,732,243	13,800,965	25,533,208	2,249,420
Cash and cash equivalents at end of year	<u>\$ 16,098,703</u>	<u>\$ 15,404,627</u>	<u>\$ 31,503,330</u>	<u>\$ 2,606,647</u>

CITY OF YOUNGSTOWN, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Business-type Activities - Enterprise Funds</u>			Governmental
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	Activities - Internal Service Fund
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 4,884,581	\$ 4,922,897	\$ 9,807,478	\$ 689,200
Adjustments:				
Depreciation	2,032,880	971,679	3,004,559	-
Changes in assets and liabilities				
(Increase) decrease in materials and supplies inventory	38,105	(10,882)	27,223	-
Decrease in accounts receivable	104,953	288,109	393,062	-
Decrease in intergovernmental receivable	1,880	-	1,880	-
Increase in net pension asset	(4,439)	(4,532)	(8,971)	-
Increase in deferred outflows of resources	(288,502)	(294,564)	(583,066)	-
Increase (decrease) in accounts payable	27,773	(27,677)	96	-
Increase in contracts payable	13,817	16,770	30,587	-
Decrease in accrued wages and benefits	(208,110)	(206,525)	(414,635)	-
Decrease in intergovernmental payable	(35,677)	(38,010)	(73,687)	-
Increase in compensated absences payable	23,777	34,925	58,702	-
Increase in net pension liability	108,446	110,725	219,171	-
Increase in deferred inflows of resources	87,536	89,374	176,910	-
Decrease in claims payable	-	-	-	(331,973)
Net cash provided by operating activities	<u>\$ 6,787,020</u>	<u>\$ 5,852,289</u>	<u>\$ 12,639,309</u>	<u>\$ 357,227</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF YOUNGSTOWN, OHIO

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
DECEMBER 31, 2015

	<u>Agency</u>
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 6,002,113
Cash in segregated accounts	257,188
Receivables:	
Income taxes	2,518
Accounts	<u>741,396</u>
Total assets	<u>\$ 7,003,215</u>
Liabilities:	
Due to other governments	\$ 730,918
Deposits held and due to others	<u>6,272,297</u>
Total liabilities	<u>\$ 7,003,215</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, 2015

NOTE 1 - DESCRIPTION OF THE CITY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

JOINTLY GOVERNED ORGANIZATIONS

Western Reserve Transit Authority

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

Mahoning County Drug Task Force

The City's police department participates in the Mahoning County Drug Task Force (the "Force") which is jointly governed by its thirteen participants: nine local police departments and four federal law enforcement agencies. Each participant has one representative on the Board of Control. Each participant's control over the operation of the Force is limited to its representation on the Board. The Force uses the talents and resources of the participants to combat the trafficking of illicit narcotics. Continued existence of the Force is not dependent on the City's continued participation. Funding is provided by the Governor's Office of Criminal Justice Services and forfeitures and fines. None of the participants made financial contributions in 2015. Austintown Township served as the fiscal agent for the Force during 2014. Financial information can be obtained from the Mahoning County Drug Task Force, 82 Ohltown Road, Austintown, Ohio 44515.

East Gate Regional Council of Governments

The East Gate Regional Council of Governments (EGRCG) is a jointly governed organization among 27 local governments in Ashtabula, Columbiana, Mahoning and Trumbull counties. The Board is comprised of one representative from each city, village, county or governmental agency and one additional representative for each 20,000 population. The City of Youngstown currently has five representatives on the 48-member Board. Each participant's control over the operation of EGRCG is limited to its representation on the Board. EGRCG develops and reviews plans for regional growth and development and aids in coordinating plans among local governments. Continued existence of EGRCG is not dependent on the City's continued participation. In 2015, the City contributed \$24,784. Complete financial statements can be obtained from the East Gate Regional Council of Governments, 100 Federal Plaza East, Youngstown, Ohio 44503.

Youngstown Metropolitan Housing Authority

The Youngstown Metropolitan Housing Authority (YMHA) is a jointly governed organization among four local governments created to provide subsidized public housing. The City appoints two members of the five-member Board. Each participant's control over the operation of YMHA is limited to its representation on the Board. Continued existence of 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, 2015

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

Metropolitan Fire Investigation Unit

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

B. Basis of Presentation - Fund Accounting

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

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The 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, 2015

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

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

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

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

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

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

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

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

Other governmental funds of the City are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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

D. Measurement Focus and Basis of Accounting

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

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets 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, 2015

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 position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

E. Basis of Accounting

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

Deferred Outflows/Inflows of Resources - A deferred inflow of resources is an acquisition of net position by the City that is applicable to a future reporting period. In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditures) until then. For the City, deferred outflows of resources are reported on the government-wide financial statement of net position for the pension. The deferred outflows of resources related to the pension are explained in Note 16.

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension, income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, delinquent property taxes due at December 31, 2015. The amounts have been recorded as deferred inflow on both the government-wide statement of net position and the government fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. Deferred inflows of resources related to the pension are reported on the government-wide statement of net position. (See Note 16)

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 2015.

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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 2015, 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 2015 amounted to \$219,305, of which \$186,409 was assigned from other City funds.

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

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

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

CITY OF YOUNGSTOWN, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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 nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption.

I. Capital Assets

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

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

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

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

J. 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, 2015

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.” These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, 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

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable in the general fund.

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of City Council, which includes giving the Finance Director the authority to constrain monies for intended purposes.

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

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

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. Net Position

Net position represents the difference between all other elements in the statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position 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 position is available.

Q. 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.

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

R. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water, 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.

S. 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, 2015.

T. Pensions

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Recent Accounting Pronouncements:

For 2015, the City has implemented Governmental Accounting Standard Board (GASB) Statement No. 68 "Accounting and Financial Reporting for Pensions" and Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68". The implementation of GASB Statement No. 68 caused a restatement of the 2014 financial statements, reference is made to Note 22 for further information.

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the City's pension plan disclosures, as presented in Note 16 to the financial statements, and added required supplementary information which is presented after the notes to the basic financial statements.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

CITY OF YOUNGSTOWN, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at December 31, 2015 included the following individual fund deficits:

Nonmajor fund:

Ashford commons development	\$298,387
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All funds listed above complied with Ohio State law, which does not permit a cash basis deficit at year end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities and short-term notes payable.

C. Compliance

The City had no negative cash balances at December 31, 2015.

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.

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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.

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 note 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.

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Deposits with Financial Institutions

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.

At December 31, 2015, the carrying amount of all City deposits was \$49,683,802. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2015, \$48,335,010 of the City's bank balance of \$51,145,358 was exposed to custodial risk as discussed below, while \$2,810,348 was covered by the FDIC.

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

B. Investments

As of December 31, 2015, the City did not hold investments.

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 AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The City's investments in U.S. Government money markets were rated AAA 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, 2015**

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.

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

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 position as of December 31, 2015.

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 49,683,802
Investments	<u>-</u>
Total	<u>\$ 49,683,802</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 11,921,171
Business-type activities	31,503,330
Agency funds	<u>6,259,301</u>
Total	<u>\$ 49,683,802</u>

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CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund transfers for the year ended December 31, 2015, consisted of the following, as reported in the fund financial statements:

Transfers to general fund from:

Nonmajor governmental funds	\$ 370,000
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Transfers to fire levy from:

General	7,151,000
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Transfers to policy levy from:

General	9,218,000
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Transfers to Covelli Centre from:

General	142,000
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Transfers to community development from:

General	22,000
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Transfers to nonmajor governmental funds from:

General	2,105,000
Debt service	306,881
Nonmajor governmental funds	4,540,000

Total	<u>\$ 23,854,881</u>
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Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Transfers amounting to \$306,881 from the debt service fund to the Ashford Commons development nonmajor capital projects fund was required to fund the debt service requirement in the fund which reports the liability.

CITY OF YOUNGSTOWN, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- B. Interfund loan of \$1,000,000 owed to a nonmajor governmental fund was paid in full by the general fund during the year ended December 31, 2015.

NOTE 6 - INCOME TAXES

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

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

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

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

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

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

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

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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. 2015 public utility property taxes became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Youngstown. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2015 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 2015 operations and the collection of delinquent taxes has been offset by deferred inflows of resources since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as 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, 2015 was \$3.70 per \$1,000 of assessed value.

The assessed values of real and tangible personal property upon which 2015 property tax receipts were based are as follows:

Real Property

Residential/Agricultural	\$ 256,691,350
Commercial/Industrial/Mineral	168,371,840
Public Utility	<u>61,349,900</u>
Total Assessed Value	<u>\$ 486,413,090</u>

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 8 - SPECIAL ASSESSMENTS

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

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

NOTE 9 - RECEIVABLES

Receivables at December 31, 2015, 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, 2015.

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

Governmental activities:

Income taxes	\$ 13,917,408
Real and other taxes	2,896,773
Accounts	1,266,448
Loan receivable for state tax credits	2,341,900
Notes	142,000
Special assessments	27,771
Due from other governments	6,196,101

Business-type activities:

Accounts - gross	\$ 12,588,536
Less - allowance for uncollectibles	<u>(3,142,040)</u>
Net accounts receivable	<u>\$ 9,446,496</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.

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015, for governmental activities was as follows:

<u>Governmental activities:</u>	<u>Balance</u> <u>12/31/14</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/15</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 14,049,527	\$ -	\$ -	\$ 14,049,527
Construction in progress	<u>1,288,992</u>	<u>930,146</u>	<u>-</u>	<u>2,219,138</u>
Total capital assets, not being depreciated	<u>15,338,519</u>	<u>930,146</u>	<u>-</u>	<u>16,268,665</u>
<i>Capital assets, being depreciated:</i>				
Buildings	52,728,883	30,112	-	52,758,995
Improvements other than buildings	6,018,082	-	-	6,018,082
Machinery and equipment	10,827,905	260,947	(14,779)	11,074,073
Computer software	448,449	-	-	448,449
Vehicles	10,697,365	245,823	(881,175)	10,062,013
Infrastructure	<u>51,137,289</u>	<u>-</u>	<u>-</u>	<u>51,137,289</u>
Total capital assets, being depreciated	<u>131,857,973</u>	<u>536,882</u>	<u>(895,954)</u>	<u>131,498,901</u>
<i>Less: accumulated depreciation:</i>				
Buildings	(17,241,526)	(1,614,030)	-	(18,855,556)
Improvements other than buildings	(2,883,836)	(255,196)	-	(3,139,032)
Machinery and equipment	(8,135,565)	(577,627)	14,779	(8,698,413)
Computer Software	(416,824)	(11,229)	-	(428,053)
Vehicles	(8,364,658)	(478,370)	881,175	(7,961,853)
Infrastructure	<u>(16,735,309)</u>	<u>(1,457,475)</u>	<u>-</u>	<u>(18,192,784)</u>
Total accumulated depreciation	<u>(53,777,718)</u>	<u>(4,393,927)</u>	<u>895,954</u>	<u>(57,275,691)</u>
Total capital assets, being depreciated, net	<u>78,080,255</u>	<u>(3,857,045)</u>	<u>-</u>	<u>74,223,210</u>
Governmental activities capital assets, net	<u>\$ 93,418,774</u>	<u>\$ (2,926,899)</u>	<u>\$ -</u>	<u>\$ 90,491,875</u>

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 10 - CAPITAL ASSETS - (Continued)

Capital asset activity for the year ended December 31, 2015, for business-type activities was as follows:

<u>Business-type activities:</u>	<u>Balance</u> <u>12/31/14</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/15</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,062,688	\$ -	\$ -	\$ 1,062,688
Construction in progress	<u>10,458,418</u>	<u>-</u>	<u>(10,458,418)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>11,521,106</u>	<u>-</u>	<u>(10,458,418)</u>	<u>1,062,688</u>
<i>Capital assets, being depreciated:</i>				
Buildings	51,539,553	11,740,449	-	63,280,002
Improvements other than buildings	2,409,203	396,607	-	2,805,810
Machinery and equipment	24,393,775	2,071,708	(341,251)	26,124,232
Computer software	713,376	-	-	713,376
Vehicles	5,122,792	665,385	(123,670)	5,664,507
Infrastructure	<u>39,796,957</u>	<u>1,142,154</u>	<u>-</u>	<u>40,939,111</u>
Total capital assets, being depreciated	<u>123,975,656</u>	<u>16,016,303</u>	<u>(464,921)</u>	<u>139,527,038</u>
<i>Less: accumulated depreciation:</i>				
Buildings	(23,625,499)	(1,368,501)	-	(24,994,000)
Improvements other than buildings	(2,084,353)	(30,711)	-	(2,115,064)
Machinery and equipment	(20,398,388)	(579,248)	338,023	(20,639,613)
Computer software	(297,586)	(70,995)	-	(368,581)
Vehicles	(3,626,563)	(371,752)	123,670	(3,874,645)
Infrastructure	<u>(13,186,923)</u>	<u>(583,352)</u>	<u>-</u>	<u>(13,770,275)</u>
Total accumulated depreciation	<u>(63,219,312)</u>	<u>(3,004,559)</u>	<u>461,693</u>	<u>(65,762,178)</u>
Total capital assets, being depreciated, net	<u>60,756,344</u>	<u>13,011,744</u>	<u>(3,228)</u>	<u>73,764,860</u>
Business-type activities capital assets, net	<u>\$ 72,277,450</u>	<u>\$ 13,011,744</u>	<u>\$(10,461,646)</u>	<u>\$ 74,827,548</u>

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 10 - CAPITAL ASSETS - (Continued)

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

Governmental activities:

General government	\$ 532,796
Security of persons and property	468,769
Public health and welfare	24,052
Transportation	1,686,627
Leisure time activity	322,581
Community environment	<u>1,359,102</u>
 Total depreciation expense - governmental	 <u>\$ 4,393,927</u>

Business-type activities:

Sewer	\$ 2,032,880
Water	<u>971,679</u>
 Total depreciation expense - business-type activities	 <u>\$ 3,004,559</u>

NOTE 11 - CAPITALIZED LEASES - LESSEE DISCLOSURE

During 2013, the City entered into capital leases for equipment and a fire truck. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined BFS for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General capital assets consisting of equipment and vehicles have been capitalized in the statement of net position in the amount of \$168,374 and \$889,276, respectively. These amounts represent the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the statement of net position. Principal payments made during 2015 totaled \$91,739 paid by the fire levy fund and \$9,467 paid by nonmajor governmental funds. The following is a schedule of the future long-term minimum lease payments required under capital leases and the present value of the minimum lease payments as of December 31, 2015:

<u>Year Ended</u> <u>December 31,</u>	<u>Amount</u>
2016	\$ 101,501
2017	97,175
2018	90,947
2019	86,497
2020	86,497
Thereafter	<u>261,596</u>
 Total	 724,213
Less: amount representing interest	<u>(84,691)</u>
 Present value of net minimum lease payments	 <u>\$ 639,522</u>

CITY OF YOUNGSTOWN, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 12 - LONG-TERM OBLIGATIONS

During 2015, the following changes occurred in governmental activities long-term obligations:

Governmental activities:	<u>Interest Rate</u>	<u>Balance 12/31/14</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/15</u>	<u>Amounts Due in One Year</u>
<u>General Obligation Bonds</u>						
2000 Pension refunding bonds	4.40-6.00%	\$ 285,000	\$ -	\$ (285,000)	\$ -	\$ -
2006 Pension refunding bonds	3.65-4.25%	8,235,000	-	(25,000)	8,210,000	375,000
2005 Various purpose refunding bonds	3.00-4.375%	<u>5,140,000</u>	<u>-</u>	<u>(485,000)</u>	<u>4,655,000</u>	<u>510,000</u>
Total General obligation bonds		<u>13,660,000</u>	<u>-</u>	<u>(795,000)</u>	<u>12,865,000</u>	<u>885,000</u>
<u>HUD Section 108 Loans</u>						
Housing rehab section 108	6.84-9.03%	300,000	-	(50,000)	250,000	50,000
Youngstown mini-loan	6.84-9.03%	<u>355,000</u>	<u>-</u>	<u>(175,000)</u>	<u>180,000</u>	<u>180,000</u>
Total HUD Section 108		<u>655,000</u>	<u>-</u>	<u>(225,000)</u>	<u>430,000</u>	<u>230,000</u>
<u>Notes Payable</u>						
Taxable Street Improvements, series 2014	1.40%	400,000	-	(400,000)	-	-
Taxable Convocation Center, series 2015	1.95%	-	9,860,000	-	9,860,000	-
Taxable Convocation Center, series 2014	1.40%	<u>10,260,000</u>	<u>-</u>	<u>(10,260,000)</u>	<u>-</u>	<u>-</u>
Total notes payable		<u>10,660,000</u>	<u>9,860,000</u>	<u>(10,660,000)</u>	<u>9,860,000</u>	<u>-</u>
<u>Other Long-Term Obligations</u>						
Net pension liability		53,978,384	2,970,951	-	56,949,335	-
OPWC loan	0.00%	235,717	-	(21,429)	214,288	21,429
Capital lease obligation		740,728	-	(101,206)	639,522	82,772
Claims payable		2,883,773	-	(331,973)	2,551,800	536,353
Compensated absences		<u>6,604,357</u>	<u>-</u>	<u>(227,092)</u>	<u>6,377,265</u>	<u>1,175,789</u>
Total other long-term obligations		<u>64,442,959</u>	<u>2,970,951</u>	<u>(681,700)</u>	<u>66,732,210</u>	<u>1,816,343</u>
Total governmental activities long-term obligations		<u>\$ 89,417,959</u>	<u>\$ 12,830,951</u>	<u>\$ (12,361,700)</u>	89,887,210	<u>\$ 2,931,343</u>
Add: Unamortized premium on bond issue					89,769	
Less: Unamortized deferred changes on refundings					<u>(410,585)</u>	
Total reported on statement of net position					<u>\$ 89,566,394</u>	

CITY OF YOUNGSTOWN, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

During 2015, the following changes occurred in business-type activities long-term obligations:

Business-type activities:	Interest Rate	Balance 12/31/14	Additions	Reductions	Balance 12/31/15	Amounts Due in One Year
OWDA loans						
Orchard meadow overflow elimination	3.81%	\$ 2,897,484	\$ -	\$ (205,066)	\$ 2,692,418	\$ 212,953
Pump station improvements	3.79%	956,641	-	(67,780)	888,861	70,373
Waterline replacement	4.48%	110,569	-	(8,986)	101,583	9,392
Elevated storage tanks	4.48%	1,339,551	-	(86,473)	1,253,078	90,391
Waterline construction	3.99%	150,586	-	(9,040)	141,546	9,404
WWTP roof replacement	3.25%	540,332	-	(25,905)	514,427	26,754
Sludge storage tank covers	3.25%	442,866	-	(21,497)	421,369	22,200
Woodland & Andrews Ave.	3.25%	310,815	-	(15,086)	295,729	15,581
Boardman storage tank	3.83%	1,487,503	-	(66,106)	1,421,397	68,662
Roger Lindgren Way - forcemain	4.14%	503,529	-	(20,087)	483,442	20,928
Roger Lindgren Way - waterlines	3.49%	1,204,420	-	(49,069)	1,155,351	50,797
Meadowbrook flow equalization basis	2.86%	4,659,547	123,606	(205,455)	4,577,698	209,872
Myrtle Ave. pump station	3.30%	1,089,311	-	(46,875)	1,042,436	48,435
Briar Hill elevated storage tank	4.29%	2,015,674	-	(76,112)	1,939,562	79,412
Water Department maintenance complex	3.45%	5,418,418	-	(213,558)	5,204,860	220,989
Total OWDA loans		23,127,246	123,606	(1,117,095)	22,133,757	1,156,143
OPWC loans						
Kirk Rd. water storage tank	0.00%	543,018	-	(47,219)	495,799	47,219
Boardman elevated water tank	0.00%	1,043,136	-	(56,386)	986,750	56,386
Gypsy Lane water and sanitary improvements	0.00%	180,327	-	(13,357)	166,970	13,357
Kirkmere sanitary sewer	0.00%	324,181	-	(11,578)	312,603	11,578
Phelps Street sanitary sewer	0.00%	759,000	-	(25,300)	733,700	25,300
Belle Vista waterline replacements	0.00%	630,248	-	(22,510)	607,738	22,508
Total OPWC loans		3,479,910	-	(176,350)	3,303,560	176,348
Other long-term obligations						
Net pension liability		9,484,367	219,171	-	9,703,538	-
ODOT State infrastructure bank loan		1,322,336	-	(248,956)	1,073,380	256,480
Compensated absences		1,699,756	58,702	-	1,758,458	324,211
Total other long-term obligations		12,506,459	277,873	(248,956)	12,535,376	580,691
Total business-type activities long-term obligations		\$ 39,113,615	\$ 401,479	\$ (1,542,401)	\$ 37,972,693	\$ 1,913,182

CITY OF YOUNGSTOWN, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire the governmental activities long-term debt obligations outstanding at December 31, 2015, are as follows:

Year Ended December 31,	General Obligation Bonds Payable		
	Principal	Interest	Total
2016	\$ 885,000	\$ 536,411	\$ 1,421,411
2017	920,000	500,373	1,420,373
2018	960,000	462,911	1,422,911
2019	995,000	423,818	1,418,818
2020	1,035,000	383,298	1,418,298
2021 – 2025	4,375,000	1,292,786	5,667,786
2026 – 2030	3,015,000	536,771	3,551,771
2031 – 2035	680,000	28,900	708,900
Total	\$ 12,865,000	\$ 4,165,268	\$ 17,030,268

Year Ended December 31,	HUD Section 108 Loans Payable			OPWC Loan Payable		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 230,000	\$ 31,667	\$ 261,667	\$ 21,429	\$ -	\$ 21,429
2017	50,000	15,876	65,876	21,429	-	21,429
2018	50,000	11,922	61,922	21,429	-	21,429
2019	100,000	7,958	107,958	21,429	-	21,429
2020	-	-	-	21,429	-	21,429
2021 – 2025	-	-	-	107,143	-	107,143
Total	\$ 430,000	\$ 67,423	\$ 497,423	\$ 214,288	\$ -	\$ 214,288

Principal and interest requirements to retire the business-type activities long-term debt obligations outstanding at December 31, 2015 are as follows:

Year Ended December 31,	OWDA Loan Payable		
	Principal	Interest	Total
2016	\$ 946,271	\$ 608,422	\$ 1,554,693
2017	982,231	575,112	1,557,343
2018	1,019,572	540,528	1,560,100
2019	1,058,346	504,620	1,562,966
2020	1,098,609	467,337	1,565,946
2021 - 2025	6,139,296	1,725,612	7,864,908
2026 - 2030	4,643,364	734,007	5,377,371
2031 - 2033	1,668,371	80,197	1,748,568
Total	\$ 17,556,060	\$ 5,235,835	\$ 22,791,895

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Year Ended December 31,	OPWC Loans Payable			ODOT State Infrastructure Bank Loan		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 176,348	\$ -	\$ 176,348	\$ 256,480	\$ 36,282	\$ 292,762
2017	176,350	-	176,350	264,233	28,530	292,763
2018	176,350	-	176,350	272,219	20,543	292,762
2019	176,350	-	176,350	280,448	12,315	292,763
2020	176,349	-	176,349	-	-	-
2021 - 2025	881,747	-	881,747	-	-	-
2026 - 2030	635,867	-	635,867	-	-	-
2031 - 2035	437,899	-	437,899	-	-	-
2036 - 2040	296,932	-	296,932	-	-	-
2041 - 2045	169,368	-	169,368	-	-	-
Total	\$3,303,560	\$ -	\$3,303,560	\$1,073,380	\$ 97,670	\$1,171,050

As of December 31, 2015, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$38,960,059 and unvoted legal debt margin was \$13,887,720.

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 Judgment 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 position. 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, 2015, the City has outstanding borrowings of \$1,073,380 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, 2015**

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, 2015, the City has outstanding borrowings of \$22,133,757 in the business-type activities. The loan agreements require semi-annual payments and are paid from the sewer and water funds. The Meadowbrook flow equalization basis project financed through OWDA is not closed out at December 31, 2015. Future annual debt service principal and interest requirements for this loan, which has a balance of \$4,577,697 outstanding at December 31, 2015, is 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 2033. Annual principal and interest payments on the water loans are expected to require 20.30 percent of net revenues and 3.50 percent of total revenue of the water fund. Water loan principal and interest paid for the current year was \$1,176,616. Annual principal and interest payments on the sewer loans are expected to require over 15.51 percent of net revenues and 4.37 percent of total revenue of the sewer fund. Sewer loan principal and interest paid for the current year was \$1,057,762. The total principal and interest remaining to be paid on the water and sewer loans is \$28,540,643.

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, 2015, the City has outstanding borrowings of \$3,303,560 in the business-type activities. The loan agreements require semi-annual payments and are paid from the sewer and water funds.

For compensated absences, additions and deletions of accrued vacation and sick leave are shown net since it is impractical for the City to determine these amounts separately. Compensated absences 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 position 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, 2015

NOTE 13 - SHORT TERM DEBT

Note activity during 2015 consisted of the following:

	<u>Interest Rate</u>	<u>Balance 12/31/14</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 12/31/15</u>
Taxable vehicle acquisition, series 2015	1.40%	\$ -	\$1,100,000	-	\$1,100,000
Taxable street improvements, series 2015	1.95%	-	300,000	-	300,000
Taxable street improvements, series 2014	1.40%	200,000	-	(200,000)	-
Taxable convocation center, series 2015	1.95%	-	400,000	-	400,000
Taxable convocation center, series 2014	1.40%	400,000	-	(400,000)	-
Total		<u>\$ 600,000</u>	<u>\$1,800,000</u>	<u>\$ (600,000)</u>	<u>\$1,800,000</u>

The City issued short-term notes payable in September, 2015 for the convocation center construction and street improvements. The short-term notes outstanding at December 31, 2015 represent the portion of the 2015 note issues that will be retired when the notes are refinanced in September, 2016. The note liabilities are reflected in the funds which received the proceeds.

The City issued a short-term note payable in December, 2015 for the purchase of vehicles. The short-term note outstanding at December 31, 2015 represents the amount due in December, 2016. The note liability is reflected in the funds which received the proceeds.

By Ohio law, notes can be issued in anticipation of bond proceeds, special assessment bond proceeds and levies, of for up to 50 percent of anticipated revenue collections. There are also limitation 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.

NOTE 14 - RISK MANAGEMENT

A. Property and Liability

For calendar year 2015, the City contracted for a package of municipal liability and property insurance through Jackson, Dieken and Associates at an annual premium of \$629,692

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 \$86,400. Coverage was provided for loss to buildings and personal property in the amount of \$184,917,790 with a \$10,000 deductible, coverage for contractor's equipment and EDP equipment in the amount of \$16,820,366 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 2015, the City paid deductibles to Midwest Claims in the amount of \$173,792.

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 14 - RISK MANAGEMENT - (Continued)

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

B. Workers' Compensation

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

In 2015, the City paid premiums to the State Fund for Workers' Compensation for calendar year 2015 in the amount of approximately \$643,750. The City reimbursed the Bureau of Workers Compensation for actual medical costs and compensation paid to injured workers in the amount of \$643,750 under the Retrospective Rating Plan.

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

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

The claims liability of \$2,551,800 reported at December 31, 2015, as estimated by the third party administrator, is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Of the \$2,551,800 claims liability, \$536,353 of the liability is due within one year and is reported as a current liability in the statement of net position for the proprietary funds. The remaining portion is a noncurrent liability of \$2,015,447. 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 2015 and 2014 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>
2015	\$ 2,883,773	\$ 311,777	\$ (643,750)	\$ 2,551,800
2014	2,760,379	785,894	(662,500)	2,883,773

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - EMPLOYEE BENEFITS

A. Life/Health Insurance

During 2015, the City provided health insurance benefits to all regular employees working a minimum of 32 hours per week. In 2015, management and non-management employees were enrolled in an Anthem Blue Access (PPO) Plan which provides medical/surgical benefits with \$250 single/\$500 family deductibles and co-pays of \$15/\$20 for office visits and \$50 for emergency room visits within the network. Services outside the network of providers were paid at 80% of the usual and customary fee by Anthem, after the employee met a deductible of \$500 single/\$1,000 family. Prescription drug coverage was included which required co-pays of \$10 for generics, \$20 for formulary, and \$30 for brand name drugs.

The premiums paid by the City were \$707.29 per month per employee for single coverage, \$1,397.46 per month for employee and spouse coverage, \$1,264.28 per month for employee and children coverage, and \$2,193.73 per month for family coverage. Premiums for vision were \$6.16 single, \$11.57 employee and spouse, \$10.47 employee and children, and \$17.63 family. Premiums for dental were \$24.65 single, \$57.46 employee and spouse, \$51.98 employee and children, and \$87.57 family.

During 2015, management employees contributed 10% of the premiums paid by the City for their health insurance. Union employees contributed 10%, with caps, toward their premiums in accordance with collective bargaining agreement reached. Dental and vision coverage were provided by Anthem for all employees, other than AFSCME union members. Members of AFSCME 2312 and 2726 (water and clerical) had vision, dental, and life insurance provided through the Ohio AFSCME Care Plan. The City contributed \$55.75 per month per AFSCME employee for this coverage.

During 2015, the City also provided life insurance and accidental death and dismemberment insurance in equal amounts to its active employees with the exception of AFSCME employees through a plan with Standard Life. The benefit amounts remained the same: \$9,500 with the exception of Waste Water Treatment Plant union employees who had coverage in the amount of \$15,000 and Fire Department, 911, Police and Street department union employees who had coverage in the amount of \$20,000. In addition, eligible retirees were covered for death amount benefit amounts ranging from \$1,500 to \$4,750, depending on retirement date.

B. Compensated Absences

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

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

For governmental funds, the current portion of unpaid compensated absences is recorded as a current liability in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the statement of activities. In proprietary funds, the entire amount of compensated absences is reported as a fund liability. As of December 31, 2015, the liability for unpaid compensated absences was \$8,135,723 for the entire City.

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 16 - DEFINED BENEFIT PENSION PLANS

A. Net Pension Liability/Asset

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

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

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

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

The proportionate share of each plan's unfunded benefits or overfunded benefits is presented as a long-term net pension liability or net pension asset, respectively, on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in due to other governments on both the accrual and modified accrual basis of accounting.

B. Ohio Public Employees Retirement System

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

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the Traditional Pension Plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

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

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

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

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

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.0% to the member's FAS for the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 3% COLA adjustment on the defined benefit portion of their benefit.

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

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

	<u>State and Local</u>
2015 Statutory Maximum Contribution Rates	
Employer	14.0%
Employee	10.0%
 2015 Actual Contribution Rates	
Employer:	
Pension	12.0%
Post-Employer Health Care Benefits	<u>2.0%</u>
Total Employer	<u>14.0%</u>
 Employee	 <u>10.0%</u>

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

The City's contractually required contribution for both the Traditional Pension Plan and the Combined Plan was \$2,782,471 for 2015. Of this amount, \$229,554 is reported as due to other governments.

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

C. Ohio Police and Fire Pension Fund

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

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

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

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

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	<u>Police</u>	<u>Firefighters</u>
2015 Statutory Maximum Contribution Rates		
Employer	19.50%	24.00%
Employee:		
January 1, 2015 through July 1, 2015	11.50%	11.50%
July 2, 2015 through December 31, 2015	12.25%	12.25%
2015 Actual Contribution Rates		
Employer:		
Pension	19.00%	23.50%
Post-employment Health Care Benefits	<u>0.50%</u>	<u>0.50%</u>
Total Employer	<u>19.50%</u>	<u>24.00%</u>
Employee:		
January 1, 2015 through July 1, 2015	11.50%	11.50%
July 2, 2015 through December 31, 2015	12.25%	12.25%

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$3,786,458 for 2015. Of this amount \$287,361 is reported as due to other governments.

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

The net pension liability and net pension asset for the OPERS Traditional Pension Plan and Combined Plan, respectively, were measured as of December 31, 2014, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. The City's proportion of the net pension liability or asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OP&F</u>	<u>OPERS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$45,196,507	\$21,456,366	\$66,652,873
Proportionate Share of the Net Pension Asset	-	27,269	27,269
Proportion of the Net Pension Liability	0.87%	0.18%	
Proportion of the Net Pension Asset	-	0.07%	
 Pension Expense	 \$ 4,404,198	 \$ 2,349,173	 \$6,753,371

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OP&F</u>	<u>OPERS</u>	<u>Total</u>
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$1,947,927	\$1,146,511	\$3,094,438
City's contributions subsequent to the measurement date	<u>3,786,458</u>	<u>2,782,471</u>	<u>6,568,929</u>
Total Deferred Outflows of Resources	<u>\$5,734,385</u>	<u>\$3,928,982</u>	<u>\$9,663,367</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ -	\$ 385,267	\$ 385,267
Difference between employer contributions and proportionate share of contributions	<u>18,052</u>	<u>5,915</u>	<u>23,967</u>
Total Deferred Inflows of Resources	<u>\$ 18,052</u>	<u>\$ 391,182</u>	<u>\$ 409,234</u>

\$6,568,929 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/asset in the year ending December 31, 2016.

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

	<u>OP&F</u>	<u>OPERS</u>	<u>Total</u>
Fiscal Year Ended December 31:			
2016	\$ 482,469	\$108,985	\$591,454
2017	482,469	108,985	591,454
2018	482,469	256,083	738,552
2019	482,468	285,637	768,105
2020	-	(990)	(990)
Thereafter	<u>-</u>	<u>(3,371)</u>	<u>(3,371)</u>
Total	<u>\$1,929,875</u>	<u>\$755,329</u>	<u>\$2,685,204</u>

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

E. Actuarial Assumptions - OP&F

OP&F's total pension liability as of December 31, 2014 is based on the results of an actuarial valuation date of January 1, 2014, and rolled forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2014, are presented below:

Valuation date	January 1, 2014
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11.00 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent

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

The most recent experience study was completed January 1, 2012.

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

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

A summary of best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2014 follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash & Cash Equivalents	0.00 %	(0.25) %
Domestic Equity	16.00	4.47
Non-US Equity	16.00	4.47
Core Fixed Income *	20.00	1.62
Global Inflation Protected *	20.00	1.33
High Yield	15.00	3.39
Real Estate	12.00	3.93
Private Markets	8.00	6.98
Timber	5.00	4.92
Master Limited Partnerships	<u>8.00</u>	7.03
Total	<u>120.00 %</u>	

* levered 2x

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

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

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8.25 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percent lower (7.25 percent) or one percent higher (9.25 percent) than the current rate:

	1% Decrease <u>(7.25%)</u>	Current Discount Rate <u>(8.25%)</u>	1% Increase <u>(9.25%)</u>
City's proportionate share of the net pension liability	\$62,513,606	\$45,196,507	\$30,534,188

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

F. Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability/asset in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Individual Entry Age
Investment Rate of Return	8.00 percent
Future Salary Increases, including inflation	4.25 percent to 10.05 percent
Wage Inflation	3.75 percent
COLA or ad hoc COLA	3.00 percent, simple

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

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

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the Voluntary Employee's Beneficiary Association (VEBA) Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95% for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 16 - PENSION PLANS - (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.31 %
Domestic Equity	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other investments	<u>18.00</u>	<u>4.59</u>
 Total	 <u>100.00 %</u>	 <u>5.28 %</u>

Discount Rate - The discount rate used to measure the total pension liability/asset was 8 percent for both the Traditional Pension Plan and the Combined Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the City's proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 8 percent, as well as what the City's proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one percent lower (7 percent) or one percent higher (9 percent) than the current rate:

	<u>1% Decrease (7%)</u>	<u>Current Discount Rate (8%)</u>	<u>1% Increase (9%)</u>
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 39,473,565	\$ 21,456,366	\$ 6,281,543
Combined Plan	3,541	(27,269)	(51,702)

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.

CITY OF YOUNGSTOWN, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 17 - POSTRETIREMENT BENEFIT PLANS - (Continued)

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, 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 administered in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2015, local government employers contributed 14.00% of covered payroll. 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 and Combined Plan for 2015 was 2.00%.

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, 2015, 2014, and 2013 were \$463,745, \$232,922, and \$221,993, respectively; 92.93% has been contributed for 2015 and 100% has been contributed for 2014 and 2013. The remaining 2015 post-employment health care benefits liability has been reported as pension and postemployment benefits payable on the basic financial statements.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00% of the employer contributions toward the health care fund after the end of the transition period.

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.

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 17 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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 or by visiting the website at www.op-f.org.

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 account is for health care benefits under an Internal Revenue Code Section 115 trust and the other account is for Medicare Part B reimbursements administered as an Internal Revenue Code Section 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, 2015, the employer contribution allocated to the health care plan was 0.50% of covered payroll from January 1, 2015 to December 31, 2015. 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 \$52,439 and \$39,281 for the year ended December 31, 2015, \$52,545 and \$42,051 for the year ended December 31, 2014, and \$350,779 and \$277,130, for the year ended December 31, 2013. 100% has been contributed for 2014 and 2013. 92.77% has been contributed for police and 92.41% has been contributed for firefighters for 2015. The remaining 2015 post-employment health care benefits liability has been reported as pension and postemployment benefits payable on the basic financial statements.

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING

While 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 and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund, fire levy, police levy, Covelli Centre, and Community Development project fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned, committed, or restricted fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and
- (d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

	<u>General</u>	<u>Fire Levy</u>	<u>Police Levy</u>	<u>Community Development</u>	<u>Covelli Centre</u>
Budget Basis	\$ (453,357)	\$ (24,776)	\$(52,602)	\$ 709	\$ 209,506
Net adjustment for revenue accruals	4,103,070	208,403	218,734	(66,474)	(1,339)
Net adjustments for expenditure accruals	(1,983,208)	631,992	641,094	8,506	(9,891,964)
Net adjustment for other financing sources/uses	(1,288,000)	(120,000)	(121,204)	-	9,787,685
Adjustments for encumbrances	<u>469,609</u>	<u>37,047</u>	<u>148,065</u>	<u>-</u>	<u>-</u>
GAAP Basis	<u>\$ 848,114</u>	<u>\$ 732,666</u>	<u>\$834,087</u>	<u>\$ (57,259)</u>	<u>\$ 103,888</u>

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

CITY OF YOUNGSTOWN, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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 Ohio Department of Commerce Bureau of Underground Storage Tank Removal (BUSTR) has made a claim that could present a substantial liability to the City in connection with a West Avenue water department fuel tank removal issue. The City had discussions with representatives from BUSTR to attempt resolution of issues raised by BUSTR, however no determinations have been made. There is an ongoing examination of the conditions related to the underground storage tanks at the West Avenue Water Department property and unknown cost is still possible. The City is not sure what the cost will be, but there is a potential that the City will be facing thousands of dollars of potential cost.

B. Federal and State Grants

For the period January 1, 2015, to December 31, 2015, 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.

NOTE 20 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General Fund	\$ 469,609
Fire levy fund	37,047
Police levy fund	148,065
Other governmental	<u>722,887</u>
Total	<u>\$ 1,377,608</u>

CITY OF YOUNGSTOWN, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 21 - FUND BALANCE

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

<u>Fund balance</u>	<u>General</u>	<u>Fire Levy</u>	<u>Police Levy</u>	<u>Covelli Centre</u>
Nonspendable:				
Materials and supplies inventory	\$ 1,682	\$ -	\$ 45,827	\$ -
Unclaimed monies	<u>37,547</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total nonspendable	<u>39,229</u>	<u>-</u>	<u>45,827</u>	<u>-</u>
Restricted:				
Capital projects	-	-	-	-
Debt service	-	-	-	-
Community development	-	-	-	-
Street maintenance and repair	-	-	-	-
Public health and welfare	-	-	-	-
Law enforcement	-	-	-	-
Leisure time activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Committed:				
Community development	-	-	-	-
Law enforcement	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Assigned:				
Community development	332,111	-	-	-
Utilities	185,626	-	-	-
Public health and welfare	12,965	-	-	-
Law enforcement	25,505	-	-	-
General government	<u>256,150</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assigned	<u>812,357</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unassigned (deficit)	<u>5,576,442</u>	<u>364,794</u>	<u>755,291</u>	<u>86,191</u>
Total fund balances	<u>\$ 6,428,028</u>	<u>\$ 364,794</u>	<u>\$ 801,118</u>	<u>\$ 86,191</u>

CITY OF YOUNGSTOWN, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 21 - FUND BALANCE (CONTINUED)

<u>Fund balance</u>	<u>Community Development</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Materials and supplies inventory	\$ -	\$ -	\$ 342,769	\$ 390,278
Unclaimed monies	-	-	-	37,547
Total nonspendable	<u>-</u>	<u>-</u>	<u>342,769</u>	<u>427,825</u>
Restricted:				
Capital projects	-	-	5,243,793	5,243,793
Debt service	-	751,685	-	751,685
Community development	382,061	-	88,478	470,539
Street maintenance and repair	-	-	1,717,277	1,717,277
Public health and welfare	-	-	138,352	138,352
Law enforcement	-	-	1,061,396	1,061,396
Leisure time activities	-	-	42,413	42,413
Total restricted	<u>382,061</u>	<u>751,685</u>	<u>8,291,709</u>	<u>9,425,455</u>
Committed:				
Community development	-	-	53,203	53,203
Law enforcement	-	-	53,206	53,206
Total committed	<u>-</u>	<u>-</u>	<u>106,409</u>	<u>106,409</u>
Assigned:				
Community development	-	-	-	332,111
Utilities	-	-	-	185,626
Public health and welfare	-	-	-	12,965
Law enforcement	-	-	-	25,505
General government	-	-	-	256,150
Total assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>812,357</u>
Unassigned (deficit)	<u>-</u>	<u>-</u>	<u>(298,387)</u>	<u>6,484,331</u>
Total fund balances	<u>\$ 382,061</u>	<u>\$ 751,685</u>	<u>\$ 8,442,500</u>	<u>\$ 17,256,377</u>

CITY OF YOUNGSTOWN, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 22 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION

For year ending December 31, 2015, the City implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure.

A net position restatement is required in order to implement GASB Statement No 68 and 71. The governmental activities, business-type activities and enterprise funds have been restated at January 1, 2015 as follows:

	Governmental Activities	Business-Type Activities
Net Position, as previously reported	\$88,172,297	\$ 77,948,753
Adjustments:		
Net Pension Asset	4,071	3,361
Net Pension Liability	(53,978,384)	(9,484,367)
Deferred Outflow	5,074,494	1,193,797
Net Position, as restated	<u>\$39,272,478</u>	<u>\$ 69,661,544</u>
	Water Fund	Sewer Fund
Net Position, as previously reported	\$32,078,481	\$ 45,756,315
Adjustments:		
Net Pension Asset	1,698	1,663
Net Pension Liability	(4,791,488)	(4,692,879)
Deferred Outflow	603,104	590,693
Net Position, as restated	<u>\$27,891,795</u>	<u>\$ 41,655,792</u>

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

NOTE 23 - SUBSEQUENT EVENTS

In October 2016, the City passed legislation to issue bonds in the amount of \$6,900,000. The bonds will be used to renovate the City's annex building for \$5.6 million, purchase a fire truck for \$200,000 and refinance the vehicle short-term note payable for \$1.1 million (see Note 13). The bond was issued on November 30, 2016.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF YOUNGSTOWN, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO YEARS

	<u>2015</u>	<u>2014</u>
<i>Traditional Plan:</i>		
City's proportion of the net pension liability	0.177897%	0.177897%
City's proportionate share of the net pension liability	\$ 21,456,366	\$ 20,971,738
City's covered-employee payroll	\$ 21,738,708	\$ 20,677,369
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	98.70%	101.42%
Plan fiduciary net position as a percentage of the total pension liability	86.45%	86.36%
 <i>Combined Plan:</i>		
City's proportion of the net pension liability	0.070825%	0.070825%
City's proportionate share of the net pension liability	\$ 27,269	\$ 7,432
City's covered-employee payroll	\$ 258,892	\$ 237,800
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	10.53%	3.13%
Plan fiduciary net position as a percentage of the total pension liability	114.83%	104.56%

Note: Information prior to 2013 was unavailable.

Amounts presented as of the City's measurement date which is the prior year.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF YOUNGSTOWN, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO YEARS

	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability	0.87244920%	0.87244920%
City's proportionate share of the net pension liability	\$ 45,196,507	\$ 42,491,013
City's covered-employee payroll	\$ 17,266,849	\$ 17,297,803
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	261.75%	245.64%
Plan fiduciary net position as a percentage of the total pension liability	72.20%	73.00%

Note: Information prior to 2013 was unavailable.

Amounts presented as of the City's measurement date which is the prior year.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF YOUNGSTOWN, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 2,751,724	\$ 2,608,645	\$ 2,688,058	\$ 2,231,911
Contributions in relation to the contractually required contribution	<u>(2,751,724)</u>	<u>(2,608,645)</u>	<u>(2,688,058)</u>	<u>(2,231,911)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 22,931,033	\$ 21,738,708	\$ 20,677,369	\$ 22,319,110
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%	10.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ 30,747	\$ 31,067	\$ 30,914	\$ 18,672
Contributions in relation to the contractually required contribution	<u>(30,747)</u>	<u>(31,067)</u>	<u>(30,914)</u>	<u>(18,672)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 256,225	\$ 258,892	\$ 237,800	\$ 234,868
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%	7.95%

Note: Information prior to 2010 for the Combined Plan was unavailable.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 2,314,527	\$ 1,505,888	\$ 1,876,114	\$ 1,798,159	\$ 2,018,950	\$ 2,095,185
<u>(2,314,527)</u>	<u>(1,505,888)</u>	<u>(1,876,114)</u>	<u>(1,798,159)</u>	<u>(2,018,950)</u>	<u>(2,095,185)</u>
<u>\$ -</u>					
\$ 23,145,270	\$ 16,882,152	\$ 23,076,433	\$ 25,687,986	\$ 24,179,042	\$ 22,773,750
10.00%	8.92%	8.13%	7.00%	8.35%	9.20%
\$ 16,238	\$ 16,202	\$ -	\$ -	\$ -	\$ -
<u>(16,238)</u>	<u>(16,202)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>					
\$ 204,252	\$ 167,203	\$ -	\$ -	\$ -	\$ -
7.95%	9.69%	8.13%	7.00%	8.35%	9.20%

CITY OF YOUNGSTOWN, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<i>Police:</i>				
Contractually required contribution	\$ 1,940,251	\$ 1,811,884	\$ 1,533,127	\$ 1,251,051
Contributions in relation to the contractually required contribution	<u>(1,940,251)</u>	<u>(1,811,884)</u>	<u>(1,533,127)</u>	<u>(1,251,051)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 10,211,847	\$ 9,536,232	\$ 9,654,452	\$ 9,812,165
Contributions as a percentage of covered-employee payroll	19.00%	19.00%	15.88%	12.75%
 <i>Fire:</i>				
Contractually required contribution	\$ 1,846,207	\$ 1,816,695	\$ 1,557,715	\$ 1,341,026
Contributions in relation to the contractually required contribution	<u>(1,846,207)</u>	<u>(1,816,695)</u>	<u>(1,557,715)</u>	<u>(1,341,026)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 7,856,200	\$ 7,730,617	\$ 7,643,351	\$ 7,774,064
Contributions as a percentage of covered-employee payroll	23.50%	23.50%	20.38%	17.25%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 1,312,073	\$ 1,470,416	\$ 1,508,128	\$ 1,567,110	\$ 1,497,640	\$ 1,310,689
<u>(1,312,073)</u>	<u>(1,470,416)</u>	<u>(1,508,128)</u>	<u>(1,567,110)</u>	<u>(1,497,640)</u>	<u>(1,310,689)</u>
<u>\$ -</u>					
\$ 10,290,769	\$ 11,532,675	\$ 11,828,455	\$ 12,291,059	\$ 11,746,196	\$ 11,154,800
12.75%	12.75%	12.75%	12.75%	12.75%	11.75%
\$ 1,350,961	\$ 1,394,364	\$ 1,419,614	\$ 1,438,342	\$ 1,425,258	\$ 1,333,105
<u>(1,350,961)</u>	<u>(1,394,364)</u>	<u>(1,419,614)</u>	<u>(1,438,342)</u>	<u>(1,425,258)</u>	<u>(1,333,105)</u>
<u>\$ -</u>					
\$ 7,831,658	\$ 8,083,270	\$ 8,229,646	\$ 8,338,214	\$ 8,262,365	\$ 8,203,723
17.25%	17.25%	17.25%	17.25%	17.25%	16.25%

CITY OF YOUNGSTOWN, OHIO

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015**

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014 and 2015.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014 and 2015.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

**CITY OF YOUNGSTOWN
MAHONING COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
<i>Direct Programs</i>				
<i>Community Development Block Grant Entitlement Grants (CDBG) Cluster</i>				
Community Development Block Grant/ Entitlement Grants - 36th Year	14.218	B-10-MC-39-0023	\$ 559	\$ 559
Community Development Block Grant/ Entitlement Grants - 37th Year	14.218	B-11-MC-39-0023	7,956	8,296
Community Development Block Grant/ Entitlement Grants - 38th Year	14.218	B-12-MC-39-0023	41,053	44,344
Community Development Block Grant/ Entitlement Grants - 39th Year	14.218	B-13-MC-39-0023	22,624	90,163
Community Development Block Grant/ Entitlement Grants - 40th Year	14.218	B-14-MC-39-0023	212,165	896,946
Community Development Block Grant/ Entitlement Grants - 41th Year	14.218	B-15-MC-39-0023	350,210	1,842,392
Community Development Block Grant/ Neighborhood Stabilization Program	14.218	B-08-MN-39-0014	<u>300</u>	<u>300</u>
<i>Subtotal Community Development Block Grant/ Entitlement Grants Cluster</i>			634,867	2,883,000
Emergency Solutions Grants Program	14.231	S-13-MC-39-0023	16,981	16,981
Emergency Solutions Grants Program	14.231	S-14-MC-39-0023	179,300	179,300
Emergency Solutions Grants Program	14.231	S-15-MC-39-0023	<u>37,847</u>	<u>37,847</u>
<i>Subtotal</i>			234,128	234,128
Continuum of Care Program - C.C. Planning	14.267	SNAP OH0467L5E041300	30,055	30,055
Continuum of Care Program - SPC Grant	14.267	SNAP OH0110L5E041306	102,955	102,955
Continuum of Care Program - SPC Grant	14.267	SNAP OH0110L5E041407	153,011	153,011
Continuum of Care Program - SPC Grant	14.267	SNAP OH16B704016	<u>60,793</u>	<u>60,793</u>
<i>Subtotal</i>			346,814	346,814

**CITY OF YOUNGSTOWN
MAHONING COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (Conitnued)				
HOME Investment Partnerships Program	14.239	MC-09-MC-39-0023	75,967	75,967
HOME Investment Partnerships Program	14.239	MC-10-MC-39-0023	12,788	12,788
HOME Investment Partnerships Program	14.239	MC-13-MC-39-0023	6,141	6,141
HOME Investment Partnerships Program	14.239	MC-14-MC-39-0023	316,278	316,278
HOME Investment Partnerships Program	14.239	MC-15-MC-39-0023	120,832	120,832
<i>Subtotal</i>			532,006	532,006
Total U.S. Department of Housing and Urban Development			1,747,815	3,995,948
 U.S. DEPARTMENT OF JUSTICE				
<i>Passed through the Ohio Office of Criminal Justice Services</i>				
CIRV Youngstown	16.738	2012-JG-A02-V6811		49,477
Project Safe Neighborhoods Grant	16.609	2013-PS-PSN-394		15,272
<i>Subtotal passed through the Ohio Office of Criminal Justice Services</i>				64,749
<i>Direct Programs:</i>				
<i>Bureau of Justice Assistance</i>				
Edward Byrne Memorial Justice Grant Program	16.738	2015-DJ-BX-0385	28,882	28,882
Edward Byrne Memorial Justice Grant Program	16.738	2014-DJ-BX-0449		6,429
Edward Byrne Memorial Justice Grant Program	16.738	2013-DJ-BX-0195		108
<i>Subtotal Bureau of Justice Assistance</i>			28,882	35,419
<i>Office of Juvenile Justice and Delinquency Prevention</i>				
Badges for Baseball	16.726	2015-FED-MSM-B4B-OH-1		2,292
<i>Community Oriented Policing Services (COPS)</i>				
COPS Hiring Program	16.710	2012-UM-WX-0144		221,626
Total U.S. Department of Justice			28,882	324,086

**CITY OF YOUNGSTOWN
MAHONING COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. DOT- FEDERAL HIGHWAY ADMINISTRATION				
<i>Passed Through The Ohio Department of Transportation</i>				
Highway Planning and Construction	20.205	87408		372,282
Highway Planning and Construction	20.205	95768		54,463
Highway Planning and Construction	20.205	98762		269,248
Highway Planning and Construction	20.205	97932		131,279
Highway Planning and Construction	20.205	81055		37,664
Total U.S. Department of Justice				864,936
U.S. DOT - NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION				
<i>Passed Through The Ohio Department of Public Safety</i>				
Selective Traffic Enforcement Program	20.600	STEP-2015-50-00-00-00558-00		11,167
Selective Traffic Enforcement Program	20.600	STEP-2016-50-00-00-00514-00		2,738
Impaired Driving Enforcement Program	20.616	IDEP-2015-50-00-00-00443-00		8,970
Impaired Driving Enforcement Program	20.616	IDEP-2016-50-00-00-00352-00		4,054
Total National Highway Traffic Safety Administration				26,929
U.S. ENVIRONMENTAL PROTECTION AGENCY				
<i>Passed Through Ohio Environmental Protection Agency</i>				
Air Pollution Control Program Support	66.001	SFY 2014-15		97,922
Air Pollution Control Program Support	66.001	SFY 2015-16		107,254
Total U.S. Environmental Protection Agency				205,176
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education</i>				
Summer Food Service Program for Children	10.559			38,805
Total U.S. Department of Agriculture				38,805
U.S. DEPARTMENT OF HOMELAND SECURITY				
<i>Direct Grant</i>				
Assistance to Firefighters Grant Program	97.044	EMW-2014-FO-05495		24,582
Total U.S. Department of Homeland Security				24,582
Total Expenditures of Federal Awards			\$1,776,697	\$5,480,462

**CITY OF YOUNGSTOWN, OHIO
MAHONING COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Youngstown (the City) under programs of the federal government for the year ended December 31, 2015. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - SUBRECIPIENTS

The City passes certain federal awards received from to other governments or not-for-profit agencies (subrecipients) as follows:

Program Title	Federal CFDA No.	Passed to Subrecipients
Community Development Block Grant – Entitlement Grants (CDBG) Cluster	14.218	\$634,866
CDBG – Emergency Solutions Grants	14.231	234,129
Continuum of Care	14.267	346,814
HOME Investment Partnerships	14.239	532,006
Edward Byrne Memorial Justice Grant	16.738	28,882

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

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

To the Members of Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Youngstown, Mahoning County, (the City) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 25, 2017.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Entity's financial statements. We consider finding 2015-001 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2015-002 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

April 25, 2017



Dave Yost • Auditor of State

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

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

To the Members of Council:

Report on Compliance for Each Major Federal Program

We have audited the City of Youngstown's (the City) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the City of Youngstown's major federal programs for the year ended December 31, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the City's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Youngstown complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2015.

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State
Columbus, Ohio

April 25, 2017

**CITY OF YOUNGSTOWN
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR §200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	14.218 - Community Development Block Grant Cluster 14.239 - HOMES Investment Partnership Program
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	No

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

1. GASB 68 Posting Error

<i>Finding Number</i>	2015-001
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MATERIAL WEAKNESS

Sound financial reporting is the responsibility of City management and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The City did not have controls in place to help ensure the proper recording of financial transactions and balances which caused the City to improperly allocate the City's Net Pension Liability, Deferred Outflows-Pension Expense and Deferred Inflows-Pension. The City's original financial statements recorded the entire Net Pension Liability, Deferred Outflows-Pension Expense and Deferred Inflows-Pension to Governmental Activities (GA) rather than allocating the appropriate percentage to Business-Type Activities (BTA).

As a result, originally the GA Assets were overstated by \$2,021,217, 1.5%, Liabilities were overstated by \$9,826,212, 9.5%, resulting in GA Net Position being understated by \$7,807,995, 21.8%.

Additionally the BTA Assets were understated by \$1,789,195, 1.5%, Liabilities were understated by \$9,880,488, 32.6%, resulting in BTA Net Position being overstated by \$8,091,253, 9.3%.

Management was informed of this deficiency and the City hired a firm to calculate the correct amounts. The City has corrected the financial statements and accounting records to properly record this liability.

We recommend the City implement controls and procedures related to financial reporting that will help enable management to identify, prevent, detect and correct potential misstatements in the financial statement.

Official's Response:

See Corrective Action Plan.

2. IT – Security Administration

<i>Finding Number</i>	2015-002
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SIGNIFICANT DEFICIENCY

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

The City of Youngstown uses Windows AD security to restrict access to their network and in February of 2015 implemented a Technology Policy, which specifies procedures to document and control administration of security relative to the City's computer information systems. However, not all controls have been implemented relative to the enforcement of password and account lockout controls and the following exceptions were noted:

- Technology Policy or PC Computer Security Acceptance Forms were not available for eight of 22 users selected for review.
- Password policies at the network level are not strong, or have not been set at all.
- Account lockout policies at the network level have not been set.
- Passwords are set by the MIS CIO and users are not able to change their passwords.

The risk of unauthorized modification, disclosure, disruption or use of data and programs can lead to errors in the financial statements.

The lack of staff necessary to address password resets and account lockouts was cited as the reason for not implementing stronger password and account lockout controls.

The City should continue in its implementation of the new security procedures to address the following:

- Use of a standardized form to document user access requests.
- Documentation to support user profile set up and maintenance.
- Authorization and approval criteria for user access.

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

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

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

Official's Response:

See Corrective Action Plan.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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**CITY OF YOUNGSTOWN
MAHONING COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
2 CFR 200.511(b)
DECEMBER 31, 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	The City of not have controls in place to help ensure the proper recording of financial transactions, e.g. loan receivable, advance, lease payments.	Partially Corrected.	The Finance Director agrees that the City needs to implement controls and procedures related to financial reporting to ensure more accurate reporting.
2014-002 2013-001	Standardized procedures have not been established to document and control administration of security relative to the City's computer information system.	Partially Corrected.	The Finance Director agrees that the City needs to fully implement security procedures that ensure the use of access forms and the enforcement of password changes and lockout controls. The reason for recurrence is due to lack of staffing.
2014-003	24 CFR 570.205 and .206 – More than 20 percent of total CDBG plus 20 percent of program income was obligated for planning and admin. of the grant.	Corrective Action Taken and Finding is Fully Corrected	N/A

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**CITY OF YOUNGSTOWN
MAHONING COUNTY**

**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
DECEMBER 31, 2015**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2015-001	<p>The Finance Director agrees that the City needs to implement controls and procedures related to financial reporting to ensure more accurate reporting.</p> <p>The Finance Director has contracted with a third party provider with municipal expertise to compile our Basic Financial Statements.</p>	June 2017	David Bozanich, Finance Director
2015-002	<p>The Finance Director agrees that the City needs to fully implement security procedures that ensure the use of access forms and the enforcement of password changes and lockout controls.</p> <p>The CIO is working with the Law Department to establish information technology policies and procedures related to network user complex passwords and lockout controls.</p>	June 2017	David Bozanich, Finance Director

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CITY OF YOUNGSTOWN

MAHONING COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 16, 2017**