



Mary Taylor, CPA  
Auditor of State



**CITY OF YOUNGSTOWN  
MAHONING COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To Members of Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Youngstown, Mahoning County, Ohio (the City), as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Western Reserve Transit Authority (WRTA), which represent 100 percent of the assets, net assets and revenues of the WRTA, the discretely presented component unit of the City. Other auditors audited those financial statements. They have furnished their report thereon to us and we base our opinion, insofar as it relates to the amounts included for the WRTA, on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Youngstown, Mahoning County, Ohio, as of December 31, 2008, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund, and the Fire Levy, Police Levy, and Community Development Funds, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2010, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

February 26, 2010

## CITY OF YOUNGSTOWN, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008 UNAUDITED

The discussion and analysis of the City of Youngstown's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2008. 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 2008 are as follows:

- The total net assets of the City increased \$5,264,141. Net assets of governmental activities increased \$3,418,687 or 4.98% from 2007 and net assets of business-type activities increased \$1,845,454 or 3.09% over 2007.
- General revenues accounted for \$59,907,395 or 73.69% of total governmental activities revenue. Program specific revenues accounted for \$21,391,198 or 26.31% of total governmental activities revenue.
- The City had \$78,531,399 in expenses related to governmental activities; \$21,391,198 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$57,140,201 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$59,907,395.
- The general fund had revenues and other financing sources of \$41,959,489 in 2008. This represents an increase of \$2,617,357 from 2007. The expenditures and other financing uses of the general fund, which totaled \$41,487,892 in 2008, increased \$439,998 from 2007. The increase in fund balance was \$471,597 in the general fund at December 31, 2008.
- The Fire Levy fund had revenues and other financing sources of \$13,684,131 in 2008. This represents an increase of \$422,207 from 2007. The expenditures of the fire levy fund, which totaled \$13,929,297 in 2008, increased \$663,632 from 2007. The decrease in fund balance was \$245,166 in the Fire Levy fund at December 31, 2008.
- The Police Levy fund had revenues and other financing sources of \$20,841,494 in 2008. This represents an increase of \$1,355,888 from 2007. The expenditures of the Police Levy fund, which totaled \$21,065,967 in 2008, increased \$1,455,700 from 2007. The decrease in fund balance was \$224,473 in the police levy fund at December 31, 2008.
- The Community Development fund had revenues of \$4,500,086 in 2008. This represents an increase of \$142,114 from 2007. The expenditures and other financing uses of the Community Development fund, which totaled \$4,832,207 in 2008, decreased \$221,293 from 2007. The decrease in fund balance was \$332,121 in the Community Development fund at December 31, 2008.
- The Bond Retirement fund had revenues of \$2,891,376 in 2008. This represents an increase of \$542,430 from 2007. The expenditures and other financing uses of the Bond Retirement fund, which totaled \$2,906,268 in 2008, increased \$410,068 from 2007. The decrease in fund balance was \$14,892 in the Bond Retirement fund at December 31, 2008.
- The Convocation Center Project fund had revenues of \$1,138,806 in 2008. This represents an increase of \$514,341 from 2007. The expenditures of the Convocation Center Project fund, which totaled \$1,294,585 in 2008, increased \$177,959 from 2007. The decrease in fund balance was \$155,779 in the Convocation Center Project fund at December 31, 2008.

## CITY OF YOUNGSTOWN, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008 UNAUDITED

- Net assets for the business-type activities, which are made up of the sewer and water enterprise funds, increased in 2008 by \$1,845,454. 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 assets and statement of activities provide information about the activities of the City as a whole, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

#### **Reporting the City as a Whole**

##### *Statement of Net Assets and the Statement of Activities*

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. The accrual basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

The City's statement of net assets and statement of activities can be found on pages 18-21 of this report.



## CITY OF YOUNGSTOWN, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008 UNAUDITED

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

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

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

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

##### ***Governmental Funds***

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

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

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, fire levy, police levy, community development, bond retirement, and convocation center project. 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 22-31 of this report.

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

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

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

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

**CITY OF YOUNGSTOWN, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
UNAUDITED**

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

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 37-74 of this report.

**Government-Wide Financial Analysis**

The table below provides a summary of the City's net assets for 2008 and 2007:

	<b>Net Assets</b>					
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities	2008 Total	2007 Total
	<u>2008</u>	<u>2008</u>	<u>2007</u>	<u>2007</u>	<u>Total</u>	<u>Total</u>
<b><u>Assets</u></b>						
Current and other assets	\$ 31,893,344	\$ 11,848,529	\$ 32,731,735	\$ 15,483,255	\$ 43,741,873	\$ 48,214,990
Capital assets	<u>94,584,870</u>	<u>62,950,256</u>	<u>94,086,708</u>	<u>58,683,555</u>	<u>157,535,126</u>	<u>152,770,263</u>
Total assets	<u>126,478,214</u>	<u>74,798,785</u>	<u>126,818,443</u>	<u>74,166,810</u>	<u>201,276,999</u>	<u>200,985,253</u>
<b><u>Liabilities</u></b>						
Long-term liabilities outstanding	33,850,801	10,829,376	36,340,709	11,536,007	44,680,177	47,876,716
Other liabilities	<u>20,568,365</u>	<u>2,419,516</u>	<u>21,837,373</u>	<u>2,926,364</u>	<u>22,987,881</u>	<u>24,763,737</u>
Total liabilities	<u>54,419,166</u>	<u>13,248,892</u>	<u>58,178,082</u>	<u>14,462,371</u>	<u>67,668,058</u>	<u>72,640,453</u>
<b><u>Net Assets</u></b>						
Invested in capital assets, net of related debt	69,610,269	53,866,528	68,185,569	48,892,766	123,476,797	117,078,335
Restricted	13,524,083	-	13,480,174	-	13,524,083	13,480,174
Unrestricted	<u>(11,075,304)</u>	<u>7,683,365</u>	<u>(13,025,382)</u>	<u>10,811,673</u>	<u>(3,391,939)</u>	<u>(2,213,709)</u>
Total net assets	<u>\$ 72,059,048</u>	<u>\$ 61,549,893</u>	<u>\$ 68,640,361</u>	<u>\$ 59,704,439</u>	<u>\$ 133,608,941</u>	<u>\$ 128,344,800</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2008, the City's assets exceeded liabilities by \$133,608,941, an increase of \$5,264,141 from December 31, 2007. At year-end, net assets were \$72,059,048 and \$61,549,893 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's net assets. At year-end, capital assets represented 78.27% 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, 2008, were \$69,610,269 and \$53,866,528 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net assets, \$13,524,083, at December 31, 2008, 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, 2008  
UNAUDITED**

The table below shows the changes in net assets for fiscal years 2008 and 2007.

	<b>Change in Net Assets</b>					
	Governmental Activities <u>2008</u>	Business-type Activities <u>2008</u>	Governmental Activities <u>2007</u>	Business-type Activities <u>2007</u>	<u>2007</u> Total	<u>2006</u> Total
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 9,284,246	\$ 39,640,874	\$ 9,056,144	\$ 39,490,558	\$ 48,925,120	\$ 48,546,702
Operating grants and contributions	10,801,918	-	10,486,580	-	10,801,918	10,486,580
Capital grants and contributions	<u>1,305,034</u>	<u>-</u>	<u>2,621,060</u>	<u>-</u>	<u>1,305,034</u>	<u>2,621,060</u>
Total program revenues	<u>21,391,198</u>	<u>39,640,874</u>	<u>22,163,784</u>	<u>39,490,558</u>	<u>61,032,072</u>	<u>61,654,342</u>
General revenues:						
Property taxes	2,355,765	-	2,208,305	-	2,355,765	2,208,305
Income taxes	46,861,971	-	48,125,921	-	46,861,971	48,125,921
Unrestricted grants and entitlements	5,280,469	-	4,770,080	-	5,280,469	4,770,080
Payment in lieu of taxes	318,241	-	-	-	318,241	-
Investment earnings	112,922	32,428	597,345	15,144	145,350	612,489
Sale of easements	1,242,629	-	-	-	1,242,629	-
Miscellaneous	<u>3,735,398</u>	<u>29,111</u>	<u>1,630,984</u>	<u>49,247</u>	<u>3,764,509</u>	<u>1,680,231</u>
Total general revenues	<u>59,907,395</u>	<u>61,539</u>	<u>57,332,635</u>	<u>64,391</u>	<u>59,968,934</u>	<u>57,397,026</u>
Total revenues	<u>81,298,593</u>	<u>39,702,413</u>	<u>79,496,419</u>	<u>39,554,949</u>	<u>121,001,006</u>	<u>119,051,368</u>
Expenses:						
General government	13,572,407	-	14,328,050	-	13,572,407	14,328,050
Security of persons and property	38,746,989	-	38,706,464	-	38,746,989	38,706,464
Public health and welfare	2,551,934	-	2,725,790	-	2,551,934	2,725,790
Transportation	9,788,976	-	9,116,233	-	9,788,976	9,116,233
Community environment	5,274,219	-	6,516,118	-	5,274,219	6,516,118
Leisure time activity	3,170,502	-	3,434,940	-	3,170,502	3,434,940
Utility services	3,144,131	-	3,087,999	-	3,144,131	3,087,999
Interest and fiscal charges	2,282,241	-	2,227,300	-	2,282,241	2,227,300
Water	-	21,913,908	-	20,944,934	21,913,908	20,944,934
Sewer	<u>-</u>	<u>15,291,558</u>	<u>-</u>	<u>16,897,457</u>	<u>15,291,558</u>	<u>16,897,457</u>
Total expenses	<u>78,531,399</u>	<u>37,205,466</u>	<u>80,142,894</u>	<u>37,842,391</u>	<u>115,736,865</u>	<u>117,985,285</u>
Increase (decrease) in net assets before transfers	2,767,194	2,496,947	(646,475)	1,712,558	5,264,141	1,066,083
Transfers	<u>651,493</u>	<u>(651,493)</u>	<u>225,055</u>	<u>(225,055)</u>	<u>-</u>	<u>-</u>
Change in net assets	3,418,687	1,845,454	(421,420)	1,487,503	5,264,141	1,066,083
Net assets at beginning of year	<u>68,640,361</u>	<u>59,704,439</u>	<u>69,061,781</u>	<u>58,216,936</u>	<u>128,344,800</u>	<u>127,278,717</u>
Net assets at end of year	<u>\$ 72,059,048</u>	<u>\$ 61,549,893</u>	<u>\$ 68,640,361</u>	<u>\$ 59,704,439</u>	<u>\$ 133,608,941</u>	<u>\$ 128,344,800</u>

**CITY OF YOUNGSTOWN, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
UNAUDITED**

**Governmental Activities**

Governmental activities net assets increased by \$3,418,687 in 2008. This increase is a result of the City's overall revenues exceeding expenses total.

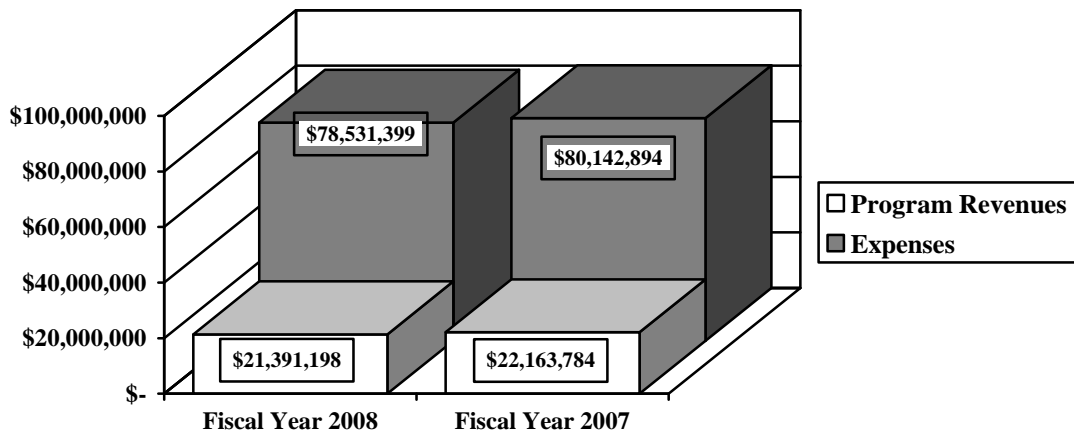
Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$38,746,989 of the total expenses of the City during 2008. These expenses were partially funded by \$1,083,342 in direct charges to users of the services and \$1,483,607 in grants and contributions. General government expenses totaled \$13,572,407. General government expenses were partially funded by \$7,598,991 in direct charges to users of the services, and \$1,305,034 in capital grants and contributions.

During 2008, the state and federal government and other local sources contributed to the City a total of \$10,801,918 in operating grants and contributions and \$1,305,034 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$5,156,755 subsidized community environment programs, \$3,112,260 subsidized transportation programs, \$1,049,296 subsidized public health and welfare programs, and \$1,483,607 subsidized security of persons and property programs.

General revenues totaled \$59,907,395, and amounted to 73.69% of total governmental revenues during 2008. These revenues primarily consist of income tax revenue of \$46,861,971. 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 \$2,355,765 and \$5,280,469, respectively. Miscellaneous revenues increased from 2007 as a result of various refunds and reimbursements received during 2008.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. As can be seen in the graph below, the City is highly dependent upon property and income taxes as well as unrestricted grants and entitlements to support its governmental activities.

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



**CITY OF YOUNGSTOWN, OHIO**

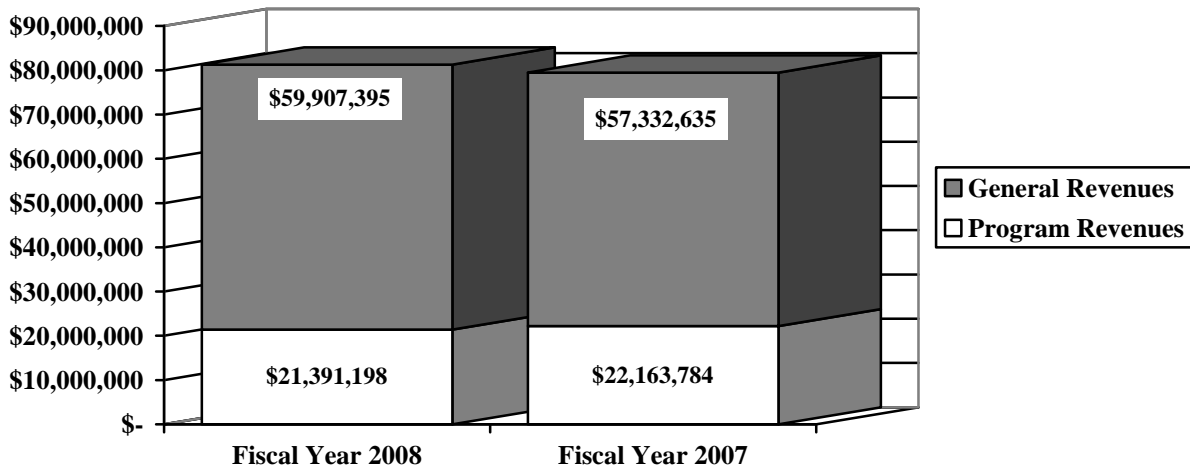
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
UNAUDITED**

**Governmental Activities**

	Total Cost of Services <u>2008</u>	Net Cost of Services <u>2008</u>	Total Cost of Services <u>2007</u>	Net Cost of Services <u>2007</u>
Program Expenses:				
General government	\$ 13,572,407	\$ 4,668,382	\$ 14,328,050	\$ 5,165,679
Security of persons and property	38,746,989	36,180,040	38,706,464	36,253,240
Public health and welfare	2,551,934	1,378,985	2,725,790	1,458,479
Transportation	9,788,976	6,467,304	9,116,233	5,834,911
Community environment	5,274,219	49,404	6,516,118	755,130
Leisure time activity	3,170,502	2,969,714	3,434,940	3,196,372
Utility services	3,144,131	3,144,131	3,087,999	3,087,999
Interest and fiscal charges	<u>2,282,241</u>	<u>2,282,241</u>	<u>2,227,300</u>	<u>2,227,300</u>
<b>Total</b>	<b><u>\$ 78,531,399</u></b>	<b><u>\$ 57,140,201</u></b>	<b><u>\$ 80,142,894</u></b>	<b><u>\$ 57,979,110</u></b>

The dependence upon general revenues for governmental activities is apparent, with 72.76% and 72.34% of expenses supported through taxes and other general revenues during 2008 and 2007, respectively.

**Governmental Activities – General and Program Revenues**



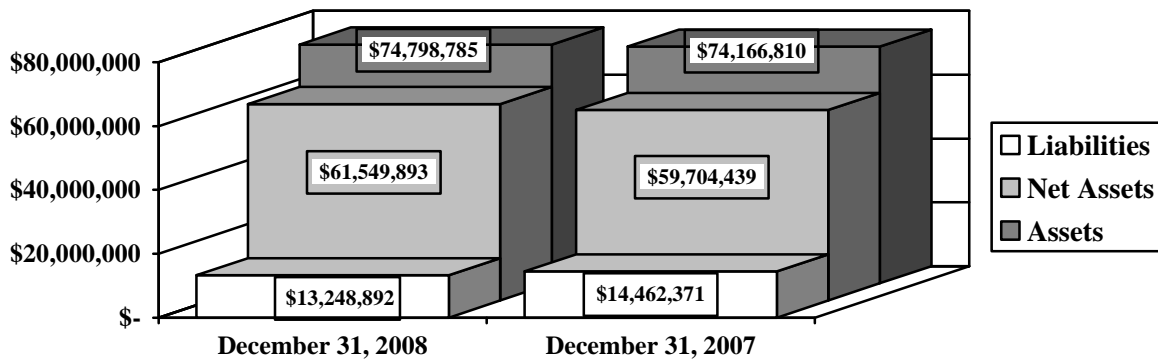
**CITY OF YOUNGSTOWN, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
UNAUDITED**

**Business-type Activities**

Business-type activities include the sewer and water enterprise funds. These programs had program revenues of \$39,640,874, general revenues of \$61,539 and expenses of \$37,205,466 for 2008. The graph below shows the business-type activities assets, liabilities and net assets at year-end.

**Net Assets in Business – Type Activities**



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

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

**Governmental Funds**

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

The City's governmental funds (as presented on the balance sheet on pages 22-23) reported a combined fund deficit of \$4,968,600 which is \$204,020 below last year's deficit balance total of \$5,172,620. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2008 for all major and nonmajor governmental funds.

**CITY OF YOUNGSTOWN, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
UNAUDITED**

	<u>Fund Balances</u> <u>12/31/08</u>	<u>Fund Balances</u> <u>12/31/07</u>	<u>Increase</u> <u>(Decrease)</u>
Major funds:			
General	\$ 3,723,042	\$ 3,251,445	\$ 471,597
Fire levy	(358,465)	(113,299)	(245,166)
Police levy	(266,836)	(42,363)	(224,473)
Community development	1,097,333	1,429,454	(332,121)
Bond retirement	859,714	874,606	(14,892)
Convocation center project	(12,300,111)	(12,144,332)	(155,779)
Other nonmajor governmental funds	<u>2,276,723</u>	<u>1,571,869</u>	<u>704,854</u>
Total	<u>\$ (4,968,600)</u>	<u>\$ (5,172,620)</u>	<u>\$ 204,020</u>

**General Fund**

The City's general fund balance increased \$471,597 throughout the year. The table that follows assists in illustrating the revenues of the general fund.

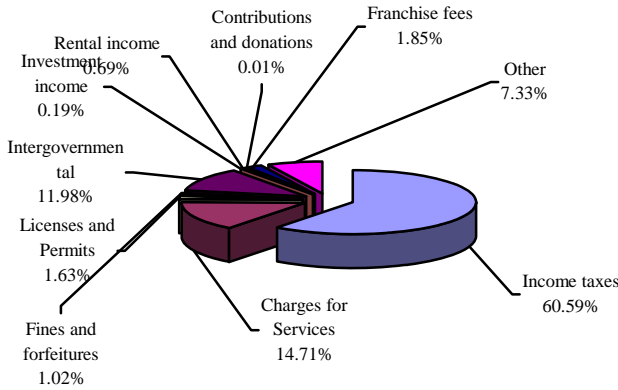
	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Income taxes	\$ 24,457,996	\$ 24,270,541	0.77 %
Charges for services	5,938,537	5,912,038	0.45 %
Licenses and permits	658,659	660,079	(0.22) %
Fines and forfeitures	410,784	519,566	(20.94) %
Intergovernmental	4,836,072	4,562,180	6.00 %
Investment income	75,910	516,710	(85.31) %
Rental income	278,772	337,008	(17.28) %
Contributions and donations	3,600	7,965	(54.80) %
Franchise fees	745,447	574,286	29.80 %
Other	<u>2,956,805</u>	<u>1,468,422</u>	101.36 %
Total	<u>\$ 40,362,582</u>	<u>\$ 38,828,795</u>	3.95 %

Income tax revenue represents 60.59% of all general fund revenue and increased by .77% in 2008. Fines and forfeitures related to court costs and parking fines decreased by 20.94% in 2008. Investment income decreased significantly due to the declining economy and interest rates. Contributions and donations decreased during 2008 from 2007 as a result of less donations received by the City. The increase in other revenues is a result of a RITA retainer distribution refund back to the City in 2008. All other revenue remained comparable to 2007.

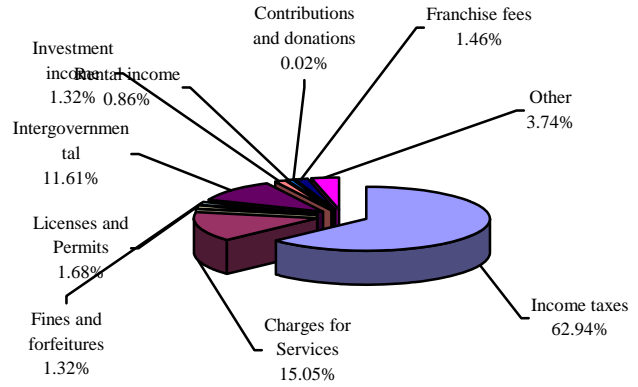
**CITY OF YOUNGSTOWN, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
UNAUDITED**

**Revenues – Fiscal Year 2008**



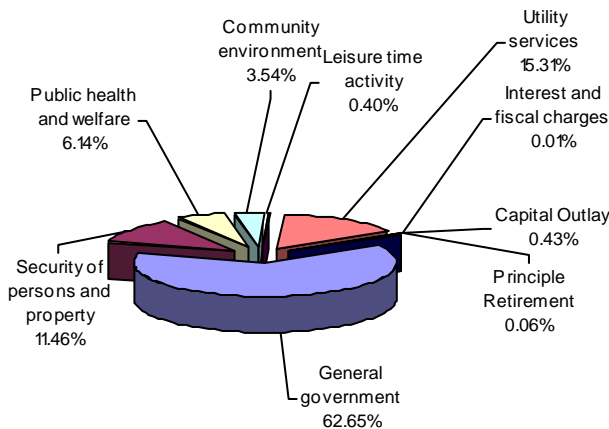
**Revenues – Fiscal Year 2007**



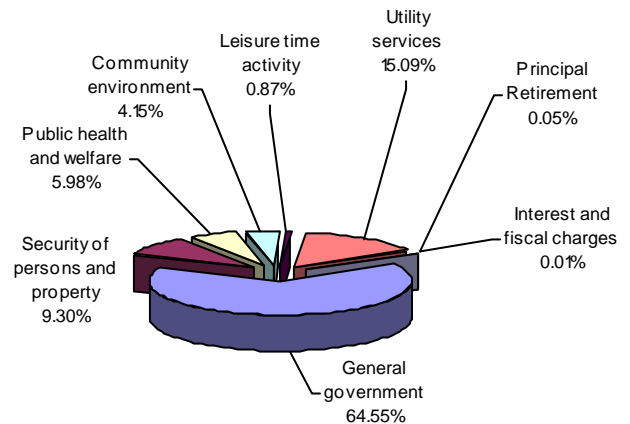
The table that follows assists in illustrating the expenditures of the general fund.

	<u>2008 Amount</u>	<u>2007 Amount</u>	<u>Percentage Change</u>
<b>Expenditures</b>			
General government	\$ 12,875,060	\$ 13,209,770	(2.53) %
Security of persons and property	2,353,526	1,902,703	23.69 %
Public health and welfare	1,261,549	1,224,174	3.05 %
Community environment	726,214	848,569	(14.42) %
Leisure time activity	81,385	177,424	(54.13) %
Utility services	3,144,131	3,087,999	1.82 %
Capital outlay	87,960	-	100.00 %
Principal retirement	11,622	9,760	19.08 %
Interest and fiscal charges	1,445	1,606	(10.02) %
<b>Total</b>	<u>\$ 20,542,892</u>	<u>\$ 20,462,005</u>	0.40 %

**Expenditures - Fiscal Year 2008**



**Expenditures - Fiscal Year 2007**





## CITY OF YOUNGSTOWN, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008 UNAUDITED

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

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

The fire levy fund had revenues and other financing sources of \$13,684,131 in 2008. This represents an increase of \$422,207 from 2007. Income taxes increased from \$7,106,640 in 2007 to \$7,254,389 in 2008. This is a result of more collections of income taxes. The expenditures of the fire levy fund, which totaled \$13,929,297 in 2008, increased \$663,632 from 2007. The decrease in fund balance was \$245,166 in the fire levy fund at December 31, 2008.

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

The police levy fund had revenues and other financing sources of \$20,841,494 in 2008. This represents an increase of \$1,355,888 from 2007. Income taxes increased from \$9,477,688 in 2007 to \$9,679,537 in 2008. This is a result of more income tax collections. The expenditures of the police levy fund, which totaled \$21,065,967 in 2008, increased \$1,455,700 from 2007. The decrease in fund balance was \$224,473 in the police levy fund at December 31, 2008.

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

The community development fund had revenues of \$4,500,086 in 2008. This represents an increase of \$142,114 from 2007. The expenditures and other financing uses of the community development fund which totaled \$4,832,207 in 2008 decreased \$221,293 from 2007. The transfers out of \$1,405,289 decreased \$321,483 during 2008. The fund balance of the community development fund decreased \$332,121 or 23.23%.

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

The bond retirement fund had revenues of \$2,891,376 in 2008. This represents an increase of \$542,430 from 2007. The expenditures and other financing uses of the bond retirement fund which totaled \$2,906,268 in 2008 increased \$410,068 from 2007. The bond retirement fund balance decreased \$14,892 or 1.70%.

#### ***Convocation Center Project Fund***

The convocation center project fund had revenues of 1,138,806 in 2008. This represents an increase of \$514,341 from 2007. The expenditures of the convocation center project fund, which totaled \$1,294,585 in 2008, increased \$177,959 from 2007. The fund deficit increased \$155,779 from \$12,144,332 to a deficit of \$12,300,111 at December 31, 2008. The fund deficit is a result of an \$11,900,000 note payable to finance the convocation center that is reported as a liability.

#### ***Budgeting Highlights***

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

**CITY OF YOUNGSTOWN, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
UNAUDITED**

Budgetary information is presented for the general fund, fire levy, police levy, and community development fund. In the general fund, actual expenditures and other financing uses of \$41,958,191 came in \$530,845 lower than final budgeted expenditures of \$42,489,036. Original budgeted revenues and other financing sources of \$41,632,592 were increased to \$44,643,643 in the 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 2008, the City had \$157,535,126 (net of accumulated depreciation) invested in land, buildings, improvements other than buildings (I.O.T.B.), machinery and equipment, vehicles, infrastructure and construction in progress (CIP). Of this total, \$94,584,870 was reported in governmental activities and \$62,950,256 was reported in business-type activities. The following table shows fiscal 2008 balances compared to 2007:

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

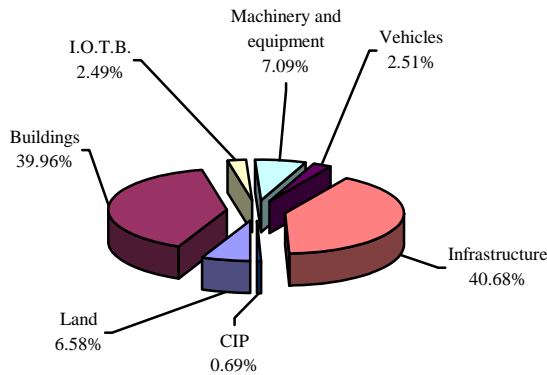
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	\$ 6,222,946	\$ 5,924,063	\$ 345,591	\$ 343,091	\$ 6,568,537	\$ 6,267,154
C.I.P.	655,868	1,017,713	-	352,992	655,868	1,370,705
Buildings	37,795,834	38,348,031	24,934,963	25,465,202	62,730,797	63,813,233
I.O.T.B.	2,354,996	3,293,525	304,651	231,518	2,659,647	3,525,043
Machinery and equipment	6,703,789	7,215,649	5,400,712	4,784,111	12,104,501	11,999,760
Vehicles	2,376,099	2,178,850	1,136,872	1,143,611	3,512,971	3,322,461
Infrastructure	<u>38,475,338</u>	<u>36,108,877</u>	<u>30,827,467</u>	<u>26,363,030</u>	<u>69,302,805</u>	<u>62,471,907</u>
Totals	<u>\$ 94,584,870</u>	<u>\$ 94,086,708</u>	<u>\$ 62,950,256</u>	<u>\$ 58,683,555</u>	<u>\$ 157,535,126</u>	<u>\$ 152,770,263</u>

**CITY OF YOUNGSTOWN, OHIO**

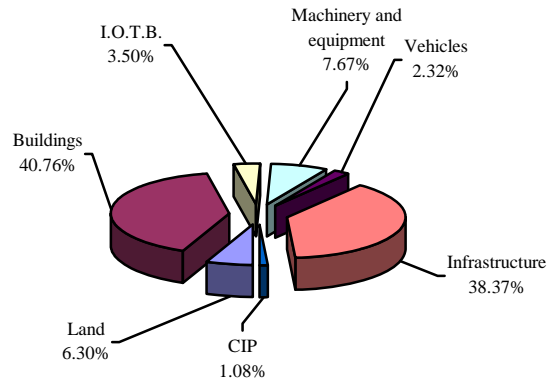
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
UNAUDITED**

The following graphs show the breakdown of governmental capital assets by category for 2008 and 2007.

**Capital Assets - Governmental Activities 2008**



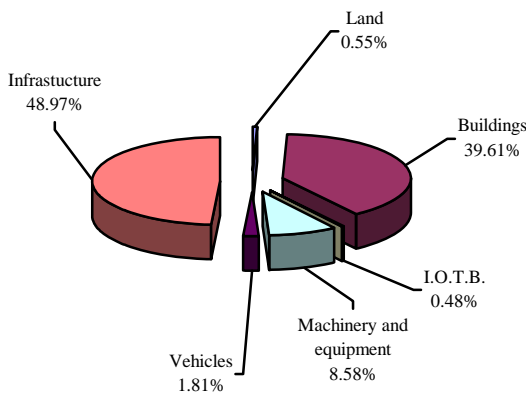
**Capital Assets - Governmental Activities 2007**



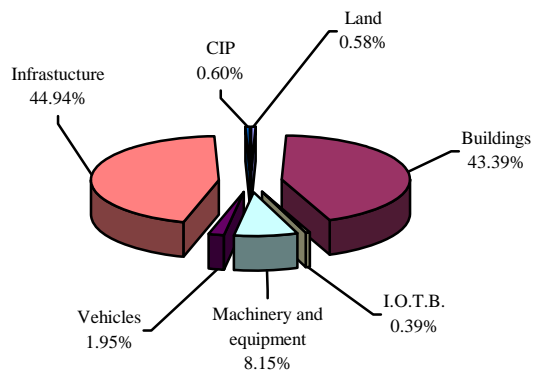
The City's largest governmental activities capital asset categories are buildings and infrastructure. The net book value of the City's buildings and infrastructure (cost less accumulated depreciation) represents approximately 39.96% and 40.68% of the City's total capital assets at December 31, 2008, respectively.

The following graphs show the breakdown of business-type capital assets by category for 2008 and 2007.

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



**Capital Assets - Business-Type Activities 2007**



The City's largest business-type capital asset category is infrastructure, which primarily includes water and sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's utility lines (cost less accumulated depreciation) represents approximately 48.97% of the City's total business-type capital assets. See Note 11 to the basic financial statements for further detail on capital assets.

**CITY OF YOUNGSTOWN, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
UNAUDITED**

***Debt Administration***

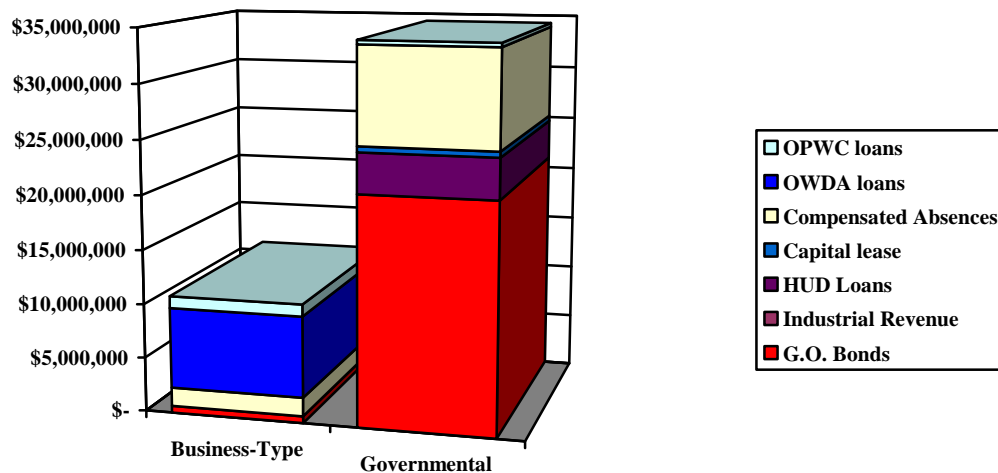
The City had the following long-term obligations outstanding at December 31, 2008 and 2007:

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
General obligation bonds	\$ 20,960,000	\$ 22,145,000
Industrial development revenue bonds	-	120,000
HUD Section 108 loans	3,674,950	4,609,950
OPWC loan	364,289	385,718
Capital lease obligation	522,448	392,709
Compensated absences	<u>8,767,614</u>	<u>9,142,644</u>
Total long-term obligations	<u>\$ 34,289,301</u>	<u>\$ 36,796,021</u>

	<u>Business-Type Activities</u>	
	<u>2008</u>	<u>2007</u>
General obligation bonds	\$ 630,000	\$ 830,000
OWDA loans	7,431,774	8,144,362
OPWC loan	1,086,805	897,161
Compensated absences	<u>1,728,057</u>	<u>1,723,319</u>
Total long-term obligations	<u>\$ 10,876,636</u>	<u>\$ 11,594,842</u>

A comparison of the long-term obligations by category is depicted in the chart below. See Note 14 to the basic financial statements for further detail on the City's long-term obligations outstanding at year-end.

**Long-term obligations**



## **CITY OF YOUNGSTOWN, OHIO**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008 UNAUDITED**

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

The City's administration considered the impact of various economic factors when establishing the fiscal year 2009 budget. The economy in Youngstown was decimated during the last quarter century due to the collapse of its principal industry, iron and steel production. The City is working hard to build on the success of the last few years and leave its big industry past behind by continuing to aggressively pursue small light industrial and commercial development. So far, more than 7,000 new jobs have been created, with additional job opportunities anticipated as various development agreements are secured.

Over the past several years, the City has twice received SBA leadership awards for small business development and is continuing its efforts to locate and grow new industry in Youngstown. Nevertheless, the City continues to lose population and unemployment remains above the national average for 2008. 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 2008 the City of Youngstown had a positive cash balance in its operating funds. The City's fortunate financial position is largely due to three factors: asset sales, aggressive cost containment, and employee reductions through buyouts, attrition and planned layoffs.

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

The City's current financial position is at risk, but remains tentatively balanced. Let there be no doubt, the City's core mission is straightforward: to continue with conservative budgeting practices, to stimulate economic growth, to create new and even better jobs, and ensure that Youngstown continues to embark on the path of steady growth. The City will continue to right itself relative to revenues and expenditures. For these reasons, even though we are in the midst of the most troubling period the economy has experienced since the 1930s, the City expects the actions undertaken by the administration to be successful in preserving the financial stability of the general fund by the end of 2009.

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

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

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**CITY OF YOUNGSTOWN, OHIO**

STATEMENT OF NET ASSETS  
DECEMBER 31, 2008

	<u>Primary Government</u>		<u>Total</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>		
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 6,869,871	\$ 1,226,694	\$ 8,096,565	\$ 776,417
Cash and cash equivalents with fiscal and escrow agents . . . . .	729,625	-	729,625	-
Receivables (net of allowances for uncollectibles):				
Income taxes . . . . .	10,014,118	-	10,014,118	-
Real and other taxes . . . . .	2,522,411	-	2,522,411	2,070,148
Accounts . . . . .	794,329	6,787,295	7,581,624	28,872
Notes . . . . .	4,714,592	-	4,714,592	-
Special assessments . . . . .	73,251	-	73,251	-
Internal balances . . . . .	(2,996,153)	2,996,153	-	-
Due from other governments . . . . .	8,650,574	-	8,650,574	214,727
Prepayments . . . . .	-	-	-	5,272
Materials and supplies inventory. . . . .	26,804	820,796	847,600	141,114
Other assets. . . . .	-	-	-	11,000
Deferred charges . . . . .	493,922	17,591	511,513	-
Restricted assets:				
Cash and cash equivalents . . . . .	-	-	-	204,818
Due from other governments . . . . .	-	-	-	377,326
Capital assets:				
Land . . . . .	6,222,946	345,591	6,568,537	1,013,136
Construction in progress. . . . .	655,868	-	655,868	-
Depreciable capital assets, net . . . . .	87,706,056	62,604,665	150,310,721	9,402,902
Total capital assets. . . . .	<u>94,584,870</u>	<u>62,950,256</u>	<u>157,535,126</u>	<u>10,416,038</u>
Total assets . . . . .	<u>126,478,214</u>	<u>74,798,785</u>	<u>201,276,999</u>	<u>14,245,732</u>

- - continued

**CITY OF YOUNGSTOWN, OHIO**

STATEMENT OF NET ASSETS (CONTINUED)  
DECEMBER 31, 2008

	<u>Primary Government</u>			<b>Component Unit</b>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 1,065,295	\$ 670,875	\$ 1,736,170	\$ 176,154
Contracts payable . . . . .	66,092	110,909	177,001	-
Accrued wages and benefits . . . . .	1,132,193	301,370	1,433,563	536,692
Due to other governments . . . . .	2,573,108	1,185,984	3,759,092	-
Unearned revenue. . . . .	1,648,674	-	1,648,674	2,070,148
Accrued interest payable. . . . .	451,587	150,378	601,965	-
Claims payable. . . . .	366,416	-	366,416	-
Notes payable . . . . .	13,265,000	-	13,265,000	-
Advances. . . . .	-	-	-	83,424
Other . . . . .	-	-	-	162,166
Payable from restricted assets:				
Accounts payable . . . . .	-	-	-	386,675
Deferred revenue . . . . .	-	-	-	183,202
Long-term liabilities:				
Due within one year. . . . .	3,062,431	810,473	3,872,904	-
Due in more than one year . . . . .	30,788,370	10,018,903	40,807,273	-
Total liabilities . . . . .	<u>54,419,166</u>	<u>13,248,892</u>	<u>67,668,058</u>	<u>3,598,461</u>
<b>Net assets:</b>				
Invested in capital assets, net of related debt . . . . .	69,610,269	53,866,528	123,476,797	10,416,038
Restricted for:				
Debt service. . . . .	1,669,938	-	1,669,938	-
Capital projects . . . . .	4,581,063	-	4,581,063	-
Community development . . . . .	5,339,581	-	5,339,581	-
Street repair and maintenance. . . . .	1,030,866	-	1,030,866	-
Public health and welfare . . . . .	114,822	-	114,822	-
Law enforcement . . . . .	670,240	-	670,240	-
Other purposes . . . . .	117,573	-	117,573	-
Capital assets . . . . .	-	-	-	12,267
Unrestricted . . . . .	<u>(11,075,304)</u>	<u>7,683,365</u>	<u>(3,391,939)</u>	<u>218,966</u>
Total net assets. . . . .	<u>\$ 72,059,048</u>	<u>\$ 61,549,893</u>	<u>\$ 133,608,941</u>	<u>\$ 10,647,271</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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**CITY OF YOUNGSTOWN, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2008

	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Governmental Activities:</b>				
General government . . . . .	\$ 13,572,407	\$ 7,598,991	\$ -	\$ 1,305,034
Security of persons and property . . . . .	38,746,989	1,083,342	1,483,607	-
Public health and welfare . . . . .	2,551,934	123,653	1,049,296	-
Transportation . . . . .	9,788,976	209,412	3,112,260	-
Community environment . . . . .	5,274,219	68,060	5,156,755	-
Leisure time activity . . . . .	3,170,502	200,788	-	-
Utility services . . . . .	3,144,131	-	-	-
Interest and fiscal charges . . . . .	2,282,241	-	-	-
Total governmental activities . . . . .	<u>78,531,399</u>	<u>9,284,246</u>	<u>10,801,918</u>	<u>1,305,034</u>
<b>Business-type Activities:</b>				
Sewer . . . . .	15,291,558	17,577,484	-	-
Water . . . . .	21,913,908	22,063,390	-	-
Total business-type activities . . . . .	<u>37,205,466</u>	<u>39,640,874</u>	<u>-</u>	<u>-</u>
Total primary government . . . . .	<u>\$ 115,736,865</u>	<u>\$ 48,925,120</u>	<u>\$ 10,801,918</u>	<u>\$ 1,305,034</u>
<b>Component Unit:</b>				
Western Reserve Transit Authority . . . . .	<u>\$ 6,967,347</u>	<u>\$ 722,940</u>	<u>\$ 1,791,496</u>	<u>\$ 436,098</u>

**General Revenues:**

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

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Unit</b>
\$ (4,668,382)	\$ -	\$ (4,668,382)	\$ -
(36,180,040)	-	(36,180,040)	-
(1,378,985)	-	(1,378,985)	-
(6,467,304)	-	(6,467,304)	-
(49,404)	-	(49,404)	-
(2,969,714)	-	(2,969,714)	-
(3,144,131)	-	(3,144,131)	-
(2,282,241)	-	(2,282,241)	-
<u>(57,140,201)</u>	<u>-</u>	<u>(57,140,201)</u>	<u>-</u>
-	2,285,926	2,285,926	-
-	149,482	149,482	-
-	2,435,408	2,435,408	-
<u>(57,140,201)</u>	<u>2,435,408</u>	<u>(54,704,793)</u>	<u>-</u>
-	-	-	(4,016,813)
2,355,765	-	2,355,765	-
-	-	-	2,592,628
24,656,856	-	24,656,856	-
7,326,057	-	7,326,057	-
9,775,647	-	9,775,647	-
5,103,411	-	5,103,411	-
5,280,469	-	5,280,469	-
318,241	-	318,241	-
112,922	32,428	145,350	21,513
1,242,629	-	1,242,629	-
3,735,398	29,111	3,764,509	180,390
<u>59,907,395</u>	<u>61,539</u>	<u>59,968,934</u>	<u>2,794,531</u>
651,493	(651,493)	-	-
3,418,687	1,845,454	5,264,141	(1,222,282)
68,640,361	59,704,439	128,344,800	11,869,553
<u>\$ 72,059,048</u>	<u>\$ 61,549,893</u>	<u>\$ 133,608,941</u>	<u>\$ 10,647,271</u>

**CITY OF YOUNGSTOWN, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2008

	<u>General</u>	<u>Fire Levy</u>	<u>Police Levy</u>	<u>Community Development</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ -	\$ 67,238	\$ 260,124	\$ 6,943
Cash and cash equivalents with fiscal and escrow agents . . . . .	-	-	-	-
Receivables (net of allowance for uncollectibles):				
Income taxes . . . . .	5,277,404	1,562,801	2,085,151	-
Real and other taxes . . . . .	-	-	-	-
Accounts . . . . .	794,166	-	163	-
Interfund loans . . . . .	-	-	-	-
Special assessments. . . . .	18,992	-	-	-
Due from other governments . . . . .	1,871,944	-	-	3,357,456
Materials and supplies inventory . . . . .	568	21,978	-	-
Notes receivable . . . . .	3,900,000	-	-	814,592
<b>Total assets . . . . .</b>	<u>\$ 11,863,074</u>	<u>\$ 1,652,017</u>	<u>\$ 2,345,438</u>	<u>\$ 4,178,991</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 215,168	\$ 19,245	\$ 48,794	\$ 421,674
Contracts payable . . . . .	-	-	-	-
Accrued wages and benefits . . . . .	239,872	340,634	443,425	17,393
Compensated absences payable. . . . .	2,995	17,541	2,156	-
Interfund loan payable. . . . .	3,027,212	-	-	-
Due to other governments . . . . .	479,928	779,225	978,676	27,009
Deferred revenue. . . . .	4,174,857	853,837	1,139,223	2,615,582
Unearned revenue . . . . .	-	-	-	-
Accrued interest payable. . . . .	-	-	-	-
Notes payable . . . . .	-	-	-	-
<b>Total liabilities. . . . .</b>	<u>8,140,032</u>	<u>2,010,482</u>	<u>2,612,274</u>	<u>3,081,658</u>
<b>Fund Balances:</b>				
Reserved for encumbrances . . . . .	213,825	40,282	205,176	-
Reserved for debt service . . . . .	-	-	-	-
Reserved for materials and supplies inventory . .	568	21,978	-	-
Reserved for notes. . . . .	3,900,000	-	-	814,592
Unreserved, undesignated, reported in:				
General fund . . . . .	(391,351)	-	-	-
Special revenue funds. . . . .	-	(420,725)	(472,012)	282,741
Capital projects funds. . . . .	-	-	-	-
<b>Total fund balances (deficits) . . . . .</b>	<u>3,723,042</u>	<u>(358,465)</u>	<u>(266,836)</u>	<u>1,097,333</u>
<b>Total liabilities and fund balances . . . . .</b>	<u>\$ 11,863,074</u>	<u>\$ 1,652,017</u>	<u>\$ 2,345,438</u>	<u>\$ 4,178,991</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Bond Retirement</b>	<b>Convocation Center Project</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 286,889	\$ -	\$ 3,046,767	\$ 3,667,961
729,625	-	-	729,625
-	-	1,088,762	10,014,118
2,508,792	13,619	-	2,522,411
-	-	-	794,329
-	-	2,092,041	2,092,041
167	-	54,092	73,251
142,142	-	3,279,032	8,650,574
-	-	4,258	26,804
-	-	-	4,714,592
<u>\$ 3,667,615</u>	<u>\$ 13,619</u>	<u>\$ 9,564,952</u>	<u>\$ 33,285,706</u>
\$ 6,800	\$ 3,652	\$ 349,962	\$ 1,065,295
-	8,511	57,581	66,092
-	-	90,869	1,132,193
-	-	6,242	28,934
150,000	144,468	1,797,573	5,119,253
-	-	308,270	2,573,108
1,002,427	-	3,310,447	13,096,373
1,648,674	-	-	1,648,674
-	257,099	2,285	259,384
-	11,900,000	1,365,000	13,265,000
<u>2,807,901</u>	<u>12,313,730</u>	<u>7,288,229</u>	<u>38,254,306</u>
-	1,540	230,419	691,242
859,714	-	-	859,714
-	-	4,258	26,804
-	-	-	4,714,592
-	-	-	(391,351)
-	-	1,221,770	611,774
-	(12,301,651)	820,276	(11,481,375)
<u>859,714</u>	<u>(12,300,111)</u>	<u>2,276,723</u>	<u>(4,968,600)</u>
<u>\$ 3,667,615</u>	<u>\$ 13,619</u>	<u>\$ 9,564,952</u>	<u>\$ 33,285,706</u>

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**CITY OF YOUNGSTOWN, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2008

<b>Total governmental fund balances</b>		\$ (4,968,600)
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		94,584,870
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property taxes receivable	\$ 860,118	
Income taxes receivable	5,471,218	
Special assessments receivable	73,251	
Intergovernmental receivable	<u>6,691,786</u>	
Total		13,096,373
On the statement of net assets interest is accrued on outstanding bonds, notes and loans payable, whereas in governmental funds, interest expenditures are reported when due.		(192,203)
Unamortized premiums on bond issuance are not recognized in the funds.		(153,133)
Unamortized bond issuance costs are not recognized in the funds.		493,922
Unamortized deferred charges on refundings are not recognized in the funds.		591,633
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities are as follows:		
General obligation bonds	(20,960,000)	
HUD Section 108 loans	(3,674,950)	
OPWC loan	(364,289)	
Compensated absences	(8,738,680)	
Capital lease payable	<u>(522,448)</u>	
Total		(34,260,367)
Internal service funds are used by management to charge the costs of workers compensation to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		2,835,494
An internal balance is recorded in governmental activities to reflect underpayments to the internal service fund by the business-type activities.		<u>31,059</u>
<b>Net assets of governmental activities</b>		<u><u>\$ 72,059,048</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF YOUNGSTOWN, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>General</u>	<u>Fire Levy</u>	<u>Police Levy</u>	<u>Community Development</u>
<b>Revenues:</b>				
Income taxes . . . . .	\$ 24,457,996	\$ 7,254,389	\$ 9,679,537	\$ -
Property and other taxes . . . . .	-	-	-	-
Charges for services . . . . .	5,938,537	6,005	12,748	65,272
Licenses and permits . . . . .	658,659	-	-	-
Fines and forfeitures . . . . .	410,784	175	881	-
Intergovernmental . . . . .	4,836,072	496,109	533,836	4,401,824
Investment income . . . . .	75,910	-	-	16,985
Rental income . . . . .	278,772	-	25,614	-
Contributions and donations . . . . .	3,600	1,774	1,500	16,000
Franchise fees . . . . .	745,447	-	-	-
Payment in lieu of taxes . . . . .	-	-	-	-
Other . . . . .	2,956,805	-	5,811	-
Total revenues . . . . .	<u>40,362,582</u>	<u>7,758,452</u>	<u>10,259,927</u>	<u>4,500,081</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	12,875,060	-	-	-
Security of persons and property . . . . .	2,353,526	13,748,277	21,065,967	-
Public health and welfare . . . . .	1,261,549	-	-	-
Transportation . . . . .	-	-	-	-
Community environment . . . . .	726,214	-	-	2,228,354
Leisure time activity . . . . .	81,385	-	-	-
Utility services . . . . .	3,144,131	-	-	-
Capital outlay . . . . .	87,960	108,402	-	-
Debt service:				
Principal retirement . . . . .	11,622	55,001	-	935,000
Interest and fiscal charges . . . . .	1,445	17,617	-	263,564
Total expenditures . . . . .	<u>20,542,892</u>	<u>13,929,297</u>	<u>21,065,967</u>	<u>3,426,918</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>19,819,690</u>	<u>(6,170,845)</u>	<u>(10,806,040)</u>	<u>1,073,163</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets . . . . .	-	277	1,567	5
Sale of easements . . . . .	1,242,629	-	-	-
Capital lease transaction . . . . .	87,960	108,402	-	-
Transfers in . . . . .	266,318	5,817,000	10,580,000	-
Transfers out . . . . .	(20,945,000)	-	-	(1,405,289)
Total other financing sources (uses) . . . . .	<u>(19,348,093)</u>	<u>5,925,679</u>	<u>10,581,567</u>	<u>(1,405,284)</u>
Net change in fund balances . . . . .	471,597	(245,166)	(224,473)	(332,121)
<b>Fund balances (deficits) at beginning of year . . . . .</b>	<u>3,251,445</u>	<u>(113,299)</u>	<u>(42,363)</u>	<u>1,429,454</u>
<b>Fund balances (deficits) at end of year . . . . .</b>	<u>\$ 3,723,042</u>	<u>\$ (358,465)</u>	<u>\$ (266,836)</u>	<u>\$ 1,097,333</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



<b>Bond Retirement</b>	<b>Convocation Center Project</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ 5,053,722	\$ 46,445,644
1,969,953	246,087	-	2,216,040
-	-	435,946	6,458,508
-	-	-	658,659
-	-	353,512	765,352
283,168	-	6,847,344	17,398,353
11,829	719	7,479	112,922
-	-	356,763	661,149
-	-	-	22,874
-	-	-	745,447
318,241	-	-	318,241
218,185	-	550,997	3,731,798
<u>2,801,376</u>	<u>246,806</u>	<u>13,605,763</u>	<u>79,534,987</u>
284,549	-	7,822	13,167,431
-	-	868,714	38,036,484
-	-	1,242,466	2,504,015
-	-	8,269,175	8,269,175
-	-	946,407	3,900,975
-	-	2,758,530	2,839,915
-	-	-	3,144,131
-	530,930	4,254,055	4,981,347
1,326,429	-	-	2,328,052
1,168,085	763,655	60,400	2,274,766
<u>2,779,063</u>	<u>1,294,585</u>	<u>18,407,569</u>	<u>81,446,291</u>
<u>22,313</u>	<u>(1,047,779)</u>	<u>(4,801,806)</u>	<u>(1,911,304)</u>
-	-	22,991	24,840
-	-	-	1,242,629
-	-	-	196,362
90,000	892,000	11,589,365	29,234,683
(127,205)	-	(6,105,696)	(28,583,190)
<u>(37,205)</u>	<u>892,000</u>	<u>5,506,660</u>	<u>2,115,324</u>
(14,892)	(155,779)	704,854	204,020
874,606	(12,144,332)	1,571,869	(5,172,620)
<u>\$ 859,714</u>	<u>\$ (12,300,111)</u>	<u>\$ 2,276,723</u>	<u>\$ (4,968,600)</u>

**CITY OF YOUNGSTOWN, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2008

<b>Net change in fund balances - total governmental funds</b>		\$ 204,020
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.</p>		
Capital asset additions	5,041,520	
Current year depreciation	(4,503,728)	
Total		537,792
<p>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.</p>		
		(39,630)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Delinquent taxes	139,725	
Intergovernmental	(30,213)	
Municipal income taxes	416,327	
Special assessments	(4,862)	
Total		520,977
<p>Capital leases transactions are recorded as revenue in the funds, however, on the statement of activities, they are not reported as revenues as they increase liabilities on the statement of net assets.</p>		
		(196,362)
<p>Repayment of bond, loan, note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
		2,328,052
<p>In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due.</p>		
Accrued interest	34,629	
Bond premium	9,052	
Deferred charges on refunding	(25,864)	
Bond issuance costs	(25,292)	
Total		(7,475)
<p>Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
		294,594
<p>Internal service funds used by management to charge the cost of workers compensation to individual funds is not reported in the expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds, including the internal balance, are allocated among the governmental activities.</p>		
		(223,281)
<b>Change in net assets of governmental activities</b>		<b>\$ 3,418,687</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF YOUNGSTOWN, OHIO**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Income taxes . . . . .	\$ 24,363,542	\$ 26,125,621	\$ 24,506,672	\$ (1,618,949)
Charges for services . . . . .	5,913,100	6,340,761	5,938,636	(402,125)
Licenses and permits . . . . .	655,827	703,259	658,659	(44,600)
Fines and forfeitures . . . . .	460,654	493,970	462,643	(31,327)
Intergovernmental . . . . .	4,870,670	5,222,938	4,891,704	(331,234)
Investment income . . . . .	75,584	81,050	75,910	(5,140)
Rental income . . . . .	277,573	297,649	278,772	(18,877)
Contributions and donations . . . . .	3,585	3,844	3,600	(244)
Franchise fees . . . . .	588,826	631,413	591,369	(40,044)
Other . . . . .	2,920,772	3,132,015	2,933,385	(198,630)
Total revenues . . . . .	<u>40,130,133</u>	<u>43,032,520</u>	<u>40,341,350</u>	<u>(2,691,170)</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	13,563,664	13,386,189	13,074,229	311,960
Security of persons and property . . . . .	2,515,019	2,435,680	2,417,236	18,444
Public health and welfare . . . . .	1,321,949	1,389,128	1,270,552	118,576
Community environment . . . . .	760,153	837,631	730,599	107,032
Basic utility services . . . . .	3,575,349	3,440,816	3,436,341	4,475
Leisure time activity . . . . .	87,641	84,400	84,234	166
Total expenditures . . . . .	<u>21,823,775</u>	<u>21,573,844</u>	<u>21,013,191</u>	<u>560,653</u>
Excess of revenues over expenditures . . . . .	<u>18,306,358</u>	<u>21,458,676</u>	<u>19,328,159</u>	<u>(2,130,517)</u>
<b>Other financing sources (uses):</b>				
Sale of easements . . . . .	1,237,286	1,326,772	1,242,629	(84,143)
Repayment of float loans . . . . .	-	-	3,975,000	3,975,000
Transfers in . . . . .	265,173	284,351	266,318	(18,033)
Transfers out . . . . .	<u>(21,792,275)</u>	<u>(20,915,192)</u>	<u>(20,945,000)</u>	<u>(29,808)</u>
Total other financing sources (uses) . . . . .	<u>(20,289,816)</u>	<u>(19,304,069)</u>	<u>(15,461,053)</u>	<u>3,843,016</u>
Net change in fund balance . . . . .	(1,983,458)	2,154,607	3,867,106	1,712,499
<b>Fund balance (deficit) at beginning of year . . . .</b>	(7,695,215)	(7,695,215)	(7,695,215)	-
<b>Prior year encumbrances appropriated . . . . .</b>	456,185	456,185	456,185	-
<b>Fund balance (deficit) at end of year . . . . .</b>	<u>\$ (9,222,488)</u>	<u>\$ (5,084,423)</u>	<u>\$ (3,371,924)</u>	<u>\$ 1,712,499</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, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Income taxes . . . . .	\$ 7,420,472	\$ 7,228,513	\$ 7,257,175	\$ 28,662
Charges for services . . . . .	12,049	11,738	11,766	28
Fines and forfeitures . . . . .	179	175	175	0
Intergovernmental . . . . .	508,058	494,915	496,109	1,194
Contributions and donations . . . . .	1,817	1,770	1,774	4
Other . . . . .	34	33	33	0
Total revenues . . . . .	<u>7,942,609</u>	<u>7,737,143</u>	<u>7,767,032</u>	<u>29,889</u>
<b>Expenditures:</b>				
Current:				
Security of persons and property . . . . .	<u>14,337,020</u>	<u>13,901,590</u>	<u>13,879,428</u>	<u>22,162</u>
Total expenditures . . . . .	<u>14,337,020</u>	<u>13,901,590</u>	<u>13,879,428</u>	<u>22,162</u>
Deficiency of revenues under expenditures . . . . .	<u>(6,394,411)</u>	<u>(6,164,447)</u>	<u>(6,112,396)</u>	<u>52,051</u>
<b>Other financing sources:</b>				
Sale of capital assets . . . . .	284	276	277	1
Transfers in . . . . .	<u>5,957,107</u>	<u>5,803,004</u>	<u>5,817,000</u>	<u>13,996</u>
Total other financing sources . . . . .	<u>5,957,391</u>	<u>5,803,280</u>	<u>5,817,277</u>	<u>13,997</u>
Net change in fund balance . . . . .	(437,020)	(361,167)	(295,119)	66,048
<b>Fund balance at beginning of year . . . . .</b>	304,517	304,517	304,517	-
<b>Prior year encumbrances appropriated . . . . .</b>	<u>10,559</u>	<u>10,559</u>	<u>10,559</u>	<u>-</u>
<b>Fund balance (deficit) at end of year . . . . .</b>	<u>\$ (121,944)</u>	<u>\$ (46,091)</u>	<u>\$ 19,957</u>	<u>\$ 66,048</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, 2008

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Income taxes. . . . .	\$ 9,886,084	\$ 9,675,627	\$ 9,682,810	\$ 7,183
Charges for services . . . . .	13,036	12,758	12,748	(10)
Fines and forfeitures. . . . .	901	882	881	(1)
Intergovernmental . . . . .	545,888	534,267	533,836	(431)
Contributions and donations. . . . .	1,534	1,501	1,500	(1)
Rental income . . . . .	26,192	25,635	25,614	(21)
Other . . . . .	5,917	5,791	5,786	(5)
Total revenues. . . . .	<u>10,479,551</u>	<u>10,256,461</u>	<u>10,263,175</u>	<u>6,714</u>
<b>Expenditures:</b>				
Current:				
Security of persons and property . . . . .	<u>21,653,678</u>	<u>21,713,430</u>	<u>21,173,824</u>	<u>539,606</u>
Total expenditures . . . . .	<u>21,653,678</u>	<u>21,713,430</u>	<u>21,173,824</u>	<u>539,606</u>
Deficiency of revenues under expenditures . . . . .	<u>(11,174,127)</u>	<u>(11,456,969)</u>	<u>(10,910,649)</u>	<u>546,320</u>
<b>Other financing sources:</b>				
Sale of capital assets . . . . .	1,602	1,568	1,567	(1)
Transfers in . . . . .	<u>10,818,847</u>	<u>10,588,533</u>	<u>10,580,000</u>	<u>(8,533)</u>
Total other financing sources . . . . .	<u>10,820,449</u>	<u>10,590,101</u>	<u>10,581,567</u>	<u>(8,534)</u>
Net change in fund balance . . . . .	(353,678)	(866,868)	(329,082)	537,786
<b>Fund balance at beginning of year . . . . .</b>	337,031	337,031	337,031	-
<b>Prior year encumbrances appropriated. . . . .</b>	<u>41,585</u>	<u>41,585</u>	<u>41,585</u>	<u>-</u>
<b>Fund balance (deficit) at end of year . . . . .</b>	<u>\$ 24,938</u>	<u>\$ (488,252)</u>	<u>\$ 49,534</u>	<u>\$ 537,786</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, 2008

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Charges for services . . . . .	\$ 7,246	\$ 3,361	\$ 65,272	\$ 61,911
Intergovernmental . . . . .	458,831	212,819	4,133,175	3,920,356
Contributions and donations. . . . .	1,776	824	16,000	15,176
Investment income . . . . .	2,147	996	19,336	18,340
Total revenues. . . . .	<u>470,000</u>	<u>218,000</u>	<u>4,233,783</u>	<u>4,015,783</u>
<b>Expenditures:</b>				
Current:				
Community environment . . . . .	1,503,139	4,534,002	1,905,178	2,628,824
Debt service:				
Principal retirement . . . . .	737,692	737,692	935,000	(197,308)
Interest and fiscal charges . . . . .	207,946	207,946	263,564	(55,618)
Total expenditures . . . . .	<u>2,448,777</u>	<u>5,479,640</u>	<u>3,103,742</u>	<u>2,375,898</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(1,978,777)</u>	<u>(5,261,640)</u>	<u>1,130,041</u>	<u>6,391,681</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets . . . . .	-	-	5	5
Repayment of principal on float loans . . . . .	-	-	225,356	225,356
Transfers out . . . . .	(1,108,738)	(1,108,738)	(1,405,289)	(296,551)
Total other financing sources (uses) . . . . .	<u>(1,108,738)</u>	<u>(1,108,738)</u>	<u>(1,179,928)</u>	<u>(71,190)</u>
Net change in fund balance . . . . .	(3,087,515)	(6,370,378)	(49,887)	6,320,491
<b>Fund balance at beginning of year . . . . .</b>	56,034	56,034	56,034	-
<b>Prior year encumbrances appropriated. . . . .</b>	<u>796</u>	<u>796</u>	<u>796</u>	<u>-</u>
<b>Fund balance (deficit) at end of year . . . . .</b>	<u>\$ (3,030,685)</u>	<u>\$ (6,313,548)</u>	<u>\$ 6,943</u>	<u>\$ 6,320,491</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF YOUNGSTOWN, OHIO**

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2008

	<u>Business-type Activities -Enterprise Funds</u>			<b>Governmental</b>
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	<b>Activities - Internal Service Funds</b>
<b>Assets:</b>				
Current assets:				
Equity in pooled cash and cash equivalents . . .	\$ 283,817	\$ 942,877	\$ 1,226,694	\$ 3,201,910
Receivables (net of allowance for uncollectibles):				
Accounts . . . . .	3,641,247	3,146,048	6,787,295	-
Interfund loans receivable . . . . .	3,027,212	-	3,027,212	-
Materials and supplies inventory . . . . .	426,491	394,305	820,796	-
Deferred charges . . . . .	5,846	11,745	17,591	-
Total current assets . . . . .	<u>7,384,613</u>	<u>4,494,975</u>	<u>11,879,588</u>	<u>3,201,910</u>
Noncurrent assets:				
Capital assets:				
Land . . . . .	270,062	75,529	345,591	-
Depreciable capital assets, net . . . . .	41,256,359	21,348,306	62,604,665	-
Total capital assets . . . . .	<u>41,526,421</u>	<u>21,423,835</u>	<u>62,950,256</u>	<u>-</u>
Total noncurrent assets . . . . .	<u>41,526,421</u>	<u>21,423,835</u>	<u>62,950,256</u>	<u>-</u>
Total assets . . . . .	<u>48,911,034</u>	<u>25,918,810</u>	<u>74,829,844</u>	<u>3,201,910</u>
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable . . . . .	529,752	141,123	670,875	-
Contracts payable . . . . .	85,431	25,478	110,909	-
Accrued wages and benefits . . . . .	139,531	161,839	301,370	-
Due to other governments . . . . .	188,582	997,402	1,185,984	-
Claims payable . . . . .	-	-	-	366,416
Current portion of general obligation bonds . . . . .	65,000	140,000	205,000	-
Current portion of OWDA loans . . . . .	217,620	80,308	297,928	-
Current portion of OPWC loan . . . . .	10,019	50,559	60,578	-
Current portion of compensated absences . . . . .	108,097	138,870	246,967	-
Accrued interest payable . . . . .	97,342	53,036	150,378	-
Total current liabilities . . . . .	<u>1,441,374</u>	<u>1,788,615</u>	<u>3,229,989</u>	<u>366,416</u>
Long-term liabilities:				
General obligation bonds . . . . .	114,233	263,507	377,740	-
OWDA loans . . . . .	5,074,223	2,059,623	7,133,846	-
OPWC loan . . . . .	185,335	840,892	1,026,227	-
Compensated absences . . . . .	679,610	801,480	1,481,090	-
Total long-term liabilities . . . . .	<u>6,053,401</u>	<u>3,965,502</u>	<u>10,018,903</u>	<u>-</u>
Total liabilities . . . . .	<u>7,494,775</u>	<u>5,754,117</u>	<u>13,248,892</u>	<u>366,416</u>
<b>Net assets:</b>				
Invested in capital assets, net of related debt.	35,865,837	18,000,691	53,866,528	-
Unrestricted . . . . .	5,550,422	2,164,002	7,714,424	2,835,494
Total net assets . . . . .	<u>\$ 41,416,259</u>	<u>\$ 20,164,693</u>	<u>61,580,952</u>	<u>\$ 2,835,494</u>
Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds.			<u>(31,059)</u>	
Net assets of business-type activities			<u>\$ 61,549,893</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF YOUNGSTOWN, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Business-type Activities - Enterprise Funds</u>			<b>Governmental</b>
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	<b>Activities - Internal Service Funds</b>
<b>Operating revenues:</b>				
Charges for services . . . . .	\$ 17,577,484	\$ 22,063,390	\$ 39,640,874	\$ 182,957
Other . . . . .	-	29,111	29,111	-
Total operating revenues . . . . .	<u>17,577,484</u>	<u>22,092,501</u>	<u>39,669,985</u>	<u>182,957</u>
<b>Operating expenses:</b>				
Personal services . . . . .	6,821,336	7,622,721	14,444,057	-
Contract services . . . . .	4,830,394	3,023,257	7,853,651	-
Materials and supplies . . . . .	1,586,776	10,536,760	12,123,536	-
Other . . . . .	31,350	4,537	35,887	-
Depreciation . . . . .	1,768,215	628,352	2,396,567	-
Claims . . . . .	-	-	-	366,416
Total operating expenses . . . . .	<u>15,038,071</u>	<u>21,815,627</u>	<u>36,853,698</u>	<u>366,416</u>
Operating income (loss) . . . . .	<u>2,539,413</u>	<u>276,874</u>	<u>2,816,287</u>	<u>(183,459)</u>
<b>Nonoperating revenues (expenses):</b>				
Interest revenue . . . . .	15,386	17,042	32,428	-
Interest expense and fiscal charges . . . . .	(224,820)	(139,427)	(364,247)	-
Gain (loss) on disposal of capital assets . . . . .	(43,326)	15,983	(27,343)	-
Total nonoperating revenues (expenses) . . . . .	<u>(252,760)</u>	<u>(106,402)</u>	<u>(359,162)</u>	<u>-</u>
Income (loss) before transfers . . . . .	<u>2,286,653</u>	<u>170,472</u>	<u>2,457,125</u>	<u>(183,459)</u>
Transfers in . . . . .	-	116,803	116,803	-
Transfers out . . . . .	<u>(689,300)</u>	<u>(78,996)</u>	<u>(768,296)</u>	<u>-</u>
Changes in net assets . . . . .	1,597,353	208,279	1,805,632	(183,459)
<b>Net assets at beginning of year . . . . .</b>	<u>39,818,906</u>	<u>19,956,414</u>	<u>59,775,320</u>	<u>3,018,953</u>
<b>Net assets at end of year . . . . .</b>	<u>\$ 41,416,259</u>	<u>\$ 20,164,693</u>	<u>\$ 61,580,952</u>	<u>\$ 2,835,494</u>
Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds.			<u>39,822</u>	
Changes in net assets of business-type activities			<u>\$ 1,845,454</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, 2008

	<u>Business-type Activities - Enterprise Funds</u>			<b>Governmental</b>
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	<b>Activities - Internal Service Fund</b>
<b>Cash flows from operating activities:</b>				
Cash received from customers . . . . .	\$ 17,451,658	\$ 21,968,851	\$ 39,420,509	\$ -
Cash received from other operations. . . . .	-	29,111	29,111	-
Cash payments for personal services . . . . .	(6,805,224)	(7,645,575)	(14,450,799)	-
Cash payments for contract services . . . . .	(5,002,346)	(3,028,256)	(8,030,602)	-
Cash payments for materials and supplies . . . . .	(1,422,400)	(10,311,555)	(11,733,955)	-
Cash payments for other expenses . . . . .	(31,510)	(4,620)	(36,130)	-
Cash payments for other claims . . . . .	-	-	-	(409,878)
Net cash provided by (used in) operating activities. . . . .	<u>4,190,178</u>	<u>1,007,956</u>	<u>5,198,134</u>	<u>(409,878)</u>
<b>Cash flows from noncapital financing activities:</b>				
Cash received from transfers. . . . .	-	116,803	116,803	-
Cash received from other funds . . . . .	5,171,570	2,067,460	7,239,030	-
Cash payments to other funds . . . . .	(3,027,212)	-	(3,027,212)	-
Cash payments for transfers out. . . . .	(689,300)	(78,996)	(768,296)	-
Net cash provided by noncapital financing activities. . . . .	<u>1,455,058</u>	<u>2,105,267</u>	<u>3,560,325</u>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition of capital assets . . . . .	(4,630,271)	(2,411,027)	(7,041,298)	-
Gain on sale of capital assets . . . . .	4,052	17,476	21,528	-
Principal retirement on bonds. . . . .	(60,000)	(140,000)	(200,000)	-
Principal retirement on loans . . . . .	(640,737)	(149,358)	(790,095)	-
Proceeds from loans . . . . .	200,363	66,788	267,151	-
Interest and fiscal charges. . . . .	(250,212)	(126,849)	(377,061)	-
Net cash used in capital and related financing activities . . . . .	<u>(5,376,805)</u>	<u>(2,742,970)</u>	<u>(8,119,775)</u>	<u>-</u>
<b>Cash flows from investing activities:</b>				
Interest received . . . . .	<u>15,386</u>	<u>17,042</u>	<u>32,428</u>	<u>-</u>
Net cash provided by investing activities . . . . .	<u>15,386</u>	<u>17,042</u>	<u>32,428</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents . . . . .	283,817	387,295	671,112	(409,878)
<b>Cash and cash equivalents at beginning of year</b>	-	555,582	555,582	3,611,788
<b>Cash and cash equivalents at end of year . . . . .</b>	<u>\$ 283,817</u>	<u>\$ 942,877</u>	<u>\$ 1,226,694</u>	<u>\$ 3,201,910</u>

-- continued

**CITY OF YOUNGSTOWN, OHIO**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Business-type Activities - Enterprise Funds</u>			<b>Governmental</b>
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	<b>Activities - Internal Service Fund</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
Operating income (loss) . . . . .	\$ 2,539,413	\$ 276,874	\$ 2,816,287	\$ (183,459)
Adjustments:				
Depreciation . . . . .	1,768,215	628,352	2,396,567	-
Changes in assets and liabilities:				
Decrease in materials and supplies inventory . . . . .	211,669	138,230	349,899	-
Increase in accounts receivable . . . . .	(125,826)	(94,539)	(220,365)	-
Decrease in accounts payable. . . . .	(618,510)	(698,922)	(1,317,432)	-
Increase in contracts payable. . . . .	397,952	25,478	423,430	-
Increase in accrued wages and benefits. . . . .	34,162	50,570	84,732	-
Increase (decrease) in due to other governments .	(50,312)	710,590	660,278	-
Increase (decrease) in compensated absences payable. . .	33,415	(28,677)	4,738	-
Decrease in claims payable . . . . .	-	-	-	(226,419)
Net cash provided by (used in) operating activities . . . . .	<u>\$ 4,190,178</u>	<u>\$ 1,007,956</u>	<u>\$ 5,198,134</u>	<u>\$ (409,878)</u>

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

At December 31, 2007, the Sewer fund purchased \$168,749 in capital assets on account.  
 At December 31, 2008, the Sewer fund purchased \$141,084 in capital assets on account.  
 At December 31, 2007, the Water fund purchased \$315,405 in capital assets on account.  
 At December 31, 2008, the Water fund purchased \$13,911 in capital assets on account.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF YOUNGSTOWN, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2008

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 1,388,674
Cash in segregated accounts . . . . .	379,109
Receivables:	
Accounts . . . . .	<u>959,481</u>
Total assets. . . . .	<u>2,727,264</u>
<b>Liabilities:</b>	
Due to other governments . . . . .	2,348,155
Deposits held and due to others . . . . .	<u>379,109</u>
Total liabilities. . . . .	<u>\$ 2,727,264</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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## CITY OF YOUNGSTOWN, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

#### NOTE 1 - DESCRIPTION OF THE CITY

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

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

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

##### A. Reporting Entity

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

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

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's Governing Board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of; or provided financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations which are fiscally dependent on the City in that the City approves the budget, the issuance of debt, or the levying of taxes.

##### *DISCRETELY PRESENTED COMPONENT UNIT*

The component unit columns in the financial statements identify the financial data of the City's component unit, the Western Reserve Transit Authority. It is reported separately to emphasize that it is legally separate from the City.

## CITY OF YOUNGSTOWN, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

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

##### Western Reserve Transit Authority

The Western Reserve Transit Authority (WRTA) is a legally separate entity created pursuant to Sections 306.30 through 306.71 of the Ohio Revised Code for the purpose of providing public transportation in the greater Youngstown area. The five-member Board of Trustees is appointed by the City (four by the Mayor and one by City Council). Potential exists for the City to subsidize operating expenses, although this has not occurred. Based on the potential for the WRTA to impose financial burdens on the City, the WRTA is reflected as a component unit of the City. Separately issued financial statements can be obtained from the Western Reserve Transit Authority, 604 Mahoning Avenue, Youngstown, Ohio 44446.

##### *JOINTLY GOVERNED ORGANIZATIONS*

##### Mahoning County Drug Task Force

The City's police department participates in the Mahoning County Drug Task Force (the "Force") which is jointly governed by its thirteen participants: nine local police departments and four federal law enforcement agencies. Each participant has one representative on the Board of Control. Each participant's control over the operation of the Force is limited to its representation on the Board. The Force uses the talents and resources of the participants to combat the trafficking of illicit narcotics. Continued existence of the Force is not dependent on the City's continued participation. Funding is provided by the Governor's Office of Criminal Justice Services and forfeitures and fines. None of the participants made financial contributions in 2008. Financial information can be obtained from the Mahoning County Drug Task Force, 26 South Phelps Street, Youngstown, Ohio 44503.

##### Eastgate Regional Council of Governments

The Eastgate Regional Council of Governments (ERCG) 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 ERCG is limited to its representation on the Board. ERCG develops and reviews plans for regional growth and development and aids in coordinating plans among local governments. Continued existence of ERCG is not dependent on the City's continued participation. In 2008, the City contributed \$35,320. Complete financial statements can be obtained from the Eastgate Regional Council of Governments, City Center One Bldg., 100 East Federal Street, Suite 100, 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, 2008

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

##### Metropolitan Fire Investigation Unit

The Metropolitan Fire Investigation Unit (MFIU) is a jointly governed organization among eight local governments. The Board of Governors is comprised of one representative from each participating government. The MFIU was created to investigate major fires and explosions of unknown or suspicious cause and to aid in the prosecution of those persons or groups responsible. Each participant's control over the operation of MFIU is limited to its representation on the Board. Continued existence of MFIU is not dependent on the City's continued participation. The City does not make any financial contributions of MFIU. Funding is received through insurance companies and donations. Financial information can be obtained from the Metropolitan Fire Investigation Unit, 3025 South Avenue, Youngstown, Ohio 44502.

##### Regional Council of Governments

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

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

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

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

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

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

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

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

## CITY OF YOUNGSTOWN, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

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

The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental functions are self-financing or draw from the general revenues of the City.

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

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

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

#### C. Fund Accounting

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

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

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

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

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

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

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

Convocation center project - This fund accounts for the acquisition and construction of the new convocation center.

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



## CITY OF YOUNGSTOWN, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

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

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

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

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

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

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

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

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

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

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

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

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

**E. Basis of Accounting**

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

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

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

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

**Unearned Revenue and Deferred Revenue** - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2008, but which were levied to finance year 2009 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as unearned revenue. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2008, are recorded as deferred revenue in the governmental funds.

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

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

## CITY OF YOUNGSTOWN, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

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

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 2008.

**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.

## CITY OF YOUNGSTOWN, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

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

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 2008, investments were limited to an investment in a U.S. Treasury note. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2008 amounted to \$75,910, of which \$68,844 was assigned from other City funds.

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

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

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

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

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

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

Inventory consists of expendable supplies held for consumption.

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

**I. Capital Assets**

*Primary Government*

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$1,000. The City's infrastructure consists of traffic signals, sidewalks, bridges, culverts, storm sewers, streets, and water, and sewer lines. Governmental activities infrastructure consisting of traffic signals, sidewalks and streets were reported retroactively back to 1980 and governmental activities infrastructure consisting of bridges and culverts were reported retroactively back to 1919. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

Interest is capitalized on proprietary fund assets acquired with tax exempt borrowing. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of borrowing until completion of the project with interest earned on invested proceeds over the same period. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. For 2008, there were no capitalized interest costs incurred on construction projects in the proprietary funds.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-type Activities Estimated Lives</u>
Buildings	50	50
Improvements other than buildings	20	20
Machinery and equipment	5 - 30	5 - 30
Vehicles	8	8
Infrastructure	15 - 65	65

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

***Component Unit***

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

	<u>Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	20 - 40 years
Transportation equipment	5 - 15 years
Other equipment	3 - 15 years

**J. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability for the City using the vesting method. A liability is accrued for thirty-five percent of accumulated unused sick leave for all employees since the employees are entitled to that amount if they leave the City's employment for any reason. This item is discussed further in Note 16 to the BFS.

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

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

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

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences 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, 2008**

**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 assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**M. Interfund Activity**

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

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

**N. Fund Balance Reserves**

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

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

**O. Estimates**

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

**P. Contributions of Capital**

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

**Q. Net Assets**

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

## CITY OF YOUNGSTOWN, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

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

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

##### **R. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water, 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, 2008.

#### NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

##### **A. Change in Accounting Principles**

For 2008, the City has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations" and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the City; however, certain disclosures related to postemployment benefits (see Note 19) have been modified to conform to the new reporting requirements.

GASB Statement No. 49 establishes the enhancement of the usefulness and comparability of pollution remediation obligations. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the City.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the City.



**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

**B. Deficit Fund Balances**

Fund balances at December 31, 2008 included the following individual fund deficits:

<u>Fund</u>	<u>Deficit</u>
<u>Major funds:</u>	
Fire levy	\$ 358,465
Police levy	266,836
Convocation center project	12,300,111
<u>Nonmajor funds:</u>	
Parks and recreation	22,513
Demolition	212
Industrial property	3,131,082
Ashford commons	251

All funds, except for the convocation center project fund and the industrial property nonmajor capital projects fund (see Note 2.C. for detail), complied with Ohio State law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

**C. Compliance**

The City had a negative cash fund balance in the general fund, convocation center project fund, and industrial property nonmajor capital projects fund at December 31, 2008, indicating that revenue from other sources were used to pay obligations of these funds contrary to Ohio Revised Code Section 5705.10. For GAAP purposes, the negative amounts have been reported as a fund liability in the funds (see Note 5.B).

**NOTE 4 - DEPOSITS AND INVESTMENTS**

**A. Primary Government**

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

## CITY OF YOUNGSTOWN, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or 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 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; and,
6. The State Treasurer's investment pool (STAR Ohio).

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

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

#### **Deposits with Financial Institutions**

At December 31, 2008, the carrying amount of all City deposits was \$9,864,806. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2008, \$9,785,553 of the City's bank balance of \$10,550,043 was exposed to custodial risk as discussed below, while \$751,250 was covered by the Federal Deposit Insurance Corporation.

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

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

**Investments**

As of December 31, 2008, the City had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
U.S. Treasury note	\$ 729,167	\$ 729,167
Total	<u>\$ 729,167</u>	<u>\$ 729,167</u>

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

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

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

*Concentration of Credit Risk:* The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2008:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
U.S. Treasury note	\$ 729,167	100.00
Total	<u>\$ 729,167</u>	<u>100.00</u>

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of December 31, 2008:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 9,864,806
Investments	<u>729,167</u>
Total	<u>\$ 10,593,973</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 7,599,496
Business type activities	1,226,694
Agency funds	<u>1,767,783</u>
Total	<u>\$ 10,593,973</u>

**B. Component Unit**

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

Public depositories must give security for all public funds on deposits. These institutions may either specifically collateralize individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities valued at least 110 percent of the total value of public monies on deposit at the institution, or may deposit surety company bonds which when executed shall be for an amount in excess of collateral requirements.

Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and must mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by 2 percent and be marked to market daily. State law does not require security for public deposits and investments to be maintained in the Authority's name.

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

At December 31, 2008, the carrying amount of WRTA's deposits was \$981,235. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2008, \$729,963 of the WRTA's bank balance of \$979,963 was exposed to custodial risk as discussed below, while \$250,000 was covered by Federal Deposit Insurance Corporation.

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

Custodial credit risk is the risk that, in the event of bank failure, the WRTA'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 WRTA.

The deposit and investment balances at December 31, 2008 are included in the accompanying balance sheet under the following captions:

Current assets - cash and cash equivalents	\$ 776,417
Restricted assets - cash and cash equivalents	<u>204,818</u>
Total	<u>\$ 981,235</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A.** Interfund transfers for the year ended December 31, 2008, consisted of the following, as reported in the fund financial statements:

Transfers to general fund from:	
Community development	\$ 209,388
Nonmajor Governmental	<u>56,930</u>
Total	<u>266,318</u>
Transfers to fire levy from:	
General	5,687,000
Community development	<u>130,000</u>
Total	<u>5,817,000</u>
Transfers to police levy from:	
General	<u>10,580,000</u>
Total	<u>10,580,000</u>
Transfers to bond retirement from:	
General	<u>90,000</u>
Total	<u>90,000</u>
Transfers to convocation center project from:	
Nonmajor governmental	<u>892,000</u>
Total	<u>892,000</u>
Transfers to water fund from:	
Nonmajor governmental	<u>116,803</u>
Total	<u>116,803</u>

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

Transfers to nonmajor governmental from:	
General	\$ 4,588,000
Community development	1,065,901
Bond retirement	127,205
Sewer	689,300
Water	78,996
Nonmajor governmental	<u>5,039,963</u>
Total	<u>11,589,365</u>
Grand Total	<u>\$ 29,351,486</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Transfers amounting to \$120,680 from the bond retirement fund to the industrial property nonmajor capital projects fund and \$6,525 from the bond retirement fund to the Ashford Commons nonmajor capital projects fund are required to transfer debt payments to the funds which report the liabilities.

- B.** Interfund loans consisted of the following at December 31, 2008, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Sewer	General fund	\$ 3,027,212
Nonmajor governmental funds	Bond retirement fund	150,000
Nonmajor governmental funds	Convocation center project fund	144,468
Nonmajor governmental funds	Nonmajor governmental funds	1,797,573

All interfund loans are expected to be repaid within the next year.

**NOTE 6 - INCOME TAXES**

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

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

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

## CITY OF YOUNGSTOWN, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

#### NOTE 6 - INCOME TAXES - (Continued)

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

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

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

#### NOTE 7 - PROPERTY TAXES

##### A. Primary Government

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2008 public utility property taxes became a lien December 31, 2007, are levied after October 1, 2008, and are collected in 2009 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in 2008 (other than public utility property) represent the collection of 2008 taxes. Tangible personal property taxes received in 2008 were levied after October 1, 2007, on the true value as of December 31, 2007. Tangible personal property tax is being phased out - the assessment percentage for property, including inventory, is 6.25% for 2008. This percentage will be reduced to zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2008-2010, the City will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Youngstown. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2008 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 2008 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue.

The full tax rate for all City operations for the year ended December 31, 2008 was \$3.70 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2008 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 334,417,700
Commercial/industrial/mineral	163,423,120
Tangible personal property	26,853,253
<u>Public utility</u>	
Real	1,127,120
Personal	<u>41,712,270</u>
Total assessed value	<u>\$ 567,533,463</u>

**B. Component Unit**

The WRTA is subsidized by property tax levies passed by the voters of the City. Property taxes of 1 mill was levied in 2002 and 4 mills levies passed in 2005 that expire as follows: 2 mills in 2009, 1 mill in 2010, and 2 mills in 2015. Property tax revenue can be used for operating or capital purposes.

Property taxes include amounts levied against all real, public utility, and tangible (used in business) property located in the WRTA's operating district. WRTA receives cash from tax levies when the related property tax collections are distributed by the Mahoning County Auditor's office. These distributions are generally received in the year following that for which the tax is levied. Real property and tangible personal property taxes collected during fiscal year 2008 had a lien and levy date of December 2007. WRTA will continue to collect all 5 mills property tax in 2009, with a lien and levy date of December 2008. WRTA will no longer collect levy property taxes after December 2008.

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



**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 8 - SALES AND USE TAXES**

**Component Unit**

A sales and use tax issue passed by the voters of Mahoning County on November 4, 2008 will be effective April 1, 2009 for five years ending March 31, 2014. In 2009 and thereafter, WRTA will be subsidized by a ¼% sales and use tax levy. Sales and use tax revenue can be used for operating or capital purposes.

**NOTE 9 - SPECIAL ASSESSMENTS**

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

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

**NOTE 10 - RECEIVABLES**

**A. Primary Government**

Receivables at December 31, 2008, consisted of taxes, accounts (billings for user charged services), special assessments and intergovernmental receivables arising from grants, entitlements and shared revenue. All intergovernmental receivables have been classified as "due from other governments" on the BFS. Receivables have been recorded to the extent that they are measurable at December 31, 2008. A summary of the principal items of receivables reported on the statement of net assets follows:

**Governmental activities:**

Income taxes	\$ 10,014,118
Real and other taxes	2,522,411
Accounts	794,329
Notes	4,714,592
Special assessments	73,251
Due from other governments	8,650,574

**Business-type activities:**

Accounts - gross	8,987,944
Less - allowance for uncollectibles	<u>(2,200,649)</u>
Net accounts receivable	<u>\$ 6,787,295</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.

**CITY OF YOUNGSTOWN, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE 10 – RECEIVABLES – (Continued)**

**B. Component Unit**

Receivables at December 31, 2008, consisted of taxes, accounts, and intergovernmental receivables arising from operating, capital, and planning grants. All receivables are considered fully collectible. A summary of the principal items of receivable reported on the statement of net assets follows:

Real and other taxes	\$ 2,070,148
Accounts	28,872
Due from other governments	214,727

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**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 11 - CAPITAL ASSETS**

**A. Primary Government**

Capital asset activity for the year ended December 31, 2008, for governmental activities was as follows:

<b><u>Governmental activities:</u></b>	<u>Balance</u> 01/01/08	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> 12/31/08
<i>Capital assets, not being depreciated:</i>				
Land	\$ 5,924,063	\$ 307,787	\$ (8,904)	\$ 6,222,946
Construction progress	<u>1,017,713</u>	<u>655,868</u>	<u>(1,017,713)</u>	<u>655,868</u>
Total capital assets, not being depreciated	<u>6,941,776</u>	<u>963,655</u>	<u>(1,026,617)</u>	<u>6,878,814</u>
<i>Capital assets, being depreciated:</i>				
Buildings	45,783,610	96,570	-	45,880,180
Improvements other than buildings	4,931,860	6,372	-	4,938,232
Machinery and equipment	14,551,811	564,639	(222,786)	14,893,664
Vehicles	9,785,379	824,689	(136,327)	10,473,741
Infrastructure	<u>49,404,555</u>	<u>3,603,308</u>	<u>-</u>	<u>53,007,863</u>
Total capital assets, being depreciated	<u>124,457,215</u>	<u>5,095,578</u>	<u>(359,113)</u>	<u>129,193,680</u>
<i>Less: accumulated depreciation:</i>				
Buildings	(7,435,579)	(648,767)	-	(8,084,346)
Improvements other than buildings	(1,638,335)	(944,901)	-	(2,583,236)
Machinery and equipment	(7,336,162)	(1,051,538)	197,825	(8,189,875)
Vehicles	(7,606,529)	(621,675)	130,562	(8,097,642)
Infrastructure	<u>(13,295,678)</u>	<u>(1,236,847)</u>	<u>-</u>	<u>(14,532,525)</u>
Total accumulated depreciation	<u>(37,312,283)</u>	<u>(4,503,728)</u>	<u>328,387</u>	<u>(41,487,624)</u>
Total capital assets, being depreciated, net	<u>87,144,932</u>	<u>591,850</u>	<u>(30,726)</u>	<u>87,706,056</u>
Governmental activities capital assets, net	<u>\$ 94,086,708</u>	<u>\$ 1,555,505</u>	<u>\$ (1,057,343)</u>	<u>\$ 94,584,870</u>

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 11 - CAPITAL ASSETS - (Continued)**

Certain capital asset balances and accumulated depreciation balances at the beginning of the year were restated to properly report the balances within the proper classifications. The restatement had no effect on net assets reported at December 31, 2007. Capital asset activity for the year ended December 31, 2008, for business-type activities was as follows:

<b><u>Business-Type Activities</u></b>	<u>Balance</u> 01/01/08	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> 12/31/08
<i>Capital assets, not being depreciated:</i>				
Land	\$ 343,091	\$ 2,500	\$ -	\$ 345,591
Construction progress	<u>352,992</u>	<u>-</u>	<u>(352,992)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>696,083</u>	<u>2,500</u>	<u>(352,992)</u>	<u>345,591</u>
<i>Capital assets, being depreciated:</i>				
Buildings	42,453,478	337,275	(7,163)	42,783,590
Improvements other than buildings	2,289,418	92,554	-	2,381,972
Machinery and equipment	25,609,725	1,273,576	(175,904)	26,707,397
Vehicles	3,919,274	275,828	(158,326)	4,036,776
Infrastructure	<u>39,890,395</u>	<u>5,083,398</u>	<u>(6,377)</u>	<u>44,967,416</u>
Total capital assets, being depreciated	<u>114,162,290</u>	<u>7,062,631</u>	<u>(347,770)</u>	<u>120,877,151</u>
<i>Less: accumulated depreciation:</i>				
Buildings	(16,988,276)	(865,592)	5,241	(17,848,627)
Improvements other than buildings	(2,057,900)	(19,421)	-	(2,077,321)
Machinery and equipment	(20,825,614)	(615,659)	134,588	(21,306,685)
Vehicles	(2,775,663)	(282,567)	158,326	(2,899,904)
Infrastructure	<u>(13,527,365)</u>	<u>(613,328)</u>	<u>744</u>	<u>(14,139,949)</u>
Total accumulated depreciation	<u>(56,174,818)</u>	<u>(2,396,567)</u>	<u>298,899</u>	<u>(58,272,486)</u>
Total capital assets, being depreciated, net	<u>57,987,472</u>	<u>4,666,064</u>	<u>(48,871)</u>	<u>62,604,665</u>
Business-type activities capital assets, net	<u>\$ 58,683,555</u>	<u>\$ 4,668,564</u>	<u>\$ (401,863)</u>	<u>\$ 62,950,256</u>

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 11 - CAPITAL ASSETS - (Continued)**

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

**Governmental activities:**

General government	\$ 457,486
Security of persons and property	644,660
Public health and welfare	56,209
Transportation	1,558,775
Leisure time activity	1,490,200
Community environment	<u>296,398</u>
 Total depreciation expense - governmental activities	 <u>\$ 4,503,728</u>

**Business-type activities:**

Sewer	\$ 1,768,215
Water	<u>628,352</u>
 Total depreciation expense - business-type activities	 <u>\$ 2,396,567</u>

**B. Component Unit**

Capital asset activity of the WRTA as of December 31, 2008 was as follows:

Description	Balance 12/31/07	Additions	Disposals	Balance 12/31/08
<i>Capital assets, not being depreciated:</i>				
Land	<u>\$ 970,833</u>	<u>\$ 42,303</u>	<u>\$ -</u>	<u>\$ 1,013,136</u>
Total capital assets, not being depreciated	<u>970,833</u>	<u>42,303</u>	<u>-</u>	<u>1,013,136</u>
<i>Capital assets, being depreciated:</i>				
Building and building improvements	8,254,486	14,400	-	8,268,886
Transportation equipment	14,941,185	468,211	-	15,409,396
Other equipment	1,482,355	9,179	(12,054)	1,479,480
Total capital assets, being depreciated	<u>24,678,026</u>	<u>491,790</u>	<u>(12,054)</u>	<u>25,157,762</u>
<i>Less: accumulated depreciation:</i>				
Building and building improvements	(4,737,232)	(410,155)	-	(5,147,387)
Transportation equipment	(8,276,923)	(1,203,551)	-	(9,480,474)
Other equipment	(1,090,203)	(48,850)	12,054	(1,126,999)
Total accumulated depreciation	<u>(14,104,358)</u>	<u>(1,662,556)</u>	<u>12,054</u>	<u>(15,754,860)</u>
Total capital assets, being depreciated, net	<u>10,573,668</u>	<u>(1,170,766)</u>	<u>-</u>	<u>9,402,902</u>
Total capital assets, net	<u>\$ 11,544,501</u>	<u>\$ (1,128,463)</u>	<u>\$ -</u>	<u>\$ 10,416,038</u>

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 12 - INDUSTRIAL DEVELOPMENT REVENUE BONDS**

In 1993, the City issued industrial development revenue bonds in the principal amount of \$5,550,000 on behalf of a private corporation, Ameritech (formerly Ohio Bell). The City is not obligated in any way to pay debt charges on the bonds from any of its funds, and therefore, they have been excluded entirely from the City's debt presentation. There has not been and is not any condition of default under the bonds or the related financing documents. The bonds are secured by resources provided to a trustee through a lease with Ameritech on whose behalf they were issued. The industrial revenue bonds matured during 2008.

**NOTE 13 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

During 2008, the City entered into capitalized leases for equipment and a fire truck. During prior years, the City entered into capitalized leases for equipment and two fire trucks. These lease agreements meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined BFS for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General capital assets consisting of equipment and vehicles have been capitalized in the statement of net assets in the amount of \$137,084 and \$532,586, respectively. These amounts represent the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the statement of net assets. Principal payments in 2008 totaled \$11,622 paid by the general fund and \$55,001 paid by the fire levy fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2008:

<u>Year Ended</u> <u>December 31,</u>	<u>Amount</u>
2009	\$ 103,136
2010	153,101
2011	152,150
2012	93,032
2013	<u>91,331</u>
Total	592,750
Less: amount representing interest	<u>(70,302)</u>
Present value of net minimum lease payments	<u>\$ 522,448</u>

**CITY OF YOUNGSTOWN, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE 14 - LONG-TERM OBLIGATIONS**

During 2008, the following changes occurred in governmental activities long-term obligations:

<b>Governmental activities:</b>	<u>Interest Rate</u>	<u>Balance at 12/31/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 12/31/08</u>	<u>Due in One Year</u>
<u>General Obligation Bonds</u>						
1998 Refunding bonds	3.10-5.10%	\$ 2,620,000	\$ -	\$ (600,000)	\$ 2,020,000	\$ 635,000
2000 Pension refunding bonds	4.40-6.00%	1,890,000	-	(200,000)	1,690,000	200,000
2005 Various purpose refunding bonds	3.00-4.375%	9,265,000	-	(375,000)	8,890,000	390,000
2006 Pension refunding bonds	3.65-4.25%	8,370,000	-	(10,000)	8,360,000	15,000
Total General obligation bonds		<u>22,145,000</u>	<u>-</u>	<u>(1,185,000)</u>	<u>20,960,000</u>	<u>1,240,000</u>
<u>Industrial Development Revenue Bonds</u>						
1993 Ohio Bell project	6.00%	120,000	-	(120,000)	-	-
Total industrial development revenue bonds		<u>120,000</u>	<u>-</u>	<u>(120,000)</u>	<u>-</u>	<u>-</u>
<u>HUD Section 108 Loans</u>						
Exal project	6.52%	500,000	-	(500,000)	-	-
Youngstown CIC	6.84-9.03%	1,260,000	-	(165,000)	1,095,000	175,000
Youngstown CIC #2	6.13%	864,950	-	(100,000)	764,950	110,000
Housing rehab Section 108	6.84-9.03%	650,000	-	(50,000)	600,000	50,000
Youngstown mini-loan	6.84-9.03%	1,335,000	-	(120,000)	1,215,000	130,000
Total HUD Section 108		<u>4,609,950</u>	<u>-</u>	<u>(935,000)</u>	<u>3,674,950</u>	<u>465,000</u>
<u>Other Long-Term Obligations</u>						
OPWC loan	0.00%	385,718	-	(21,429)	364,289	21,429
Capital lease obligation		392,709	196,362	(66,623)	522,448	82,969
Compensated absences		9,142,644	-	(375,030)	8,767,614	1,253,033
Total other long-term obligations		<u>9,921,071</u>	<u>196,362</u>	<u>(463,082)</u>	<u>9,654,351</u>	<u>1,357,431</u>
Total governmental activities						
long-term obligations		<u>36,796,021</u>	<u>\$ 196,362</u>	<u>\$ (2,703,082)</u>	<u>34,289,301</u>	<u>\$ 3,062,431</u>
Add: Unamortized premium on bond issue		162,185			153,133	
Less: Unamortized deferred charges on refundings		<u>(617,497)</u>			<u>(591,633)</u>	
Total reported on statement of net assets		<u>\$ 36,340,709</u>			<u>\$ 33,850,801</u>	

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)**

During 2008, the following changes occurred in business-type activities long-term obligations:

<b>Business-type activities:</b>	<u>Interest Rate</u>	<u>Balance at 12/31/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 12/31/08</u>	<u>Amounts Due in One Year</u>
<u>General obligation bonds</u>						
1998 refunding water bonds	3.10-5.10%	\$ 575,000	\$ -	\$ (140,000)	\$ 435,000	\$ 140,000
1998 refunding sewer bonds	3.10-5.10%	255,000	-	(60,000)	195,000	65,000
Total general obligation bonds		<u>830,000</u>	<u>-</u>	<u>(200,000)</u>	<u>630,000</u>	<u>205,000</u>
<u>OWDA loans</u>						
Wastewater treatment plant Improvement - phase III	8.97%	426,158	-	(426,158)	-	-
Orchard Meadow overflow elimination	3.81%	4,135,321	-	(157,455)	3,977,866	163,511
Pump station improvements	3.79%	1,366,092	-	(52,115)	1,313,977	54,109
Waterline replacement	4.48%	163,458	-	(6,589)	156,869	6,888
Elevated storage tanks	4.48%	1,848,549	-	(63,415)	1,785,134	66,288
Waterline construction	5.56%	204,784	-	(6,856)	197,928	7,132
Total OWDA loans		<u>8,144,362</u>	<u>-</u>	<u>(712,588)</u>	<u>7,431,774</u>	<u>297,928</u>
<u>Other long-term obligations</u>						
OPWC loans		897,161	267,151	(77,507)	1,086,805	60,578
Compensated absences		1,723,319	4,738	-	1,728,057	246,967
Total other long-term obligations		<u>2,620,480</u>	<u>271,889</u>	<u>(77,507)</u>	<u>2,814,862</u>	<u>307,545</u>
Total business-type activities long-term obligations		<u>11,594,842</u>	<u>\$ 271,889</u>	<u>\$ (990,095)</u>	<u>10,876,636</u>	<u>\$ 810,473</u>
Add: Unamortized premium on bond issues		10,300			8,274	
Less: Unamortized deferred changes on refundings		<u>(69,135)</u>			<u>(55,534)</u>	
Total reported on the statement of net assets		<u>\$ 11,536,007</u>			<u>\$ 10,829,376</u>	



**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)**

Principal and interest requirements to retire the governmental activities long-term debt obligations outstanding at December 31, 2008, are as follows:

Year Ended December 31,	General Obligation Bonds Payable		
	Principal	Interest	Total
2009	\$ 1,240,000	\$ 1,347,892	\$ 2,587,892
2010	1,310,000	1,291,162	2,601,162
2011	1,365,000	1,229,257	2,594,257
2012	1,075,000	1,162,135	2,237,135
2013	1,130,000	1,114,105	2,244,105
2014 - 2018	4,740,000	3,561,069	8,301,069
2019 - 2023	4,935,000	1,691,874	6,626,874
2024 - 2028	3,215,000	805,611	4,020,611
2029 - 2031	1,950,000	168,088	2,118,088
Total	<u>\$ 20,960,000</u>	<u>\$ 12,371,193</u>	<u>\$ 33,331,193</u>

Year Ended December 31,	HUD Section 108 Loans Payable			OPWC Loan Payable		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 465,000	\$ 267,916	\$ 732,916	\$ 21,429	\$ -	\$ 21,429
2010	495,000	234,665	729,665	21,429	-	21,429
2011	535,000	198,655	733,655	21,428	-	21,428
2012	600,000	159,254	759,254	21,429	-	21,429
2013	460,000	113,194	573,194	21,429	-	21,429
2014 - 2018	1,019,950	180,961	1,200,911	107,144	-	107,144
2019 - 2023	100,000	7,958	107,958	107,144	-	107,144
2024 - 2025	-	-	-	42,857	-	42,857
Total	<u>\$ 3,674,950</u>	<u>\$ 1,162,603</u>	<u>\$ 4,837,553</u>	<u>\$ 364,289</u>	<u>\$ -</u>	<u>\$ 364,289</u>

Principal and interest requirements to retire the business-type activities long-term debt obligations outstanding at December 31, 2008, are as follows:

Year Ended December 31,	General Obligation Bonds Payable			OWDA Loans Payable		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 205,000	\$ 32,130	\$ 237,130	\$ 297,928	\$ 293,323	\$ 591,251
2010	205,000	21,675	226,675	309,889	281,360	591,249
2011	220,000	11,220	231,220	322,334	268,916	591,250
2012	-	-	-	335,279	255,971	591,250
2013	-	-	-	348,749	242,501	591,250
2014 - 2018	-	-	-	1,965,636	990,618	2,956,254
2019 - 2023	-	-	-	2,394,103	562,148	2,956,251
2024 - 2027	-	-	-	1,457,856	94,710	1,552,566
Total	<u>\$ 630,000</u>	<u>\$ 65,025</u>	<u>\$ 695,025</u>	<u>\$ 7,431,774</u>	<u>\$ 2,989,547</u>	<u>\$ 10,421,321</u>

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)**

Year Ended December 31,	<u>OPWC Loans Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 60,578	\$ -	\$ 60,578
2010	60,576	-	60,576
2011	60,577	-	60,577
2012	60,576	-	60,576
2013	60,577	-	60,577
2014 - 2018	302,882	-	302,882
2019 - 2023	302,882	-	302,882
2024 - 2026	<u>178,157</u>	<u>-</u>	<u>178,157</u>
Total	<u>\$ 1,086,805</u>	<u>\$ -</u>	<u>\$ 1,086,805</u>

As of December 31, 2008, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$43,853,438 and unvoted legal debt margin was \$33,499,570.

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

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

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

The City has entered into 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, 2008, the City has outstanding borrowings of \$10,421,321 in the business-type activities. The loan agreements require semi-annual payments and are paid from the sewer and water funds

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.

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)**

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

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.

**NOTE 15 - SHORT TERM DEBT**

Note activity during 2008 consisted of the following:

	<u>Interest</u> <u>Rate</u>	<u>Balance at</u> <u>12/31/2007</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance at</u> <u>12/31/08</u>
<u>General obligation notes</u>					
Taxable street improvements	4.35%	\$ 1,430,000	\$ -	\$ (1,430,000)	\$ -
Taxable street improvements	2.35%	-	1,365,000	-	1,365,000
Taxable convocation center	6.88%	11,900,000	-	(11,900,000)	-
Taxable convocation center	6.74%	-	11,900,000	-	11,900,000
<b>Total</b>		<u>\$ 13,330,000</u>	<u>\$ 13,265,000</u>	<u>\$ (13,330,000)</u>	<u>\$ 13,265,000</u>

By Ohio law, notes can be issued in anticipation of bond proceeds, special assessment bond proceeds and levies, or for up to 50 percent of anticipated revenue collections. There are also limitations on the number of times notes can be renewed. All notes outstanding at year end are bond anticipation notes. The notes will be refinanced until the projects are complete and the City determines it to be advantageous to issue bonds. The taxable street improvements notes were issued on December 5, 2008 and mature on December 4, 2009. The taxable convocation center notes were issued on September 5, 2008 and mature on September 4, 2009. The note liabilities are reflected in the funds which received the proceeds.

**NOTE 16 - RISK MANAGEMENT**

**A. Primary Government**

For calendar year 2008, the City solicited proposals and contracted for a package of municipal liability and property insurance through Jackson, Dieken and Associates at an annual premium of \$450,352.

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

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 16 - RISK MANAGEMENT - (Continued)**

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 2008, the City paid deductibles to Midwest Claims in the amount of \$151,379.

In 2008, the City paid premiums to the State Fund for Workers' Compensation for calendar year 2008 in the amount of approximately \$1,059,484 under a Retrospective Rating Plan. The City reimbursed the Bureau of Workers Compensation for actual medical costs and compensation paid to injured workers in the amount of \$592,835 under the Retrospective Rating Plan.

**B. Component Unit**

WRTA is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, flood and earthquake, errors, and omissions, employment related matters, injuries to employees and employee theft and fraud. Effective December 31, 1994, the Authority commenced participation in the Ohio Transit Insurance Pool Association, Inc. ("OTIP"), related to its risk of property and casualty loss. Under this plan, the Authority receives property and casualty loss coverage in exchange for premiums paid. OTIP self-insures the first \$250,000 of any qualified property loss and the first \$1,000,000 of any qualified casualty loss subject to a \$1,000 per loss deductible. Per occurrence, excess insurance coverage is maintained by OTIP equal to approximately \$200,000,000 for qualified property losses and \$7,500,000 for qualified casualty losses. Any underfunding of the plan's liabilities is shared pro-rata by the members based on pool contribution factors comprised of: population, full-time employees, vehicles, property values, budget, claims history times two and net operating expenses.

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

**NOTE 17 - EMPLOYEE BENEFITS**

**A. Life/Health Insurance**

During 2008, the City provided health insurance benefits to its employees through Anthem Insurance. In 2008, management and non-management employees were enrolled in an Anthem Health II Plan. Medical/surgical benefits were provided under a PPO Plan (Blue Access) with no deductibles and co-pays of \$10 per office visit and \$50 for emergency room visits within a network of providers. Services outside the network of providers were reimbursed at 80% of the usual and customary fee by Anthem after the employee met a deductible of \$300 single/\$600 family. Drug prescription coverage was provided with a drug card that required co-pays of \$8 for generic and \$15 formulary and \$25 non-generic/formulary.

The premiums paid by the City were \$385.97 per month per employee for single coverage and \$966.31 per month per employee for family coverage for employees in the Health II plan. Premiums for vision were \$4.61 single and \$11.19 family. Premiums for dental were \$21.58 single and \$64.95 family. On May 1, 2008, premiums increased to \$1,020.73 per month family and \$408.29 per month single for Health II. Vision coverage was \$5.46 single and \$13.27 family. Dental increased to \$22.32 single and \$67.18 family.

**CITY OF YOUNGSTOWN, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE 17 - EMPLOYEE BENEFITS - (Continued)**

During 2008, management employees contributed 10% of the premiums paid by the City for their health insurance. Union employees contributed between 3-10%, 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.

In 2008, the City provided life insurance and accidental death and dismemberment insurance in equal amounts to its active employee with the exception of AFSCME employees through a plan with Hartford Life. The benefit amount was \$9,500 with the exception of Waste Water Treatment Plant union employees who had coverage in the amount of \$15,000 and Fire Department, 911, Police and Street department union employees who had coverage in the amount of \$20,000. In addition, eligible retirees were covered for death amount benefit amounts ranging from \$1,500 to \$5,000 depending on retirement.

**B. Compensated Absences**

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

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

For governmental funds, the current portion of unpaid compensated absences is recorded as a current liability in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the statement of activities. In proprietary funds, the entire amount of compensated absences is reported as a fund liability. As of December 31, 2008, the liability for unpaid compensated absences was \$10,495,671 for the entire City.

**NOTE 18 - PENSION PLANS**

**A. Ohio Public Employees Retirement System**

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 18 - 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 may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2008, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2008 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 10.10%.

The City's contribution rate for 2008 was 14.00%, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.40% of covered payroll. For 2008, a portion equal to 7.00% of covered payroll was allocated to fund the post-employment health care plan.

The City's contribution rate for pension benefits for 2008 was 7.00%, except for those plan members in law enforcement and public safety. For those classifications, the City's pension contributions were 10.40% of covered payroll. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2008, 2007, and 2006 were \$1,798,159, \$2,018,950, and \$2,095,185, respectively; 84.19% has been contributed for 2008 and 100% has been contributed for 2007 and 2006.

*Component Unit* - WRTA's total contribution to the Public Employees Retirement System (PERS) for pension benefits (excluding the amount related to postretirement benefits) for the years ended December 31, 2008, 2007 and 2006 were approximately \$156,083, \$253,093 and \$349,027, respectively, equal to 100% of the required contribution for each year.

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

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

Funding Policy - Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute. For 2008, the portion of the City's contributions to fund pension obligations was 12.75% for police officers and 17.25% for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$1,567,110 and \$1,438,342 for the year ended December 31, 2008, \$1,497,640 and \$1,425,258 for the year ended December 31, 2007, and \$1,310,689, \$1,333,105, for the year ended December 31, 2006. The full amount has been contributed for 2007 and 2006. 75.42% has been contributed for police and 76.64% has been contributed for firefighters for 2008.

## CITY OF YOUNGSTOWN, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

#### NOTE 19 - POSTRETIREMENT BENEFIT PLANS

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

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

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

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

Funding Policy – The post-employment healthcare plan was established under, and is administrated in accordance with, Internal Revenue Code 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 2008, local government employers contributed 14.00% of covered payroll (17.40% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The amount of the employer contributions which was allocated to fund post-employment healthcare for 2008 was 7.00% of covered payroll.

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, 2008, 2007, and 2006 were \$1,798,160, \$1,334,539, and \$1,024,819, respectively; 84.19% has been contributed for 2008 and 100% has been contributed for 2007 and 2006.

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

**Component Unit** - The actuarially determined and statutorily required contribution requirement from the WRTA for the years ended December 31, 2008, 2007 and 2006 were \$156,083, \$164,097 and \$170,719, respectively.

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 19 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

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

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

OP&F provides access to post-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person.

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

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

Funding Policy - The OP&F's post-employment healthcare plan was established and is administered as an Internal Revenue Code Section 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively.

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, 2008, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the OPEB Plan.

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$829,647 and \$562,829 for the year ended December 31, 2008, \$792,329 and \$557,020 for the year ended December 31, 2007, and \$862,924 and \$636,031, for the year ended December 31, 2006. The full amount has been contributed for 2007 and 2006. 75.42% has been contributed for police and 76.64% has been contributed for firefighters for 2008.



**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 20 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

**Net Change in Fund Balance**

	<u>General</u>	<u>Fire Levy</u>	<u>Police Levy</u>	<u>Community Development</u>
Budget basis	\$ 3,867,106	\$ (295,119)	\$ (329,082)	\$ (49,887)
Net adjustment for revenue accruals	21,232	(8,580)	(3,248)	266,298
Net adjustment for expenditure accruals	125,587	(97,150)	(102,733)	(323,176)
Net adjustment for other financing sources/uses	(3,887,040)	108,402	-	(225,356)
Adjustment for encumbrances	<u>344,712</u>	<u>47,281</u>	<u>210,590</u>	<u>-</u>
GAAP basis	<u>\$ 471,597</u>	<u>\$ (245,166)</u>	<u>\$ (224,473)</u>	<u>\$ (332,121)</u>

**CITY OF YOUNGSTOWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 21 - CONTINGENT LIABILITIES**

**A. Litigation**

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

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

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

**B. Federal and State Grants**

*Primary Government* - For the period January 1, 2008, to December 31, 2008, the City received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

*Component Unit* - Under the terms of the various grants, periodic audits are required where certain costs could be questioned as not being an eligible expenditure under the terms of the grant. At December 31, 2008, there were no significant questioned costs that had not been resolved with the applicable federal and state agencies. Questioned costs could still be identified during audits to be conducted in the future. In the opinion of WRTA's management, no material grant expenditures will be disallowed.

**NOTE 22 - SIGNIFICANT SUBSEQUENT EVENTS**

**A. Western Reserve Transit Authority**

In 2008 an amendment was made to add and include Mahoning County to the WRTA. In addition, the former five-member Board of Trustees, which was formerly 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. These amendments become effective January 1, 2009, and therefore the WRTA will no longer be considered a component unit of the City.

**CITY OF YOUNGSTOWN, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE 22 - SIGNIFICANT SUBSEQUENT EVENTS - (Continued)**

**B. Note Issuances**

On July 23, 2009, the City issued a \$5,000,000 Taxable Land Acquisition and Improvement Income Tax Note, Series 2009, with an annual interest rate of 5.80% and scheduled maturity date of July 23, 2010.

On December 29, 2009, the City issued an \$805,000 Taxable Land Acquisition and Improvement Income Tax Note, Series 2009-2, with an annual interest rate of 5.16% and scheduled maturity date of July 23, 2010.

**CITY OF YOUNGSTOWN  
MAHONING COUNTY  
FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2008**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<b><u>US ARMY CORP OF ENGINEERS</u></b>				
<i>Direct Program</i>				
Planning Assistance to States	W81ET482688963	12.110	\$ 200,532	\$ -
<b>TOTAL US ARMY CORP OF ENGINEERS</b>			<b>200,532</b>	<b>-</b>
<b><u>US DEPT OF HOUSING AND URBAN DEVELOPMENT</u></b>				
<i>Direct Programs</i>				
Community Development Block Grant/ Entitlement Grants -27th Yr	B-01-MC-39-0023	14.218	1,639	1,638
Community Development Block Grant/ Entitlement Grants -28th Yr	B-02-MC-39-0023	14.218	7,875	7,875
Community Development Block Grant/ Entitlement Grants -29th Yr	B-03-MC-39-0023	14.218	7,123	7,123
Community Development Block Grant/ Entitlement Grants -30th Yr	B-04-MC-39-0023	14.218	37,002	37,002
Community Development Block Grant/ Entitlement Grants -31st Yr	B-05-MC-39-0023	14.218	25,811	25,811
Community Development Block Grant/ Entitlement Grants -32nd Yr	B-06-MC-39-0023	14.218	657,229	642,585
Community Development Block Grant/ Entitlement Grants -33rd Yr	B-07-MC-39-0023	14.218	1,644,857	1,920,961
Community Development Block Grant/ Entitlement Grants -34th Yr	B-08-MC-39-0023	14.218	1,571,280	1,571,278
Section 108 Loan Fund	B-07-MC-39-0023	14.218	-	-
Subtotal		14.218	3,952,816	4,214,273
Emergency Shelter Grants Program	S-05-MC-39-0023	14.231	1,503	1,503
Emergency Shelter Grants Program	S-06-MC-39-0023	14.231	133,202	147,658
Emergency Shelter Grants Program	S-07-MC-39-0023	14.231	45,651	45,651
Subtotal		14.231	180,356	194,812
Shelter Plus Care	OH-16B02-4003	14.238	20,000	16,289
Shelter Plus Care	OH-16B70-4016	14.238	30,000	50,845
Subtotal		14.238	50,000	67,134
HOME Investment Partnerships Program	M-06-MC-39-0023	14.239	-	236,101
HOME Investment Partnerships Program	M-07-MC-39-0023	14.239	934,470	322,221
HOME Investment Partnerships Program	M-08-MC-39-0023	14.239	-	367,824
Subtotal		14.239	934,470	926,146
<b>TOTAL US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			<b>5,117,642</b>	<b>5,402,365</b>
<b><u>US DEPARTMENT OF JUSTICE</u></b>				
<i>Passed Through the City of Cleveland</i>				
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	2007-DD-BX-0650	16.580	111,680	111,680

CITY OF YOUNGSTOWN  
MAHONING COUNTY  
FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<b><u>US DEPARTMENT OF JUSTICE (Continued)</u></b>				
<i>Direct Program</i>				
Bulletproof Vest Partnership Program	2006-BU-BX-06030580	16.607	3,575	3,575
<i>Passed Through Governor's Office of Criminal Justice Services</i>				
Community Prosecution and Project Safe Neighborhoods	2007-PSN-339	16.609	70,482	70,482
Edward Byrne Memorial Justice Assistance Grant Program	2007-JG-A01-6442	16.738	51,140	89,112
Edward Byrne Memorial Justice Assistance Grant Program	2005-JG-B01-6552	16.738	3,127	3,127
Edward Byrne Memorial Justice Assistance Grant Program	2006-JG-A01-6442	16.738	26,302	15,249
Edward Byrne Memorial Justice Assistance Grant Program	2008-DJ-BX-0409	16.738	42,888	42,888
Edward Byrne Memorial Justice Assistance Grant Program	2008-DD-BX-0265	16.738	-	44,797
Subtotal		16.738	123,457	195,173
<b>TOTAL US DEPARTMENT OF JUSTICE</b>			<b>309,194</b>	<b>380,910</b>
<b><u>NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION</u></b>				
<i>Passed thru Governor's Office of Highway Safety</i>				
Alcohol Impaired Driving Countermeasures Incentive Grants I	HVEO-50-00-00225-00	20.601	20,528	20,528
Alcohol Impaired Driving Countermeasures Incentive Grants I	HVEO-50-00-00475-00	20.601	1,390	1,390
<b>TOTAL NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION</b>			<b>21,918</b>	<b>21,918</b>
<b><u>ENVIRONMENTAL PROTECTION AGENCY</u></b>				
<i>Passed thru Ohio Environmental Protection Agency</i>				
Air Pollution Control Program Support	SFY06-07	66.001	(2,905)	(553)
Air Pollution Control Program Support	SFY07-08	66.001	148,085	148,085
Air Pollution Control Program Support	SFY08-09	66.001	90,553	56,204
Subtotal		66.001	235,733	203,736
<b>TOTAL ENVIRONMENTAL PROTECTION AGENCY</b>			<b>235,733</b>	<b>203,736</b>
<b><u>US DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>				
<i>Passed Through Ohio Department of Health</i>				
Immunization Grants	50-2-001-2-MO-108	93.268	124,590	124,590
Immunization Grants	50-2-001-2-AZ-07	93.268	20,586	20,884
Subtotal		93.268	145,176	145,474
HIV Prevention Activities - Health Department Based	50-2-001-2-HP-0108	93.940	242,232	242,232
HIV Prevention Activities - Health Department Based	50-2-001-2-AS-08	93.940	121,957	37,601
Subtotal		93.940	364,189	279,833

CITY OF YOUNGSTOWN  
MAHONING COUNTY  
FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<b><u>US DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)</u></b>				
<i>Passed Through Ohio Department of Health</i>				
Preventive Health Services-Sexually Transmitted Diseases Control Grants	50-2-001-2-ST-0109	93.977	20,570	3,427
Preventive Health Services-Sexually Transmitted Diseases Control Grants	50-2-001-2-BX-08	93.977	(819)	4,615
Subtotal		93.977	19,751	8,042
Maternal and Child Health Services Block Grants to the States	50-2-001-1-AJ-07	93.994	30,000	30,000
<b>TOTAL US DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>559,116</b>	<b>463,349</b>
<b><u>US DEPARTMENT OF HOMELAND SECURITY</u></b>				
<i>Direct Program</i>				
Assistance to Firefighters Grant	FEMA-EMW-2007-FV-06395	97.044	400,000	400,000
Assistance to Firefighters Grant	FEMA-EMW-2007-FO-10744	97.044	39,184	39,184
Assistance to Firefighters Grant	FEMA-EMW-2007-FF-00915	97.044	56,925	56,925
Subtotal		97.044	496,109	496,109
<b>TOTAL US DEPARTMENT OF HOMELAND SECURITY</b>			<b>496,109</b>	<b>496,109</b>
<b>Total Receipts and Expenditures of Federal Awards</b>			<b>\$ 6,940,244</b>	<b>\$ 6,968,387</b>

The accompanying notes are an integral part of this schedule.

**CITY OF YOUNGSTOWN  
MAHONING COUNTY**

**NOTES TO FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

These loans are collateralized by mortgages on the property and/or tangible personal property. At December 31, 2008, the net amount of loans outstanding under this program was \$814,592.

**NOTE C -- MATCHING REQUIREMENTS**

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

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

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

**NOTE E -- SUBRECIPIENTS**

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

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

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# Mary Taylor, CPA

## Auditor of State

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

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

To Members of Council:

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Youngstown, Mahoning County, Ohio (the City), as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 26, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Other auditors audited the financial statements of the Western Reserve Transit Authority (WRTA), the discretely presented component unit, as described in our opinion on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that those auditors separately reported.

#### **Internal Control Over Financial Reporting**

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the City's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the City's internal control will not prevent or detect a material financial statement misstatement.

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

We noted certain internal control matters that we reported to the City's management in a separate letter dated February 26, 2010.

### **Compliance and Other Matters**

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed two instances of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2008-001 and 2008-002.

We also noted certain noncompliance or other matters that we reported to the City's management in a separate letter dated February 26, 2010.

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



**Mary Taylor, CPA**  
Auditor of State

February 26, 2010



# Mary Taylor, CPA

Auditor of State

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

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

To Members of Council:

### Compliance

We have audited the compliance of the City of Youngstown (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended December 31, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal programs. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Youngstown complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2008.

### Internal Control Over Compliance

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

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that the City's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the City's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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 that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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



**Mary Taylor, CPA**  
Auditor of State

February 26, 2010

**CITY OF YOUNGSTOWN  
MAHONING COUNTY  
DECEMBER 31, 2008**

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

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<b>(d)(1)(i)</b>	Type of Financial Statement Opinion	<b>Unqualified</b>
<b>(d)(1)(ii)</b>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	<b>No</b>
<b>(d)(1)(ii)</b>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	<b>No</b>
<b>(d)(1)(iii)</b>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	<b>Yes</b>
<b>(d)(1)(iv)</b>	Were there any material internal control weakness conditions reported for major federal programs?	<b>No</b>
<b>(d)(1)(iv)</b>	Were there any other reportable internal control weakness conditions reported for major federal programs?	<b>No</b>
<b>(d)(1)(v)</b>	Type of Major Programs' Compliance Opinion	<b>Unqualified</b>
<b>(d)(1)(vi)</b>	Are there any reportable findings under § .510?	<b>No</b>
<b>(d)(1)(vii)</b>	Major Programs (list):	Community Development Block Grants-Entitlement Grants -- <b>CFDA #14.218</b>  HOME Investment Partnerships Program -- <b>CFDA #14.239</b>  Assistance to Firefighters Grant – <b>CFDA # 97.044</b>
<b>(d)(1)(viii)</b>	Dollar Threshold: Type A\B Programs	Type A: > <b>\$ 300,000</b> Type B: all others
<b>(d)(1)(ix)</b>	Low Risk Auditee?	<b>No</b>

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>2008-001</b>
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**Noncompliance Citation - *Material Citation*:**

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

As of December 31, 2008, the General Fund had a negative cash balance of \$3,186,837. This deficit occurred due to the City incorrectly classifying loans receivable as cash and cash equivalents, which overstated their general fund cash balance.

Also the Business Development Fund had a negative cash balance of \$1,797,573 and the Chevrolet Center Fund had a negative cash balance of \$144,468 as of December 31, 2008.

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

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

<b>Finding Number</b>	<b>2008-002</b>
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**Noncompliance Citation - *Material Citation*:**

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

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

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

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

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

The City did not properly certify 55 out of 60 (92%) of expenditures tested prior to incurring the obligation. The City did not utilize the certification exceptions described above for those expenditures lacking prior certification. Of the sixty (60) expenditures examined in our disbursement testing, only five (5) were found to be certified by the Finance Director.

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

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

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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<b>Finding Number</b>	<b>None to be reported</b>
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**CITY OF YOUNGSTOWN  
MAHONING COUNTY  
FOR THE YEAR ENDED DECEMBER 31, 2008**

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

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
<b>2008-001</b>	<p>The City established a program whereas a Company within the City limits received a float loan which was backed by an Irrevocable Letter of Credit from an accredited bank approved by the City for a period of between twelve and eighteen months. This float loan program allowed the Company to expand operations and add employees which would generate increased income taxes on a going forward basis.</p> <p>From inception in 2005 until the ruling from the State of Ohio, the float loan program provided the money to the Company at a 0% interest rate. Beginning in October 2008, the float loan program will charge 25 basis points on each loan in order for it to qualify as a cash or cash equivalent investment for the City.</p> <p>The City agrees that the Director of Finance needs to reclassify the General Fund Letters of Credit for the audit period 2008 from cash or cash equivalents to loans receivable.</p>	2009	Finance Director
<b>2008-002</b>	<p>The City agrees that the Director of Finance needs to certify the availability of funds prior to expenditure. All purchase orders are certified via Ordinance either on an individual basis (est. 30% of purchase orders) or through the annual budget process (est. 70% of purchase orders).</p> <p>We presently implement the certification of funds method at year-end and throughout the year when encumbrances are received by the Finance Department prior to securing goods or services.</p> <p>The City is exploring the purchase of new financial accounting software that will enable us to comply with the applicable law with our current staffing levels. Using our current technology, we do not have the staffing to accomplish this task on a year-round basis.</p>	2011	Finance Director

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**CITY OF YOUNGSTOWN  
MAHONING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
DECEMBER 31, 2008**

<b><u>Finding Number</u></b>	<b><u>Finding Summary</u></b>	<b><u>Fully Corrected?</u></b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid</b>
<b>2007-001</b>	Ohio Revised Code § 5705.41(H). The existence of a deficit balance in any fund indicates that money from another fund or funds have been used to pay the obligations of the fund carrying the deficit balance.	<b>No</b>	Not Corrected, Repeated as Finding 2008-001 in current audit.
<b>2007-002</b>	Ohio Revised Code § 5705.41 (D), provides that no "subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate certifying that funds are in the treasury or in the process of collection."	<b>No</b>	Not Corrected, Repeated as Finding 2008-002 in current audit.





**Mary Taylor, CPA**  
Auditor of State

**CITY OF YOUNGSTOWN**

**MAHONING COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 8, 2010**