



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**



**CITY OF YOUNGSTOWN  
MAHONING COUNTY**

**TABLE OF CONTENTS**

| <b>TITLE</b>  | <b>PAGE</b> |
|---|-------------|
| Report of Independent Accountants .....   | 1           |
| Combined Balance Sheet - All Fund Types, Account Groups and<br>Discretely Presented Component Unit - December 31, 2001.....   | 4           |
| Combined Statement of Revenues, Expenditures and Changes in<br>Fund Balances - All Governmental Fund Types - For the Year<br>Ended December 31, 2001.....                                       | 8           |
| Combined Statement of Revenues, Expenditures, and Changes in<br>Fund Balances - Budget (Non-GAAP Basis) and Actual - All<br>Governmental Fund Types - For the Year Ended December 31, 2001..... | 10          |
| Combined Statement of Revenues, Expenses and Changes in Fund<br>Equity - Proprietary Fund Type and Discretely Presented<br>Component Unit - For the Year Ended December 31, 2001.....           | 14          |
| Combined Statement of Revenues, Expenses, and Changes in Fund Equity -<br>Budget (Non-GAAP Basis) and Actual - Proprietary<br>Fund Type - For the Year Ended December 31, 2001.....             | 15          |
| Combined Statement of Cash Flows - Proprietary Fund Type<br>and Discretely Presented Component Unit -<br>For the Year Ended December 31, 2001.....  | 16          |
| Notes to the General-Purpose Financial Statements.....  | 19          |
| Schedule of Federal Awards Expenditures.....  | 50          |
| Notes to the Schedule of Federal Awards Expenditures.....   | 53          |
| Report of Independent Accountants on Compliance and Internal Control<br>Required by Government Auditing Standards.....  | 55          |
| Report of Independent Accountants on Compliance with Requirements Applicable<br>to Each Major Program and Internal Control over Compliance in<br>Accordance with OMB Circular A-133 .....       | 57          |
| Schedule of Findings .....  | 59          |
| Schedule of Prior Audit Findings .....  | 64          |
| Corrective Action Plan.....   | 65          |

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## REPORT OF INDEPENDENT ACCOUNTANTS

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

To Members of Council:

We have audited the accompanying general-purpose financial statements of the City of Youngstown, Mahoning County, (the City) as of and for the year ended December 31, 2001. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit. We did not audit the financial statements of the Western Reserve Transit Authority (WRTA), the discretely presented component unit of the City. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Youngstown, Mahoning County, as of December 31, 2001, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The City is experiencing certain financial difficulties. Those difficulties and management's responses to those difficulties are described in Note 23.

During the year ended December 31, 2001, the City adopted Governmental Accounting Statement No. 33 and Governmental Accounting Statement No. 36.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2002 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general-purpose financial statements of the City, taken as a whole. The accompanying schedule of federal awards expenditures is presented for additional analysis as 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 general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a horizontal line extending to the right.

**Jim Petro**  
Auditor of State

December 18, 2002

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**City of Youngstown, Ohio**  
*Combined Balance Sheet*  
*All Fund Types, Account Groups*  
*and Discretely Presented Component Unit*  
*December 31, 2001*

|  | Governmental Fund Types |                     |                    |                     | Proprietary<br>Fund Type |
|--|-------------------------|---------------------|--------------------|---------------------|--------------------------|
|  | General                 | Special<br>Revenue  | Debt<br>Service    | Capital<br>Projects | Enterprise               |
| <b>Assets and Other Debits</b>                                       |                         |                     |                    |                     |                          |
| <b>Assets</b>  |                         |                     |                    |                     |                          |
| Equity in Pooled Cash and Cash Equivalents                           | \$1,109,745             | \$4,321,406         | \$20,250           | \$1,901,301         | \$4,820,377              |
| Cash and Cash Equivalents in Segregated Accounts                     |                         | 205,882             |                    |                     |                          |
| Cash and Cash Equivalents with<br>Fiscal and Escrow Agents           |                         |                     | 757,190            |                     |                          |
| Receivables:   |                         |                     |                    |                     |                          |
| Income Taxes   | 2,533,522               | 950,023             |                    | 316,548             |                          |
| Property Taxes   |                         |                     | 4,582,342          |                     |                          |
| Accounts   | 766,605                 | 60,887              | 11,100             |                     | 5,884,479                |
| Interfund  | 94,604                  |                     |                    | 150,000             | 310,189                  |
| Special Assessments  | 29,485                  | 2,093,349           | 148,402            |                     | 144                      |
| Accrued Interest   | 50,111                  |                     |                    |                     |                          |
| Due from Other Funds   | 64,320                  | 573                 |                    | 18,938              |                          |
| Due from Other Governments   | 2,067,535               | 15,744,050          | 117,225            | 84,900              |                          |
| Materials and Supplies   |                         |                     |                    |                     |                          |
| Inventory  | 29,894                  | 363,742             |                    |                     | 1,471,709                |
| Deferred Charges   |                         |                     |                    |                     | 47,747                   |
| Notes Receivable   |                         | 4,690,583           |                    |                     |                          |
| Prepaid Items  |                         |                     |                    |                     |                          |
| Other Assets   |                         |                     |                    |                     |                          |
| Restricted Assets:   |                         |                     |                    |                     |                          |
| Cash and Cash Equivalents  |                         |                     |                    |                     |                          |
| Due from Other Governments   |                         |                     |                    |                     |                          |
| Fixed Assets (Net, where applicable,<br>of Accumulated Depreciation) |                         |                     |                    |                     | 44,647,592               |
| <b>Other Debits</b>  |                         |                     |                    |                     |                          |
| Amount Available in Debt Service                                     |                         |                     |                    |                     |                          |
| Fund for Retirement of General<br>Obligation Bonds                   |                         |                     |                    |                     |                          |
| Amount to be Provided from<br>General Government Resources           |                         |                     |                    |                     |                          |
| <b>Total Assets and Other Debits</b>                                 | <u>\$6,745,821</u>      | <u>\$28,430,495</u> | <u>\$5,636,509</u> | <u>\$2,471,687</u>  | <u>\$57,182,237</u>      |



| Fiduciary<br>Fund Type | Account Groups             |                                     | Totals<br>(Memorandum<br>Only)<br>Primary<br>Government | Component<br>Unit   | Totals<br>(Memorandum<br>Only)<br>Reporting<br>Entity |
|------------------------|----------------------------|-------------------------------------|---|---------------------|---|
|                        | General<br>Fixed<br>Assets | General<br>Long-Term<br>Obligations |   |                     |   |
| Agency                 |                            |                                     |   |                     |   |
| \$1,407,366            |                            |                                     | \$13,580,445  |                     | \$13,580,445  |
| 255,431                |                            |                                     | 461,313   | 5,046,952           | 5,508,265   |
| 13,944                 |                            |                                     | 771,134   |                     | 771,134   |
|                        |                            |                                     | 3,800,093   |                     | 3,800,093   |
|                        |                            |                                     | 4,582,342   | 2,699,884           | 7,282,226   |
| 891,416                |                            |                                     | 7,614,487   | 44,629              | 7,659,116   |
|                        |                            |                                     | 554,793   |                     | 554,793   |
|                        |                            |                                     | 2,271,380   |                     | 2,271,380   |
|                        |                            |                                     | 50,111  |                     | 50,111  |
|                        |                            |                                     | 83,831  |                     | 83,831  |
|                        |                            |                                     | 18,013,710  | 1,704,095           | 19,717,805  |
|                        |                            |                                     | 1,865,345   | 170,680             | 2,036,025   |
|                        |                            |                                     | 47,747  |                     | 47,747  |
|                        |                            |                                     | 4,690,583   |                     | 4,690,583   |
|                        |                            |                                     |   | 9,405               | 9,405   |
|                        |                            |                                     |   | 11,000              | 11,000  |
|                        |                            |                                     |   | 13,103              | 13,103  |
|                        |                            |                                     |   | 800,893             | 800,893   |
|                        | 32,192,714                 |                                     | 76,840,306  | 16,024,278          | 92,864,584  |
|                        |                            | 612,912                             | 612,912   |                     | 612,912   |
|                        |                            | <u>38,671,620</u>                   | <u>38,671,620</u>                                       |                     | <u>38,671,620</u>                                     |
| <u>\$2,568,157</u>     | <u>\$32,192,714</u>        | <u>\$39,284,532</u>                 | <u>\$174,512,152</u>                                    | <u>\$26,524,919</u> | <u>\$201,037,071</u>                                  |

(continued)

**City of Youngstown, Ohio**  
*Combined Balance Sheet*  
*All Fund Types, Account Groups*  
*and Discretely Presented Component Unit (continued)*  
*December 31, 2001*

|   | Governmental Fund Types |                     |                    |                     | Proprietary<br>Fund Type |
|---|-------------------------|---------------------|--------------------|---------------------|--------------------------|
|   | General                 | Special<br>Revenue  | Debt<br>Service    | Capital<br>Projects | Enterprise               |
| <b>Liabilities, Fund Equity and Other Credits</b>                                 |                         |                     |                    |                     |                          |
| <b>Liabilities</b>  |                         |                     |                    |                     |                          |
| Accounts Payable  | \$285,424               | \$410,739           |                    | \$39,358            | \$791,636                |
| Contracts Payable   | 35,125                  | 57,634              |                    | 301,333             | 129,344                  |
| Interfund Payable   |                         | 404,793             | 150,000            |                     |                          |
| Accrued Wages and Benefits  | 283,285                 | 1,065,075           |                    |                     | 319,618                  |
| Compensated Absences Payable  | 45,679                  | 222,779             |                    |                     | 1,254,658                |
| Due to Other Funds  |                         |                     |                    |                     |                          |
| Due to Other Governments  | 186,225                 | 1,308,527           |                    |                     | 515,523                  |
| Retainage Payable   |                         | 14,935              |                    | 24,386              |                          |
| Deferred Revenue  | 1,715,600               | 16,410,628          | 4,847,524          | 135,743             |                          |
| Undistributed Monies  |                         |                     |                    |                     |                          |
| Deposits Held and Due to Others   |                         |                     |                    |                     |                          |
| Other Liabilities   |                         |                     |                    |                     |                          |
| Matured Bonds Payable   |                         |                     | 20,000             |                     |                          |
| Matured Interest Payable  |                         |                     | 6,073              |                     |                          |
| Accrued Interest Payable  |                         |                     |                    | 9,044               |                          |
| Notes Payable   |                         |                     |                    | 5,900,000           |                          |
| Payable from Restricted Assets:   |                         |                     |                    |                     |                          |
| Accounts Payable  |                         |                     |                    |                     |                          |
| HUD Section 108 Loans Payable   |                         |                     |                    |                     |                          |
| OWDA Loans Payable  |                         |                     |                    |                     | 6,798,737                |
| General Obligation Bonds Payable (net<br>where applicable of unamortized amounts) |                         |                     |                    |                     | 1,561,715                |
| Revenue Bonds Payable   |                         |                     |                    |                     | 120,000                  |
| Industrial Development<br>Revenue Bonds Payable                                   |                         |                     |                    |                     |                          |
| <b>Total Liabilities</b>  | <u>2,551,338</u>        | <u>19,895,110</u>   | <u>5,023,597</u>   | <u>6,409,864</u>    | <u>11,491,231</u>        |
| <b>Fund Equity and Other Credits</b>  |                         |                     |                    |                     |                          |
| Investment in General Fixed Assets  |                         |                     |                    |                     |                          |
| Contributed Capital   |                         |                     |                    |                     | 34,511,557               |
| Retained Earnings:  |                         |                     |                    |                     |                          |
| Unreserved  |                         |                     |                    |                     | 11,179,449               |
| Fund Balance:   |                         |                     |                    |                     |                          |
| Reserved for Encumbrances   | 378,306                 | 870,020             |                    | 443,579             |                          |
| Reserved for Inventory  | 29,894                  | 363,742             |                    |                     |                          |
| Reserved for Notes Receivable   |                         | 4,690,583           |                    |                     |                          |
| Unreserved, Undesignated (Deficit)  | <u>3,786,283</u>        | <u>2,611,040</u>    | <u>612,912</u>     | <u>(4,381,756)</u>  |                          |
| <b>Total Fund Equity (Deficit) and Other Credits</b>                              | <u>4,194,483</u>        | <u>8,535,385</u>    | <u>612,912</u>     | <u>(3,938,177)</u>  | <u>45,691,006</u>        |
| <b>Total Liabilities, Fund Equity and Other Credits</b>                           | <u>\$6,745,821</u>      | <u>\$28,430,495</u> | <u>\$5,636,509</u> | <u>\$2,471,687</u>  | <u>\$57,182,237</u>      |

See accompanying notes to the general purpose financial statements

| Fiduciary<br>Fund Type | Account Groups             |                                     | Totals<br>(Memorandum<br>Only)<br>Primary<br>Government | Component<br>Unit | Totals<br>(Memorandum<br>Only)<br>Reporting<br>Entity |
|------------------------|----------------------------|-------------------------------------|---|-------------------|---|
|                        | General<br>Fixed<br>Assets | General<br>Long-Term<br>Obligations |   |                   |   |
| Agency                 |                            |                                     |   |                   |   |
|                        |                            |                                     | \$1,527,157   | \$378,868         | \$1,906,025   |
|                        |                            |                                     | 523,436   |                   | 523,436   |
|                        |                            |                                     | 554,793   |                   | 554,793   |
|                        |                            |                                     | 1,667,978   | 802,401           | 2,470,379   |
|                        |                            | 6,668,891                           | 8,192,007   |                   | 8,192,007   |
| 83,831                 |                            |                                     | 83,831  |                   | 83,831  |
| 1,690,416              |                            | 1,715,691                           | 5,416,382   | 24,737            | 5,441,119   |
|                        |                            |                                     | 39,321  |                   | 39,321  |
|                        |                            |                                     | 23,109,495  | 2,699,884         | 25,809,379  |
| 133,026                |                            |                                     | 133,026   |                   | 133,026   |
| 660,884                |                            |                                     | 660,884   |                   | 660,884   |
|                        |                            |                                     |   | 195,126           | 195,126   |
|                        |                            |                                     | 20,000  |                   | 20,000  |
|                        |                            |                                     | 6,073   |                   | 6,073   |
|                        |                            |                                     | 9,044   |                   | 9,044   |
|                        |                            | 600,000                             | 6,500,000   |                   | 6,500,000   |
|                        |                            |                                     |   | 74,539            | 74,539  |
|                        |                            | 9,064,950                           | 9,064,950   |                   | 9,064,950   |
|                        |                            |                                     | 6,798,737   |                   | 6,798,737   |
|                        |                            | 20,395,000                          | 21,956,715  |                   | 21,956,715  |
|                        |                            |                                     | 120,000   |                   | 120,000   |
|                        |                            | 840,000                             | 840,000   |                   | 840,000   |
| 2,568,157              |                            | 39,284,532                          | 87,223,829  | 4,175,555         | 91,399,384  |
|                        | 32,192,714                 |                                     | 32,192,714  |                   | 32,192,714  |
|                        |                            |                                     | 34,511,557  | 10,981,205        | 45,492,762  |
|                        |                            |                                     | 11,179,449  | 11,368,159        | 22,547,608  |
|                        |                            |                                     | 1,691,905   |                   | 1,691,905   |
|                        |                            |                                     | 393,636   |                   | 393,636   |
|                        |                            |                                     | 4,690,583   |                   | 4,690,583   |
|                        |                            |                                     | 2,628,479   |                   | 2,628,479   |
|                        | 32,192,714                 |                                     | 87,288,323  | 22,349,364        | 109,637,687   |
| \$2,568,157            | \$32,192,714               | \$39,284,532                        | \$174,512,152   | \$26,524,919      | \$201,037,071   |

**City of Youngstown, Ohio**  
*Combined Statement of Revenues, Expenditures  
and Changes in Fund Balances  
All Governmental Fund Types  
For the Year Ended December 31, 2001*

|   | Governmental Fund Types |                     |                  |                      | Totals<br>(Memorandum<br>Only) |
|---|-------------------------|---------------------|------------------|----------------------|--------------------------------|
|   | General                 | Special<br>Revenue  | Debt<br>Service  | Capital<br>Projects  |                                |
| <b>Revenues</b>   |                         |                     |                  |                      |                                |
| Municipal Income Taxes  | \$21,809,774            | \$7,769,775         |                  | \$2,697,133          | \$32,276,682                   |
| Property and Other Taxes  |                         |                     | 2,109,909        |                      | 2,109,909                      |
| Charges for Services  | 3,039,651               | 349,050             |                  | 85,610               | 3,474,311                      |
| Licenses and Permits  | 580,758                 | 13,347              |                  |                      | 594,105                        |
| Fines and Forfeitures   | 647,354                 | 60,509              |                  | 250,038              | 957,901                        |
| Intergovernmental   | 4,774,198               | 13,578,780          | 371,126          | 1,439,731            | 20,163,835                     |
| Special Assessments   |                         |                     | 1,642            |                      | 1,642                          |
| Contributions and Donations   | 7,137                   | 3,845               |                  |                      | 10,982                         |
| Interest  | 632,883                 | 142,555             | 26,846           | 609                  | 802,893                        |
| Rentals   | 321,577                 | 27,220              |                  | 70,328               | 419,125                        |
| Franchise Fees  | 410,899                 |                     |                  |                      | 410,899                        |
| Other   | 348,438                 | 226,419             | 11,100           |                      | 585,957                        |
| <i>Total Revenues</i>   | <u>32,572,669</u>       | <u>22,171,500</u>   | <u>2,520,623</u> | <u>4,543,449</u>     | <u>61,808,241</u>              |
| <b>Expenditures</b>   |                         |                     |                  |                      |                                |
| Current:  |                         |                     |                  |                      |                                |
| General Government  | 10,173,861              |                     | 48,052           |                      | 10,221,913                     |
| Security of Persons and Property  | 555,205                 | 26,831,970          |                  |                      | 27,387,175                     |
| Public Health and Welfare   | 958,957                 | 841,981             |                  |                      | 1,800,938                      |
| Transportation  | 894,520                 | 6,810,041           |                  |                      | 7,704,561                      |
| Community Environment   | 581,686                 | 7,728,861           |                  |                      | 8,310,547                      |
| Basic Utility Services  | 2,332,513               |                     |                  |                      | 2,332,513                      |
| Leisure Time Activities   | 67,883                  | 2,691,283           |                  |                      | 2,759,166                      |
| Capital Outlay  |                         |                     |                  | 2,793,821            | 2,793,821                      |
| Debt Service:   |                         |                     |                  |                      |                                |
| Principal Retirement  |                         | 985,000             | 1,490,000        | 940,000              | 3,415,000                      |
| Interest and Fiscal Charges   |                         | 240,406             | 1,523,243        | 23,853               | 1,787,502                      |
| <i>Total Expenditures</i>   | <u>15,564,625</u>       | <u>46,129,542</u>   | <u>3,061,295</u> | <u>3,757,674</u>     | <u>68,513,136</u>              |
| <i>Excess of Revenues Over (Under) Expenditures</i>   | <u>17,008,044</u>       | <u>(23,958,042)</u> | <u>(540,672)</u> | <u>785,775</u>       | <u>(6,704,895)</u>             |
| <b>Other Financing Sources (Uses)</b>   |                         |                     |                  |                      |                                |
| Proceeds of Notes   |                         |                     |                  | 600,000              | 600,000                        |
| Sale of Fixed Assets  | 1,082                   | 30,765              |                  |                      | 31,847                         |
| Operating Transfers In  | 1,845,137               | 23,227,469          | 181,500          | 1,703,422            | 26,957,528                     |
| Operating Transfers Out   | (20,508,537)            | (2,399,305)         |                  | (3,814,686)          | (26,722,528)                   |
| <i>Total Other Financing Sources (Uses)</i>   | <u>(18,662,318)</u>     | <u>20,858,929</u>   | <u>181,500</u>   | <u>(1,511,264)</u>   | <u>866,847</u>                 |
| <i>Excess of Revenues and Other Financing<br/>Sources Under Expenditures and<br/>Other Financing Uses</i> | <u>(1,654,274)</u>      | <u>(3,099,113)</u>  | <u>(359,172)</u> | <u>(725,489)</u>     | <u>(5,838,048)</u>             |
| <b>Fund Balances (Deficit)</b>  |                         |                     |                  |                      |                                |
| <i>Beginning of Year - Restated (Note 3)</i>  | 5,849,241               | 11,682,782          | 972,084          | (3,212,688)          | 15,291,419                     |
| Decrease in Reserve for Inventory   | (484)                   | (48,283)            |                  |                      | (48,767)                       |
| <i>Fund Balances (Deficit) at End of Year</i>   | <u>\$4,194,483</u>      | <u>\$8,535,386</u>  | <u>\$612,912</u> | <u>(\$3,938,177)</u> | <u>\$9,404,604</u>             |

See accompanying notes to the general purpose financial statements

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**City of Youngstown, Ohio**  
*Combined Statement of Revenues, Expenditures  
and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual  
All Governmental Fund Types  
For the Year Ended December 31, 2001*

|  | General Fund        |                     |  |
|--|---------------------|---------------------|--|
|  | Revised<br>Budget   | Actual              | Variance<br>Favorable<br>(Unfavorable) |
| <b>Revenues</b>  |                     |                     |  |
| Municipal Income Taxes   | \$22,604,800        | \$21,724,563        | (\$880,237)                            |
| Property and Other Taxes   |                     |                     |  |
| Charges for Services   | 2,955,110           | 3,014,743           | 59,633                                 |
| Licenses and Permits   | 360,350             | 442,186             | 81,836                                 |
| Fines and Forfeitures  | 630,100             | 632,673             | 2,573                                  |
| Intergovernmental  | 6,726,570           | 5,096,279           | (1,630,291)                            |
| Special Assessments  |                     |                     |  |
| Contributions and Donations  |                     | 7,137               | 7,137                                  |
| Interest   | 929,000             | 642,531             | (286,469)                              |
| Rentals  | 300,000             | 321,577             | 21,577                                 |
| Franchise Fees   | 510,000             | 543,450             | 33,450                                 |
| Other  | 262,420             | 347,529             | 485,109                                |
| <i>Total Revenues</i>  | <u>35,278,350</u>   | <u>33,172,668</u>   | <u>(2,105,682)</u>                     |
| <b>Expenditures</b>  |                     |                     |  |
| Current:   |                     |                     |  |
| General Government   | 11,911,760          | 10,652,909          | 1,258,851                              |
| Security of Persons and Property   | 502,550             | 500,102             | 2,448                                  |
| Public Health and Welfare  | 1,035,430           | 921,669             | 113,761                                |
| Transportation   | 902,800             | 897,182             | 5,618                                  |
| Community Environment  | 555,232             | 549,594             | 5,638                                  |
| Basic Utility Services   | 2,373,968           | 2,357,752           | 16,216                                 |
| Leisure Time Activities  | 85,057              | 82,801              | 2,256                                  |
| Capital Outlay   |                     |                     |  |
| Debt Service:  |                     |                     |  |
| Principal Retirement   |                     |                     |  |
| Interest and Fiscal Charges  |                     |                     |  |
| <i>Total Expenditures</i>  | <u>17,366,797</u>   | <u>15,962,009</u>   | <u>1,404,788</u>                       |
| <i>Excess of Revenues Over (Under) Expenditures</i>  | <u>17,911,553</u>   | <u>17,210,659</u>   | <u>(700,894)</u>                       |
| <b>Other Financing Sources (Uses)</b>  |                     |                     |  |
| Proceeds of Notes  |                     |                     |  |
| Sale of Fixed Assets   | 100                 | 1,082               | 982                                    |
| Operating Transfers In   | 1,025,000           | 1,845,137           | 420,137                                |
| Operating Transfers Out  | (21,412,202)        | (20,508,537)        | 903,665                                |
| <i>Total Other Financing Sources (Uses)</i>  | <u>(20,387,102)</u> | <u>(19,062,318)</u> | <u>1,324,784</u>                       |
| <i>Excess of Revenues and Other Financing<br/>Sources Over (Under) Expenditures<br/>and Other Financing Uses</i> | <u>(2,475,549)</u>  | <u>(1,851,659)</u>  | <u>623,890</u>                         |
| <i>Fund Balances (Deficit) at Beginning of Year</i>  | 1,987,186           | 1,987,186           |  |
| Unexpended Prior Year Encumbrances   | 589,772             | 589,772             |  |
| <i>Fund Balances (Deficit) at End of Year</i>  | <u>\$101,409</u>    | <u>\$725,299</u>    | <u>\$623,890</u>                       |

| Special Revenue Funds |              |                                  | Debt Service Funds |           |                                  |
|-----------------------|--------------|----------------------------------|--------------------|-----------|----------------------------------|
| Revised Budget        | Actual       | Variance Favorable (Unfavorable) | Revised Budget     | Actual    | Variance Favorable (Unfavorable) |
| \$8,041,460           | \$7,737,822  | (\$303,638)                      |                    |           |                                  |
| 354,950               | 355,190      | 240                              | 2,165,000          | 2,109,909 | (55,091)                         |
| 2,500                 | 13,142       | 10,642                           |                    |           |                                  |
| 8,000                 | 58,369       | 50,369                           |                    |           |                                  |
| 9,840,559             | 11,037,745   | 1,197,186                        | 384,757            | 371,126   | (13,631)                         |
| 3,000,000             | 3,035,900    | 35,900                           | 2,500              | 1,642     | (858)                            |
|                       | 3,845        | 3,845                            |                    |           |                                  |
| 5,000                 | 142,555      | 137,555                          | 25,000             | 26,846    | 1,846                            |
| 25,000                | 27,220       | 2,220                            |                    |           |                                  |
| 5,500                 | 220,126      | 214,626                          |                    |           |                                  |
| 21,282,969            | 22,631,914   | 1,348,945                        | 2,577,257          | 2,509,523 | (67,734)                         |
|                       |              |                                  | 85,000             | 48,052    | 36,948                           |
| 27,179,237            | 27,050,836   | 128,401                          |                    |           |                                  |
| 1,528,045             | 870,702      | 657,343                          |                    |           |                                  |
| 7,226,311             | 6,788,398    | 437,913                          |                    |           |                                  |
| 16,992,738            | 4,813,333    | 12,179,405                       |                    |           |                                  |
| 3,206,640             | 2,509,191    | 697,449                          |                    |           |                                  |
| 985,000               | 985,000      |                                  | 1,490,000          | 1,490,000 |                                  |
| 625,788               | 240,406      | 385,382                          | 1,572,640          | 1,523,243 | 49,397                           |
| 57,743,759            | 43,257,866   | 14,485,893                       | 3,147,640          | 3,061,295 | 86,345                           |
| (36,460,790)          | (20,625,952) | 15,834,838                       | (570,383)          | (551,772) | 18,611                           |
| 22,500                | 32,535       | 10,035                           |                    |           |                                  |
| 22,487,947            | 22,917,281   | 429,334                          | 181,500            | 181,500   |                                  |
| (2,533,362)           | (2,399,305)  | 134,057                          |                    |           |                                  |
| 19,977,085            | 20,550,511   | 573,426                          | 181,500            | 181,500   |                                  |
| (16,483,705)          | (75,441)     | 16,408,264                       | (388,883)          | (370,272) | 18,611                           |
| 2,989,592             | 2,989,592    |                                  | 390,522            | 390,522   |                                  |
| 345,774               | 345,774      |                                  |                    |           |                                  |
| (\$13,148,339)        | \$3,259,925  | \$16,408,264                     | \$1,639            | \$20,250  | \$18,611                         |

(continued)

**City of Youngstown, Ohio**  
*Combined Statement of Revenues, Expenditures  
and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual  
All Governmental Fund Types (continued)  
For the Year Ended December 31, 2001*

|  | Capital Projects Funds |                    |  |
|--|------------------------|--------------------|--|
|  | Revised<br>Budget      | Actual             | Variance<br>Favorable<br>(Unfavorable) |
| <b>Revenues</b>  |                        |                    |  |
| Municipal Income Taxes   | \$2,787,670            | \$2,686,486        | (\$101,184)                            |
| Property and Other Taxes   |                        |                    |  |
| Charges for Services   |                        | 85,610             | 85,610                                 |
| Licenses and Permits   |                        |                    |  |
| Fines and Forfeitures  | 195,000                | 246,434            | 51,434                                 |
| Intergovernmental  | 2,348,637              | 1,578,343          | (770,294)                              |
| Special Assessments  |                        |                    |  |
| Contributions and Donations  |                        |                    |  |
| Interest   |                        | 609                | 609                                    |
| Rentals  | 60,000                 | 73,404             | 13,404                                 |
| Franchise Fees   |                        |                    |  |
| Other  |                        |                    |  |
| <i>Total Revenues</i>  | <u>5,391,307</u>       | <u>4,670,886</u>   | <u>(720,421)</u>                       |
| <b>Expenditures</b>  |                        |                    |  |
| Current:   |                        |                    |  |
| General Government   |                        |                    |  |
| Security of Persons and Property   |                        |                    |  |
| Public Health and Welfare  |                        |                    |  |
| Transportation   |                        |                    |  |
| Community Environment  |                        |                    |  |
| Basic Utility Services   |                        |                    |  |
| Leisure Time Activities  |                        |                    |  |
| Capital Outlay   | 7,671,607              | 2,907,523          | 4,764,084                              |
| Debt Service:  |                        |                    |  |
| Principal Retirement   | 340,000                | 4,240,000          | (3,900,000)                            |
| Interest and Fiscal Charges  | 76,482                 | 27,102             | 49,380                                 |
| <i>Total Expenditures</i>  | <u>8,088,089</u>       | <u>7,174,625</u>   | <u>913,464</u>                         |
| <i>Excess of Revenues Over (Under) Expenditures</i>  | <u>(2,696,782)</u>     | <u>(2,503,739)</u> | <u>193,043</u>                         |
| <b>Other Financing Sources (Uses)</b>  |                        |                    |  |
| Proceeds of Notes  | 2,000,000              | 5,900,000          | 3,900,000                              |
| Sale of Fixed Assets   |                        |                    |  |
| Operating Transfers In   | 15,000                 | 1,703,422          | 1,688,422                              |
| Operating Transfers Out  | (3,414,686)            | (3,814,686)        |  |
| <i>Total Other Financing Sources (Uses)</i>  | <u>(1,399,686)</u>     | <u>4,188,736</u>   | <u>5,588,422</u>                       |
| <i>Excess of Revenues and Other Financing<br/>Sources Over (Under) Expenditures<br/>and Other Financing Uses</i> | <u>(4,096,468)</u>     | <u>1,684,997</u>   | <u>5,781,465</u>                       |
| <i>Fund Balances (Deficit) at Beginning of Year</i>  | <u>155,491</u>         | <u>155,491</u>     |  |
| Unexpended Prior Year Encumbrances   | 7,814                  | 7,814              |  |
| <i>Fund Balances (Deficit) at End of Year</i>  | <u>(\$3,933,163)</u>   | <u>\$1,448,302</u> | <u>\$5,781,465</u>                     |

See accompanying notes to the general purpose financial statements



| Total (Memorandum Only) |                    |  |
|-------------------------|--------------------|--|
| Revised<br>Budget       | Actual             | Variance<br>Favorable<br>(Unfavorable) |
| \$33,433,930            | \$32,148,871       | (\$1,285,059)                          |
| 2,165,000               | 2,109,909          | (55,091)                               |
| 3,310,060               | 3,455,543          | 145,483                                |
| 362,850                 | 455,328            | 92,478                                 |
| 833,100                 | 937,476            | 104,376                                |
| 19,300,523              | 18,083,493         | (1,217,030)                            |
| 3,002,500               | 3,037,542          | 35,042                                 |
|                         | 10,982             | 10,982                                 |
| 959,000                 | 812,541            | (146,459)                              |
| 385,000                 | 422,201            | 37,201                                 |
| 510,000                 | 543,450            | 33,450                                 |
| 267,920                 | 967,655            | 699,735                                |
| <u>64,529,883</u>       | <u>62,984,991</u>  | <u>(1,544,892)</u>                     |
| 11,996,760              | 10,700,961         | 1,295,799                              |
| 27,681,787              | 27,550,938         | 130,849                                |
| 2,563,475               | 1,792,371          | 771,104                                |
| 8,129,111               | 7,685,580          | 443,531                                |
| 17,547,970              | 5,362,927          | 12,185,043                             |
| 2,373,968               | 2,357,752          | 16,216                                 |
| 3,291,697               | 2,591,992          | 699,705                                |
| 7,671,607               | 2,907,523          | 4,764,084                              |
| 2,815,000               | 6,715,000          | (3,900,000)                            |
| 2,274,910               | 1,790,751          | 484,159                                |
| <u>86,346,285</u>       | <u>69,455,795</u>  | <u>16,890,490</u>                      |
| <u>(21,816,402)</u>     | <u>(6,470,804)</u> | <u>15,345,598</u>                      |
| 2,000,000               | 5,900,000          | 3,900,000                              |
| 22,600                  | 33,617             | 11,017                                 |
| 23,709,447              | 26,247,340         | 2,537,893                              |
| (27,360,250)            | (26,322,528)       | 1,037,722                              |
| <u>(1,628,203)</u>      | <u>5,858,429</u>   | <u>7,486,632</u>                       |
| (23,444,605)            | (612,375)          | 22,832,230                             |
| 5,522,791               | 5,522,791          |  |
| 943,360                 | 943,360            |  |
| <u>(\$16,978,454)</u>   | <u>\$5,853,776</u> | <u>\$22,832,230</u>                    |

**City of Youngstown, Ohio**  
*Combined Statement of Revenues,  
Expenses and Changes in Fund Equity  
Proprietary Fund Type and Discretely Presented Component Unit  
For the Year Ended December 31, 2001*

|   | Proprietary<br>Fund Type |                     | Totals<br>(Memorandum Only)<br>Reporting Entity |
|---|--------------------------|---------------------|---|
|   | Enterprise               | Component<br>Unit   |   |
| <b>Operating Revenues</b>   |                          |                     |   |
| Charges for Services  | \$26,425,112             | \$678,313           | \$27,103,425                                    |
| Other   | 385,500                  |                     | 385,500   |
| <i>Total Operating Revenues</i>   | <u>26,810,612</u>        | <u>678,313</u>      | <u>27,488,925</u>                               |
| <b>Operating Expenses</b>   |                          |                     |   |
| Personal Services   | 9,868,285                | 4,287,331           | 14,155,616                                      |
| Contractual Services  | 7,447,729                | 1,394,175           | 8,841,904                                       |
| Materials and Supplies  | 8,213,981                | 912,694             | 9,126,675                                       |
| Other   | 14,179                   | 124,177             | 138,356   |
| Depreciation  | 2,344,242                | 1,283,921           | 3,628,163                                       |
| <i>Total Operating Expenses</i>   | <u>27,888,416</u>        | <u>8,002,298</u>    | <u>35,890,714</u>                               |
| <i>Operating Income (Loss)</i>  | <u>(1,077,804)</u>       | <u>(7,323,985)</u>  | <u>(8,401,789)</u>                              |
| <b>Non-Operating Revenues (Expenses)</b>  |                          |                     |   |
| Property Taxes  |                          | 2,758,996           | 2,758,996                                       |
| Interest  | 1,678                    | 192,735             | 194,413   |
| Loss on Disposal of Fixed Assets  |                          | (560,402)           | (560,402)                                       |
| Grants  |                          | 3,695,146           | 3,695,146                                       |
| Interest and Fiscal Charges   | (839,368)                |                     | (839,368)                                       |
| Other Non-Operating Revenues  |                          | 35,181              | 35,181  |
| <i>Total Non-Operating Revenues (Expenses)</i>  | <u>(837,690)</u>         | <u>6,121,656</u>    | <u>5,283,966</u>                                |
| <i>Loss Before Operating Transfers</i>  | <u>(1,915,494)</u>       | <u>(1,202,329)</u>  | <u>(3,117,823)</u>                              |
| Operating Transfers Out   | <u>(235,000)</u>         |                     | <u>(235,000)</u>                                |
| <i>Net Loss Before Capital Contributions</i>  | <u>(2,150,494)</u>       | <u>(1,202,329)</u>  | <u>(3,352,823)</u>                              |
| Capital Contributions   |                          | <u>4,944,120</u>    | <u>4,944,120</u>                                |
| <i>Net Income (Loss)</i>  | <u>(2,150,494)</u>       | <u>3,741,791</u>    | <u>1,591,297</u>                                |
| Depreciation on Fixed Assets Acquired by<br>Contributed Capital                         |                          | 1,217,922           | 1,217,922                                       |
| <i>Retained Earnings Beginning<br/>of Year - Restated (Note 3)</i>                      | <u>13,329,943</u>        | <u>6,408,446</u>    | <u>19,738,389</u>                               |
| <i>Retained Earnings End of Year</i>  | <u>11,179,449</u>        | <u>11,368,159</u>   | <u>22,547,608</u>                               |
| Contributed Capital Beginning of Year   | 34,511,557               | 12,199,127          | 46,710,684                                      |
| Other Contributions:<br>Depreciation on Fixed Assets Acquired by<br>Contributed Capital |                          | <u>(1,217,922)</u>  | <u>(1,217,922)</u>                              |
| Contributed Capital End of Year   | <u>34,511,557</u>        | <u>10,981,205</u>   | <u>45,492,762</u>                               |
| <i>Total Fund Equity End of Year</i>  | <u>\$45,691,006</u>      | <u>\$22,349,364</u> | <u>\$68,040,370</u>                             |

See accompanying notes to the general purpose financial statements

**City of Youngstown, Ohio**  
*Combined Statement of Revenues, Expenses and  
Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual  
Proprietary Fund Type  
For the Year Ended December 31, 2001*

|   | Enterprise Funds   |                    |  |
|---|--------------------|--------------------|--|
|   | Revised<br>Budget  | Actual             | Variance<br>Favorable<br>(Unfavorable) |
| <b>Revenues</b>   |                    |                    |  |
| Charges for Services  | \$30,863,500       | \$28,912,394       | (\$1,951,106)                          |
| Interest  |                    | 1,678              | 1,678                                  |
| Other   | 366,725            | 385,500            | 18,775                                 |
| <i>Total Revenues</i>   | <u>31,230,225</u>  | <u>29,299,572</u>  | <u>(1,930,653)</u>                     |
| <b>Expenses</b>   |                    |                    |  |
| Personal Services   | 10,516,089         | 10,483,853         | 32,236                                 |
| Contractual Services  | 7,377,761          | 7,448,595          | (70,834)                               |
| Materials and Supplies  | 8,033,103          | 8,007,482          | 25,621                                 |
| Other   | 69,000             | 14,179             | 54,821                                 |
| Capital Outlay  | 2,228,511          | 2,128,620          | 99,891                                 |
| Debt Service:   |                    |                    |  |
| Principal Retirement  | 1,355,647          | 1,355,647          |  |
| Interest and Fiscal Charges   | 823,488            | 823,488            |  |
| <i>Total Expenses</i>   | <u>30,403,599</u>  | <u>30,261,864</u>  | <u>141,735</u>                         |
| <i>Excess of Revenues Over<br/>(Under) Expenses</i>                         | 826,626            | (962,292)          | (1,788,918)                            |
| Operating Transfers In  | 310,188            | 310,188            |  |
| Operating Transfers Out   | (666,076)          | (235,000)          | 431,076                                |
| <i>Excess of Revenues Over (Under)<br/>Expenses and Operating Transfers</i> | 470,738            | (887,104)          | (1,357,842)                            |
| <i>Fund Equity Beginning of Year</i>  | 5,278,497          | 5,278,497          |  |
| Unexpended Prior Year Encumbrances  | 20,771             | 20,771             |  |
| <i>Fund Equity End of Year</i>  | <u>\$5,770,006</u> | <u>\$4,412,164</u> | <u>(\$1,357,842)</u>                   |

See accompanying notes to the general purpose financial statements

**City of Youngstown, Ohio**  
*Combined Statement of Cash Flows*  
*Proprietary Fund Type and Discretely Presented Component Unit*  
*For the Year Ended December 31, 2001*

|   | Proprietary<br>Fund Type | Component<br>Unit  | Totals<br>(Memorandum<br>Only) |
|---|--------------------------|--------------------|--------------------------------|
|   | Enterprise               |                    |                                |
| <b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>                  |                          |                    |                                |
| <b>Cash Flows from Operating Activities</b>                                     |                          |                    |                                |
| Cash Received from Customers  | \$28,912,394             | \$601,959          | \$29,514,353                   |
| Cash Payments to Suppliers for Goods  | (8,028,038)              | (3,949,855)        | (11,977,893)                   |
| Cash Payments for Contractual Services  | (7,405,103)              |                    | (7,405,103)                    |
| Cash Payments for Employee Services and Benefits                                | (10,483,784)             | (2,661,766)        | (13,145,550)                   |
| Other Operating Revenues  | 385,500                  |                    | 385,500                        |
| Other Operating Expenses  | (14,179)                 |                    | (14,179)                       |
| <i>Net Cash Provided by (Used for) Operating Activities</i>                     | <u>3,366,790</u>         | <u>(6,009,662)</u> | <u>(2,642,872)</u>             |
| <b>Cash Flows from Noncapital Financing Activities</b>                          |                          |                    |                                |
| Repayment of Interfund Loan   | 310,188                  |                    | 310,188                        |
| Operating Transfers to Other Funds  | (235,000)                |                    | (235,000)                      |
| Operating Grants  |                          | 4,079,586          | 4,079,586                      |
| Property Taxes  |                          | 2,797,757          | 2,797,757                      |
| <i>Net Cash Provided by Noncapital Financing Activities</i>                     | <u>75,188</u>            | <u>6,877,343</u>   | <u>6,952,531</u>               |
| <b>Cash Flows from Capital and Related Financing Activities</b>                 |                          |                    |                                |
| Capital Grants  |                          | 4,253,328          | 4,253,328                      |
| Principal Payments on General Obligation Bonds                                  | (10,000)                 |                    | (10,000)                       |
| Interest Payments on General Obligation Bonds                                   | (78,063)                 |                    | (78,063)                       |
| Principal Payments on OWDA Loans  | (1,225,647)              |                    | (1,225,647)                    |
| Interest Payments on OWDA Loans   | (731,625)                |                    | (731,625)                      |
| Principal Payments on Revenue Bonds   | (120,000)                |                    | (120,000)                      |
| Interest Payments on Revenue Bonds  | (13,800)                 |                    | (13,800)                       |
| Acquisition of Capital Assets   | (2,534,829)              | (6,904,758)        | (9,439,587)                    |
| Proceeds from Sale of Assets  |                          | 1,915,641          | 1,915,641                      |
| <i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i> | <u>(4,713,964)</u>       | <u>(735,789)</u>   | <u>(5,449,753)</u>             |
| <b>Cash Flows from Investing Activities</b>                                     |                          |                    |                                |
| Interest on Investments   | 1,678                    | 192,735            | 194,413                        |
| <i>Net Increase (Decrease) in Cash and Cash Equivalents</i>                     | (1,270,308)              | 324,627            | (945,681)                      |
| <i>Cash and Cash Equivalents Beginning of Year</i>                              | <u>6,090,685</u>         | <u>4,735,428</u>   | <u>10,826,113</u>              |
| <i>Cash and Cash Equivalents End of Year</i>                                    | <u>\$4,820,377</u>       | <u>\$5,060,055</u> | <u>\$9,880,432</u>             |

(continued)

**City of Youngstown, Ohio**  
*Combined Statement of Cash Flows*  
*Proprietary Fund Type and Discretely Presented Component Unit (continued)*  
*For the Year Ended December 31, 2001*

|  | Proprietary<br>Fund Type | Component<br>Unit | Totals<br>(Memorandum<br>Only) |
|--|--------------------------|-------------------|--------------------------------|
|  | Enterprise               |                   |                                |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b> |                          |                   |                                |
| <i>Operating Income (Loss)</i>   | (\$1,077,804)            | (\$7,323,985)     | (\$8,401,789)                  |
| Adjustments:   |                          |                   |                                |
| Depreciation   | 2,344,242                | 1,283,921         | 3,628,163                      |
| (Increase) Decrease in Assets:   |                          |                   |                                |
| Accounts Receivable  | 1,491,730                | (76,354)          | 1,415,376                      |
| Due from Other Governments   | 300,000                  |                   | 300,000                        |
| Special Assessments Receivable   | (144)                    |                   | (144)                          |
| Due from Other Funds   | 695,516                  |                   | 695,516                        |
| Materials and Supplies Inventory   | (221,447)                | 16,736            | (204,711)                      |
| Prepaid Items  |                          | (792)             | (792)                          |
| Increase (Decrease) in Liabilities:  |                          |                   |                                |
| Accounts Payable   | 403,815                  | (52,448)          | 351,367                        |
| Contracts Payable  | 42,626                   |                   | 42,626                         |
| Accrued Wages and Benefits   | 29,947                   | 139,460           | 169,407                        |
| Compensated Absences Payable   | 281,692                  |                   | 281,692                        |
| Due to Other Funds   | (487,445)                |                   | (487,445)                      |
| Retainage Payable  | (2,500)                  |                   | (2,500)                        |
| Other Payable  |                          | 3,800             | 3,800                          |
| Due to Other Government  | (433,438)                |                   | (433,438)                      |
| <i>Total Adjustments</i>   | 4,444,594                | 1,314,323         | 5,758,917                      |
| <i>Net Cash Provided By (Used for) Operating Activities</i>  | \$3,366,790              | (\$6,009,662)     | (\$2,642,872)                  |

See accompanying notes to the general purpose financial statements

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**City of Youngstown, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For the Year Ended December 31, 2001*

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**Note 1 - Reporting Entity**

The City of Youngstown 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.

In evaluating how to define the City for financial reporting purposes, management has considered all agencies, departments and organizations making up the City of Youngstown (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 combined financial statements identifies 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.

*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.

The City participates in the following jointly governed organizations. These organizations are discussed in Note 14 to the general purpose financial statements.

Mahoning County Drug Task Force  
Eastgate Development and Transportation Agency  
Youngstown Metropolitan Housing Authority  
Metropolitan Fire Investigation Unit

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.

**City of Youngstown, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For the Year Ended December 31, 2001*

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

**Note 2 - Summary of Significant Accounting Policies**

The financial statements of the City of Youngstown have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to the proprietary funds provided they do not conflict with or contradict GASB pronouncements. The more significant of the City's accounting policies are described below.

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

The City uses funds and account groups to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the City are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

**Governmental Funds Types** Governmental funds are those through which most governmental functions typically are financed. The acquisition, use, and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The following are the City's governmental fund types:

**General Fund** The general fund is the general operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the Charter of the City of Youngstown and/or the general laws of Ohio.

**Special Revenue Funds** These funds are established to account for the proceeds of specific revenue sources (other than amounts relating to major capital projects) that are legally restricted to expenditure for specified purposes.

**Debt Service Fund** This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related costs.

**Capital Projects Funds** These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

**Proprietary Fund Type** Proprietary funds are used to account for the City's ongoing activities which are similar to those found in the private sector. The following is the City's proprietary fund type:



**City of Youngstown, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For the Year Ended December 31, 2001*

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**Enterprise Funds** These funds are established to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges, or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**Fiduciary Fund Type** Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. There are two types of fiduciary funds, trust and agency. The City has no trust funds.

**Agency Funds** Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

**Account Groups** To make a clear distinction between fixed assets related to a specific fund and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

**General Fixed Assets Account Group** The general fixed assets account group is used to account for fixed assets of the City other than those accounted for in the proprietary funds.

**General Long-term Obligations Account Group** The general long-term obligations account group is used to account for all long-term obligations of the City, except those accounted for in the proprietary funds.

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund types operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary fund.

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

**City of Youngstown, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For the Year Ended December 31, 2001*

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Non-exchange 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. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 8) Revenue from grants, entitlements and donations is recognized in the fiscal 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 fiscal 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 non-exchange 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 fiscal year-end: income tax, state-levied locally shared taxes, interest, grants fees and rentals.

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

Property taxes for which there is an enforceable legal claim as of December 31, 2001, but which were levied to finance year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

### **C. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than the agency funds, are legally required to be budgeted and appropriated. Budgetary information for the WRTA (component unit) is not reported because it is not included in the entity for which the "appropriated budget" is adopted and does not maintain its own budgetary information. The legal level of budgetary control 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** At the first Council meeting in July, the Mayor presents the annual operating budget for the following fiscal year to City Council for consideration and passage. The adopted budget is 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.

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

**City of Youngstown, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For the Year Ended December 31, 2001*

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Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 2001.

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

**Encumbrances** As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations at the legal level of control. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

**Lapsing of Appropriations** At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding year and is not reappropriated.

**D. Cash and Cash Equivalents**

To improve cash management, cash received by the City is pooled. Monies for all funds, including the proprietary funds, are maintained in this pool. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet.

The general fund made an advance to the litter control program and juvenile diversion grant special revenue funds to eliminate the funds' negative cash balances. The special revenue funds have interfund payables for the amount of the advance received from the general fund and the general fund has an interfund receivable for the same amount on the combined balance sheet.

During 2001, investments were limited to repurchase agreements and non-negotiable certificates of deposit which are reported at cost. The City also invests in Star Bank Cash Management Fund which is a money market mutual fund. This mutual fund is reported at fair value which is determined by the fund's December 31, 2001 share price.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2001 amounted to \$632,883 which includes \$543,529 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 combined balance sheet as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the City's treasury.

**City of Youngstown, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For the Year Ended December 31, 2001*

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The City utilizes a financial institution to service general obligation bonded debt as principal and interest come due and a trustee (FIRSTAR) to collect revenue and retire principal and interest on its industrial development revenue bonds. The balances of these accounts are presented on the combined balance sheet as "cash and cash equivalents with fiscal and escrow agents" and represent deposits or short-term investments with an original maturity of three months or less.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments not purchased from the pool with an original maturity of more than three months are reported as investments.

***E. Inventory of Supplies***

***Primary Government*** Inventory is valued at cost on a first-in, first-out basis. At December 31, 2001, the general, special revenue, and proprietary funds maintained the only significant inventory. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the proprietary fund types when used. The reserve for inventory indicates that a portion of the fund balance is not available for future expenditures.

***Component Unit*** Inventory is stated at the lower of cost (average cost method) or market. Inventory generally consists of maintenance parts and supplies for rolling stock and other transportation equipment.

***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

***G. Restricted Assets***

Restricted assets of the component unit consist of monies and other resources which are legally restricted for capital acquisition and construction.

***H. Fixed Assets***

***Primary Government***

The fixed asset values were initially determined at December 31, 1992, except for land which was valued as of December 31, 2001, by assigning original acquisition costs when such information was available. In cases where information supporting original costs was not available, estimated historical costs were developed. For certain fixed assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition. Donated fixed assets are capitalized at fair market value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency are capitalized at cost in the general fixed assets account group or in the enterprise funds.

***General Fixed Assets*** General fixed assets (fixed assets used in governmental fund type operations) are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Assets in the general fixed assets account group are not depreciated.

**City of Youngstown, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For the Year Ended December 31, 2001*

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Public domain (infrastructure) general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized or reported, as these assets are immovable and of value only to the City.

**Proprietary Fund Fixed Assets** Fixed assets associated with the enterprise funds are accounted for in those funds. Depreciation is expensed and closed to unreserved retained earnings at year end. Depreciation is calculated using the straight-line method over the following estimated useful lives:

|                                   | Estimated Lives |
|-----------------------------------|-----------------|
| Buildings                         | 50 Years        |
| Improvements Other than Buildings | 20 Years        |
| Machinery and Equipment           | 5 - 30 Years    |
| Infrastructure                    | 65 Years        |
| Vehicles                          | 8 Years         |

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 2001, there were no capitalized interest costs incurred on construction projects in the proprietary funds.

**Component Unit Fixed Assets** Property, facilities and equipment are stated at historical cost. The costs 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:

|                            | Estimated Lives |
|----------------------------|-----------------|
| Buildings and Improvements | 20 - 35 Years   |
| Transportation Equipment   | 7 - 12 Years    |
| Other Equipment            | 4 – 15 Years    |

Depreciation recognized on assets acquired or constructed through grants externally restricted for capital acquisitions is closed to contributed capital.

***I. 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 13 to the general purpose financial statements.

**City of Youngstown, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For the Year Ended December 31, 2001*

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For governmental funds, the current portion of unpaid compensated absences is the amount to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of unpaid compensated absences is reported as a fund liability.

**J. Accrued Liabilities and Long-term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension contributions, and special termination benefits are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. In general, payments made more than two months after year-end are considered not to have been paid using current available financial resources. The bond anticipation note that was rolled over prior to the issuance of the financial statements has been reported in the general long-term obligations account group. Bonds, police and firemen's liability and long-term loans are recognized as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

**K. Contributed Capital**

Contributed capital represents donations by developers, contributions made by other City funds, and assets whose construction was financed by EPA grants. These assets are recorded at their fair market value on the date contributed and are not subject to repayment.

**L. Reserves of Fund Equity**

Reserves of fund equity in governmental funds indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for encumbrances, inventory of supplies and materials and notes receivable.

**M. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursement to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund, and a reduction of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**N. Interfund Assets and Liabilities**

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" and "due to other funds". Short-term interfund loans are classified as "interfund receivables/payables."

**O. Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**City of Youngstown, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For the Year Ended December 31, 2001*

**P. Total Columns - Memorandum Only**

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data. When the title of a statement indicates that a component unit is included, two total columns may be presented. The first is captioned primary government to indicate that only those activities that comprise the City's legal entity have been included. The second is captioned reporting entity and includes the activity and operations of the City's legally separate discretely presented component unit. The total column on statements which do not include a component unit have no additional caption.

**Note 3 - Changes in Accounting Principles and Restatement of Fund Balance**

For the year ended December 31, 2001, the City has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues." This change in accounting principle had the following effect on fund balance at December 31, 2000:

|  | General<br>Fund | Special<br>Revenue | Component<br>Unit |
|--|-----------------|--------------------|-------------------|
| Fund Balance/Equity as Previously Reported     | \$5,276,742     | \$10,104,177       | \$21,263,444      |
| Understatement of Deferred Revenue             |                 |                    | (2,655,871)       |
| Overstatement of Interfund Payable             |                 | 653,300            |                   |
| Understatement of Intergovernmental Receivable | 572,499         | 925,305            |                   |
| Restated Balance/Equity December 31, 2000      | \$5,849,241     | \$11,682,782       | \$18,607,573      |

For the year ended December 31, 2000, the following adjustment resulted in the restatement of beginning retained earnings in the enterprise funds.

|  | Enterprise Funds |
|--|------------------|
| Retained Earnings as Previously Reported | \$13,880,833     |
| Overstatement of Interfund Receivable    | (653,300)        |
| Understatement of Fixed Assets           | 102,410          |
| Restated Balance December 31, 2000       | \$13,329,943     |

The general fixed asset account group total assets increased \$2,737,949 from \$27,635,836 to \$30,373,785 as of December 31, 2000, due to the City accounting for Land in its general fixed assets for the first time.

For the year ended December 31, 2000, the following adjustment resulted in the restatement of beginning budgetary fund balance in the capital projects funds due to an error in reporting encumbrances.

| Budgetary                           | Capital Projects Funds |
|-------------------------------------|------------------------|
| Fund Balance as Previously Reported | (\$244,509)            |
| Erroneously Reported Encumbrance    | 400,000                |
| Restated Balance December 31, 2000  | \$155,491              |

**City of Youngstown, Ohio**  
*Notes to the General Purpose Financial Statements*  
For the Year Ended December 31, 2001

**Note 4 - Budgetary Basis of Accounting**

While reporting financial position, results of operations, and changes in fund balance/retained earnings 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - Proprietary Fund Type are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP (generally accepted accounting principles) basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- (b) Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure/expense (budget basis) at the time authorized as opposed to a reservation of fund balance for unperformed purchase commitments in governmental fund types and note disclosure for proprietary fund types (GAAP basis).
- (d) Short-term note proceeds and note principal retirement for governmental fund types are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis for the governmental funds, enterprise funds and component unit are as follows:

| Excess of Revenues and Other Financing Sources<br>Over (Under) Expenditures and Other Financing Uses<br>All Governmental Fund Types |               |                    |                 |                     |
|---|---------------|--------------------|-----------------|---------------------|
|   | General       | Special<br>Revenue | Debt<br>Service | Capital<br>Projects |
| GAAP Basis  | (\$1,654,274) | (\$3,099,114)      | (\$359,172)     | (\$325,489)         |
| Net Adjustment for Revenue Accruals   | 199,999       | 462,185            | (11,100)        | 127,437             |
| Transfers In  | 0             | (310,187)          | 0               | 0                   |
| Proceeds of Notes   | 0             | 0                  | 0               | 1,400,000           |
| Net Adjustment for Expenditure  | (332,290)     | 2,240,657          | 0               | 1,052,683           |
| Principal Retirement  | 0             | 0                  | 0               | (600,000)           |
| Disbursements Against   |               |                    |                 |                     |
| Prior Year Encumbrances   | 413,956       | 1,597,895          | 0               | 483,365             |
| Encumbrances  | (479,050)     | (966,877)          | 0               | (452,999)           |
|   | (\$1,851,659) | (\$75,441)         | (\$370,272)     | \$1,684,997         |
| Budget Basis  |               |                    |                 |                     |



**City of Youngstown, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For the Year Ended December 31, 2001*

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| Net Loss/Excess of Revenues Over (Under)<br>Expenses and Operating Transfers<br>Proprietary Fund Type and Component Unit |               |                   |
|--|---------------|-------------------|
|  | Enterprise    | Component<br>Unit |
| GAAP Basis   | (\$2,150,494) | (\$3,741,791)     |
| Net Adjustment for Revenue Accruals  | 2,487,283     | 0                 |
| Repayment of Interfund Payable   | 310,187       | 0                 |
| Net Adjustment for Expense Accruals  | (533,653)     | 0                 |
| Capital Outlay   | (2,534,829)   | 0                 |
| Principal Retirement   | (1,355,647)   | 0                 |
| Disbursement Against Prior Year Encumbrances   | 954,020       | 0                 |
| Depreciation Expense   | 2,344,242     | 0                 |
| Net Income – Non-Budgeted Funds  | 0             | 3,741,791         |
| Encumbrances   | (408,213)     | 0                 |
| Budget Basis   | (\$887,104)   | \$0               |

**Note 5 - Accountability and Compliance**

**A. Fund Deficits (GAAP Basis)**

The following funds had deficit fund balances at December 31, 2001:

**Special Revenue Funds**

|                |           |
|----------------|-----------|
| SCMR Fund      | \$550,068 |
| Police Levy    | 137,777   |
| Fire Levy      | 194,036   |
| Revolving Loan | 750,000   |
| Litter Control | 56,615    |

**Capital Projects Funds**

|                             |           |
|-----------------------------|-----------|
| Industrial Land Acquisition | 5,352,030 |
| Convocation Center          | 2,035     |

Special revenue funds and the convocation center capital projects fund deficits are caused by expenditures being higher than revenues and the recognition of expenditures on the modified accrual basis of accounting which are substantially greater than expenditures recognized on a cash basis. The general fund is liable for any deficits in these funds and provides operating transfers when cash is required, not when accruals occur.

The Industrial Land Acquisition capital projects fund deficit is the result of the issuance of short-term bond anticipation notes which are used to finance the project until the bonds are issued. Once bonds are issued and the liability is reported in the general long-term obligations account group rather than in the funds, the deficit will be eliminated.

**City of Youngstown, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For the Year Ended December 31, 2001*

**B. Compliance**

The following funds had appropriations in excess of estimated resources and carryover balances contrary to Section 5705.39, Ohio Revised Code:

| Fund                             | Estimated Resources | Appropriations | Excess    |
|----------------------------------|---------------------|----------------|-----------|
| <b>Special Revenue Funds</b>     |                     |                |           |
| Parks and Recreation Fund        | \$2,983,911         | \$3,206,640    | \$222,729 |
| SCMR Fund                        | 5,916,799           | 6,235,432      | 318,633   |
| Police Levy Fund                 | 15,551,048          | 16,545,196     | 994,148   |
| Fire Levy Fund                   | 10,447,114          | 10,640,228     | 193,114   |
| \$5 Auto License Fee Fund        | 549,978             | 1,091,000      | 541,022   |
| Air Pollution Fund               | 605,350             | 744,337        | 138,987   |
| Law Enforcement Fund             | 423,648             | 531,342        | 107,694   |
| Health Fund                      | 662,858             | 840,644        | 177,786   |
| CDBG Fund                        | 6,806,344           | 14,829,083     | 8,022,739 |
| Litter Control Program Fund      | 128,904             | 171,541        | 42,637    |
| Weed and Seed Fund               | 198,410             | 279,730        | 81,320    |
| Juvenile Diversion Grant Fund    | 84,496              | 108,071        | 23,575    |
| Local Homes Trust Fund           | 1,021,418           | 3,289,674      | 2,268,256 |
| Emergency Shelter Grant Fund     | 0                   | 407,090        | 407,090   |
| <b>Capital Projects Funds</b>    |                     |                |           |
| Convocation Center Fund          | \$0                 | \$163,764      | \$163,764 |
| Capital Projects Public Works    | 1,924,694           | 3,687,833      | 1,763,139 |
| Demolition Fund                  | 0                   | 2,020,000      | 2,020,000 |
| Capital Improvement Levy         | 2,782,688           | 3,014,686      | 231,998   |
| Capital Improvement Reserve Fund | 0                   | 400,000        | 400,000   |
| Industrial Land Acquisition      | 1,517,237           | 1,928,242      | 411,005   |

The following accounts had expenditures plus encumbrances in excess of appropriations contrary to Section 5705.41, Ohio Revised Code:

| Fund/Function                      | Appropriation | Expenditure | Excess   |
|------------------------------------|---------------|-------------|----------|
| <b>General Fund</b>                |               |             |          |
| General Government                 |               |             |          |
| Current:                           |               |             |          |
| Unclaimed Monies                   |               |             |          |
| Other                              | \$0           | \$18,094    | \$18,094 |
| <b>Special Revenue Funds</b>       |               |             |          |
| <b>Police Levy Fund</b>            |               |             |          |
| Current:                           |               |             |          |
| Security of Persons and Properties |               |             |          |
| Miscellaneous                      |               |             |          |
| Personal Services                  | 3,312,725     | 3,551,364   | 238,639  |
| Contractual Services               | 788,514       | 815,142     | 26,628   |

**City of Youngstown, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For the Year Ended December 31, 2001*

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**Weed and Seed Grant Fund**

Current:

|                       |       |       |       |
|-----------------------|-------|-------|-------|
| Community Environment |       |       |       |
| Miscellaneous         | 1,317 | 3,915 | 2,598 |

**Juvenile Diversion Grant Fund**

Current:

|                                  |        |         |        |
|----------------------------------|--------|---------|--------|
| Security of Persons and Property |        |         |        |
| Personal Services                | 99,857 | 135,025 | 35,168 |
| Contractual Services             | 2,769  | 3,723   | 954    |

***Enterprise Funds***

**Sewer Fund**

Current:

|                                |           |           |         |
|--------------------------------|-----------|-----------|---------|
| Personal Services              |           |           |         |
| Miscellaneous                  | 1,011,000 | 1,084,605 | 73,605  |
| Contractual Services           |           |           |         |
| General Administration         | 1,718,700 | 1,991,441 | 272,741 |
| Capital Outlay                 |           |           |         |
| Maintenance and Rehabilitation | 231,325   | 272,011   | 40,686  |
| Pump Station                   | 180,388   | 299,305   | 118,917 |

Expenditures are not being certified by the finance director and are not being encumbered as required by Ohio Revised Code Section 5705.41(D).

The City had negative cash fund balances in the following funds indicating that revenue from other sources were used to pay obligations of these funds contrary to Ohio Revised Code Section 5705.10:

***Special Revenue Funds:***

|                          |          |
|--------------------------|----------|
| Litter Control Program   | \$50,914 |
| Juvenile Diversion Grant | 43,690   |

**Note 6 - 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.

**City of Youngstown, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For the Year Ended December 31, 2001*

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

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

Interim monies can be invested in the following obligations:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section 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).

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** At year end, the carrying amount of the City's deposits was \$6,713,570 and the bank balance was \$7,718,882. Of the bank balance:

1. \$910,296 was covered by federal depository insurance.
2. \$6,808,586 was uncollateralized and uninsured. Although the securities were held by the pledging financial institutions trust department or agent in the City's name and all State statutory requirements for the investment of money had been followed, noncompliance with

**City of Youngstown, Ohio**  
*Notes to the General Purpose Financial Statements*  
For the Year Ended December 31, 2001

federal requirements could potentially subject the money held in the City's name to a successful claim by the FDIC.

**Investments** Investments are classified by three categories of risk. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name. The investment in the Star Bank Cash Management Fund is not categorized since it is not evidenced by securities that exist in physical or book entry form.

|                          | Category 3         | Carrying Value     | Fair Value         |
|--------------------------|--------------------|--------------------|--------------------|
| Repurchase Agreement     | \$8,085,378        | \$8,085,378        | \$8,085,378        |
| Star Bank Cash           |                    |                    |                    |
| Management Fund          | 0                  | 13,944             | 13,944             |
| <b>Total Investments</b> | <b>\$8,085,378</b> | <b>\$8,099,322</b> | <b>\$8,099,322</b> |

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. Cash and cash equivalents are defined to include investments with maturities of three months or less at the time of their purchase by the City.

A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

|                                | Cash and Cash<br>Equivalents/Deposits | Investments        |
|--------------------------------|---------------------------------------|--------------------|
| <i>GASB Statement 9</i>        | \$14,812,892                          | \$0                |
| Investments:                   |                                       |                    |
| Repurchase Agreement           | (8,085,378)                           | 8,085,378          |
| Star Bank Cash Management Fund | (13,944)                              | 13,944             |
| <i>GASB Statement 3</i>        | <b>\$6,713,570</b>                    | <b>\$8,099,322</b> |

**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 (STAROhio), 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 deposit. 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

**City of Youngstown, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For the Year Ended December 31, 2001*

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to a repurchase agreement must exceed the value of the principal by 2 percent and be marked to market daily. State law does not require security for public deposits and investments to be maintained in the Authority's name.

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

**Deposits** The carrying amount of WRTA's deposits was \$11,744 at December 31, 2001 which was supported by a \$15,154 bank balance consisting of demand deposits. All of the bank balance was covered by depository and there was no uninsured and uncollateralized as defined by the Governmental Accounting Standards Board.

**Investments** WRTA's investments are detailed below and are categorized in accordance with the criteria established by the Governmental Accounting Standards Board to indicate the level of credit risk assumed as of December 31, 2001. Category 1 includes investments that are insured or registered for which the securities are held by WRTA or its agent in WRTA's name. Category 2 includes investments that are uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in WRTA's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in WRTA's name.

|                      | Category 3  | Carrying Amount | Fair Value  |
|----------------------|-------------|-----------------|-------------|
| Repurchase Agreement | \$5,048,311 | \$5,048,311     | \$5,048,311 |

**Note 7- Income Tax**

The City levies an income tax of two and one quarter percent on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit not to exceed two and one quarter percent on income earned outside the City and paid to other municipalities. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. Income tax revenue is credited to four funds. Of the original two percent levied, the general fund receives one and one-half percent and of the remaining one-half percent, 40 percent is credited to the police levy special revenue fund, 35 percent to the fire levy special revenue fund, and 25 percent to the 1/4 of 5 mill capital improvement capital projects fund. An additional one-quarter percent was levied for 1997. Of this additional one-quarter percent 50 percent is credited to the police levy special revenue fund, 25 percent to the fire levy special revenue fund, and 25 percent to the 1/4 of 5 mill capital improvement capital projects fund.

**City of Youngstown, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For the Year Ended December 31, 2001*

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**Note 8 - Property Tax**

**A. Primary Government**

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Property tax revenue received during 2001 for real and public property taxes represents collections of 2000 taxes. Property tax payments received during 2001 for tangible personal property (other than public utility property) is for 2001 taxes.

2001 real property taxes are levied after October 1, 2001, on the assessed value as of January 1, 2001, the lien date. Assessed values are established by State law at 35 percent of true value. 2001 real property taxes are collected in and intended to finance 2002.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2001 public utility property taxes became a lien December 31, 2000, are levied after October 1, 2001, and are collected in 2001 with real property taxes.

2001 tangible personal property taxes are levied after October 1, 2000, on the values as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are 25 percent of true value.

The full tax rate for all City operations for the year ended December 31, 2001, was \$3.70 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2001 property tax receipts were based are as follows:

| <u>Category</u>   | <u>Assessed Value</u>       |
|-------------------|-----------------------------|
| Real Estate       | \$454,500,780               |
| Tangible Personal | 103,272,090                 |
| Public Utility    | <u>58,513,920</u>           |
| Total             | <u><u>\$616,286,790</u></u> |

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

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

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Youngstown. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2001, and for which there is an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 2001 operations. The receivable is offset by deferred revenue.

**B. Component Unit**

The WRTA is subsidized by property tax levies passed by the voters of the City. Property taxes of 5.0 mills were levied in 2000 and 1997 that expire as follows: 2.0 mills in 2001, 2.0 mills in 2005 and 1.0 mill in 2010. Property tax revenue can be used for operating or capital purposes.

**City of Youngstown, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For the Year Ended December 31, 2001*

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

The WRTA receives cash from tax levies when the related property tax collections are distributed by the Mahoning County Auditor's office. These distributions are generally received in the year following that for which the tax is levied.

**Note 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, 2001, consisted of taxes, accounts (billings for user charged services), notes, interest on investments, special assessments and intergovernmental receivables arising from grants, entitlements or shared revenues. All governmental fund type receivables are considered fully collectible. Utility receivables are reflected at net realizable value net of an allowance of 20 percent for uncollectible accounts.

Notes receivable represent low-interest Community Development Agency loans made to eligible residents and businesses of the City of Youngstown for development projects, home improvements and rental property rehabilitation. Rental property rehabilitation loan agreements state that the loan recipient will not sell the property for ten years after such rehabilitation is completed. The Community Development Agency secures a lien against the property for this ten-year period. Ten percent of the loan is forgiven each year for the duration of the ten-year lien if the rental property owner does not sell the property. At the end of the tenth year, the loan is completely forgiven and the lien is taken off of the property. The outstanding principal balance of unforgiven rental property rehabilitation loans at December 31, 2001 is \$29,001. The outstanding balance of other loans is \$4,661,582 for a total of \$4,690,583, in notes receivable.

A summary of the principal items of intergovernmental receivables follows:

| Intergovernmental Receivable                | Amount           |
|---|------------------|
| <b>General Fund</b>                         |                  |
| Local Government (Mahoning County)          | \$1,386,276      |
| Local Government (State of Ohio)            | 368,976          |
| Local Government Revenue Distribution       | 307,434          |
| Reimbursement of Insurance Premiums         | 4,849            |
| <i>Total General Fund</i>                   | <i>2,067,535</i> |
| <b>Special Revenue Funds</b>                |                  |
| Street Construction, Maintenance and Repair | 1,087,727        |
| Police Levy                                 | 361,148          |



**City of Youngstown, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For the Year Ended December 31, 2001*

|                                    |              |
|------------------------------------|--------------|
| \$5 Auto License Fee               | 255,329      |
| Health Department                  | 285,574      |
| CDBG                               | 8,995,278    |
| HUD Section 108                    | 1,888,208    |
| Weed and Seed                      | 148,982      |
| Juvenile Diversion Grant           | 139,959      |
| Local Homes Trust                  | 2,417,818    |
| Emergency Shelter Grant            | 164,027      |
| <i>Total Special Revenue Funds</i> | 15,744,050   |
| <b>Debt Service Fund</b>           |              |
| Bond Retirement                    | \$117,225    |
| <b>Capital Projects Funds</b>      |              |
| Capital Projects Public Works      | 84,900       |
| <i>Total</i>                       | \$18,013,710 |

**B. Component Unit**

Receivables at December 31, 2001, consisted of taxes, accounts, and intergovernmental receivables arising from operating, capital, and planning grants. All receivables are considered fully collectible.

| Intergovernmental Receivable | Amount      |
|------------------------------|-------------|
| Federal Assistance           | \$1,687,170 |
| State Assistance             | 817,818     |
| Property Taxes               | 2,699,884   |
| Total                        | \$5,204,872 |

**Note 11 - Fixed Assets**

**A. Primary Government**

All fund fixed assets relate to the water and sewer service enterprise funds. The balances as of December 31, 2001, for the two funds were as follows:

|                                   |            |
|-----------------------------------|------------|
| Land                              | \$181,410  |
| Buildings                         | 37,346,964 |
| Improvements Other than Buildings | 2,143,196  |
| Machinery and Equipment           | 23,334,701 |
| Infrastructure                    | 21,059,404 |
| Vehicles                          | 2,781,883  |
| Total                             | 86,847,558 |



**City of Youngstown, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For the Year Ended December 31, 2001*

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the Clerk of Courts and \$100,000 for the Finance Director. Additionally, the City had a public official faithful performance bond in the amount of \$25,000 for the Clerk of Courts.

The City had a blanket property casualty coverage through its Coregis municipal insurance package with a limit of \$95,850,688 and a deductible of \$5,000 per occurrence.

In calendar year 2001, the City paid deductibles totaling \$137,777 to the Ohio Municipal League Joint Self-Insurance Pool for cases that had arisen during its period of coverage (1995 through 1999).

Deductibles paid to Coregis during calendar year 2001 totaled \$13,300.

The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Settled claims have not exceeded this coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

**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 \$100,000 of any qualified property loss and the first \$250,000 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 \$464,000,000 for qualified property losses and \$25,000,000 for qualified casualty losses. The annual aggregate stop-loss limit for casualty is \$1,600,000 and for property is \$300,000. Any underfunding of the plan's liabilities is shared pro-rata by the members based on pool contribution factors comprised of: population, full-time employees, vehicles, property values, budget, claims history times two and net operating expenses.

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

**Note 13 - Employee Benefits**

**A. Life/Health Insurance**

The City provides medical/surgical benefits to employees through Medical Mutual of Ohio. This plan has a \$200 single and \$400 family deductible and then 20 percent of the next \$900 is payable by the employee. An alternative plan with no deductibles or co-payments if network doctors and hospitals are used is also available through Medical Mutual of Ohio.

Prescription coverage from Medical Mutual of Ohio may be purchased by employees. Premiums are \$147.44 monthly on a composite basis with a \$5 and \$10 per prescription deductible for generic and name brands respectively. This prescription coverage is for the PPO coverage only.

The City provides life insurance and accidental death and dismemberment insurance to its employees. Coverage is \$9,500 per employee except for wastewater treatment plant employees who have \$15,000 of coverage per employee. Coverage is provided by the Standard Insurance Company. The police employees' life and accidental death and dismemberment insurance is also provided by the Standard Insurance Company. Coverage is \$20,000 for police and \$15,000 for fire and Emergency 911 operators.

**City of Youngstown, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For the Year Ended December 31, 2001*

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Members of the AFCSME 2312 and 2726 have vision and dental insurance. Coverage is provided by the Ohio AFCSME Care Plan. Premiums for the plans are \$50.25.

Several departments have dental and vision coverage through Medical Mutual of Ohio. These departments include wastewater, street, and 911. Premiums for the dental/vision plan are \$25.93 for single coverage and \$80.86 for family coverage.

***B. Compensated Absences***

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

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

For governmental funds, the current portion of unpaid compensated absences is recorded as a current liability in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability. As of December 31, 2001, the liability for unpaid compensated absences was \$8,192,007 for the entire City.

**Note 14 - Jointly Governed Organizations**

***A. 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 2001. Financial information can be obtained from the Mahoning County Drug Task Force, P.O. Box 3379, Boardman, Ohio 44513.

***B. Eastgate Development and Transportation Agency***

The Eastgate Development and Transportation Agency (EDATA) is a jointly governed organization among 27 local governments in Ashtabula, Columbiana, Mahoning and Trumbull counties. The Board is comprised of one representative from each city, village, county or governmental agency and one additional representative for each 20,000 population. The City of Youngstown currently has five representatives on the 48-member board. Each participant's control over the operation of EDATA is limited to its representation on the board. EDATA develops and reviews plans for regional growth and development and aids in coordinating plans among local governments. Continued existence of EDATA is not dependent on the City's continued participation. In 2001, the City contributed \$33,506 which represents 12 percent of total contributions. Complete financial statements can be obtained from the Eastgate Development and Transportation Agency, 25 East Boardman Street, Youngstown, Ohio 44503.

**City of Youngstown, Ohio**  
*Notes to the General Purpose Financial Statements*  
For the Year Ended December 31, 2001

**C. 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.

**D. Metropolitan Fire Investigation Unit**

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

**Note 15 - Industrial Development Revenue Bonds**

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

**Note 16 - Long-term Obligations**

Changes in long-term obligations of the City during the year ended December 31, 2001, were as follows:

|  | Balance<br>12/31/00 | Issued   | Retired       | Balance<br>12/31/01 |
|--|---------------------|----------|---------------|---------------------|
| <b>Enterprise Debt</b>                                   |                     |          |               |                     |
| <b>General Obligation Bonds</b>                          |                     |          |               |                     |
| 3.10 - 5.10% 1998 Refunding Water Fund Portion           | \$1,140,000         | 0        | \$5,000       | \$1,135,000         |
| 3.10 - 5.10% 1998 Refunding Sewer Fund Portion           | 560,000             | 0        | 5,000         | 555,000             |
| <i>Total General Obligation Bonds</i>                    | <u>1,700,000</u>    | <u>0</u> | <u>10,000</u> | <u>1,690,000</u>    |
| <b>Revenue Bonds</b>                                     |                     |          |               |                     |
| 5.75% 1976 Waterworks System                             | 240,000             | 0        | 120,000       | 120,000             |
| <b>OWDA Loans</b>  |                     |          |               |                     |
| 9.99% Wastewater Treatment Plant Improvement - Phase I   | \$1,000,795         | \$0      | \$215,659     | \$785,136           |
| 10.84% Wastewater Treatment Plant Improvement - Phase II | 809,828             | 0        | 102,757       | 707,071             |
| 8.97% Wastewater Treatment Plant Improvement - Phase III | 4,677,514           | 0        | 508,851       | 4,168,663           |
| 8.09% Water Meter Conversion                             | 1,536,247           | 0        | 398,380       | 1,137,867           |

**City of Youngstown, Ohio**  
*Notes to the General Purpose Financial Statements*  
For the Year Ended December 31, 2001

|   |                  |          |                  |                  |
|---|------------------|----------|------------------|------------------|
| <i>Total OWDA Loans</i>                   | <u>8,024,384</u> | <u>0</u> | <u>1,225,647</u> | <u>6,798,737</u> |
| <i>Total Enterprise Funds Obligations</i> | <u>9,964,384</u> | <u>0</u> | <u>1,355,647</u> | <u>8,608,737</u> |

**General Long-Term Obligations Account Group**

**General Obligations Bonds**

|   |                   |          |                  |                   |
|---|-------------------|----------|------------------|-------------------|
| 5.50% 1977 Offstreet Parking                  | 600,000           | 0        | 300,000          | 300,000           |
| 3.60 - 7.50% 1995 Various Purpose Improvement | 4,165,000         | 0        | 210,000          | 3,955,000         |
| 3.10 - 5.10% 1998 Advance Refunding           | 6,645,000         | 0        | 760,000          | 5,885,000         |
| 4.40 - 6.00% 2000 Pension Refunding           | <u>10,355,000</u> | <u>0</u> | <u>100,000</u>   | <u>10,255,000</u> |
| <i>Total General Obligations Bonds</i>        | <u>21,765,000</u> | <u>0</u> | <u>1,370,000</u> | <u>20,395,000</u> |

**Industrial Development Revenue Bonds**

|   |                  |          |                |                |
|---|------------------|----------|----------------|----------------|
| 6.0% 1992 Salt Spring Industrial Park Proj.       | 340,000          | 0        | 340,000        | 0              |
| 6.0% 1993 Ohio Bell Project                       | <u>960,000</u>   | <u>0</u> | <u>120,000</u> | <u>840,000</u> |
| <i>Total Industrial Development Revenue Bonds</i> | <u>1,300,000</u> | <u>0</u> | <u>460,000</u> | <u>840,000</u> |

**HUD Section 108 Loans**

|   |                   |          |                |                  |
|---|-------------------|----------|----------------|------------------|
| 6.52% Exal Project  | 3,170,000         | 0        | 305,000        | 2,865,000        |
| 6.84 - 8.27% Forte Mfg.                                     | 415,000           | 0        | 90,000         | 325,000          |
| 6.84 - 8.27% Beachwood Village                              | 280,000           | 0        | 80,000         | 200,000          |
| 6.84 - 9.03% Youngstown CIC                                 | 2,085,000         | 0        | 90,000         | 1,995,000        |
| 6.84 - 9.03% Far Art  | 165,000           | 0        | 35,000         | 130,000          |
| 6.84 - 9.03% Cantar/Polyair                                 | 1,480,000         | 0        | 250,000        | 1,230,000        |
| 6.0125% Youngstown CIC                                      | 1,334,950         | 0        | 45,000         | 1,289,950        |
| 6.84 - 9.03% Mahoning County<br>Chemical Dependency Program | 120,000           | 0        | 40,000         | 80,000           |
| 6.84 - 9.03% Housing Rehab                                  | <u>1,000,000</u>  | <u>0</u> | <u>50,000</u>  | <u>950,000</u>   |
| <i>Total HUD Section 108 Loans</i>                          | <u>10,049,950</u> | <u>0</u> | <u>985,000</u> | <u>9,064,950</u> |

**Other Long-Term Obligations**

|  |                     |                    |                    |                     |
|--|---------------------|--------------------|--------------------|---------------------|
| Notes Payable                              | 600,000             | 600,000            | 600,000            | 600,000             |
| Due to Other Governments                   | 1,383,572           | 1,715,691          | 1,383,572          | 1,715,691           |
| Compensated Absences                       | <u>5,219,705</u>    | <u>1,449,186</u>   | <u>0</u>           | <u>6,668,891</u>    |
| <i>Total Other Long-Term Obligations</i>   | <u>7,203,277</u>    | <u>3,764,877</u>   | <u>1,983,572</u>   | <u>8,984,582</u>    |
| <i>Total General Long-Term Obligations</i> | <u>40,318,227</u>   | <u>3,764,877</u>   | <u>4,798,572</u>   | <u>39,284,532</u>   |
| <i>Total</i>                               | <u>\$50,282,611</u> | <u>\$3,764,877</u> | <u>\$6,154,219</u> | <u>\$47,893,269</u> |

The City's overall legal debt margin was \$43,238,025 at December 31, 2001. Principal and interest requirements to retire the enterprise funds' long-term debt obligations outstanding at December 31, 2001, are as follows:

**City of Youngstown, Ohio**  
*Notes to the General Purpose Financial Statements*  
For the Year Ended December 31, 2001

| Year                         | General<br>Obligation<br>Bonds | Revenue<br>Bonds | OWDA<br>Loans      | Total              |
|------------------------------|--------------------------------|------------------|--------------------|--------------------|
| 2002                         | \$177,682                      | \$126,900        | \$1,957,268        | \$2,261,850        |
| 2003                         | 193,782                        | 0                | 1,957,268          | 2,151,050          |
| 2004                         | 194,042                        | 0                | 1,695,936          | 1,889,978          |
| 2005                         | 213,980                        | 0                | 1,118,966          | 1,332,946          |
| 2006                         | 232,755                        | 0                | 1,118,966          | 1,351,721          |
| 2007-2011                    | 1,177,760                      | 0                | 928,424            | 2,106,184          |
| Total Principal and Interest | 2,190,001                      | 126,900          | 8,776,828          | 11,093,729         |
| Less: Interest               | (500,001)                      | (6,900)          | (1,978,091)        | (2,484,992)        |
| Total Principal Outstanding  | <u>\$1,690,000</u>             | <u>\$120,000</u> | <u>\$6,798,737</u> | <u>\$8,608,737</u> |

Principal and interest requirements to retire the general long-term debt obligations outstanding at December 31, 2001, are as follows:

| Year                         | General<br>Obligation<br>Bonds | Industrial<br>Development<br>Revenue<br>Bonds | HUD<br>Section 108<br>Loans | Total               |
|------------------------------|--------------------------------|---|-----------------------------|---------------------|
| 2002                         | \$2,239,724                    | \$168,600                                     | \$1,709,762                 | \$4,118,086         |
| 2003                         | 1,921,625                      | 161,400                                       | 1,856,661                   | 3,939,686           |
| 2004                         | 1,943,057                      | 154,200                                       | 1,480,264                   | 3,577,521           |
| 2005                         | 1,935,227                      | 147,000                                       | 1,422,342                   | 3,504,569           |
| 2006                         | 1,919,666                      | 139,800                                       | 1,057,872                   | 3,117,338           |
| 2007-2011                    | 9,553,793                      | 258,000                                       | 3,722,910                   | 13,534,703          |
| 2012-2016                    | 4,945,936                      | 0   | 1,429,014                   | 6,374,950           |
| 2017-2021                    | 3,631,987                      | 0   | 235,756                     | 3,867,743           |
| 2022-2026                    | 3,628,157                      | 0   | 0                           | 3,628,157           |
| 2027-2031                    | 3,631,800                      | 0   | 0                           | 3,631,800           |
| Total Principal and Interest | 35,350,972                     | 1,029,000                                     | 12,914,581                  | 49,294,553          |
| Less: Interest               | (14,955,972)                   | (189,000)                                     | (3,849,631)                 | (18,994,603)        |
| Total Principal Outstanding  | <u>\$20,395,000</u>            | <u>\$840,000</u>                              | <u>\$9,064,950</u>          | <u>\$30,299,950</u> |

General obligation bonds and OWDA loans reported in the enterprise funds are payable from charges for services in the enterprise funds. The 1976 waterworks system revenue bonds were issued to construct water mains and a pumping station and are payable from revenues of the water enterprise fund.

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

The industrial development revenue bonds are also direct obligations of the City. The City issued these bonds to attract new business and create jobs for City residents by improving the sites of industrial parks. The Salt Spring Industrial Park Project industrial development revenue bonds are payable from non-tax revenues. The Ohio Bell Project industrial development revenue bonds will be paid from payments in lieu of taxes from Ameritech (formerly Ohio Bell). Collection of these payments in lieu of taxes began in 1996.

**City of Youngstown, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For the Year Ended December 31, 2001*

Ameritech is directly responsible for paying for a portion of the Ohio Bell industrial park project through a separate issue of industrial development revenue bonds (see Note 15).

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

Bond anticipation notes that were rolled over prior to the issuance of the financial statements and have a new maturity beyond the end of the year in which the report is issued, have been reported in the general long-term obligations account group. The notes are backed by the full faith of the City of Youngstown.

The due to other governments liability represents amounts owed to retirement systems paid outside the available period and will be paid from the fund which the employees' salaries are paid.

For compensated absences, additions and deletions of accrued vacation and sick leave are shown net since it is impractical for the City to determine these amounts separately. Compensated absences will be paid from the fund from which the employees' salaries are paid.

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

|   | Water       | Sewer     | Total       |
|---|-------------|-----------|-------------|
| Outstanding balance of General Obligation Bonds | \$1,135,000 | \$555,000 | \$1,690,000 |
| Unamortized Premium                             | 14,992      | 7,464     | 22,456      |
| Unamortized Accounting Loss                     | (100,469)   | (50,272)  | (150,741)   |
| Net Bonds Payable                               | \$1,049,523 | \$512,192 | \$1,561,715 |

**Note 17 - Defined Benefit Pension Plans**

**A. Public Employees Retirement System**

All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2001 employer pension contribution rate for the City was 9.25 percent of covered payroll, increased from 6.54 percent in 2000. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to PERS for the years ended December 31, 2001, 2000, and 1999 were \$1,856,588, \$1,140,754, and \$1,710,831 respectively. The full amount has been contributed for 2000 and 1999. 79.15 percent has been contributed for 2001 with the remainder being reported as a liability in the general long-term obligations account group.

**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, 2001, 2000 and 1999 were \$433,068, \$206,000 and \$254,000, respectively.

The WRTA is also making payments to qualifying retirees for service rendered to a predecessor transit company. This liability was not funded by the predecessor transit company and the remaining liability has not been funded by WRTA. The unfunded liability for future benefits under the predecessor transit company has not been determined. All employees eligible for benefits under this plan are retired. Expense under this



**City of Youngstown, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For the Year Ended December 31, 2001*

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arrangement charged to operations for the years ended December 31, 2001 and 2000 were \$3,756 and \$3,800, respectively.

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

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple employer public employee retirement system administered by the OP&F's Board of Trustees. 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 by Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 12 percent for police and 16.5 percent for firefighters. For 2001 the City contributions were 12.25 percent for police and 16.75 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the OP&F for police and firefighters were \$1,082,658 and \$986,179 for the year ended December 31, 2001, \$1,110,461 and \$1,007,192 for the year ended December 31, 2000, \$1,064,127 and \$1,058,908 for the year ended December 31, 1999. The full amount has been contributed for 2000 and 1999. 63.41 percent and 60.56 percent, respectively, have been contributed for 2001 with the remainder being reported as a liability in the general long-term obligations account group.

**Note 18 - Postemployment Benefits**

**A. Public Employees Retirement System**

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2001 employer contribution rate was 13.55 percent of covered payroll; 4.30 percent was the portion that was used to fund health care for 2001. For 2000, the contribution rate was 10.84 percent of covered payroll; 4.30 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 2000, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually for inflation (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 percent annually.

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

The number of active contributing participants was 411,076. The City's actual contributions for 2001 which were used to fund postemployment benefits were \$882,136. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 2000, (the latest information available) were \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$14,364.6 million and \$2,628.7 million, respectively.

**Component Unit** The actuarially determined and statutorily required contribution requirement from the WRTA for the years ended December 31, 2001 and 2000 were \$137,005 and \$136,000, respectively.

**City of Youngstown, Ohio**  
*Notes to the General Purpose Financial Statements*  
For the Year Ended December 31, 2001

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

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.25 percent of covered payroll was applied to the postemployment health care program during 2001. For 2000, the percent used to fund healthcare was also 7.25 percent. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The City's actual contributions for 2001 that were used to fund postemployment benefits were \$640,757 for police and \$426,854 for fire. The OP&F's total health care expenses for the year ended December 31, 2000, (the latest information available) were \$106,160,054, which was net of member contributions of \$5,657,431. The number of OP&F participants eligible to receive health care benefits as of December 31, 2000, was 12,853 for police and 10,037 for firefighters.

**Note 19 - Interfund Assets and Liabilities**

Interfund balances at December 31, 2001, consist of the following individual fund receivables and payables.

| Fund Type/Fund                              | Receivable |            | Payable        |          |
|---|------------|------------|----------------|----------|
|   | Interfund  | Due From   | Interfund      | Due To   |
| <b>General Fund</b>                         | \$94,604   | \$64,320   | \$0            | \$0      |
| <b>Special Revenue Funds</b>                |            |            |                |          |
| Street Construction, Maintenance and Repair | 0          | 0          | 310,189        | 0        |
| Drug Law Enforcement                        | 0          | 285        | 0              | 0        |
| Indigent Alcohol Treatment                  | 0          | 115        | 0              | 0        |
| DUI Law Enforcement                         | 0          | 173        | 0              | 0        |
| Litter Control Program                      | 0          | 0          | 50,914         | 0        |
| Juvenile Diversion Grant                    | 0          | 0          | 43,690         | 0        |
| <i>Total Special Revenue Funds</i>          | <u>0</u>   | <u>573</u> | <u>404,793</u> | <u>0</u> |
| <b>Debt Service Fund</b>                    |            |            |                |          |
| Bond Retirement                             | 0          | 0          | 150,000        | 0        |
| <b>Capital Projects Funds</b>               |            |            |                |          |
| Court Capital Improvements                  | 0          | 18,938     | 0              | 0        |
| Street Improvements                         | 150,000    | 0          | 0              | 0        |

**City of Youngstown, Ohio**  
*Notes to the General Purpose Financial Statements*  
For the Year Ended December 31, 2001

|                                     |         |        |   |   |
|-------------------------------------|---------|--------|---|---|
| <i>Total Capital Projects Funds</i> | 150,000 | 18,938 | 0 | 0 |
|-------------------------------------|---------|--------|---|---|

**Enterprise Fund**

|       |         |   |   |   |
|-------|---------|---|---|---|
| Sewer | 310,189 | 0 | 0 | 0 |
|-------|---------|---|---|---|

**Agency Fund**

|                 |   |   |   |        |
|-----------------|---|---|---|--------|
| Municipal Court | 0 | 0 | 0 | 83,831 |
|-----------------|---|---|---|--------|

|              |           |          |           |          |
|--------------|-----------|----------|-----------|----------|
| <i>Total</i> | \$554,793 | \$83,831 | \$554,793 | \$83,831 |
|--------------|-----------|----------|-----------|----------|

**Note 20 - Short-Term Debt**

Note activity during 2001 consisted of the following:

|                                       | Balance<br>12/31/00 | Issued      | Retired     | Balance<br>12/31/01 |
|---------------------------------------|---------------------|-------------|-------------|---------------------|
| General Obligation Notes              |                     |             |             |                     |
| 6.06% Street Improvements             | \$2,000,000         | \$4,000,000 | \$2,000,000 | \$4,000,000         |
| 8.88% Taxable Street Improvements     | 1,750,000           | 1,750,000   | 1,750,000   | 1,750,000           |
| 6.06% Street Improvements             | 150,000             | 150,000     | 150,000     | 150,000             |
| <i>Total General Obligation Notes</i> | \$3,900,000         | \$5,900,000 | \$3,900,000 | \$5,900,000         |

By Ohio law, notes can be issued in anticipation of bond proceeds, special assessment bond proceeds and levies, or for up to 50 percent of anticipated revenue collections. There are also limitations on the number of times notes can be renewed. All notes outstanding at year end are bond anticipation notes. The notes will be refinanced until the projects are complete and the City determines it to be advantageous to issue bonds. The note liability is reflected in the funds which received the proceeds.

**Note 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.

**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.

**City of Youngstown, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For the Year Ended December 31, 2001*

**B. Federal and State Grants**

**Primary Government** For the period January 1, 2001 to December 31, 2001, 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, 2001, 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 - Segment Information - Enterprise Funds**

The City maintains two enterprise funds to account for the operation of the City's water and sewer operations. Financial segment information as of and for the year ended December 31, 2001, for the Water Fund and the Sewer Fund is presented below:

|                             | Water        | Sewer        | Total<br>Primary<br>Government |
|-----------------------------|--------------|--------------|--------------------------------|
| Operating Revenues          | \$14,616,382 | \$12,194,230 | \$26,810,612                   |
| Depreciation Expense        | 360,996      | 1,983,246    | 2,344,242                      |
| Operating Income (Loss)     | (\$571,333)  | (\$506,471)  | (\$1,077,804)                  |
| Operating Transfers         |              |              |                                |
| Out                         | (10,000)     | (225,000)    | (235,000)                      |
| Net Loss                    | (780,879)    | (1,369,615)  | (\$2,150,494)                  |
| Fixed Asset Additions       | 1,366,589    | 1,168,240    | 2,534,829                      |
| Fixed Asset Deletions       | 816,067      | 49,741       | 865,808                        |
| Net Working Capital         | 1,619,997    | 8,246,567    | 9,866,564                      |
| Total Assets                | 16,357,955   | 40,824,282   | 57,182,237                     |
| Total Long-term Liabilities | 2,995,534    | 6,660,701    | 9,656,235                      |
| Total Equity                | 12,316,012   | 33,374,994   | 45,691,006                     |
| Encumbrances Outstanding    |              |              |                                |
| At December 31, 2001        | 81,206       | 327,007      | 408,213                        |

**Note 23 - Subsequent Event**

On May 3, 2002, the City of Youngstown issued a bond anticipation note in the aggregate amount of \$600,000 with an interest rate of 3.57 percent for various improvement projects. The note matures May 2, 2003.

On May 9, 2002 the City of Youngstown settled a civil lawsuit brought by the US EPA. The City is required to make improvements to the City's wastewater treatment plant and sewer system over the next several years, with an estimated cost of \$20 million. In addition, the US EPA assessed the City a civil penalty of \$60,000. The violations stem from the daily operation of the sewer system in which the US EPA deemed the City in noncompliance with its NPDES permit and the Clean Water Act. The City intends to pay for this through an increase in sewer rates.

The City is currently experiencing certain negative financial conditions. While there were no material fund deficits as of December 31, 2001, expenditures exceeded revenues in the following funds for 2001:

**City of Youngstown, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For the Year Ended December 31, 2001*

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| Fund                          | Variance    |
|-------------------------------|-------------|
| General                       | \$1,654,247 |
| Bond Retirement               | 359,172     |
| Capital Projects Public Works | 189,813     |
| Capital Improvements Levy     | 317,553     |
| Industrial Land Acquisition   | 545,495     |
| Convocation Center            | 2,035       |
| Water                         | 780,879     |
| Sewer                         | 1,369,615   |
| Wick Building                 | 101,797     |
| Parks and Recreation          | 105,655     |
| SCMR                          | 110,628     |
| Police Levy                   | 826,459     |
| Fire Levy                     | 137,973     |
| Auto License Fee              | 73,089      |
| Economic Development          | 10,320      |
| Law Enforcement               | 62,753      |
| Safety Steering Committee     | 1,400       |
| Health Department             | 83,145      |
| HUD                           | 463,314     |
| CDBG                          | 1,238,027   |
| Litter Control                | 23,490      |
| CCA                           | 1,375       |
| Local Homes Trust Fund        | 92,037      |

During the eight month period ending August 31, 2002 cash disbursements exceeded cash receipts in all governmental fund types and the City reflected deficit fund balances as of that date in the following funds:

| Fund                             | Deficit     |
|----------------------------------|-------------|
| General                          | \$2,554,900 |
| Water                            | 557,107     |
| Sewer                            | 317,455     |
| Parks and Recreation             | 110,935     |
| SCMR                             | 572,437     |
| Court Computerization            | 337,604     |
| Capital Improvement Levy         | 84,740      |
| Federal Plaza Ad Hoc             | 63,208      |
| Comm. Environmental Improvement  | 12,280      |
| Home Health Services             | 94,063      |
| Health Services for the Homeless | 323,689     |

The City projects a \$3,000,000 deficit for the general and general reliant funds at the end of 2002. Additionally, income taxes declined by \$950,000 from 2000 to 2001.

To address these conditions, the City passed a levy in November 2002 to raise income tax by ½% to be used for police and fire operations and capital improvement. The levy is expected to provide \$7.2 million per year. Additionally, City Council approved an increase in sewer rates by 33% over the next 3 ½ years, beginning October 1, 2002. The City also had laid off 60 employees and 60 additional employees took an early retirement incentive during 2002. Since the passage of the additional ½% income tax increase 11 police officers and 15 firefighters have been called back.

Management will continue to monitor the budget and will make other spending cuts or take other actions deemed necessary.

**CITY OF YOUNGSTOWN  
MAHONING COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

| Federal Grantor/<br>Pass Through Grantor<br>Program Title          | Pass Through<br>Entity<br>Number | Federal<br>CFDA<br>Number | Receipts  | Disbursements |
|--|----------------------------------|---------------------------|-----------|---------------|
| <b><u>U.S. DEPARTMENT OF HOUSING AND URBAN<br/>DEVELOPMENT</u></b> |                                  |                           |           |               |
| <i>Direct Programs</i>   |                                  |                           |           |               |
| Community Development Block Grant/<br>Entitlement Grants -19th Yr  | B-93-MC-39-0023                  | 14.218                    | \$ 1,281  | \$ 1,281      |
| Community Development Block Grant/<br>Entitlement Grants -20th Yr  | B-94-MC-39-0023                  | 14.218                    | 2,185     | 2,185         |
| Community Development Block Grant/<br>Entitlement Grants -21th Yr  | B-95-MC-39-0023                  | 14.218                    | 135,586   | 166,477       |
| Community Development Block Grant/<br>Entitlement Grants -22nd Yr  | B-96-MC-39-0023                  | 14.218                    | 46,214    | 46,214        |
| Community Development Block Grant/<br>Entitlement Grants -23rd Yr  | B-97-MC-39-0023                  | 14.218                    | 7,332     | 7,332         |
| Community Development Block Grant/<br>Entitlement Grants -24th Yr  | B-98-MC-39-0023                  | 14.218                    | 115,679   | 208,401       |
| Community Development Block Grant/<br>Entitlement Grants -25th Yr  | B-99-MC-39-0023                  | 14.218                    | 371,123   | 563,146       |
| Community Development Block Grant/<br>Entitlement Grants -26th Yr  | B-00-MC-39-0023                  | 14.218                    | 838,488   | 2,118,688     |
| Community Development Block Grant/<br>Entitlement Grants -27th Yr  | B-01-MC-39-0023                  | 14.218                    | 1,656,410 | 2,442,139     |
| Section 108 Loan Fund  | B-00-MC-39-0023                  | 14.218                    | -         | 229,632       |
| <i>Subtotal</i>  |                                  | 14.218                    | 3,174,298 | 5,785,495     |
| Emergency Shelter Grants Program                                   | S-99-MC-39-0023                  | 14.231                    | 25,241    | 25,241        |
| Emergency Shelter Grants Program                                   | S-00-MC-39-0023                  | 14.231                    | 157,704   | 157,704       |
| Emergency Shelter Grants Program                                   | S-01-MC-39-0023                  | 14.231                    | 60,117    | 60,117        |
| <i>Subtotal</i>  |                                  | 14.231                    | 243,062   | 243,062       |
| HOME Investment Partnerships Program                               | M-98-MC-39-0209                  | 14.239                    | 60,274    | 60,274        |
| HOME Investment Partnerships Program                               | M-99-MC-39-0209                  | 14.239                    | 437,434   | 437,434       |
| HOME Investment Partnerships Program                               | M-00-MC-39-0209                  | 14.239                    | 70,947    | 70,947        |
| HOME Investment Partnerships Program                               | M-01-MC-39-0209                  | 14.239                    | 401,133   | 409,939       |
| <i>Subtotal</i>  |                                  | 14.239                    | 969,788   | 978,594       |

CITY OF YOUNGSTOWN  
MAHONING COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2001

| Federal Grantor/<br>Pass Through Grantor<br>Program Title                | Pass Through<br>Entity<br>Number | Federal<br>CFDA<br>Number | Receipts         | Disbursements    |
|--|----------------------------------|---------------------------|------------------|------------------|
| <b><u>U.S. DEPARTMENT OF HOUSING AND URBAN<br/>DEVELOPMENT</u></b>       |                                  |                           |                  |                  |
| <i>Direct Programs</i>   |                                  |                           |                  |                  |
| Homeless Outreach and Care Nurse   | OH-16B00-1004                    | 14.238                    | 42,875           | 56,214           |
| CDBG Economic Development Initiative                                     | B-00-SP-OH-0455                  | 14.246                    | 154,570          | 154,570          |
| Total U.S. Department of Housing and Urban<br>Development                |                                  |                           | <b>4,584,593</b> | <b>7,217,935</b> |
| <b><u>U.S. DEPARTMENT OF JUSTICE</u></b>                                 |                                  |                           |                  |                  |
| <i>Direct Programs</i>   |                                  |                           |                  |                  |
| Local Law Enforcement Block Grants Program                               | 98/99-LB-BX-1562                 | 16.592                    | 168,499          | 253,191          |
| Public Safety Partnership and Community<br>Policing Grants               | 97-UM-WX-0661                    | 16.710                    | 2,103,720        | 2,103,720        |
| <i>Passed Through Governor's Office of Criminal<br/>Justice Services</i> |                                  |                           |                  |                  |
| Violence Against Women Formula Grants                                    | 97-WF-VA6-8220                   | 16.588                    | 20,857           | 20,857           |
| Violence Against Women Formula Grants                                    | 00-WF-VA6-8220                   | 16.588                    | 31,370           | 31,370           |
| Subtotal   |                                  | 16.588                    | 52,227           | 52,227           |
| Juvenile Diversion Grant   | 99-JB-013-A048                   | 16.523                    | 94,571           | 125,185          |
| Weed and Seed Grant  | 00-WS-QX-0010                    | 16.595                    | 65,098           | 65,098           |
| Weed and Seed Grant  | 01-WS-QX-0010                    | 16.595                    | 95,968           | 64,244           |
| Subtotal   |                                  | 16.595                    | 161,066          | 129,342          |
| Total U.S. Department of Justice   |                                  |                           | <b>2,580,083</b> | <b>2,663,665</b> |
| <b><u>NATIONAL HIGHWAY TRAFFIC SAFETY<br/>ADMINISTRATION</u></b>         |                                  |                           |                  |                  |
| <i>Passed Through Governor's Office of Highway<br/>Safety</i>            |                                  |                           |                  |                  |
| State and Community Highway Safety                                       | AG #1824                         | 20.600                    | 18,159           | 18,159           |
| Alcohol Traffic Safety & Drunk Driving Prevention                        | AG #1807                         | 20.601                    | 29,485           | 29,485           |
| Total National Highway Traffic Safety Administration                     |                                  |                           | <b>47,644</b>    | <b>47,644</b>    |

**CITY OF YOUNGSTOWN  
MAHONING COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

| Federal Grantor/<br>Pass Through Grantor<br>Program Title      | Pass Through<br>Entity<br>Number | Federal<br>CFDA<br>Number | Receipts            | Disbursements        |
|--|----------------------------------|---------------------------|---------------------|----------------------|
| <b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN<br/>SERVICES</u></b> |                                  |                           |                     |                      |
| <i>Passed Through Ohio Department of Health</i>                |                                  |                           |                     |                      |
| HIV Care Formula Grants -Ryan White Act                        | 50-2-01-F-BV-392                 | 93.917                    | 29,997              | 12,621               |
| Immunization Action Plan Grants - 2001                         | 50-2-01-2-AZ-392                 | 93.268                    | 55,000              | 55,000               |
| Federal AIDS Prevention - 2000                                 | 50-2-001-2-AS-02                 | 93.940                    | 8,023               | 8,023                |
| Federal AIDS Prevention - 2001                                 | 50-2-001-2-AS-02                 | 93.940                    | 142,461             | 142,461              |
| <i>Subtotal</i>  |                                  | 93.940                    | 150,484             | 150,484              |
| Sexually Transmitted Disease Control -2000                     | 50-2-01-2-BX-392                 | 93.977                    | 4,500               | 4,500                |
| Sexually Transmitted Disease Control - 2001                    | 50-2-01-2-BX-392                 | 93.977                    | 12,246              | 12,246               |
| <i>Subtotal</i>  |                                  | 93.977                    | 16,746              | 16,746               |
| Maternal and Child Health Block Grant - 2000                   | 50-2-01-F-AJ-320                 | 93.994                    | 8,840               | 4,330                |
| Dental Sealant Grant - 2000                                    | 50-2-01-F-AJ-320                 | 93.994                    | 25,000              | 25,000               |
| <i>Subtotal</i>  |                                  | 93.994                    | 33,840              | 29,330               |
| Total U.S. Department of Health and<br>Human Services          |                                  |                           | <b>286,067</b>      | <b>264,181</b>       |
| <b><u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u></b>             |                                  |                           |                     |                      |
| <i>Passed Through Ohio Environmental<br/>Protection Agency</i> |                                  |                           |                     |                      |
| Air Pollution Control Program Support                          | SFY 1999-00                      | 66.001                    | 110,915             | 110,915              |
| Air Pollution Control Program Support                          | SFY 2000-01                      | 66.001                    | 141,174             | 133,936              |
| <i>Subtotal</i>  |                                  |                           | 252,089             | 244,851              |
| Brownfield Pilot Cooperative Agreement                         | BP9855910-01-1                   | 66.811                    | 120,999             | 160,012              |
| Total U.S. Environmental Protection Agency                     |                                  |                           | <b>373,088</b>      | <b>404,863</b>       |
| <b>Total Expenditures of Federal Awards</b>                    |                                  |                           | <b>\$ 7,871,475</b> | <b>\$ 10,598,288</b> |

*The accompanying notes to this schedule are an integral part of this schedule.*



**CITY OF YOUNGSTOWN  
MAHONING COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

These loans are collateralized by mortgages on the property and/or tangible personal property. At December 31, 2001, the net amount of loans outstanding under this program were \$4,690,583.

**NOTE C -- MATCHING REQUIREMENTS**

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

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

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

**NOTE E -- SUBRECIPIENTS**

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

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

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STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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

To Members of Council:

We have audited the financial statements of the City of Youngstown (the City) as of and for the year ended December 31, 2001, and have issued our report thereon dated December 18, 2002, wherein we noted the City adopted Governmental Accounting Standards Board Statement No. 33. We did not audit the financial statements of the Western Reserve Transit Authority (WRTA), the discretely presented component unit of the City. Those financial statements were audited by other auditors. We also noted that the City is experiencing certain financial difficulties. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the City of Youngstown's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-21150-002 through 2001-21150-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the City of Youngstown in a separate letter dated December 18, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Youngstown's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Youngstown's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2001-21150-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2001-21150-001 to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City of Youngstown in a separate letter dated December 18, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

**Jim Petro**  
Auditor of State

December 18, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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

To Members of Council:

**Compliance**

We have audited the compliance of the City of Youngstown with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2001. The City of Youngstown's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Youngstown's management. Our responsibility is to express an opinion on the City of Youngstown's compliance based on our audit.

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

In our opinion, the City of Youngstown complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2001. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings as item number 2001-21150-005. We also noted other instances of noncompliance that do not require inclusion in this report that we have reported to management of the City of Youngstown in a separate letter dated December 18, 2002.

### **Internal Control Over Compliance**

The management of the City of Youngstown is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Youngstown's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City of Youngstown's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings as item number 2001-21150-005.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition referred to above is not a material weakness. We also noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the City of Youngstown in a separate letter dated December 18, 2002.

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



**Jim Petro**  
Auditor of State

December 18, 2002

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

**CITY OF YOUNGSTOWN  
MAHONING COUNTY  
DECEMBER 31, 2001**

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

|                     |  |  |
|---------------------|--|--|
| <b>(d)(1)(i)</b>    | Type of Financial Statement Opinion  | <b>Unqualified</b>   |
| <b>(d)(1)(ii)</b>   | Were there any material control weakness conditions reported at the financial statement level (GAGAS)?         | <b>Yes</b>   |
| <b>(d)(1)(ii)</b>   | Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)? | <b>No</b>  |
| <b>(d)(1)(iii)</b>  | Was there any reported material non-compliance at the financial statement level (GAGAS)?                       | <b>Yes</b>   |
| <b>(d)(1)(iv)</b>   | Were there any material internal control weakness conditions reported for major federal programs?              | <b>No</b>  |
| <b>(d)(1)(iv)</b>   | Were there any other reportable internal control weakness conditions reported for major federal programs?      | <b>Yes</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>Yes</b>   |
| <b>(d)(1)(vii)</b>  | Major Programs (list):   | Community Development Block Grants/Entitlement Grants - <b>CFDA #14.218</b><br>HOME Investment Partnerships Program - <b>CFDA #14.239</b><br>COPS - <b>CFDA # 16.710</b> |
| <b>(d)(1)(viii)</b> | Dollar Threshold: Type A\B Programs  | Type A: > \$ 317,949<br>Type B: all others   |
| <b>(d)(1)(ix)</b>   | Low Risk Auditee?  | <b>No</b>  |

|  |
|--|
| <b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>   REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |
|--|

|                       |                       |
|-----------------------|-----------------------|
| <b>Finding Number</b> | <b>2001-21150-001</b> |
|-----------------------|-----------------------|

**Reportable Condition/Material Weakness - Disbursements**

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

1. The City does not consistently apply the encumbrance method of accounting. We noted exceptions in 55% of the vouchers tested during the year, whereby direct pay orders and purchase orders were dated subsequent to the invoice date. We also noted exceptions in 55% of the vouchers tested for the months of January, February and March of 2002. These expenditures were for goods and services ordered and received in 2001, however purchase orders were not issued until 2002. Additionally our testing indicated 95% of the purchase orders tested were not authorized nor certified by the finance director.
2. Packing slips or receiving slips were not always attached to vouchers as supporting documentation for payments. Of the vouchers tested, 60% were not stamped "received". This weakness may result in payments to vendors for products or services which have been received in unsatisfactory condition or not received at all.
3. Invoices were not cancelled when paid. Of the 60 vouchers tested, 59 were not cancelled when paid. This weakness could lead to duplicate payments to vendors or improper payments for merchandise never received or services not rendered.

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

1. Purchase requests should be certified by the fiscal officer and posted as encumbrances in the accounting system at the time the order is placed with the vendor. All purchase orders should be reviewed and approved by an appropriate official before any commitments or payments are made. Also, department heads should certify on the purchase order, or other voucher support documentation, that goods or services are received.
2. Payments should be made to vendors only with proper supporting documentation that the products were received in good order or that services were performed satisfactorily.
3. Invoices should be cancelled when paid.

|                       |                       |
|-----------------------|-----------------------|
| <b>Finding Number</b> | <b>2001-21150-002</b> |
|-----------------------|-----------------------|

**Noncompliance Citation**

Section(s) 5705.14 through 5705.16, Ohio Revised Code, provide legal authority to make interfund transfers. Section 5705.15 provides authority to transfer funds not specifically identified in ORC Section 5705.14. However, to transfer monies in accordance with ORC 5705.15, the City must first obtain approval from the Tax Commissioner and Court of Common Pleas as required by 5705.16 ORC. The City made the following transfers without obtaining the approval of the Tax Commissioner and/or the Court of Common Pleas;



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

| <b>Transfer Out</b>               | <b>Transfer In</b>                  | <b>Amount</b> |
|-----------------------------------|-------------------------------------|---------------|
| Police Levy Fund                  | General Fund                        | \$650,000     |
| Police Levy Fund                  | Fire Levy Fund                      | 200,000       |
| Water Fund                        | Water Maintenance Contingency Fund  | 100,000       |
| Sewer Fund                        | WWTP Maintenance & Replacement Fund | 400,000       |
| Street Fund                       | General Fund                        | 100,000       |
| Emergency 911 Fund                | Police Levy Fund                    | 100,000       |
| Capital Improvements Levy Fund    | General Fund                        | 80,000        |
| Capital Improvements Reserve Fund | Capital Improvements Fund           | 400,000       |
| Capital Improvements Levy Fund    | Park Fund                           | 498,000       |
| Capital Improvements Levy Fund    | Emergency 911 Fund                  | 215,300       |
| Capital Improvements Levy Fund    | General Fund                        | 641,000       |
| Capital Improvements Levy Fund    | Street Fund                         | 1,292,186     |
| Capital Improvements Levy Fund    | Fire Levy Fund                      | 163,000       |
| Capital Improvements Levy Fund    | Police Levy Fund                    | 125,200       |

|                       |                       |
|-----------------------|-----------------------|
| <b>Finding Number</b> | <b>2001-21150-003</b> |
|-----------------------|-----------------------|

**Noncompliance Citation**

Ohio Revised Code Section 5705.39, prohibits a political subdivision or taxing unit from making a fund appropriation in excess of the estimated revenue available for expenditure from that fund. The following funds were found to have appropriations in excess of the amount certified as available by the budget commission;

| <b>Fund Type/<br/>Fund</b> | <b>Fund<br/>Number</b> | <b>Appropriations</b> | <b>Total Certified<br/>Resources</b> | <b>Variance</b> |
|----------------------------|------------------------|-----------------------|--------------------------------------|-----------------|
| <b>Special Revenue:</b>    |                        |                       |                                      |                 |
| Park and Recreation        | 102                    | \$3,206,640           | \$2,664,752                          | \$ 541,888      |
| Street Fund                | 106                    | 6,236,311             | 5,913,124                            | 323,187         |
| Police Levy Fund           | 109                    | 16,533,196            | 15,523,814                           | 1,009,382       |
| Fire Levy Fund             | 110                    | 10,640,240            | 10,443,964                           | 196,276         |
| \$5 Auto License Fee       | 538                    | 1,091,000             | 543,984                              | 547,016         |
| Air Pollution Control      | 601                    | 744,337               | 499,515                              | 244,822         |
| Ryan White Planning        | 643                    | 15,103                | 93                                   | 15,010          |
| Child Health Service       | 650                    | 49,369                | 16,307                               | 33,062          |
| Community Environment      | 651                    | 62,275                | 43,475                               | 18,800          |
| Community AIDS             |                        |                       |                                      |                 |
| Education                  | 663                    | 267,263               | 202,113                              | 65,150          |
| Health Services for the    |                        |                       |                                      |                 |
| Homeless                   | 665                    | 73,587                | 52,818                               | 20,769          |
| Dental Sealant Grant       | 667                    | 59,555                | 21,437                               | 38,118          |
| Litter Control Program     | 680                    | 171,543               | 128,902                              | 42,641          |
| Hepatitis Immunization     | 683                    | 11,936                | 10,433                               | 1,503           |
| Infant Immunization        | 685                    | 132,708               | 78,726                               | 53,982          |
| Local Law Enforcement      |                        |                       |                                      |                 |
| Block Grant                | 707                    | 488,342               | 380,444                              | 107,898         |
| Weed and Seed Grant        | 710                    | 279,730               | 195,023                              | 84,707          |

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

| <b>Fund Type/<br/>Fund</b>          | <b>Fund<br/>Number</b> | <b>Appropriations</b> | <b>Total Certified<br/>Resources</b> | <b>Variance</b>  |
|-------------------------------------|------------------------|-----------------------|--------------------------------------|------------------|
| Juvenile Diversion Grant            | 711                    | 108,071               | 83,696                               | 24,375           |
| CDA Block Grant Fund                | 901                    | 15,149,173            | 6,009,294                            | 9,138,879        |
| Local Homes Trust                   | 941                    | <u>3,289,674</u>      | <u>1,026,560</u>                     | <u>2,263,114</u> |
| <b><u>Total Special Revenue</u></b> |                        | 58,610,053            | 43,838,474                           | 14,771,579       |
| <b><u>Capital Projects:</u></b>     |                        |                       |                                      |                  |
| Capital Projects Public Works       | 250                    | 3,687,833             | 1,920,294                            | 1,767,539        |
| Industrial Land Acquisition         | 417                    | 1,928,242             | 1,517,238                            | 411,004          |

|                       |                       |
|-----------------------|-----------------------|
| <b>Finding Number</b> | <b>2001-21150-004</b> |
|-----------------------|-----------------------|

**Noncompliance Citation**

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

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificates - If no certificate is furnished as required, upon request of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the City may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than one thousand dollars the fiscal officer issues a certificate, but may authorize it to be paid without the affirmation of Council, if such expenditure is otherwise valid.

Of the sixty (60) expenditures examined in our disbursement testing, fifty-seven (57) were found not 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).

**3. FINDINGS FOR FEDERAL AWARDS**

**1. Subrecipient Management and Monitoring of CDBG Funds**

|                                    |  |
|------------------------------------|--|
| <b>Finding Number</b>              | <b>2001-21150- 005</b>                           |
| <b>CFDA Title and Number</b>       | Community Development Block Grant CFDA # 14.218  |
| <b>Federal Award Number / Year</b> | B-00-MC-39-0023 / 2001                           |
| <b>Federal Agency</b>              | U.S. Department of Housing and Urban Development |
| <b>Pass-Through Agency</b>         | N/A  |

**Noncompliance Citation/Reportable Condition**

24 CFR 85.40 (a) provides, in part, that grantees are responsible for monitoring sub grant activities to ensure compliance with applicable Federal requirements and that performance goals are being achieved. Monitoring activities must address all programs, functions and activities and determine that audits are to be performed when expenditures are greater than \$300,000, in compliance with OMB Circular A-133.

We noted that the subrecipient agreements used by the City require subrecipients receiving \$25,000 or more in federal funds to secure an independent audit and subrecipients receiving \$300,000 or more in federal funds to secure an audit in compliance with OMB Circular A-133. OMB Circular A-133 audit requirements are based on the expenditure of federal financial assistance, not the receipt of federal financial assistance. However, our testing disclosed that one subrecipient had receipts over \$25,000 and did not submit an independent audit for the most recent fiscal year to the City.

To enhance internal accounting control and ensure compliance with applicable federal law, we recommend;

- The City should implement procedures to ensure that all subrecipients obtain the required audits and take timely corrective action on deficiencies noted.
- The City should consider modifying the audit requirement for subrecipients so it conforms with the audit requirements outlined in OMB Circular A-133. Specifically the audit requirement should be tied to the expenditure of federal financial assistance as opposed to the receipt of federal financial assistance.

During the year ended December 31, 2001, Gleaners Food Bank did not have an independent audit performed, as per their subrecipient agreement with the City. A site visit was conducted by the U.S. Department of Housing and Urban Development (HUD) on June 26-28, 2002 at Gleaners Food Bank. HUD's report reflected \$36,108 in ineligible costs pertaining to funds directed by the City of Youngstown to Gleaners Food Bank. The recommendation has been made that Gleaners Food Bank reimburse this amount to the City. HUD also requested the City provide evidence demonstrating general fund dollars were used to complete this reimbursement transaction.

**CITY OF YOUNGSTOWN  
MAHONING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
DECEMBER 31, 2001**

| <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>2000-21150 -001</b>       | City was unable to provide historical cost data for City owned land.   | <b>Yes</b>                      | Corrected, cost of City owned land is reported on the City's general-purpose financial statements                      |
| <b>2000-21150 -002</b>       | Internal control weaknesses in the City disbursement cycle.  | <b>No</b>                       | Not Corrected, Repeated  |
| <b>2000-21150 -003</b>       | Section 5705.10, Revised Code, provides that money paid into any fund shall be used only for the purposes for which such fund was established.   | <b>No</b>                       | Partially Corrected, reflected in Management Letter Comments, not material to Financial Statements                     |
| <b>2000-21150 -004</b>       | Section 5705.41 (D), Revised Code 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  |
| <b>2000-21150-005</b>        | Section 5705.39, Revised Code, provides that appropriations not exceed amounts certified as available by the budget commission.  | <b>No</b>                       | Not Corrected, Repeated  |
| <b>2000-21150-006</b>        | The City issued a \$10,355,000 general obligation bond to refund a liability for the City's obligation to the Police and Fire Disability Pension Retirement Board. None of the activity related to the issuance of the general obligation bond issue and subsequent pay off of the liability to the Police and Fire Disability Pension Fund was accounted for on the City's books. | <b>Yes</b>                      | Corrected, the Bond Issue is reflected on the City's records and the Debt Schedules                                    |
| <b>2000-21150-007</b>        | The CDA Monitoring/Compliance Supervisor did not perform the on-site monitoring visits for all subrecipients. The City did not ensure that all subrecipients obtain the required audits.   | <b>No</b>                       | Partially Corrected, the City had an independent accounting firm monitor the subrecipients.                            |

**CITY OF YOUNGSTOWN  
MAHONING COUNTY  
FOR THE YEAR ENDED DECEMBER 31, 2001**

**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>2001-21150-001</b> | <p>We believe that these problems will be substantially eliminated by implementing a Central Purchasing system. Once the funds are available (hopefully in the 2003 budget) to hire additional staff, we intend to centralize the purchasing function and addressing and correcting all the current weakness in the disbursement cycle.</p> <p>This override capability is necessary in cases where an appropriation has been approved by Council but not yet put on the system; additionally, it must be available for payments from non-budgetary (agency) funds.</p> <p>Overrides must be approved by either the Finance Director or the General Accounting Manager.</p> <p>Cancellation of invoices would serve no useful purpose, since, once paid, the invoices are stapled in a voucher packet along with the purchase order and copy of the check. No duplicate payment has been made because the same document was processed twice; rather, the problem occurs when a department pays from an invoice and a statement, or an invoice and a copy.</p> | 1/05                               | Finance Director                         |
| <b>2001-21150-002</b> | <p>The City of Youngstown's Home Rule Charter and the annual appropriations ordinance provide for the legal authority for the City to make said transfers.</p>  | 1/03                               | Finance Director                         |
| <b>2001-21150-003</b> | <p>The City agrees with this finding and in the future will adjust the certificate of available resources to appropriately reflect available balances. The variances described are not deficits.</p>  | 1/03                               | Finance Director                         |
| <b>2001-21150-004</b> | <p>The City agrees that the Director of Finance needs to certify the availability of funds prior to expenditure. We currently do not have the staffing to accomplish this task. If additional staffing is available we will implement a system which complies with the applicable law.</p>  | 1/03                               | Finance Director                         |
| <b>2001-21150-005</b> | <p>The City presently has procedures in place to ensure that all sub-recipients obtain required audits. The City has added additional resources in its compliance department to ensure these procedures are followed. The City will also amend its audit requirements to be tied to the expenditure of federal financial assistance as opposed to the receipt of federal financial assistance. Furthermore, consideration will be given to reviewing the level of expenditures that trigger the audit requirement. However, due to the nature of many of the agencies funded by the City, the City will continue to take a more conservative approach in establishing the audit trigger amount.</p>   | 1/05                               | Mary June Tartan, Director of Compliance |





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**CITY OF YOUNGTOWN**

**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  
JANUARY 9, 2003**