



**Auditor of State
Betty Montgomery**



Mary Taylor, CPA
Auditor of State

January 12, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

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**CITY OF YOUNGSTOWN
MAHONING COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To Members of Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Youngstown, Mahoning County, Ohio (the City), as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Western Reserve Transit Authority (WRTA), the discretely presented component unit of the City. Other auditors audited those financial statements. They have furnished their report thereon to us and we base our opinion, insofar as it relates to the amounts included for the discretely presented component unit, 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 opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Youngstown, Mahoning County, Ohio, as of December 31, 2005, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund, and the Fire Levy, Police Levy, and Community Development Funds, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2006, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503
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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

Betty Montgomery
Auditor of State

December 11, 2006

CITY OF YOUNGSTOWN, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2005 UNAUDITED

The discussion and analysis of the City of Youngstown's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2005. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- The total net assets of the City increased \$22,373,175. Net assets of governmental activities increased \$14,489,045 or 63.76% from 2004 and net assets of business-type activities increased \$7,884,130 or 16.27% over 2004.
- General revenues accounted for \$51,712,041 or 59.13% of total governmental activities revenue. Program specific revenues accounted for \$35,739,957 or 40.87% of total governmental activities revenue.
- The City had \$70,674,971 in expenses related to governmental activities; \$35,739,957 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$34,935,014 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$51,712,041.
- The general fund had revenues and other financing sources of \$39,556,333 in 2005. This represents an increase of \$5,497,093 from 2004. The expenditures and other financing uses of the general fund, which totaled \$35,613,460 in 2005, increased \$3,166,676 from 2004. The increase in fund balance was \$3,942,873 in the general fund at December 31, 2005.
- The Fire Levy fund had revenues and other financing sources of \$12,822,974 in 2005. This represents an increase of \$27,211 from 2004. The expenditures and other financing uses of the fire levy fund, which totaled \$13,100,317 in 2005, increased \$1,262,069 from 2004. The increase in fund deficit was \$277,343 in the Fire Levy fund at December 31, 2005.
- The Police Levy fund had revenues and other financing sources of \$18,903,744 in 2005. This represents an increase of \$1,589,254 from 2004. The expenditures and other financing uses of the Police Levy fund, which totaled \$18,994,764 in 2005, increased \$1,876,259 from 2004. The increase in fund deficit was \$91,020 in the police levy fund at December 31, 2005.
- The Community Development fund had revenues and other financing sources of \$4,586,385 in 2005. This represents a decrease of \$3,607,529 from 2004. The expenditures and other financing uses of the Community Development fund, which totaled \$5,707,473 in 2005, decreased \$1,795,495 from 2004. The decrease in fund balance was \$1,121,088 in the Community Development fund at December 31, 2005.
- The Bond Retirement fund had revenues and other financing sources of \$6,440,932 in 2005. This represents an increase of \$3,685,877 from 2004. The expenditures and other financing uses of the Bond Retirement fund, which totaled \$6,461,977 in 2005, increased \$3,572,002 from 2004. The decrease in fund balance was \$21,045 in the Bond Retirement fund at December 31, 2005.
- The Convocation Center Project fund had revenues and other financing sources of \$17,342,612 in 2005. This represents an increase of \$5,470,652 from 2004. The expenditures of the Convocation Center Project fund, which totaled \$27,710,296 in 2005, increased \$16,073,237 from 2004. The fund balance decreased \$10,367,684 from \$201,858 to a deficit of \$10,165,826 in the Convocation Center Project fund at December 31, 2005.

CITY OF YOUNGSTOWN, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

- Net assets for the business-type activities, which are made up of the sewer and water enterprise funds, increased in 2005 by \$7,884,130. The enterprise funds had adequate charges for services revenue to cover operating expenses.

Using this Annual Financial Report

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

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

Reporting the City as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. The accrual basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

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

CITY OF YOUNGSTOWN, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2005 UNAUDITED

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

Governmental Funds

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

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

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, fire levy, police levy, community development, bond retirement, convocation center project and industrial property. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 22-31 of this report.

Proprietary Funds

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

Fiduciary Funds

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

CITY OF YOUNGSTOWN, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

The basic fiduciary fund financial statement can be found on page 36 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 37-75 of this report.

Government-Wide Financial Analysis

The table below provides a summary of the City's net assets for 2005 and 2004:

| | Net Assets | | | | | |
|---|----------------------------|-----------------------------|----------------------------|-----------------------------|----------------------|----------------------|
| | Governmental Activities | Business-type Activities | Governmental Activities | Business-type Activities | 2005 Total | 2004 Total |
| | <u>2005</u> | <u>2005</u> | <u>2004</u> | <u>2004</u> | <u>Total</u> | <u>Total</u> |
| <u>Assets</u> | | | | | | |
| Current and other assets | \$ 39,100,848 | \$ 11,627,638 | \$ 35,447,941 | \$ 9,681,228 | \$ 50,728,486 | \$ 45,129,169 |
| Capital assets | <u>62,326,718</u> | <u>52,006,836</u> | <u>38,556,563</u> | <u>46,785,700</u> | <u>114,333,554</u> | <u>85,342,263</u> |
| Total assets | <u>101,427,566</u> | <u>63,634,474</u> | <u>74,004,504</u> | <u>56,466,928</u> | <u>165,062,040</u> | <u>130,471,432</u> |
| <u>Liabilities</u> | | | | | | |
| Long-term liabilities outstanding | 42,303,139 | 5,326,988 | 33,870,040 | 6,243,740 | 47,630,127 | 40,113,780 |
| Other liabilities | <u>21,908,760</u> | <u>1,958,354</u> | <u>17,407,842</u> | <u>1,758,186</u> | <u>23,867,114</u> | <u>19,166,028</u> |
| Total liabilities | <u>64,211,899</u> | <u>7,285,342</u> | <u>51,277,882</u> | <u>8,001,926</u> | <u>71,497,241</u> | <u>59,279,808</u> |
| <u>Net Assets</u> | | | | | | |
| Invested in capital assets, net of related debt | 37,440,041 | 48,152,958 | 30,846,503 | 41,992,827 | 85,592,999 | 72,839,330 |
| Restricted | 19,064,522 | - | 14,941,835 | - | 19,064,522 | 14,941,835 |
| Unrestricted | <u>(19,288,896)</u> | <u>8,196,174</u> | <u>(23,061,716)</u> | <u>6,472,175</u> | <u>(11,092,722)</u> | <u>(16,589,541)</u> |
| Total net assets | <u>\$ 37,215,667</u> | <u>\$ 56,349,132</u> | <u>\$ 22,726,622</u> | <u>\$ 48,465,002</u> | <u>\$ 93,564,799</u> | <u>\$ 71,191,624</u> |

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2005, the City's assets exceeded liabilities by \$93,564,799, an increase of \$22,373,175 from December 31, 2004. At year-end, net assets were \$37,215,667 and \$56,349,132 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's net assets. At year-end, capital assets represented 61.45% of total assets. Capital assets include land, buildings, improvement other than buildings, machinery and equipment, vehicles, infrastructure and construction in progress. Capital assets, net of related debt to acquire the assets at December 31, 2005, were \$37,440,041 and 48,152,958 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net assets, \$19,064,522, at December 31, 2005, represents resources that are subject to external restriction on how they may be used.

CITY OF YOUNGSTOWN, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

The table below shows the changes in net assets for fiscal years 2005 and 2004.

| | Change in Net Assets | | | | | |
|--|---|--|---|--|----------------------|----------------------|
| | Governmental Activities <u>2005</u> | Business-type Activities <u>2005</u> | Governmental Activities <u>2004</u> | Business-type Activities <u>2004</u> | 2005 Total | 2004 Total |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 8,606,477 | \$ 38,331,786 | \$ 6,006,052 | \$ 33,662,015 | \$ 46,938,263 | \$ 39,668,067 |
| Operating grants and contributions | 11,089,419 | - | 10,773,013 | - | 11,089,419 | 10,773,013 |
| Capital grants and contributions | <u>16,044,061</u> | <u>-</u> | <u>14,599,854</u> | <u>-</u> | <u>16,044,061</u> | <u>14,599,854</u> |
| Total program revenues | <u>35,739,957</u> | <u>38,331,786</u> | <u>31,378,919</u> | <u>33,662,015</u> | <u>74,071,743</u> | <u>65,040,934</u> |
| General revenues: | | | | | | |
| Property taxes | 2,191,569 | - | 2,106,863 | - | 2,191,569 | 2,106,863 |
| Income taxes | 44,187,657 | - | 41,874,024 | - | 44,187,657 | 41,874,024 |
| Unrestricted grants and entitlements | 4,564,110 | - | 4,770,273 | - | 4,564,110 | 4,770,273 |
| Investment earnings | 394,378 | 12,982 | 237,675 | 11,799 | 407,360 | 249,474 |
| Miscellaneous | <u>374,327</u> | <u>39,692</u> | <u>166,408</u> | <u>45,799</u> | <u>414,019</u> | <u>212,207</u> |
| Total general revenues | <u>51,712,041</u> | <u>52,674</u> | <u>49,155,243</u> | <u>57,598</u> | <u>51,764,715</u> | <u>49,212,841</u> |
| Total revenues | <u>87,451,998</u> | <u>38,384,460</u> | <u>80,534,162</u> | <u>33,719,613</u> | <u>125,836,458</u> | <u>114,253,775</u> |
| Expenses: | | | | | | |
| General government | 12,551,065 | - | 11,277,829 | - | 12,551,065 | 11,277,829 |
| Security of persons and property | 36,097,355 | - | 30,606,025 | - | 36,097,355 | 30,606,025 |
| Public health and welfare | 2,397,490 | - | 2,206,201 | - | 2,397,490 | 2,206,201 |
| Transportation | 7,658,914 | - | 7,296,609 | - | 7,658,914 | 7,296,609 |
| Community environment | 4,511,016 | - | 4,679,612 | - | 4,511,016 | 4,679,612 |
| Leisure time activity | 3,265,668 | - | 3,150,669 | - | 3,265,668 | 3,150,669 |
| Utility services | 2,320,491 | - | 2,432,950 | - | 2,320,491 | 2,432,950 |
| Interest and fiscal charges | 1,872,972 | - | 1,822,758 | - | 1,872,972 | 1,822,758 |
| Water | - | 17,497,874 | - | 17,159,684 | 17,497,874 | 17,159,684 |
| Sewer | <u>-</u> | <u>15,290,438</u> | <u>-</u> | <u>15,767,958</u> | <u>15,290,438</u> | <u>15,767,958</u> |
| Total expenses | <u>70,674,971</u> | <u>32,788,312</u> | <u>63,472,653</u> | <u>32,927,642</u> | <u>103,463,283</u> | <u>96,400,295</u> |
| Increase in net assets before extraordinary items and transfers | 16,777,027 | 5,596,148 | 17,061,509 | 791,971 | 22,373,175 | 17,853,480 |
| Extraordinary item: | | | | | | |
| Sale of delinquent taxes | - | - | (2,229,219) | - | - | (2,229,219) |
| Transfers | <u>(2,287,982)</u> | <u>2,287,982</u> | <u>2,124,265</u> | <u>(2,124,265)</u> | <u>-</u> | <u>-</u> |
| Change in net assets | 14,489,045 | 7,884,130 | 16,956,555 | (1,332,294) | 22,373,175 | 15,624,261 |
| Net assets at beginning of year | <u>22,726,622</u> | <u>48,465,002</u> | <u>5,770,067</u> | <u>49,797,296</u> | <u>71,191,624</u> | <u>55,567,363</u> |
| Net assets at end of year | <u>\$ 37,215,667</u> | <u>\$ 56,349,132</u> | <u>\$ 22,726,622</u> | <u>\$ 48,465,002</u> | <u>\$ 93,564,799</u> | <u>\$ 71,191,624</u> |

CITY OF YOUNGSTOWN, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

Governmental Activities

Governmental activities net assets increased \$14,489,045 in 2005. This increase is a result of increased program revenues, specifically capital contributions related to the convocation center project, and increased income tax revenue over the prior year.

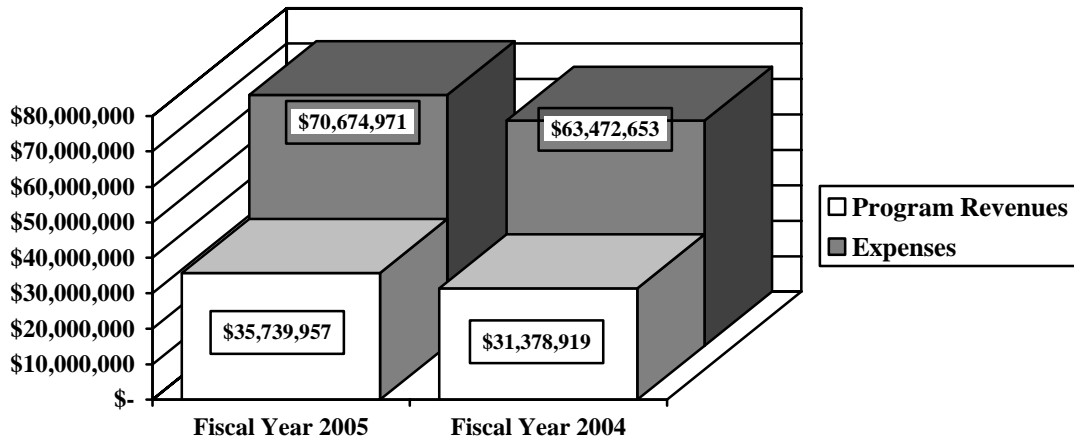
Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$36,097,355 of the total expenses of the City during 2005. These expenses were partially funded by \$976,064 in direct charges to users of the services. General government expenses totaled \$12,551,065. General government expenses were partially funded by \$7,027,789 in direct charges to users of the services, and \$1,643,017 in capital grants and contributions.

During 2005, the state and federal government contributed to the City a total of \$11,089,419 in operating grants and contributions and \$16,044,061 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$6,649,384 subsidized community environment programs, \$2,877,270 subsidized transportation programs, \$966,084 subsidized public health and welfare programs, \$58,1681 subsidized security of persons and property programs and \$15,000 subsidized leisure time and activity programs. \$14,394,393 in capital grants and contributions subsidized the convocation center project.

General revenues totaled \$51,712,041, and amounted to 59.13% of total governmental revenues during 2005. These revenues primarily consist of income tax revenue of \$44,187,657. The other primary source of general revenues is property taxes and grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$2,191,569 and \$4,564,110, respectively.

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

Governmental Activities – Program Revenues vs. Total Expenses



CITY OF YOUNGSTOWN, OHIO

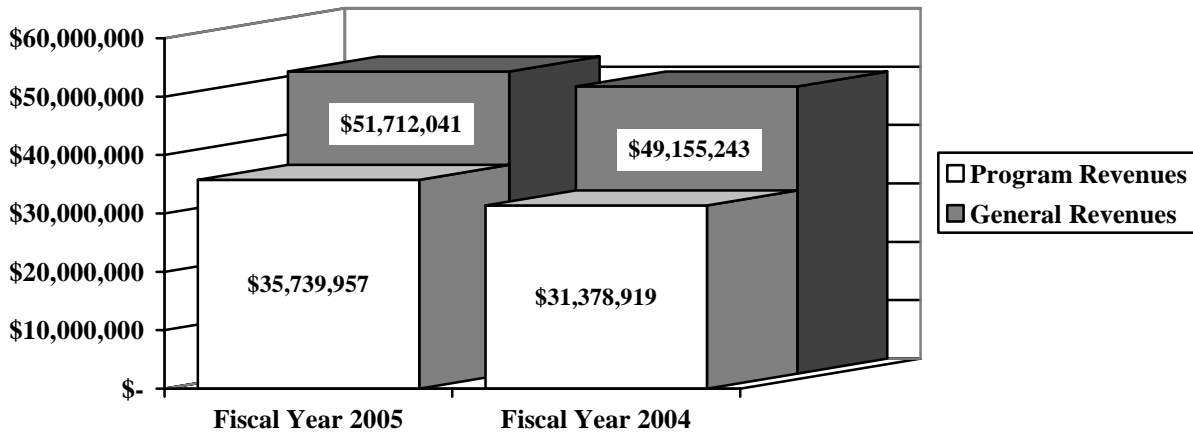
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

Governmental Activities

| | Total Cost of Services 2005 | Net Cost of Services 2005 | Total Cost of Services 2004 | Net Cost of Services 2004 |
|----------------------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| Program Expenses: | | | | |
| General government | \$ 12,551,065 | \$ 3,880,259 | \$ 11,277,829 | \$ 2,466,230 |
| Security of persons and property | 36,097,355 | 34,532,959 | 30,606,025 | 29,069,726 |
| Public health and welfare | 2,397,490 | 1,325,548 | 2,206,201 | 1,204,761 |
| Transportation | 7,658,914 | 4,775,023 | 7,296,609 | 4,785,506 |
| Community environment | 4,511,016 | (16,843,122) | 4,679,612 | (12,599,612) |
| Leisure time activity | 3,265,668 | 3,070,884 | 3,150,669 | 2,911,415 |
| Utility services | 2,320,491 | 2,320,491 | 2,432,950 | 2,432,950 |
| Interest and fiscal charges | 1,872,972 | 1,872,972 | 1,822,758 | 1,822,758 |
| Total | \$ 70,674,971 | \$ 34,935,014 | \$ 63,472,653 | \$32,093,734 |

The dependence upon general revenues for governmental activities is apparent, with 50.56% and 49.43% of expenses supported through taxes and other general revenues during 2005 and 2004, respectively.

Governmental Activities – General and Program Revenues

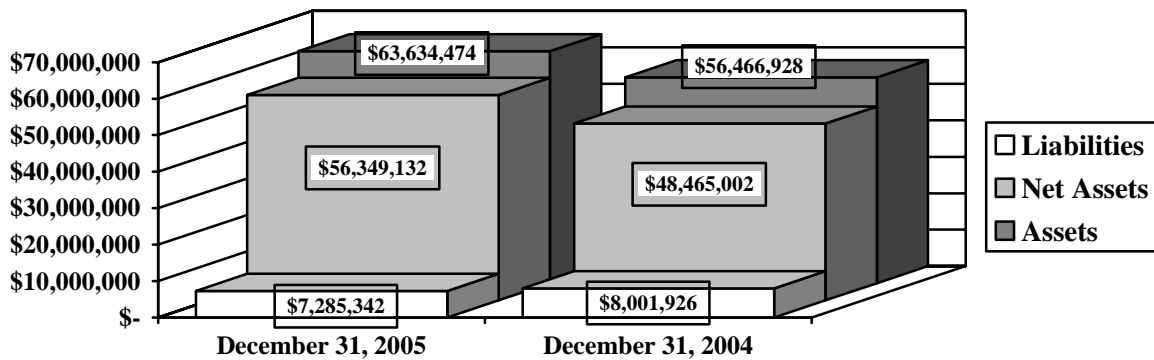


CITY OF YOUNGSTOWN, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED

Business-type Activities

Business-type activities include the sewer and water enterprise funds. These programs had program revenues of \$38,331,786, general revenues of \$52,674 and expenses of \$32,788,312 for 2005. The graph below shows the business-type activities assets, liabilities and net assets at year-end.

Net Assets in Business – Type Activities



Financial Analysis of the Government's Funds

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

Governmental Funds

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

The City's governmental funds (as presented on the balance sheet on pages 23-24) reported a combined fund balance of \$66,784 which is \$2,953,412 below last year's balance total of \$3,020,196. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2005 for all major and nonmajor governmental funds.

CITY OF YOUNGSTOWN, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

| | <u>Fund Balances</u> <u>12/31/05</u> | <u>Fund Balances</u> <u>12/31/04</u> | <u>Increase</u> <u>(Decrease)</u> |
|-----------------------------------|---|---|--------------------------------------|
| Major funds: | | | |
| General | \$ 4,392,554 | \$ 449,681 | \$ 3,942,873 |
| Fire levy | (798,114) | (520,771) | (277,343) |
| Police levy | (770,703) | (679,683) | (91,020) |
| Community development | 4,661,220 | 5,782,308 | (1,121,088) |
| Bond retirement | 646,952 | 667,997 | (21,045) |
| Convocation center project | (10,165,826) | 201,858 | (10,367,684) |
| Other nonmajor governmental funds | <u>2,100,701</u> | <u>(2,881,194)</u> | <u>4,981,895</u> |
| Total | <u>\$ 66,784</u> | <u>\$ 3,020,196</u> | <u>\$ (2,953,412)</u> |

General Fund

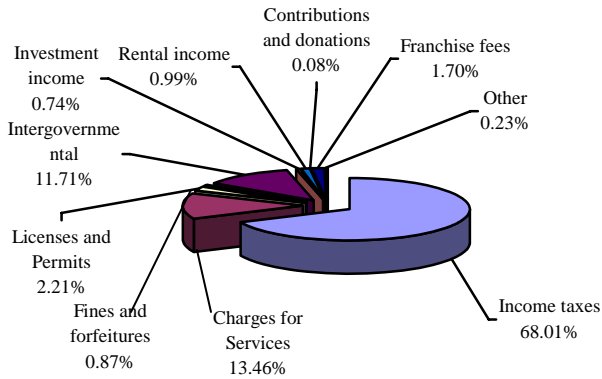
The City's general fund balance increased \$3,942,873, primarily due to increasing revenues while expenditures increased slightly less. The table that follows assists in illustrating the revenues of the general fund.

| | <u>2005</u> <u>Amount</u> | <u>2004</u> <u>Amount</u> | <u>Percentage</u> <u>Change</u> |
|-----------------------------|------------------------------|------------------------------|------------------------------------|
| <u>Revenues</u> | | | |
| Income taxes | \$ 24,814,404 | \$ 22,398,059 | 10.79 % |
| Charges for services | 4,910,403 | 3,912,464 | 25.51 % |
| Licenses and permits | 806,840 | 723,957 | 11.45 % |
| Fines and forfeitures | 317,684 | 615,168 | (48.36) % |
| Intergovernmental | 4,272,396 | 4,608,683 | (7.30) % |
| Investment income | 270,419 | 73,808 | 266.38 % |
| Rental income | 361,772 | 358,935 | 0.79 % |
| Contributions and donations | 30,817 | 13,814 | 123.09 % |
| Franchise fees | 619,136 | 609,619 | 1.56 % |
| Other | <u>83,803</u> | <u>141,213</u> | (40.65) % |
| Total | <u>\$ 36,487,674</u> | <u>\$ 33,455,720</u> | 9.06 % |

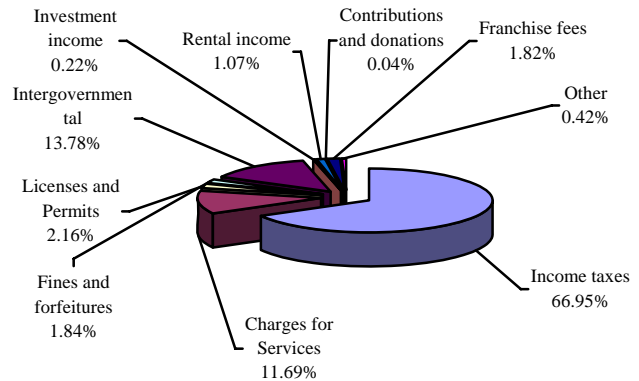
Income tax revenue represents 68.01% of all general fund revenue and increased by 10.79% in 2005. The increase in investment income is due to more money to invest throughout the year and higher interest rates. All other revenue remained comparable to 2004.

CITY OF YOUNGSTOWN, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED

Revenues – Fiscal Year 2005



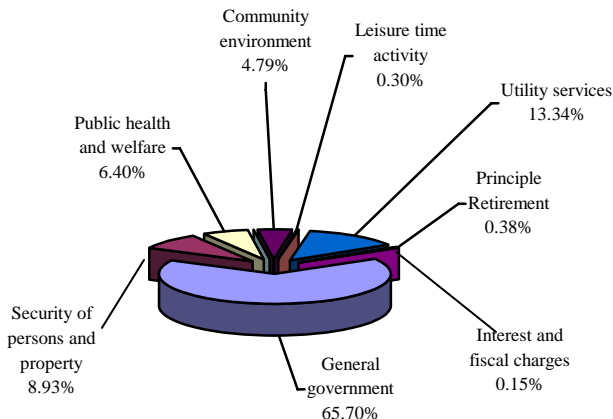
Revenues – Fiscal Year 2004



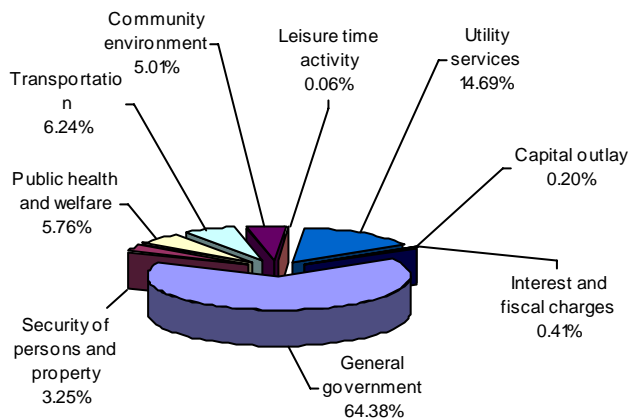
The table that follows assists in illustrating the expenditures of the general fund.

| | <u>2005</u> <u>Amount</u> | <u>2004</u> <u>Amount</u> | <u>Percentage</u> <u>Change</u> |
|----------------------------------|------------------------------|------------------------------|------------------------------------|
| <u>Expenditures</u> | | | |
| General government | \$ 11,431,702 | \$ 10,663,637 | 7.20 % |
| Security of persons and property | 1,553,686 | 539,183 | 188.16 % |
| Public health and welfare | 1,113,980 | 954,533 | 16.70 % |
| Transportation | - | 1,034,464 | (100.00) % |
| Community environment | 834,226 | 830,772 | 0.42 % |
| Leisure time activity | 52,956 | 10,542 | 402.33 % |
| Utility services | 2,320,491 | 2,432,950 | (4.62) % |
| Capital outlay | - | 33,306 | (100.00) % |
| Principle retirement | 66,779 | - | 100.00 % |
| Interest and fiscal charges | 26,567 | 67,597 | (60.70) % |
| Total | <u>\$ 17,400,387</u> | <u>\$ 16,566,984</u> | 5.03 % |

Expenditures - Fiscal Year 2005



Expenditures - Fiscal Year 2004



CITY OF YOUNGSTOWN, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2005 UNAUDITED

The most significant increases were in the areas of general government, public health and welfare and leisure time activity. General government increased due to an increase in overall spending. Public health and welfare and leisure time activity increased due to more spending on programs. Transportation decreased due to the reclassification of expenditures related to the 911 program to security of persons and property.

Fire Levy Fund

The fire levy fund had revenues and other financing sources of \$12,822,974 in 2005. This represents an increase of \$27,211 from 2004. Income taxes increased from \$6,139,365 in 2004 to \$6,787,412 in 2005. This is a result of an additional one half percent tax levied, which was effective January 1, 2003. Of the additional one half percent levied, 35% is credited to fire levy fund. The expenditures and other financing uses of the fire levy fund, which totaled \$13,100,317 in 2005, increased \$1,262,069 from 2004. The increase in fund deficit was \$277,343 in the fire levy fund at December 31, 2005.

Police Levy Fund

The police levy fund had revenues and other financing sources of \$18,903,744 in 2005. This represents an increase of \$1,589,254 from 2004. Income taxes increased from \$8,185,476 in 2004 to \$9,056,892 in 2005. This is a result of an additional one half percent tax levied, which was effective January 1, 2003. Of the additional one half percent levied, 45% is credited to police levy fund. The expenditures and other financing uses of the police levy fund, which totaled \$18,994,764 in 2005, increased \$1,876,259 from 2004. The increase in fund deficit was \$91,020 in the police levy fund at December 31, 2005.

Community Development Fund

The community development fund had revenues and other financing sources of \$4,586,385 in 2005. This represents a decrease of \$3,607,529 from 2004. The primary decrease was in the area of intergovernmental revenues. The expenditures and other financing uses of the community development fund, which totaled \$5,707,473 in 2005, decreased \$1,795,495 from 2004. The transfers out of \$2,445,364 decreased \$661,157 during 2005. The fund balance of the community development fund decreased 1,121,088 or 19.39%.

Bond Retirement Fund

The bond retirement fund had revenues and other financing sources of \$6,440,932 in 2005. This represents an increase of \$3,685,877 from 2004. The expenditures and other financing uses of the bond retirement fund, which totaled \$6,461,977 in 2005, increased \$3,572,002 from 2004. The bond retirement fund balance was \$21,045 or 3.15%.

Convocation Center Project Fund

The convocation center project fund had revenues and other financing sources of \$17,342,612 in 2005. This represents an increase of \$5,470,652 from 2004. The expenditures of the convocation center project fund, which totaled \$27,710,296 in 2005, increased \$16,073,237 from 2004. The largest increase was in capital outlay. The fund balance decreased \$10,367,684 from \$201,858 to a deficit of \$10,165,826 in the convocation center project fund at December 31, 2005.

Budgeting Highlights

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

CITY OF YOUNGSTOWN, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

Budgetary information is presented for the general fund, fire levy, police levy, and community development fund. In the general fund, actual expenditures of \$35,619,200 came in \$978,353 lower than final budgeted expenditures of \$36,597,553. Original budgeted revenues and other financing sources of \$36,646,828 were increased to \$36,942,463 in the final budgeted revenues. The other significant change was between the original budgeted expenditures and the final budgeted expenditures. Final budgeted expenditures came in \$468,322 higher than the original budgeted amounts.

Proprietary Funds

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

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2005, the City had \$114,333,554 (net of accumulated depreciation) invested in land, buildings, improvements other than buildings (I.O.T.B.), machinery and equipment, vehicles, infrastructure and construction in progress (CIP). Of this total, \$62,326,718 was reported in governmental activities and \$52,006,836 was reported in business-type activities. The following table shows fiscal 2005 balances compared to 2004:

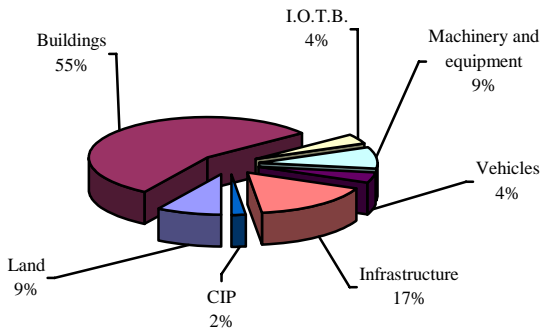
**Capital Assets at December 31
(Net of Depreciation)**

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|-------------------------|--------------------------------|----------------------|---------------------------------|----------------------|-----------------------|----------------------|
| | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>2004</u> |
| Land | \$ 5,606,261 | \$ 5,642,634 | \$ 322,341 | \$ 322,341 | \$ 5,928,602 | \$ 5,964,975 |
| C.I.P. | 1,125,507 | 15,057,984 | - | - | 1,125,507 | 15,057,984 |
| Buildings | 34,774,174 | 7,810,015 | 23,705,047 | 24,361,966 | 58,479,221 | 32,171,981 |
| I.O.T.B. | 2,337,442 | 1,563,750 | 398,983 | 480,675 | 2,736,425 | 2,044,425 |
| Machinery and equipment | 5,390,077 | 3,786,473 | 4,938,870 | 5,143,569 | 10,328,947 | 8,930,042 |
| Vehicles | 2,565,634 | 2,699,209 | 1,020,304 | 1,055,145 | 3,585,938 | 3,754,354 |
| Infrastructure | <u>10,527,623</u> | <u>1,996,498</u> | <u>21,621,291</u> | <u>15,422,004</u> | <u>32,148,914</u> | <u>17,418,502</u> |
| Totals | <u>\$ 62,326,718</u> | <u>\$ 38,556,563</u> | <u>\$ 52,006,836</u> | <u>\$ 46,785,700</u> | <u>\$ 114,333,554</u> | <u>\$ 85,342,263</u> |

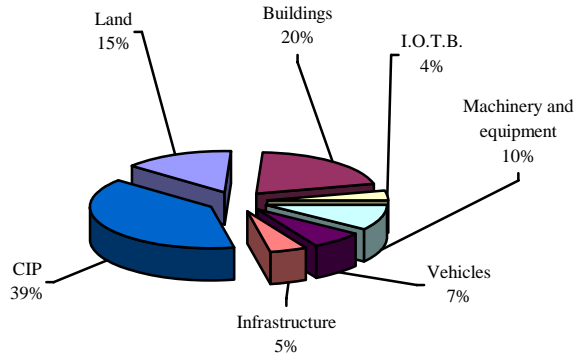
The following graphs show the breakdown of governmental capital assets by category for 2005 and 2004.

CITY OF YOUNGSTOWN, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005
UNAUDITED

Capital Assets - Governmental Activities 2005



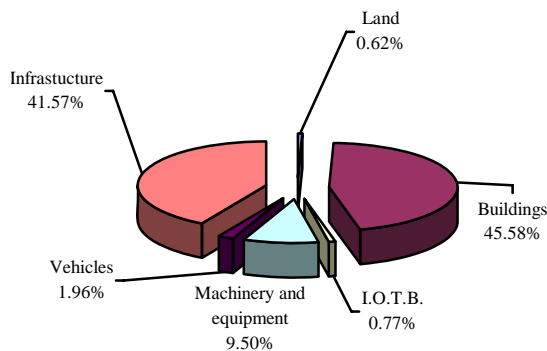
Capital Assets - Governmental Activities 2004



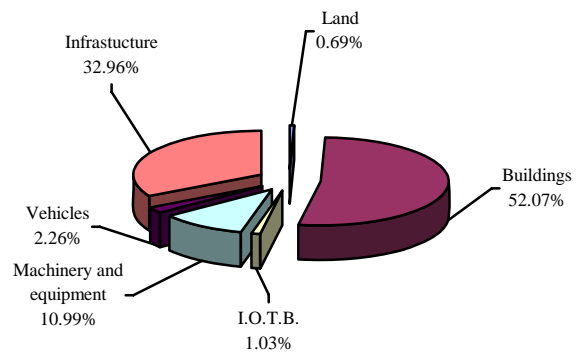
The City's largest governmental activities capital asset category is buildings. Under GASB Statement No. 34, the City has elected to "phase in" the retroactive reporting of governmental infrastructure assets which includes streets, storm sewers, bridges, and traffic signals. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 16.89% of the City's total capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2005 and 2004.

Capital Assets - Business-Type Activities 2005



Capital Assets - Business-Type Activities 2004



The City's second largest business-type capital asset category is infrastructure, which primarily includes water and sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's utility lines (cost less accumulated depreciation) represents approximately 41.57% of the City's total business-type capital assets. See Note 10 to the basic financial statements for further detail on capital assets.

CITY OF YOUNGSTOWN, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

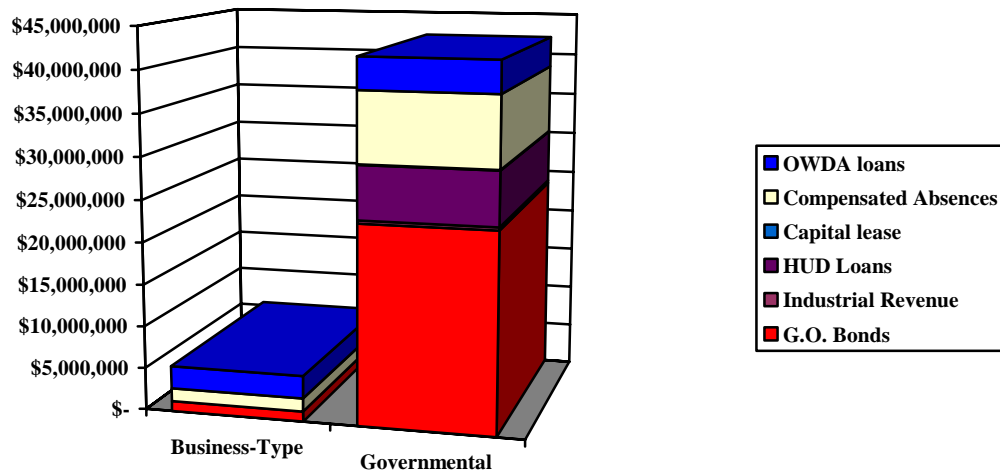
Debt Administration

The City had the following long-term obligations outstanding at December 31, 2005 and 2004:

| | <u>Governmental Activities</u> | |
|--------------------------------------|---------------------------------|-----------------------------|
| | <u>2005</u> | <u>2004</u> |
| General obligation bonds | \$ 23,445,000 | \$ 17,440,000 |
| Industrial development revenue bonds | 360,000 | 480,000 |
| HUD Section 108 loans | 6,289,950 | 7,389,950 |
| Notes payable | - | 600,000 |
| OWDA Loan | 3,716,857 | - |
| Capital lease obligation | 66,677 | 145,060 |
| Compensated absences | <u>8,244,366</u> | <u>7,815,030</u> |
| Total long-term obligations | <u>\$ 42,122,850</u> | <u>\$ 33,870,040</u> |
| | <u>Business-Type Activities</u> | |
| | <u>2005</u> | <u>2004</u> |
| General obligation bonds | \$ 1,195,000 | \$ 1,251,440 |
| OWDA loans | 2,658,878 | 3,447,873 |
| Compensated absences | <u>1,555,095</u> | <u>1,544,427</u> |
| Total long-term obligations | <u>\$ 5,408,973</u> | <u>\$ 6,243,740</u> |

A comparison of the long-term obligations by category is depicted in the chart below. See Note 13 to the basic financial statements for further detail on the City's long-term obligations outstanding at year-end.

Long-term obligations



CITY OF YOUNGSTOWN, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

Economic Conditions and Outlook

The City's administration considers the impact of various economic factors when establishing the fiscal year 2006 budget. The economy in Youngstown was decimated during the last quarter century due to the collapse of its principal industry, iron and steel production. Now, in the new century, the City is working hard to turn the corner and leave its big industry past behind it by aggressively pursuing small light industrial and commercial development. So far, more than 5,000 new jobs have been created, with additional job opportunities anticipated as various development agreements are secured.

The City recently received the SBA leadership award for small business development and is continuing its efforts to grow and locate new industry in Youngstown. Nevertheless, the City continues to loose population and unemployment remains above the national average for 2005. The primary objective of the City includes very aggressive new development, fiscal stability and improvement in constituent services.

At the end of 2005, the City of Youngstown had a positive cash balance of \$2,276,579 in its operating funds. The significant improvement in the City's financial position is largely due to three factors. These include additional tax revenue from prior economic development projects, aggressive cost containment, and no extraordinary events occurring.

In January of 2006, the City elected a new Mayor. His agenda calls for implementing Youngstown 2010 which is a comprehensive plan for redevelopment, fiscal conservation, and the funding of general cleanup and economic development projects.

In November of 2005, the City completed a \$45,000,000 Central Business District Arena project that holds 6,500 seats. The Chevrolet Centre was funded with 75% grant money and 25% debt. The City has entered into an agreement with an operator which will guarantee the City portion of debt service as a contractual condition. Several new entertainment type venues have opened in support of the Centre and the City anticipates continued revitalization as a result of this facility.

The City's financial position is stabilizing, the City will continue with conservative budgeting practices and an aggressive economic development program. Estimated general fund balances for 2006 are in excess of two million dollars.

Contacting the City's Financial Management

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

CITY OF YOUNGSTOWN, OHIO

STATEMENT OF NET ASSETS
DECEMBER 31, 2005

| | <u>Primary Government</u> | | | <u>Component Unit</u> |
|--|------------------------------------|-------------------------------------|--------------------|---------------------------|
| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> | |
| Assets: | | | | |
| Equity in pooled cash and cash equivalents. | \$ 12,249,040 | \$ 3,606,355 | \$ 15,855,395 | \$ 840,322 |
| Cash and cash equivalents in in segregated accounts. . . | 5,323 | - | 5,323 | - |
| Cash and cash equivalents with fiscal and escrow agents | 733,705 | - | 733,705 | - |
| Receivables (net of allowances for uncollectibles): | | | | |
| Income taxes | 5,755,332 | - | 5,755,332 | - |
| Real and other taxes | 2,671,289 | - | 2,671,289 | 2,630,130 |
| Accounts | 525,117 | 6,538,032 | 7,063,149 | 39,785 |
| Notes | 4,302,540 | - | 4,302,540 | - |
| Special assessments | 965,694 | - | 965,694 | - |
| Internal balances | (395,238) | 395,238 | - | - |
| Due from other governments | 11,988,155 | - | 11,988,155 | 2,279,345 |
| Prepayments | - | - | - | 9,235 |
| Materials and supplies inventory. | 17,012 | 1,057,498 | 1,074,510 | 179,342 |
| Other assets. | - | - | - | 11,000 |
| Deferred charges | 282,879 | 30,515 | 313,394 | - |
| Restricted assets: | | | | |
| Cash and cash equivalents | - | - | - | 13,468 |
| Due from other governments | - | - | - | 247,618 |
| Capital assets: | | | | |
| Land and construction in progress. | 6,731,768 | 322,341 | 7,054,109 | 693,004 |
| Depreciable capital assets, net | 55,594,950 | 51,684,495 | 107,279,445 | 13,247,994 |
| Total capital assets. | <u>62,326,718</u> | <u>52,006,836</u> | <u>114,333,554</u> | <u>13,940,998</u> |
| Total assets | <u>101,427,566</u> | <u>63,634,474</u> | <u>165,062,040</u> | <u>20,191,243</u> |

- - continued

CITY OF YOUNGSTOWN, OHIO

STATEMENT OF NET ASSETS (CONTINUED)
DECEMBER 31, 2005

| | <u>Primary Government</u> | | | <u>Component Unit</u> |
|---|------------------------------------|-------------------------------------|----------------------|---------------------------|
| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> | |
| Liabilities: | | | | |
| Accounts payable | \$ 1,525,202 | \$ 348,393 | \$ 1,873,595 | \$ 189,478 |
| Contracts payable | 592,706 | 366,783 | 959,489 | - |
| Accrued wages and benefits | 745,226 | 165,175 | 910,401 | 579,841 |
| Due to other governments | 2,384,416 | 976,383 | 3,360,799 | - |
| Deferred revenue. | 2,107,005 | - | 2,107,005 | 2,630,130 |
| Accrued interest payable. | 589,705 | 101,620 | 691,325 | - |
| Claims payable. | 484,500 | - | 484,500 | - |
| Notes payable | 13,480,000 | - | 13,480,000 | - |
| Advances. | - | - | - | 84,871 |
| Other | - | - | - | 127,099 |
| Payable from restricted assets: | | | | |
| Accounts payable | - | - | - | 27,536 |
| Long-term liabilities: | | | | |
| Due within one year. | 4,880,951 | 1,615,934 | 6,496,885 | - |
| Due in more than one year | 37,422,188 | 3,711,054 | 41,133,242 | 43,628 |
| Total liabilities | <u>64,211,899</u> | <u>7,285,342</u> | <u>71,497,241</u> | <u>3,682,583</u> |
| Net assets: | | | | |
| Invested in capital assets, net of related debt | 37,440,041 | 48,152,958 | 85,592,999 | 13,940,998 |
| Restricted for: | | | | |
| Debt service. | 1,183,234 | - | 1,183,234 | - |
| Capital projects | 2,771,728 | - | 2,771,728 | - |
| Community development | 13,465,366 | - | 13,465,366 | - |
| Street repair and maintenance. | 806,260 | - | 806,260 | - |
| Public health and welfare | 292,660 | - | 292,660 | - |
| Law enforcement | 371,080 | - | 371,080 | - |
| Community environment | 8,270 | - | 8,270 | - |
| Other purposes | 165,924 | - | 165,924 | - |
| Capital assets | - | - | - | 233,550 |
| Unrestricted | <u>(19,288,896)</u> | <u>8,196,174</u> | <u>(11,092,722)</u> | <u>2,334,112</u> |
| Total net assets. | <u>\$ 37,215,667</u> | <u>\$ 56,349,132</u> | <u>\$ 93,564,799</u> | <u>\$ 16,508,660</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF YOUNGSTOWN, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005

| | Program Revenues | | | |
|---|-------------------------|---------------------------------|--|---|
| | Expenses | Charges for Services | Operating and Contributions | Capital Grants and Contributions |
| Governmental Activities: | | | | |
| General government | \$ 12,551,065 | \$ 7,027,789 | \$ - | \$ 1,643,017 |
| Security of persons and property | 36,097,355 | 976,064 | 581,681 | 6,651 |
| Public health and welfare | 2,397,490 | 105,858 | 966,084 | - |
| Transportation | 7,658,914 | 6,621 | 2,877,270 | - |
| Community environment | 4,511,016 | 310,361 | 6,649,384 | 14,394,393 |
| Leisure time activity | 3,265,668 | 179,784 | 15,000 | - |
| Utility services | 2,320,491 | - | - | - |
| Interest and fiscal charges | 1,872,972 | - | - | - |
| Total governmental activities | <u>70,674,971</u> | <u>8,606,477</u> | <u>11,089,419</u> | <u>16,044,061</u> |
| Business-type Activities: | | | | |
| Sewer | 15,290,438 | 17,104,834 | - | - |
| Water | 17,497,874 | 21,226,952 | - | - |
| Total business-type activities | <u>32,788,312</u> | <u>38,331,786</u> | <u>-</u> | <u>-</u> |
| Total primary government | <u>\$ 103,463,283</u> | <u>\$ 46,938,263</u> | <u>\$ 11,089,419</u> | <u>\$ 16,044,061</u> |
| Component Unit: | | | | |
| Western Reserve Transit Authority | <u>\$ 9,485,302</u> | <u>\$ 858,205</u> | <u>\$ 2,966,313</u> | <u>\$ 2,701,444</u> |

General Revenues:

Property taxes levied for:

- Debt service
- Western Reserve Transit Authority

Income taxes levied for:

- General purposes
- Fire levy
- Police levy
- Capital projects

Grants and entitlements not restricted to specific programs

- Investment earnings
- Miscellaneous

Total general revenues

Transfers

Change in net assets

Net assets at beginning of year

Net assets at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets

| Primary Government | | | |
|------------------------------------|-------------------------------------|----------------------|---------------------------|
| Governmental Activities | Business-type Activities | Total | Component Unit |
| \$ (3,880,259) | \$ - | \$ (3,880,259) | \$ - |
| (34,532,959) | - | (34,532,959) | - |
| (1,325,548) | - | (1,325,548) | - |
| (4,775,023) | - | (4,775,023) | - |
| 16,843,122 | - | 16,843,122 | - |
| (3,070,884) | - | (3,070,884) | - |
| (2,320,491) | - | (2,320,491) | - |
| (1,872,972) | - | (1,872,972) | - |
| <u>(34,935,014)</u> | <u>-</u> | <u>(34,935,014)</u> | <u>-</u> |
| - | 1,814,396 | 1,814,396 | - |
| - | 3,729,078 | 3,729,078 | - |
| - | 5,543,474 | 5,543,474 | - |
| <u>(34,935,014)</u> | <u>5,543,474</u> | <u>(29,391,540)</u> | <u>-</u> |
| - | - | - | (2,959,340) |
| 2,191,569 | - | 2,191,569 | - |
| - | - | - | 2,730,949 |
| 24,153,686 | - | 24,153,686 | - |
| 6,608,179 | - | 6,608,179 | - |
| 8,818,283 | - | 8,818,283 | - |
| 4,607,509 | - | 4,607,509 | - |
| 4,564,110 | - | 4,564,110 | - |
| 394,378 | 12,982 | 407,360 | 57,435 |
| 374,327 | 39,692 | 414,019 | 126,622 |
| <u>51,712,041</u> | <u>52,674</u> | <u>51,764,715</u> | <u>2,915,006</u> |
| <u>(2,287,982)</u> | <u>2,287,982</u> | <u>-</u> | <u>-</u> |
| 14,489,045 | 7,884,130 | 22,373,175 | (44,334) |
| <u>22,726,622</u> | <u>48,465,002</u> | <u>71,191,624</u> | <u>16,552,994</u> |
| <u>\$ 37,215,667</u> | <u>\$ 56,349,132</u> | <u>\$ 93,564,799</u> | <u>\$ 16,508,660</u> |

CITY OF YOUNGSTOWN, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2005

| | <u>General</u> | <u>Fire Levy</u> | <u>Police Levy</u> | <u>Community Development</u> |
|--|---------------------|----------------------|------------------------|----------------------------------|
| Assets: | | | | |
| Equity in pooled cash and cash equivalents. | \$ 2,522,983 | \$ - | \$ - | \$ 84,476 |
| Cash and cash equivalents in in segregated accounts | - | - | - | 2,718 |
| Cash and cash equivalents with fiscal and escrow agents | - | - | - | - |
| Receivables (net of allowance for uncollectibles): | | | | |
| Income taxes | 3,146,570 | 860,529 | 1,148,207 | - |
| Real and other taxes | - | - | - | - |
| Accounts | 521,919 | - | - | - |
| Interfund loans | - | - | - | - |
| Special assessments. | 27,919 | - | - | - |
| Due from other governments | 1,972,215 | - | - | 4,592,178 |
| Materials and supplies inventory | 9,633 | 635 | 1,550 | - |
| Notes receivable | - | - | - | 4,302,540 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total assets | <u>\$ 8,201,239</u> | <u>\$ 861,164</u> | <u>\$ 1,149,757</u> | <u>\$ 8,981,912</u> |
| Liabilities: | | | | |
| Accounts payable | \$ 445,517 | \$ 90,842 | \$ 27,454 | \$ 27,651 |
| Contracts payable | - | 42,165 | - | - |
| Accrued wages and benefits | 148,741 | 226,743 | 303,773 | 9,927 |
| Interfund loan payable. | - | 85,739 | 89,610 | - |
| Due to other governments | 366,497 | 743,383 | 871,959 | 23,054 |
| Deferred revenue. | 2,847,930 | 470,406 | 627,664 | 4,260,060 |
| Accrued interest payable. | - | - | - | - |
| Notes payable | - | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total liabilities. | <u>3,808,685</u> | <u>1,659,278</u> | <u>1,920,460</u> | <u>4,320,692</u> |
| Fund Balances: | | | | |
| Reserved for encumbrances | 184,958 | 75,301 | 10,126 | 126,632 |
| Reserved for materials and supplies inventory . . | 9,633 | 635 | 1,550 | - |
| Reserved for notes. | - | - | - | 4,302,540 |
| Unreserved, undesignated, reported in: | | | | |
| General fund | 4,197,963 | - | - | - |
| Special revenue funds. | - | (874,050) | (782,379) | 232,048 |
| Debt service fund | - | - | - | - |
| Capital projects funds. | - | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total fund balances | <u>4,392,554</u> | <u>(798,114)</u> | <u>(770,703)</u> | <u>4,661,220</u> |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total liabilities and fund balances | <u>\$ 8,201,239</u> | <u>\$ 861,164</u> | <u>\$ 1,149,757</u> | <u>\$ 8,981,912</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

| Bond Retirement | Convocation Center Project | Other Governmental Funds | Total Governmental Funds |
|------------------------|-----------------------------------|---------------------------------|---------------------------------|
| \$ 63,247 | \$ 2,546,199 | \$ 4,062,473 | \$ 9,279,378 |
| - | - | 2,605 | 5,323 |
| 733,705 | - | - | 733,705 |
| - | - | 600,026 | 5,755,332 |
| 2,671,289 | - | - | 2,671,289 |
| - | - | 3,198 | 525,117 |
| - | - | 150,000 | 150,000 |
| 159,234 | - | 778,541 | 965,694 |
| 156,598 | - | 5,267,164 | 11,988,155 |
| - | - | 5,194 | 17,012 |
| - | - | - | 4,302,540 |
| <u>\$ 3,784,073</u> | <u>\$ 2,546,199</u> | <u>\$ 10,869,201</u> | <u>\$ 36,393,545</u> |
| \$ - | \$ 56,537 | \$ 877,201 | \$ 1,525,202 |
| - | 513,902 | 36,639 | 592,706 |
| - | - | 56,042 | 745,226 |
| 150,000 | - | - | 325,349 |
| - | - | 379,523 | 2,384,416 |
| 2,987,121 | - | 5,834,809 | 17,027,990 |
| - | 241,586 | 4,286 | 245,872 |
| - | 11,900,000 | 1,580,000 | 13,480,000 |
| <u>3,137,121</u> | <u>12,712,025</u> | <u>8,768,500</u> | <u>36,326,761</u> |
| - | - | 465,510 | 862,527 |
| - | - | 5,194 | 17,012 |
| - | - | - | 4,302,540 |
| - | - | - | 4,197,963 |
| - | - | 727,140 | (697,241) |
| 646,952 | - | - | 646,952 |
| - | (10,165,826) | 902,857 | (9,262,969) |
| <u>646,952</u> | <u>(10,165,826)</u> | <u>2,100,701</u> | <u>66,784</u> |
| <u>\$ 3,784,073</u> | <u>\$ 2,546,199</u> | <u>\$ 10,869,201</u> | <u>\$ 36,393,545</u> |

CITY OF YOUNGSTOWN, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2005

| | | |
|---|--------------|----------------------|
| Total governmental fund balances | | \$ 66,784 |
| <i>Amounts reported for governmental activities in the statement of net assets are different because:</i> | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | 62,326,718 |
| Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. | | |
| Property taxes | \$ 564,283 | |
| Income taxes | 3,146,138 | |
| Special assessments | 965,694 | |
| Intergovernmental revenues | 10,244,870 | |
| Total | | 14,920,985 |
| In the statement of activities interest is accrued on outstanding bonds, notes and loans payable, whereas in governmental funds, interest expenditures are reported when due. | | (343,833) |
| Unamortized premiums on bond issuance is not recognized in the funds. | | (180,289) |
| Unamortized bond issuance costs are not recognized in the funds. | | 282,879 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities (excluding amounts reported in the internal service fund) are as follows: | | |
| General obligation bonds | (23,445,000) | |
| Industrial revenue bonds | (360,000) | |
| HUD Section 108 loans | (6,289,950) | |
| OWDA Loan payable | (3,716,857) | |
| Compensated absences | (8,244,366) | |
| Capital lease payable | (66,677) | |
| Total | | (42,122,850) |
| Internal service funds are used by management to charge the costs of workers compensation to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. | | 2,485,162 |
| An internal balance is recorded in governmental activities to reflect overpayments to the internal service fund by the business-type activities. | | (219,889) |
| Net assets of governmental activities | | \$ 37,215,667 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF YOUNGSTOWN, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

| | <u>General</u> | <u>Fire Levy</u> | <u>Police Levy</u> | <u>Community Development</u> |
|--|---------------------|----------------------|------------------------|----------------------------------|
| Revenues: | | | | |
| Income taxes | \$ 24,814,404 | \$ 6,787,412 | \$ 9,056,892 | \$ - |
| Property and other taxes | - | - | - | - |
| Charges for services | 4,910,403 | 6,944 | 24,647 | 56,730 |
| Licenses and permits | 806,840 | - | - | - |
| Fines and forfeitures | 317,684 | 3,822 | 633 | - |
| Intergovernmental | 4,272,396 | 130,909 | 315,651 | 4,478,200 |
| Special assessments | - | - | - | - |
| Investment income | 270,419 | - | - | - |
| Rental income | 361,772 | - | 3,572 | - |
| Contributions and donations | 30,817 | - | - | - |
| Franchise fees | 619,136 | - | - | - |
| Other | 83,803 | - | 2 | - |
| Total revenues | <u>36,487,674</u> | <u>6,929,087</u> | <u>9,401,397</u> | <u>4,534,930</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 11,431,702 | - | - | - |
| Security of persons and property | 1,553,686 | 13,021,962 | 18,994,764 | - |
| Public health and welfare | 1,113,980 | - | - | - |
| Transportation | - | - | - | - |
| Community environment | 834,226 | - | - | 1,780,906 |
| Leisure time activity | 52,956 | - | - | - |
| Utility services | 2,320,491 | - | - | - |
| Capital outlay | - | 15,818 | - | - |
| Debt service: | | | | |
| Principal retirement | 66,779 | 2,013 | - | 1,100,000 |
| Interest and fiscal charges | 26,567 | 840 | - | 381,203 |
| Bond issue costs | - | - | - | - |
| Total expenditures | <u>17,400,387</u> | <u>13,040,633</u> | <u>18,994,764</u> | <u>3,262,109</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>19,087,287</u> | <u>(6,111,546)</u> | <u>(9,593,367)</u> | <u>1,272,821</u> |
| Other financing sources (uses): | | | | |
| Sale of bonds | 2,400,000 | - | - | - |
| Premium on sale of bonds | - | - | - | - |
| Loan issue | - | - | - | - |
| Sale of capital assets | - | 69 | 1,951 | - |
| Capital lease transaction | - | 15,818 | - | - |
| Transfers in | 668,659 | 5,878,000 | 9,500,396 | 51,455 |
| Transfers out | (18,213,073) | (59,684) | - | (2,445,364) |
| Total other financing sources (uses) | <u>(15,144,414)</u> | <u>5,834,203</u> | <u>9,502,347</u> | <u>(2,393,909)</u> |
| Net change in fund balances | 3,942,873 | (277,343) | (91,020) | (1,121,088) |
| Fund balances (deficits) at beginning of year | <u>449,681</u> | <u>(520,771)</u> | <u>(679,683)</u> | <u>5,782,308</u> |
| Fund balances (deficits) at end of year | <u>\$ 4,392,554</u> | <u>\$ (798,114)</u> | <u>\$ (770,703)</u> | <u>\$ 4,661,220</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

| Bond Retirement | Convocation Center Project | Other Governmental Funds | Total Governmental Funds |
|------------------------|-----------------------------------|---------------------------------|---------------------------------|
| \$ - | \$ - | \$ 4,732,604 | \$ 45,391,312 |
| 2,006,744 | - | - | 2,006,744 |
| 134,757 | 249,902 | 308,910 | 5,692,293 |
| - | - | 66,918 | 873,758 |
| - | - | 287,425 | 609,564 |
| 274,399 | 14,394,393 | 6,829,250 | 30,695,198 |
| 510 | - | - | 510 |
| 24,330 | 96,618 | 3,011 | 394,378 |
| - | - | 207,986 | 573,330 |
| - | - | 25,000 | 55,817 |
| - | - | - | 619,136 |
| - | - | 259,707 | 343,512 |
| <u>2,440,740</u> | <u>14,740,913</u> | <u>12,720,811</u> | <u>87,255,552</u> |
| 109,786 | - | - | 11,541,488 |
| - | - | 346,264 | 33,916,676 |
| - | - | 1,122,529 | 2,236,509 |
| - | - | 6,933,869 | 6,933,869 |
| - | - | 1,455,155 | 4,070,287 |
| - | - | 3,002,069 | 3,055,025 |
| - | - | - | 2,320,491 |
| - | 27,468,710 | 7,544,192 | 35,028,720 |
| 4,705,000 | - | 25,409 | 5,899,201 |
| 1,107,454 | 241,586 | 173,349 | 1,930,999 |
| 290,572 | - | - | 290,572 |
| <u>6,212,812</u> | <u>27,710,296</u> | <u>20,602,836</u> | <u>107,223,837</u> |
| <u>(3,772,072)</u> | <u>(12,969,383)</u> | <u>(7,882,025)</u> | <u>(19,968,285)</u> |
| 3,400,000 | - | 4,190,000 | 9,990,000 |
| 185,192 | - | - | 185,192 |
| - | - | 3,716,857 | 3,716,857 |
| - | - | 129,264 | 131,284 |
| - | - | - | 15,818 |
| 415,000 | 2,601,699 | 9,505,061 | 28,620,270 |
| (249,165) | - | (4,677,262) | (25,644,548) |
| <u>3,751,027</u> | <u>2,601,699</u> | <u>12,863,920</u> | <u>17,014,873</u> |
| (21,045) | (10,367,684) | 4,981,895 | (2,953,412) |
| 667,997 | 201,858 | (2,881,194) | 3,020,196 |
| <u>\$ 646,952</u> | <u>\$ (10,165,826)</u> | <u>\$ 2,100,701</u> | <u>\$ 66,784</u> |

CITY OF YOUNGSTOWN, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005

Net change in fund balances - total governmental funds \$ (2,953,412)

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

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

| | | |
|---------------------------|--------------------|------------|
| Capital asset additions | 26,107,353 | |
| Current year depreciation | <u>(2,107,904)</u> | |
| Total | | 23,999,449 |

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (229,294)

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

| | | |
|------------------------|----------------|---------|
| Delinquent taxes | 184,825 | |
| Intergovernmental | 977,392 | |
| Municipal income taxes | (1,203,655) | |
| Special assessments | <u>237,884</u> | |
| Total | | 196,446 |

Proceeds of bonds, loans and capital leases are recorded as revenue in the funds, however, on the statement of activities, they are not reported as revenues as they increase liabilities on the statement of net assets. (13,722,675)

Repayment of bond, loan, note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 5,899,201

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

| | | |
|---------------------|----------------|---------|
| Accrued interest | 60,817 | |
| Bond premium | (180,289) | |
| Bond issuance costs | <u>282,879</u> | |
| Total | | 163,407 |

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (447,758)

Internal service funds used by management to charge the cost of workers compensation to individual funds is not reported in the expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the governmental activities. 1,583,681

Change in net assets of governmental activities \$ 14,489,045

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF YOUNGSTOWN, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2005

| | Budgeted Amounts | | Actual | Variance with |
|---|---------------------|---------------------|---------------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Revenues: | | | | |
| Income taxes | \$ 24,648,326 | \$ 24,847,167 | \$ 25,227,116 | \$ 379,949 |
| Charges for services | 4,752,382 | 4,790,720 | 4,863,977 | 73,257 |
| Licenses and permits | 788,329 | 794,688 | 806,840 | 12,152 |
| Fines and forfeitures | 355,174 | 358,039 | 363,514 | 5,475 |
| Intergovernmental | 4,174,372 | 4,208,049 | 4,272,396 | 64,347 |
| Contributions and donations | 30,110 | 30,353 | 30,817 | 464 |
| Investment income | 264,215 | 266,346 | 270,419 | 4,073 |
| Rental income | 357,869 | 360,756 | 366,272 | 5,516 |
| Franchise fees | 604,931 | 609,811 | 619,136 | 9,325 |
| Other | 81,819 | 82,479 | 83,740 | 1,261 |
| Total revenues | <u>36,057,527</u> | <u>36,348,408</u> | <u>36,904,227</u> | <u>555,819</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 12,094,731 | 12,139,935 | 11,595,967 | 543,968 |
| Security of persons and property | 1,521,081 | 1,581,347 | 1,580,869 | 478 |
| Public health and welfare | 1,236,132 | 1,236,132 | 1,199,100 | 37,032 |
| Community environment | 568,937 | 872,789 | 853,742 | 19,047 |
| Basic utility services | 2,475,350 | 2,475,350 | 2,115,142 | 360,208 |
| Leisure time activity | - | 59,000 | 61,307 | (2,307) |
| Total expenditures | <u>17,896,231</u> | <u>18,364,553</u> | <u>17,406,127</u> | <u>958,426</u> |
| Excess of revenues over expenditures | <u>18,161,296</u> | <u>17,983,855</u> | <u>19,498,100</u> | <u>1,514,245</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 589,301 | 594,055 | 603,139 | 9,084 |
| Transfers out | (18,576,000) | (18,233,000) | (18,213,073) | 19,927 |
| Total other financing sources (uses) | <u>(17,986,699)</u> | <u>(17,638,945)</u> | <u>(17,609,934)</u> | <u>29,011</u> |
| Net change in fund balance | 174,597 | 344,910 | 1,888,166 | 1,543,256 |
| Fund balance at beginning of year | 206,277 | 206,277 | 206,277 | - |
| Prior year encumbrances appropriated | 199,471 | 199,471 | 199,471 | - |
| Fund balance at end of year | <u>\$ 580,345</u> | <u>\$ 750,658</u> | <u>\$ 2,293,914</u> | <u>\$ 1,543,256</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF YOUNGSTOWN, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 FIRE LEVY
 FOR THE YEAR ENDED DECEMBER 31, 2005

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|--------------------|--------------------|---------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Income taxes | \$ 6,570,227 | \$ 6,889,061 | \$ 6,899,153 | \$ 10,092 |
| Charges for services | 6,613 | 6,934 | 6,944 | 10 |
| Fines and forfeitures | 3,640 | 3,816 | 3,822 | 6 |
| Intergovernmental | 124,668 | 130,718 | 130,909 | 191 |
| Total revenues | <u>6,705,148</u> | <u>7,030,529</u> | <u>7,040,828</u> | <u>10,299</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Security of persons and property | <u>12,290,131</u> | <u>12,933,482</u> | <u>13,042,607</u> | <u>(109,125)</u> |
| Total expenditures | <u>12,290,131</u> | <u>12,933,482</u> | <u>13,042,607</u> | <u>(109,125)</u> |
| Deficiency of revenues under expenditures | <u>(5,584,983)</u> | <u>(5,902,953)</u> | <u>(6,001,779)</u> | <u>(98,826)</u> |
| Other financing sources (uses): | | | | |
| Sale of capital assets | 66 | 69 | 69 | - |
| Transfers in | 5,597,760 | 5,869,402 | 5,878,000 | 8,598 |
| Transfers out | | - | (59,684) | (59,684) |
| Total other financing sources (uses) | <u>5,597,826</u> | <u>5,869,471</u> | <u>5,818,385</u> | <u>(51,086)</u> |
| Net change in fund balance | 12,843 | (33,482) | (183,394) | (149,912) |
| Fund balance at beginning of year | 3,091 | 3,091 | 3,091 | - |
| Prior year encumbrances appropriated | <u>6,199</u> | <u>6,199</u> | <u>6,199</u> | <u>-</u> |
| Fund balance (deficit) at end of year | <u>\$ 22,133</u> | <u>\$ (24,192)</u> | <u>\$ (174,104)</u> | <u>\$ (149,912)</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF YOUNGSTOWN, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 POLICE LEVY
 FOR THE YEAR ENDED DECEMBER 31, 2005

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
|--|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Income taxes | \$ 8,828,323 | \$ 9,213,579 | \$ 9,205,569 | \$ (8,010) |
| Charges for services | 23,637 | 24,668 | 24,647 | (21) |
| Fines and forfeitures | 607 | 634 | 633 | (1) |
| Intergovernmental | 302,716 | 315,926 | 315,651 | (275) |
| Rental income | 3,426 | 3,575 | 3,572 | (3) |
| Other | 2 | 2 | 2 | - |
| Total revenues | <u>9,158,711</u> | <u>9,558,384</u> | <u>9,550,074</u> | <u>(8,310)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Security of persons and property | <u>18,241,192</u> | <u>19,281,768</u> | <u>19,168,953</u> | <u>112,815</u> |
| Total expenditures | <u>18,241,192</u> | <u>19,281,768</u> | <u>19,168,953</u> | <u>112,815</u> |
| Deficiency of revenues under expenditures | <u>(9,082,481)</u> | <u>(9,723,384)</u> | <u>(9,618,879)</u> | <u>104,505</u> |
| Other financing sources: | | | | |
| Sale of capital assets | 1,871 | 1,953 | 1,951 | (2) |
| Transfers in | <u>9,111,068</u> | <u>9,508,663</u> | <u>9,500,396</u> | <u>(8,267)</u> |
| Total other financing sources | <u>9,112,939</u> | <u>9,510,616</u> | <u>9,502,347</u> | <u>(8,269)</u> |
| Net change in fund balance | 30,458 | (212,768) | (116,532) | 96,236 |
| Fund balance (deficit) at beginning of year | (19,961) | (19,961) | (19,961) | - |
| Prior year encumbrances appropriated. | <u>26,598</u> | <u>26,598</u> | <u>26,598</u> | <u>-</u> |
| Fund balance (deficit) at end of year | <u>\$ 37,095</u> | <u>\$ (206,131)</u> | <u>\$ (109,895)</u> | <u>\$ 96,236</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF YOUNGSTOWN, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 COMMUNITY DEVELOPMENT
 FOR THE YEAR ENDED DECEMBER 31, 2005

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
|--|-------------------------|-----------------------|--------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Charges for services | \$ 54,328 | \$ 61,326 | \$ 61,326 | \$ - |
| Intergovernmental | 4,612,915 | 5,207,220 | 5,207,220 | - |
| Investment income | 55,501 | 62,652 | 62,652 | - |
| Total revenues. | <u>4,722,744</u> | <u>5,331,198</u> | <u>5,331,198</u> | <u>-</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Community environment | 1,800 | 9,849,569 | 3,017,371 | 6,832,198 |
| Debt service: | | | | |
| Principal retirement | - | - | 1,100,000 | (1,100,000) |
| Interest and fiscal charges | - | 1,644,924 | 381,203 | 1,263,721 |
| Total expenditures | <u>1,800</u> | <u>11,494,493</u> | <u>4,498,574</u> | <u>6,995,919</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>4,720,944</u> | <u>(6,163,295)</u> | <u>832,624</u> | <u>6,995,919</u> |
| Other financing sources (uses): | | | | |
| Repayment of principal on float loans | 971,132 | 1,096,248 | 1,096,248 | - |
| Transfers in | 45,582 | 51,455 | 51,455 | - |
| Transfers out | - | - | (2,445,364) | (2,445,364) |
| Total other financing sources (uses) | <u>1,016,714</u> | <u>1,147,703</u> | <u>(1,297,661)</u> | <u>(2,445,364)</u> |
| Net change in fund balance | 5,737,658 | (5,015,592) | (465,037) | 4,550,555 |
| Fund balance at beginning of year | 420,631 | 420,631 | 420,631 | - |
| Prior year encumbrances appropriated. | <u>1,800</u> | <u>1,800</u> | <u>1,800</u> | <u>-</u> |
| Fund balance (deficit) at end of year | <u>\$ 6,160,089</u> | <u>\$ (4,593,161)</u> | <u>\$ (42,606)</u> | <u>\$ 4,550,555</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF YOUNGSTOWN, OHIO

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 DECEMBER 31, 2005

| | <u>Business-type Activities -Enterprise Funds</u> | | | Governmental |
|---|---|----------------------|----------------------|--|
| | <u>Sewer</u> | <u>Water</u> | <u>Total</u> | Activities - Internal Service Funds |
| Assets: | | | | |
| Current assets: | | | | |
| Equity in pooled cash and cash equivalents . . . | \$ 2,338,327 | \$ 1,268,028 | \$ 3,606,355 | \$ 2,969,662 |
| Receivables (net of allowance for uncollectibles): | | | | |
| Accounts | 3,532,419 | 3,005,613 | 6,538,032 | - |
| Interfund receivable | 175,349 | - | 175,349 | - |
| Materials and supplies inventory | 668,573 | 388,925 | 1,057,498 | - |
| Deferred charges | 10,142 | 20,373 | 30,515 | - |
| Total current assets | <u>6,724,810</u> | <u>4,682,939</u> | <u>11,407,749</u> | <u>2,969,662</u> |
| Noncurrent assets: | | | | |
| Capital assets: | | | | |
| Land | 251,062 | 71,279 | 322,341 | - |
| Depreciable capital assets, net | 36,829,466 | 14,855,029 | 51,684,495 | - |
| Total capital assets | <u>37,080,528</u> | <u>14,926,308</u> | <u>52,006,836</u> | <u>-</u> |
| Total noncurrent assets | <u>37,080,528</u> | <u>14,926,308</u> | <u>52,006,836</u> | <u>-</u> |
| Total assets | <u>43,805,338</u> | <u>19,609,247</u> | <u>63,414,585</u> | <u>2,969,662</u> |
| Liabilities: | | | | |
| Current liabilities: | | | | |
| Accounts payable. | 242,498 | 105,895 | 348,393 | - |
| Contracts payable. | 366,783 | - | 366,783 | - |
| Accrued wages and benefits | 82,034 | 83,141 | 165,175 | - |
| Due to other governments | 194,199 | 782,184 | 976,383 | - |
| Interfund loans payable. | - | - | - | - |
| Claims payable. | - | - | - | 484,500 |
| Current portion of general obligation bonds | 60,000 | 115,000 | 175,000 | - |
| Current portion of OWDA loans | 913,174 | 6,031 | 919,205 | - |
| Current portion of compensated absences | 222,944 | 298,785 | 521,729 | - |
| Accrued interest payable | 94,818 | 6,802 | 101,620 | - |
| Total current liabilities | <u>2,176,450</u> | <u>1,397,838</u> | <u>3,574,288</u> | <u>484,500</u> |
| Long-term liabilities: | | | | |
| General obligation bonds | 287,644 | 650,371 | 938,015 | - |
| OWDA loans | 1,329,040 | 410,633 | 1,739,673 | - |
| Compensated absences | 441,577 | 591,789 | 1,033,366 | - |
| Total long-term liabilities | <u>2,058,261</u> | <u>1,652,793</u> | <u>3,711,054</u> | <u>-</u> |
| Total liabilities | <u>4,234,711</u> | <u>3,050,631</u> | <u>7,285,342</u> | <u>484,500</u> |
| Net assets: | | | | |
| Invested in capital assets, net of related debt. | 34,463,314 | 13,689,644 | 48,152,958 | - |
| Unrestricted | 5,107,313 | 2,868,972 | 7,976,285 | 2,485,162 |
| Total net assets | <u>\$ 39,570,627</u> | <u>\$ 16,558,616</u> | <u>56,129,243</u> | <u>\$ 2,485,162</u> |
| Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds. | | | 219,889 | |
| Net assets of business-type activities | | | <u>\$ 56,349,132</u> | |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF YOUNGSTOWN, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

| | <u>Business-type Activities - Enterprise Funds</u> | | | Governmental |
|---|--|----------------------|----------------------|--|
| | <u>Sewer</u> | <u>Water</u> | <u>Total</u> | Activities - Internal Service Funds |
| Operating revenues: | | | | |
| Charges for services | \$ 17,104,834 | \$ 21,226,952 | \$ 38,331,786 | \$ 2,132,970 |
| Other | - | 33,529 | 33,529 | - |
| Total operating revenues | <u>17,104,834</u> | <u>21,260,481</u> | <u>38,365,315</u> | <u>2,132,970</u> |
| Operating expenses: | | | | |
| Personal services | 5,812,041 | 6,376,423 | 12,188,464 | - |
| Contract services | 5,604,150 | 1,635,280 | 7,239,430 | - |
| Materials and supplies | 2,078,182 | 8,902,490 | 10,980,672 | - |
| Other | 47,161 | 1,779 | 48,940 | - |
| Depreciation | 1,559,927 | 532,471 | 2,092,398 | - |
| Claims | - | - | - | 432,358 |
| Total operating expenses | <u>15,101,461</u> | <u>17,448,443</u> | <u>32,549,904</u> | <u>432,358</u> |
| Operating income | <u>2,003,373</u> | <u>3,812,038</u> | <u>5,815,411</u> | <u>1,700,612</u> |
| Nonoperating revenues (expenses): | | | | |
| Interest revenue | - | 12,982 | 12,982 | - |
| Interest expense and fiscal charges | (284,021) | (62,194) | (346,215) | - |
| Gain (loss) on disposal of capital assets | (9,124) | 6,163 | (2,961) | - |
| Total nonoperating revenues (expenses) | <u>(293,145)</u> | <u>(43,049)</u> | <u>(336,194)</u> | <u>-</u> |
| Income before transfers and capital contributions | <u>1,710,228</u> | <u>3,768,989</u> | <u>5,479,217</u> | <u>1,700,612</u> |
| Capital contributions | 5,263,704 | - | 5,263,704 | - |
| Transfers out | (1,898,432) | (1,077,290) | (2,975,722) | - |
| Changes in net assets | 5,075,500 | 2,691,699 | 7,767,199 | 1,700,612 |
| Net assets at beginning of year | <u>34,495,127</u> | <u>13,866,917</u> | <u>48,362,044</u> | <u>784,550</u> |
| Net assets at end of year | <u>\$ 39,570,627</u> | <u>\$ 16,558,616</u> | <u>\$ 56,129,243</u> | <u>\$ 2,485,162</u> |
| Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds. | | | <u>116,931</u> | |
| Changes in net assets of business-type activities | | | <u>\$ 7,884,130</u> | |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF YOUNGSTOWN, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2005

| | <u>Business-type Activities - Enterprise Funds</u> | | | Governmental |
|--|--|----------------------------|----------------------------|---|
| | <u>Sewer</u> | <u>Water</u> | <u>Total</u> | Activities - Internal Service Fund |
| Cash flows from operating activities: | | | | |
| Cash received from customers | \$ 16,947,326 | \$ 20,944,915 | \$ 37,892,241 | \$ - |
| Cash received from other funds | - | - | - | 2,132,970 |
| Cash received from other operations. | - | 33,529 | 33,529 | - |
| Cash payments for personal services | (5,812,232) | (6,382,100) | (12,194,332) | - |
| Cash payments for contract services | (5,499,963) | (1,674,195) | (7,174,158) | - |
| Cash payments for materials and supplies | (2,090,672) | (8,950,996) | (11,041,668) | - |
| Cash payments for other expenses | (50,161) | - | (50,161) | - |
| Cash payments for other claims | - | - | - | (208,567) |
| Net cash provided by operating activities. | <u>3,494,298</u> | <u>3,971,153</u> | <u>7,465,451</u> | <u>1,924,403</u> |
| Cash flows from noncapital financing activities: | | | | |
| Cash payments to other funds. | (175,349) | (195,650) | (370,999) | - |
| Cash payments for transfers out. | (1,898,432) | (1,077,290) | (2,975,722) | - |
| Net cash used in noncapital financing activities. | <u>(2,073,781)</u> | <u>(1,272,940)</u> | <u>(3,346,721)</u> | <u>-</u> |
| Cash flows from capital and related financing activities: | | | | |
| Acquisition of capital assets | (512,719) | (1,487,462) | (2,000,181) | - |
| Gain on sale of capital assets | 1,956 | 6,163 | 8,119 | - |
| Principal retirement on bonds. | (50,000) | (100,000) | (150,000) | - |
| Principal retirement on loans | (979,026) | (5,770) | (984,796) | - |
| Proceeds from loans | - | 195,801 | 195,801 | - |
| Interest and fiscal charges. | (245,565) | (51,899) | (297,464) | - |
| Net cash used in capital and related financing activities. | <u>(1,785,354)</u> | <u>(1,443,167)</u> | <u>(3,228,521)</u> | <u>-</u> |
| Cash flows from investing activities: | | | | |
| Interest received | - | 12,982 | 12,982 | - |
| Net cash provided by investing activities | <u>-</u> | <u>12,982</u> | <u>12,982</u> | <u>-</u> |
| Net increase (decrease) in cash and cash equivalents | (364,837) | 1,268,028 | 903,191 | 1,924,403 |
| Cash and cash equivalents at beginning of year | <u>2,703,164</u> | <u>-</u> | <u>2,703,164</u> | <u>1,045,259</u> |
| Cash and cash equivalents at end of year | <u><u>\$ 2,338,327</u></u> | <u><u>\$ 1,268,028</u></u> | <u><u>\$ 3,606,355</u></u> | <u><u>\$ 2,969,662</u></u> |

- - continued

CITY OF YOUNGSTOWN, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2005

| | Business-type Activities - Enterprise Funds | | | Governmental |
|---|---|---------------------|---------------------|--|
| | Sewer | Water | Total | Activities - Internal Service Fund |
| Reconciliation of operating income to net cash provided by operating activities: | | | | |
| Operating income | \$ 2,003,373 | \$ 3,812,038 | \$ 5,815,411 | \$ 1,700,612 |
| Adjustments: | | | | |
| Depreciation | 1,559,927 | 532,471 | 2,092,398 | - |
| Changes in assets and liabilities: | | | | |
| Increase in materials and supplies inventory | (54,136) | (65,916) | (120,052) | - |
| Increase in accounts receivable | (157,508) | (282,037) | (439,545) | - |
| Increase (decrease) in accounts payable. | (7,211) | 4,819 | (2,392) | - |
| Increase (decrease) in contracts payable. | 169,318 | (23,608) | 145,710 | - |
| Decrease in accrued wages and benefits. | 6,423 | 3,210 | 9,633 | - |
| Decrease in due to other governments | (36,362) | (10,018) | (46,380) | - |
| Increase in compensated absences payable | 10,474 | 194 | 10,668 | - |
| Increase in claims payable. | - | - | - | 223,791 |
| Net cash provided by operating activities | <u>\$ 3,494,298</u> | <u>\$ 3,971,153</u> | <u>\$ 7,465,451</u> | <u>\$ 1,924,403</u> |
| Noncash investing, capital and financing activities: | | | | |
| Contributions of capital assets | <u>\$ 5,263,704</u> | <u>\$ -</u> | <u>\$ 5,263,704</u> | <u>\$ -</u> |

At December 31, 2004, the Sewer fund purchased \$35,262 in capital assets on account.

At December 31, 2005, the Sewer fund purchased \$95,991 in capital assets on account.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF YOUNGSTOWN, OHIO

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2005

| | <u>Agency</u> |
|--|---------------------|
| Assets: | |
| Equity in pooled cash and cash equivalents | \$ 1,457,142 |
| Cash in segregated accounts | 225,335 |
| Receivables: | |
| Accounts | <u>906,384</u> |
| Total assets. | <u>2,588,861</u> |
| Liabilities: | |
| Accounts payable | 833,823 |
| Due to other governments | 1,017,082 |
| Deposits held and due to others | <u>737,956</u> |
| Total liabilities. | <u>\$ 2,588,861</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 1 - DESCRIPTION OF THE CITY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

DISCRETELY PRESENTED COMPONENT UNIT

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

CITY OF YOUNGSTOWN, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

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

Western Reserve Transit Authority

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

JOINTLY GOVERNED ORGANIZATIONS

Mahoning County Drug Task Force

The City's police department participates in the Mahoning County Drug Task Force (the "Force") which is jointly governed by its thirteen participants: nine local police departments and four federal law enforcement agencies. Each participant has one representative on the Board of Control. Each participant's control over the operation of the Force is limited to its representation on the board. The Force uses the talents and resources of the participants to combat the trafficking of illicit narcotics. Continued existence of the Force is not dependent on the City's continued participation. Funding is provided by the Governor's Office of Criminal Justice Services and forfeitures and fines. None of the participants made financial contributions in 2005. Financial information can be obtained from the Mahoning County Drug Task Force, 104 Lisbon Street, Canfield, Ohio 44406.

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 2005, the City contributed \$60,328. Complete financial statements can be obtained from the Eastgate Development and Transportation Agency, 5121 Mahoning Avenue, Youngstown, Ohio 44515.

Youngstown Metropolitan Housing Authority

The Youngstown Metropolitan Housing Authority (YMHA) is a jointly governed organization among four local governments created to provide subsidized public housing. The City appoints two members of the five-member board. Each participant's control over the operation of YMHA is limited to its representation on the board. Continued existence of YMHA is not dependent on the City's continued participation. The City does not make any financial contributions to YMHA. Funding is received through state and federal subsidies and grants. Complete financial statements can be obtained from the Youngstown Metropolitan Housing Authority, 131 W. Boardman Street, Youngstown, Ohio 44503.

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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

Metropolitan Fire Investigation Unit

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

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

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

B. Basis of Presentation - Fund Accounting

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

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

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

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

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

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

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

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

C. Fund Accounting

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

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

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

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

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

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

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

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

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

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

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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

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

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

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

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

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

D. Measurement Focus and Basis of Accounting

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

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

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

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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

E. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the 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.

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

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

Deferred Revenue - 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, 2005, but which were levied to finance year 2006 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

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

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

F. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than the agency funds, are legally required to be budgeted and appropriated. 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 controls is at the object level within each department. Any budgetary modifications at this level may only be made by resolution of City Council.

Tax Budget - Ohio Revised Code Section 5705.28 required the Mayor to present the annual operating budget for the following fiscal year to City Council for consideration and passage at the first Council meeting in July. This section requires the adopted budget to be submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The City obtained a waiver as provided for by Ohio Revised Code Section 5705.281, in which they did not have to adopt an operating budget nor submit the operating budget to the County Auditor.

Estimated Resources - The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. 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 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 2005.

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

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

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

During the year, several supplemental appropriation measures were passed. None of these supplemental appropriations had any significant 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.

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

G. Cash and Investments

To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During 2005, investments were limited to repurchase agreements, 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, 2005 share price.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2005 amounted to \$270,419 which is all assigned from other City funds.

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

For purposes of the statement of cash flows and for presentation on the statement of net assets, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City, are considered to be cash equivalents. Investments with maturities greater than three months at the time of purchase are reported as investments.

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

H. Inventories of Materials and Supplies

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

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

Inventory consists of expendable supplies held for consumption.

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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

I. Capital Assets

Primary Government

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

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

Interest is capitalized on proprietary fund assets acquired with tax exempt borrowing. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of borrowing until completion of the project with interest earned on invested proceeds over the same period. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. For 2005, there were no capitalized interest costs incurred on construction projects in the proprietary funds.

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

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

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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

Component Unit Capital Assets

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

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

J. Compensated Absences

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

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

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

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

K. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

CITY OF YOUNGSTOWN, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

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

L. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” On fund financial statements, long-term interfund loans are classified as “advances to/from other funds” on the balance sheet and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources. These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

M. Interfund Activity

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

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

N. Fund Balance Reserves

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

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

O. Estimates

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

P. Contributions of Capital

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

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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

Q. Net Assets

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

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

R. Operating Revenues and Expenses

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of City Administration and that are either unusual in nature or infrequent in occurrence. There were no extraordinary or special items during 2005.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Compliance

The following funds had appropriations in excess of estimated resources contrary to Ohio Revised Code Section 5705.39(B):

| <u>Fund</u> | <u>Estimated</u> <u>Resources</u> | <u>Appropriations</u> | <u>Excess</u> |
|-----------------------|--------------------------------------|-----------------------|---------------|
| <u>Major Funds:</u> | | | |
| Fire Levy | \$ 12,918,897 | \$ 12,933,482 | \$ (14,585) |
| Police Levy | 19,059,058 | 19,281,768 | (222,710) |
| Community Development | 6,901,332 | 11,494,493 | (4,593,161) |
| Bond Retirement | 12,824,653 | 12,923,710 | (99,057) |
| Water | 20,992,099 | 21,029,094 | (36,995) |

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

| <u>Nonmajor Governmental Funds:</u> | <u>Estimated Resources</u> | <u>Appropriations</u> | <u>Excess</u> |
|-------------------------------------|--------------------------------|-----------------------|---------------|
| Parks and Recreation | \$ 3,051,748 | \$ 3,088,095 | \$ (36,347) |
| MBE/WBE Revolving Loan | 25,207 | 25,210 | (3) |
| Air Pollution Control | 592,559 | 797,501 | (204,942) |
| Health | 955,940 | 1,073,072 | (117,132) |
| Weed and Seed Grant | 320,356 | 366,883 | (46,527) |
| Local Home Trust | 832,455 | 2,782,404 | (1,949,949) |
| Capital Projects Public Works | 5,935,626 | 8,542,936 | (2,607,310) |
| Demolition | 460,161 | 1,801,704 | (1,341,543) |
| Industrial Property | 1,837,495 | 2,324,000 | (486,505) |

The following fund had expenditures in excess of appropriations contrary to Ohio Revised Code Section 5705.41:

| <u>Fund</u> | <u>Appropriations</u> | <u>Expenditures</u> | <u>Excess</u> |
|---------------------|-----------------------|---------------------|---------------|
| <u>Major Funds:</u> | | | |
| Fire Levy | \$ 12,933,482 | \$ 13,102,291 | \$ (168,809) |

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. For GAAP purposes, these amounts have been reported as fund liabilities in the respective funds.

| <u>Fund</u> | <u>Amount</u> |
|--------------------------------|---------------|
| <u>Major Governmental Fund</u> | |
| Police Levy | \$ 89,610 |
| Fire Levy | 85,739 |

Contrary to Ohio Revised Code Section 5705.41(D) the Finance Director did not certify the availability of funds for various expenditures.

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at December 31, 2005 included the following individual fund deficits:

| <u>Fund</u> | <u>Deficit</u> |
|----------------------------|----------------|
| <u>Major Funds:</u> | |
| Fire Levy | \$ 798,114 |
| Police Levy | 770,703 |
| Convocation Center Project | 10,165,826 |
| <u>Nonmajor Funds:</u> | |
| Parks and Recreation | 76,904 |
| Industrial Property | 1,470,347 |

All funds except the Fire Levy and Police Levy funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances results from adjustments for accrued liabilities.

C. Change in Accounting Principles

For calendar year 2005, the City has implemented GASB Statement No. 40 "Deposit and Investment Risk Disclosures", and GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries".

GASB Statement No. 40 establishes and modifies disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modifies disclosure requirements for custodial credit risk on deposits.

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

The implementation of GASB Statement No. 40 and GASB Statement No. 42 did not have an effect on the financial statements of the City, however additional note disclosure can be found in Note 4.

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 4 - DEPOSITS AND INVESTMENTS

A. Primary Government

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

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

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

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 may be deposited or invested in the following securities:

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

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

Deposits with Financial Institutions

At December 31, 2005, the carrying amount of all City deposits was \$14,059,096, exclusive of the \$3,484,212 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2005, \$14,433,976 of the City's bank balance of 15,224,899 was exposed to custodial risk as discussed below, while \$790,923 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the City's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City.

Investments

As of December 31, 2005, the City had the following investments and maturities:

| <u>Investment type</u> | Investment Maturities | |
|--------------------------|----------------------------------|-----------------------------|
| | <u>Balance at Fair Value</u> | <u>6 months or less</u> |
| Repurchase Agreement | \$ 3,484,212 | \$ 3,484,212 |
| U.S. Treasury Note | 733,188 | 733,188 |
| Money Market Mutual Fund | 404 | 404 |
| | <u>\$ 4,217,804</u> | <u>\$ 4,217,804</u> |

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

Credit Risk: The City's investments, except for the repurchase agreement as discussed above and STAR Ohio, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the City's investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the City.

Concentration of Credit Risk: The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2005:

| <u>Investment type</u> | <u>Fair Value</u> | <u>% to Total</u> |
|--------------------------|---------------------|-------------------|
| Repurchase Agreement | \$ 3,484,212 | 82.61 |
| U.S. Treasury Note | 733,188 | 17.38 |
| Money Market Mutual Fund | 404 | 0.01 |
| | <u>\$ 4,217,804</u> | <u>100.00</u> |

Reconciliation of Cash and Investment to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of December 31, 2005:

| | |
|---|----------------------|
| <u>Cash and Investments per footnote</u> | |
| Carrying amount of deposits | \$ 14,059,096 |
| Investments | 4,217,804 |
| Total | <u>\$ 18,276,900</u> |
| <u>Cash and investments per Statement of Net Assets</u> | |
| Governmental activities | \$ 12,988,068 |
| Business type activities | 3,606,355 |
| Agency funds | 1,682,477 |
| Total | <u>\$ 18,276,900</u> |

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Component Unit

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

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

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

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

At December 31, 2005, the carrying amount of all WRTA deposits was \$853,790. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2005, \$977,491 of the WRTA's bank balance of \$1,077,491 was exposed to custodial risk as discussed below, while \$100,000 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the WRTA's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 110% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the WRTA.

The deposit and investment balances at December 31, 2005 are included in the accompanying balance sheet under the following captions:

| | |
|---|-------------------|
| Current assets - cash and cash equivalents | \$ 840,322 |
| Restricted assets - cash and cash equivalents | <u>13,468</u> |
| Total | <u>\$ 853,790</u> |

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 5 - INTERFUND TRANSFERS

- A. Interfund transfers for the year ended December 31, 2005, consisted of the following, as reported in the fund financial statements:

| | |
|---|----------------------|
| Transfers to General fund from: | |
| Community Development | \$ 589,434 |
| Bond Retirement | 65,520 |
| Nonmajor Governmental | <u>13,705</u> |
| Total | <u>668,659</u> |
| Transfers to Fire Levy from: | |
| General | 5,750,000 |
| Community Development | <u>128,000</u> |
| Total | <u>5,878,000</u> |
| Transfers to Police Levy from: | |
| General | 9,500,000 |
| Community Development | <u>396</u> |
| Total | <u>9,500,396</u> |
| Transfers to Community Development from: | |
| Nonmajor Governmental | <u>51,455</u> |
| Total | <u>51,455</u> |
| Transfers to Bond Retirement from: | |
| General | <u>415,000</u> |
| Total | <u>415,000</u> |
| Transfers to Convocation Center Project from: | |
| Sewer | 1,524,409 |
| Water | <u>1,077,290</u> |
| Total | <u>2,601,699</u> |
| Transfers to Nonmajor Governmental from: | |
| General | 2,548,073 |
| Fire Levy | 59,684 |
| Community Development | 1,727,534 |
| Bond Retirement | 183,645 |
| Sewer | 374,023 |
| Nonmajor Governmental | <u>4,612,102</u> |
| Total | <u>9,505,061</u> |
| Grand Total | <u>\$ 28,620,270</u> |

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Several transfers were made contrary to Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 5 - INTERFUND TRANSFERS - (CONTINUED)

B. Interfund loans consisted of the following at December 31, 2005, as reported on the fund financial statements:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|-----------------------------|---------------------|----------------|
| Sewer | Fire Levy | \$ 85,739 |
| | Police Levy | <u>89,610</u> |
| | Total | <u>175,349</u> |
| Nonmajor Governmental Funds | Bond Retirement | 150,000 |

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

NOTE 6 - INCOME TAXES

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

NOTE 7 - PROPERTY TAXES

A. Primary Government

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2005 for real and public property taxes represents collections of 2004 taxes. Property tax payments received during 2005 for 2005 tangible personal property (other than public utility property) is for 2005 taxes.

2004 real property taxes are levied after October 1, 2005, on the assessed value as of January 1, 2005, the lien date. Assessed values are established by State law at 35 percent of true value. 2005 real property taxes are collected in and intended to finance 2006.

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 7 - PROPERTY TAXES - (Continued)

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. 2005 public utility property taxes became a lien December 31, 2004, are levied after October 1, 2005, and are collected in 2005 with real property taxes.

2005 tangible personal property taxes are levied after October 1, 2004, on the values as of December 31, 2004. Collections are made in 2005. Tangible personal property assessments are 25 percent of true value.

The full tax rate for all City operations for the year ended December 31, 2005, was \$3.70 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2005 property tax receipts were based are as follows:

| <u>Category</u> | <u>Assessed Value</u> |
|-------------------|-----------------------|
| Real estate | \$ 443,595,790 |
| Tangible personal | 107,785,521 |
| Public utility | <u>59,029,610</u> |
| Total | <u>\$ 610,410,921</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, 2005, 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 2005 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 1 mill was levied in 2002 and 4 mills levies passed in 2005 that expire as follows: 2 mills in 2009, 1 mill in 2010, and 2 mills in 2015. Property tax revenue can be used for operating or capital purposes.

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

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 7 - PROPERTY TAXES - (Continued)

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 8 - SPECIAL ASSESSMENTS

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

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

NOTE 9 - RECEIVABLES

A. Primary Government

Receivables at December 31, 2005, consisted of taxes, accounts (billings for user charged services), special assessments and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as "Due From Other Governments" on the BFS. Receivables have been recorded to the extent that they are measurable at December 31, 2005, as well as intended to finance fiscal 2005 operations.

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

Governmental Activities:

| | |
|----------------------------|-------------|
| Income taxes | \$5,755,332 |
| Real and other taxes | 2,671,289 |
| Accounts | 525,117 |
| Special assessments | 965,694 |
| Notes | 4,302,540 |
| Due from other governments | 11,988,155 |

Business-Type Activities:

| | |
|-------------------------------------|--------------------|
| Accounts - Gross | 8,703,758 |
| Less - Allowance for uncollectibles | <u>(2,165,726)</u> |
| Net Accounts receivable | <u>6,538,032</u> |

Receivables have been disaggregated on the face of the BFS. The only receivables not expected to be collected within the subsequent year are the special assessments which are collected over the life of the assessment and notes receivable which will be repaid over a period ranging from one to eight years.

CITY OF YOUNGSTOWN, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 9 – RECEIVABLES - (Continued)

B. Component Unit

Receivables at December 31, 2005, consisted of taxes, accounts, and intergovernmental receivables arising from operating, capital, and planning grants. All receivables are considered fully collectible.

A summary of the principal items of receivable reported on the statement of net assets follows:

| | |
|----------------------------|--------------|
| Real and other taxes | \$ 2,630,130 |
| Accounts | 39,785 |
| Due from other governments | 2,279,345 |

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 10 - CAPITAL ASSETS

A. Capital asset activity for the year ended December 31, 2005, was as follows:

| | Balance | | | Balance |
|---|---------------------|----------------------|-----------------------|----------------------|
| <u>Governmental Activities:</u> | <u>01/01/05</u> | <u>Additions</u> | <u>Disposals</u> | <u>12/31/05</u> |
| <i>Capital assets, not being depreciated:</i> | | | | |
| Land | \$ 5,642,634 | \$ 19,032 | \$ (55,405) | \$ 5,606,261 |
| Construction progress | <u>15,057,984</u> | <u>1,125,507</u> | <u>(15,057,984)</u> | <u>1,125,507</u> |
| Total capital assets, not being depreciated | <u>20,700,618</u> | <u>1,144,539</u> | <u>(15,113,389)</u> | <u>6,731,768</u> |
| <i>Capital assets, being depreciated:</i> | | | | |
| Buildings | 12,289,511 | 27,437,191 | (121,081) | 39,605,621 |
| Improvements other than buildings | 2,851,490 | 879,999 | - | 3,731,489 |
| Machinery and equipment | 8,958,236 | 2,320,311 | (530,415) | 10,748,132 |
| Vehicles | 9,223,398 | 628,180 | (169,468) | 9,682,110 |
| Infrastructure | <u>2,069,504</u> | <u>8,755,117</u> | <u>-</u> | <u>10,824,621</u> |
| Total capital assets, being depreciated | <u>35,392,139</u> | <u>40,020,798</u> | <u>(820,964)</u> | <u>74,591,973</u> |
| <i>Less: accumulated depreciation:</i> | | | | |
| Buildings | (4,479,496) | (368,350) | 16,399 | (4,831,447) |
| Improvements other than buildings | (1,287,740) | (106,307) | - | (1,394,047) |
| Machinery and equipment | (5,171,763) | (663,512) | 482,834 | (5,352,441) |
| Vehicles | (6,524,189) | (745,743) | 147,842 | (7,122,090) |
| Infrastructure | <u>(73,006)</u> | <u>(223,992)</u> | <u>-</u> | <u>(296,998)</u> |
| Total accumulated depreciation | <u>(17,536,194)</u> | <u>(2,107,904)</u> | <u>647,075</u> | <u>(18,997,023)</u> |
| Total capital assets, being depreciated, net | <u>17,855,945</u> | <u>37,912,894</u> | <u>(173,889)</u> | <u>55,594,950</u> |
| Governmental activities capital assets, net | <u>\$38,556,563</u> | <u>\$ 39,057,433</u> | <u>\$(15,287,278)</u> | <u>\$ 62,326,718</u> |

Under GASB Statement No. 34, the City has elected to “phase in” the retroactive reporting of governmental infrastructure assets. The City plans to retroactively report infrastructure capital assets in the 2007 basic financial statements. Only governmental infrastructure capital assets acquired or constructed in 2003, 2004 and 2005 are reflected in the basic financial statements for the fiscal year ended December 31, 2005.

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 10 - CAPITAL ASSETS - (Continued)

| <u>Business-Type Activities:</u> | <u>Balance</u> <u>01/01/05</u> | <u>Additions</u> | <u>Disposals</u> | <u>Balance</u> <u>12/31/05</u> |
|---|-----------------------------------|---------------------|--------------------|-----------------------------------|
| <i>Capital assets, not being depreciated:</i> | | | | |
| Land | \$ 322,341 | \$ - | \$ - | \$ 322,341 |
| Total capital assets, not being depreciated | <u>322,341</u> | <u>-</u> | <u>-</u> | <u>322,341</u> |
| <i>Capital assets, being depreciated:</i> | | | | |
| Buildings | 38,967,269 | 128,474 | - | 39,095,743 |
| Improvements other than buildings | 2,203,814 | 28,223 | - | 2,232,037 |
| Machinery and equipment | 24,401,252 | 369,441 | (99,146) | 24,671,547 |
| Vehicles | 3,307,739 | 216,687 | (78,614) | 3,445,812 |
| Infrastructure | <u>27,049,110</u> | <u>6,581,789</u> | <u>-</u> | <u>33,630,899</u> |
| Total capital assets, being depreciated | <u>95,929,184</u> | <u>7,324,614</u> | <u>(177,760)</u> | <u>103,076,038</u> |
| <i>Less: accumulated depreciation:</i> | | | | |
| Buildings | (14,605,303) | (785,393) | - | (15,390,696) |
| Improvements other than buildings | (1,723,139) | (109,915) | - | (1,833,054) |
| Machinery and equipment | (19,257,683) | (563,060) | 88,066 | (19,732,677) |
| Vehicles | (2,252,594) | (251,528) | 78,614 | (2,425,508) |
| Infrastructure | <u>(11,627,106)</u> | <u>(382,502)</u> | <u>-</u> | <u>(12,009,608)</u> |
| Total accumulated depreciation | <u>(49,465,825)</u> | <u>(2,092,398)</u> | <u>166,680</u> | <u>(51,391,543)</u> |
| Total capital assets, being depreciated, net | <u>46,463,359</u> | <u>5,232,216</u> | <u>(11,080)</u> | <u>51,684,495</u> |
| Business-type activities capital assets, net | <u>\$ 46,785,700</u> | <u>\$ 5,232,216</u> | <u>\$ (11,080)</u> | <u>\$ 52,006,836</u> |

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 10 - CAPITAL ASSETS - (Continued)

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

Governmental Activities:

| | |
|--|-------------------------|
| General government | \$ 320,171 |
| Security of persons and property | 744,834 |
| Public health and welfare | 70,678 |
| Transportation | 571,120 |
| Leisure time activity | 193,616 |
| Community environment | <u>207,485</u> |
| Total depreciation expense - governmental activities | <u>\$ 2,107,904</u> |

B. Component Unit

Capital asset activity of the WRTA as of December 31, 2005 were as follows:

| <u>Description</u> | <u>Balance</u> <u>01/01/05</u> | <u>Additions</u> | <u>Disposals</u> | <u>Balance</u> <u>12/31/05</u> |
|--|-----------------------------------|-------------------------|------------------------|-----------------------------------|
| <i>Capital assets, not being depreciated:</i> | | | | |
| Land | \$ 693,004 | \$ - | \$ - | \$ 693,004 |
| Total capital assets, not being depreciated | <u>693,004</u> | <u>-</u> | <u>-</u> | <u>693,004</u> |
| <i>Capital assets, being depreciated:</i> | | | | |
| Building and building improvements | 7,532,892 | 689,750 | (6,235) | 8,216,407 |
| Transportation equipment | 12,878,338 | 2,093,742 | (40,792) | 14,931,288 |
| Other equipment | <u>1,224,322</u> | <u>67,225</u> | <u>(199,713)</u> | <u>1,091,834</u> |
| Total capital assets, being depreciated | <u>21,635,552</u> | <u>2,850,717</u> | <u>(246,740)</u> | <u>24,239,529</u> |
| <i>Less: accumulated depreciation:</i> | | | | |
| Building and building improvements | (3,527,434) | (391,202) | 4,936 | (3,913,700) |
| Transportation equipment | (4,906,622) | (1,242,930) | 28,275 | (6,121,277) |
| Other equipment | <u>(1,109,461)</u> | <u>(45,989)</u> | <u>198,892</u> | <u>(956,558)</u> |
| Total accumulated depreciation | <u>(9,543,517)</u> | <u>(1,680,121)</u> | <u>232,103</u> | <u>(10,991,535)</u> |
| Total capital assets, being depreciated, net | <u>12,092,035</u> | <u>1,170,596</u> | <u>(14,637)</u> | <u>13,247,994</u> |
| Total capital assets, net | <u>\$ 12,785,039</u> | <u>\$ 1,170,596</u> | <u>\$ (14,637)</u> | <u>\$ 13,940,998</u> |

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 11 - 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 12 - CAPITALIZED LEASES - LESSEE DISCLOSURE

During 2005 the City entered into a capitalized lease agreement for copier equipment. During prior years, the City entered into a capitalized lease for equipment and a front wheel loader. These lease agreements meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined BFS for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General capital assets consisting of equipment have been capitalized in the statement of net assets in the amount of \$255,509. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the statement of net assets. Principal payments in fiscal year 2005 totaled \$66,779 paid by the general fund, \$2,013 paid by the Fire Levy fund and \$25,409 paid by the Street Construction and Maintenance special revenue fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2005:

| Year Ended <u>December 31,</u> | <u>Amount</u> |
|---|------------------|
| 2006 | \$ 38,426 |
| 2007 | 11,366 |
| 2008 | 11,366 |
| 2009 | 10,105 |
| 2010 | <u>951</u> |
| Total | 72,214 |
| Less: amount representing interest | <u>(5,537)</u> |
| Present value of net minimum lease payments | <u>\$ 66,677</u> |

CITY OF YOUNGSTOWN, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 13 - LONG-TERM OBLIGATIONS

A. During 2005, the following changes occurred in governmental activities long-term obligations:

| Governmental Activities: | Interest Rate | Balance at 1/01/05 | Additions | Reductions | Balance at 12/31/05 | Amounts Due in One Year |
|---|------------------|-----------------------|----------------------|-----------------------|------------------------|-------------------------------|
| <u>General Obligation Bonds</u> | | | | | | |
| 1995 Various Purpose Improvement Bonds | 3.60-7.50% | \$ 3,265,000 | \$ - | \$ (3,265,000) | \$ - | \$ - |
| 1998 Refunding Bonds | 3.10-5.10% | 4,300,000 | - | (550,000) | 3,750,000 | 560,000 |
| 2000 Pension Refunding Bonds | 4.40-0.06% | 9,875,000 | - | (170,000) | 9,705,000 | 175,000 |
| 2005 Various Purpose Refunding Bonds | 3.00-4.375% | - | 9,990,000 | - | 9,990,000 | 360,000 |
| Total General obligation bonds | | <u>17,440,000</u> | <u>9,990,000</u> | <u>(3,985,000)</u> | <u>23,445,000</u> | <u>1,095,000</u> |
| <u>Industrial Development Revenue Bonds</u> | | | | | | |
| 1993 Ohio Bell Project | 6.00% | 480,000 | - | (120,000) | 360,000 | 120,000 |
| Total Industrial Development Revenue Bonds | | <u>480,000</u> | <u>-</u> | <u>(120,000)</u> | <u>360,000</u> | <u>120,000</u> |
| <u>HUD Section 108 Loans</u> | | | | | | |
| Exal Project | 6.52% | 1,800,000 | - | (405,000) | 1,395,000 | 430,000 |
| Youngstown CIC | 6.84-9.03% | 1,675,000 | - | (125,000) | 1,550,000 | 140,000 |
| Cantar/Polyair | 6.84-9.03% | 350,000 | - | (350,000) | - | - |
| Youngstown CIC #2 | 6.13% | 1,114,950 | - | (70,000) | 1,044,950 | 85,000 |
| Housing Rehab Section 108 | 6.84-9.03% | 800,000 | - | (50,000) | 750,000 | 50,000 |
| Youngstown Mini-Loan | 6.84-9.03% | 1,650,000 | - | (100,000) | 1,550,000 | 105,000 |
| Total HUD Section 108 | | <u>7,389,950</u> | <u>-</u> | <u>(1,100,000)</u> | <u>6,289,950</u> | <u>810,000</u> |
| <u>Other Long-Term Obligations</u> | | | | | | |
| Notes Payable (Urban Renewal Note) | 2.60% | 600,000 | - | (600,000) | - | - |
| OWDA Loan | 3.81% | - | 3,716,857 | - | 3,716,857 | 141,800 |
| Capital lease obligation | | 145,060 | 15,818 | (94,201) | 66,677 | 35,880 |
| Compensated absences | | 7,815,030 | 429,336 | - | 8,244,366 | 2,678,271 |
| Total other long-term obligations | | <u>8,560,090</u> | <u>4,162,011</u> | <u>(694,201)</u> | <u>12,027,900</u> | <u>2,855,951</u> |
| Total governmental activities | | | | | | |
| long-term obligations | | <u>\$ 33,870,040</u> | <u>\$ 14,152,011</u> | <u>\$ (5,899,201)</u> | <u>42,122,850</u> | <u>\$ 4,880,951</u> |
| Add: Unamortized premium on bond issue | | | | | <u>180,289</u> | |
| Total reported on Statement of Net Assets | | | | | <u>\$ 42,303,139</u> | |

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

| Business-Type Activities: | <u>Interest Rate</u> | <u>Balance at 1/01/05</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance at 12/31/05</u> | <u>Amounts Due in One Year</u> |
|---|--------------------------|-------------------------------|-------------------|-----------------------|--------------------------------|--|
| <u>General Obligation Bonds</u> | | | | | | |
| 1998 Refunding Water Bonds | 3.10-5.10% | \$ 920,000 | \$ - | \$ (100,000) | \$ 820,000 | \$ 115,000 |
| 1998 Refunding Sewer Bonds | 3.10-5.10% | 425,000 | - | (50,000) | 375,000 | 60,000 |
| Total general obligation bonds | | <u>1,345,000</u> | <u>-</u> | <u>(150,000)</u> | <u>1,195,000</u> | <u>175,000</u> |
| <u>OWDA Loans</u> | | | | | | |
| Wastewater Treatment Plant Improvement - Phase I | 9.99% | 143,552 | - | (143,552) | - | - |
| Wastewater Treatment Plant Improvement - Phase II | 10.84% | 396,972 | - | (147,510) | 249,462 | 163,500 |
| Wastewater Treatment Plant Improvement - Phase III | 8.97% | 2,680,716 | - | (687,964) | 1,992,752 | 749,674 |
| Waterline Replacement | 4.48% | 181,562 | - | (5,770) | 175,792 | 6,031 |
| Elevated Storage Tanks | 4.48% | 4,271 | 186 | - | 4,457 | - |
| St. Rt 46 Waterline Replacement | 5.56% | 40,800 | 2,226 | - | 43,026 | - |
| Waterline Construction | 3.99% | - | 193,389 | - | 193,389 | - |
| Total OWDA loans | | <u>3,447,873</u> | <u>195,801</u> | <u>(984,796)</u> | <u>2,658,878</u> | <u>919,205</u> |
| <u>Other Long-Term Obligations</u> | | | | | | |
| Compensated absences | | <u>1,544,427</u> | <u>10,668</u> | <u>-</u> | <u>1,555,095</u> | <u>521,729</u> |
| Total other long-term obligations | | <u>1,544,427</u> | <u>10,668</u> | <u>-</u> | <u>1,555,095</u> | <u>521,729</u> |
| Total business-type activities long-term obligations | | <u>6,337,300</u> | <u>\$ 206,469</u> | <u>\$ (1,134,796)</u> | <u>5,408,973</u> | <u>\$ 1,615,934</u> |
| Add: Unamortized premium on bond issues | | 16,378 | | | 14,352 | |
| Less: Unamortized deferred changes on refundings | | <u>(109,938)</u> | | | <u>(96,337)</u> | |
| Total reported on the Statement of Net Assets | | <u>\$ 6,243,740</u> | | | <u>\$ 5,326,988</u> | |

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire the governmental general long-term debt obligations outstanding at December 31, 2005, are as follows:

| Year | General | Industrial | HUD | Total |
|------------------------------------|----------------------|-------------------|---------------------|----------------------|
| | Obligation | Development | Section 108 | |
| | Bonds | Revenue | Loans | |
| | <u>Bonds</u> | <u>Bonds</u> | <u>Loans</u> | <u>Total</u> |
| 2006 | \$ 2,239,721 | \$ 139,800 | \$ 1,258,891 | \$ 3,638,412 |
| 2007 | 2,222,002 | 132,600 | 1,263,472 | 3,618,074 |
| 2008 | 2,231,029 | 125,400 | 1,268,307 | 3,624,736 |
| 2009 | 2,227,749 | - | 732,916 | 2,960,665 |
| 2010 | 2,236,567 | - | 729,665 | 2,966,232 |
| 2011 - 2015 | 9,285,393 | - | 2,877,549 | 12,162,942 |
| 2016 - 2020 | 7,162,199 | - | 497,423 | 7,659,622 |
| 2021 - 2025 | 5,715,075 | - | - | 5,715,075 |
| 2026 - 2030 | 3,629,900 | - | - | 3,629,900 |
| 2031 | 726,100 | - | - | 726,100 |
| Total principal and interest | 37,675,735 | 397,800 | 8,628,223 | 46,701,758 |
| Less: amount representing interest | <u>(14,230,735)</u> | <u>(37,800)</u> | <u>(2,338,273)</u> | <u>(16,606,808)</u> |
| Total principal outstanding | <u>\$ 23,445,000</u> | <u>\$ 360,000</u> | <u>\$ 6,289,950</u> | <u>\$ 30,094,950</u> |

Principal and interest requirements to retire the enterprise funds' long-term debt obligations outstanding at December 31, 2005, are as follows:

| Year | General | OWDA | Total |
|------------------------------------|---------------------|---------------------|---------------------|
| | Obligation | Loans | |
| | Bonds | Loans | |
| | <u>Bonds</u> | <u>Loans</u> | <u>Total</u> |
| 2006 | \$ 232,755 | \$ 1,132,805 | \$ 1,365,560 |
| 2007 | 240,405 | 1,037,535 | 1,277,940 |
| 2008 | 242,330 | 478,051 | 720,381 |
| 2009 | 237,130 | 13,839 | 250,969 |
| 2010 | 226,675 | 13,839 | 240,514 |
| 2011 - 2015 | 231,220 | 69,195 | 300,415 |
| 2016 - 2020 | - | 69,195 | 69,195 |
| 2021 - 2024 | - | 55,356 | 55,356 |
| Total principal and interest | 1,410,515 | 2,869,815 | 4,280,330 |
| Less: amount representing interest | <u>(215,515)</u> | <u>(451,808)</u> | <u>(667,323)</u> |
| Total principal outstanding | <u>\$ 1,195,000</u> | <u>\$ 2,418,007</u> | <u>\$ 3,613,007</u> |

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

As of December 31, 2005, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$40,001,195 and unvoted legal debt margin was \$9,480,649.

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

The refunding issue is comprised of current interest bonds, par value \$9,990,000. The annual interest rate on the bonds is 3.000 - 4.375%.

This current refunding was undertaken to reduce total debt service payments over the next ten years by \$261,844 and resulted in an economic gain of \$266,238.

General obligation bonds and OWDA loans reported in the enterprise funds are payable from charges for services in the enterprise funds.

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

The City has entered into debt financing arrangements through the OWDA to fund construction projects. The amounts due to the OWDA are payable solely from water and sewer revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 2005, the City has outstanding borrowings of \$3,716,857 and \$2,658,878, in the governmental and business-type activities, respectively. The loan agreements require semi-annual payments based on the permissible borrowings rather than the actual amount loaned. These payments are reflected in the future maturities of principal and interest table and are subject to revision if the total amount is not drawn down. The Orchard Flow Meadow Overflow Elimination, Elevated Storage Tanks and St. Rt. 46 Waterline Replacment projects financed through OWDA loans are not closed out as of December 31, 2005. Future annual debt service principal and interest requirements for these loans, which have balances at December 31, 2005 of \$3,716,857, \$43,026 and \$193,389 are not available.

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. 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 11).

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 long-term obligations. The notes are backed by the full faith of the City of Youngstown.

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

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:

| | <u>Water</u> | <u>Sewer</u> | <u>Total</u> |
|---|-------------------|-------------------|---------------------|
| Outstanding balance of general obligation bonds | \$ 820,000 | \$ 375,000 | \$ 1,195,000 |
| Unamortized premium | 9,580 | 4,772 | 14,352 |
| Unamortized accounting loss | <u>(64,209)</u> | <u>(32,128)</u> | <u>(96,337)</u> |
| Net bonds payable | <u>\$ 765,371</u> | <u>\$ 347,644</u> | <u>\$ 1,113,015</u> |

NOTE 14 - SHORT TERM DEBT

Note activity during 2005 consisted of the following:

| | <u>Interest Rate</u> | <u>Balance at 1/01/05</u> | <u>Issued</u> | <u>Retired</u> | <u>Balance at 12/31/05</u> |
|---------------------------------|--------------------------|-------------------------------|----------------------|-----------------------|--------------------------------|
| <u>General Obligation Notes</u> | | | | | |
| Street Improvements | 3.55% | \$ 4,140,000 | \$ - | \$ (4,140,000) | \$ - |
| Taxable Street Improvements | 2.25% | 1,630,000 | - | (1,630,000) | - |
| Taxable Street Improvements | 4.50% | - | 1,580,000 | - | 1,580,000 |
| Final Judgement Notes | 2.73% | 2,400,000 | - | (2,400,000) | - |
| Final Judgement Notes | 4.17% | - | 600,000 | (600,000) | - |
| Taxable Convocation Center | 6.50% | - | <u>11,900,000</u> | - | <u>11,900,000</u> |
| Total | | <u>\$ 8,170,000</u> | <u>\$ 14,080,000</u> | <u>\$ (8,770,000)</u> | <u>\$ 13,480,000</u> |

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

NOTE 15 - RISK MANAGEMENT

A. Primary Government

For calendar year 2005, the City solicited proposals and contracted for a package of municipal liability and property insurance through Jackson, Dieken and Associates at an annual premium of \$634,453.

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 15 - RISK MANAGEMENT - (Continued)

The insurance package consisted of a policy from Arch Insurance including: comprehensive general liability and automobile liability with limits of \$1 million per occurrence, aggregate \$3 million and deductibles of \$50,000 per occurrence; public officials liability with prior acts coverage and law enforcement liability coverage with limits of \$1 million per occurrence and deductibles of \$50,000. The policy also included commercial property coverage for buildings and personal property in the amount of \$105,519,187, coverage for contractor's equipment in the amount of \$3.45 million and EDP equipment in the amount of \$1.5 million and auto physical damage catastrophic coverage at two locations with a limit of \$1 million per occurrence and \$25,000 deductible.

In October 2005, the City added property coverage for the Convocation Center in the amount of \$35 million at an additional premium of \$6,344. The municipal insurance package also included a \$10 million umbrella policy.

Personal faithful performance bonds were purchased for the Clerk of Court in the amount of \$25,000; for the Finance Director in the amount of \$100,000 and for the Bailiff and Deputy Bailiffs in the amount of \$2,000.

The City paid an annual premium in the amount of \$16,400 to Travelers for the Boiler and Machinery policy. In October 2005, an additional premium of \$7,277 for Boiler and Machinery at the Convocation Center was paid.

In 2005, the City paid deductibles to the Ohio Municipal Joint Self Insurance Pool totaling \$15,563, to Coregis Insurance in the amount of \$15,000 and to Midwest Claims in the amount of \$107,344.

In 2005, the City paid premiums to the State Fund for Workers' Compensation for calendar year 2004 in the amount of approximately \$901,753 under a Retrospective Rating Plan. The City reimbursed the Bureau of Workers Compensation for actual medical costs and compensation paid to injured workers in the amount of \$208,567 under the Retrospective Rating Plan.

B. Component Unit

WRTA is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, flood and earthquake, errors, and omissions, employment related matters, injuries to employees and employee theft and fraud. Effective December 31, 1994, the Authority commenced participation in the Ohio Transit Insurance Pool Association, Inc. ("OTIP"), related to its risk of property and casualty loss. Under this plan, the Authority receives property and casualty loss coverage in exchange for premiums paid. OTIP self-insures the first \$250,000 of any qualified property loss and the first \$1,000,000 of any qualified casualty loss subject to a \$1,000 per loss deductible. Per occurrence, excess insurance coverage is maintained by OTIP equal to approximately \$200,000,000 for qualified property losses and \$10,000,000 for qualified casualty losses. Any underfunding of the plan's liabilities is shared pro-rata by the members based on pool contribution factors comprised of: population, full-time employees, vehicles, property values, budget, claims history times two and net operating expenses.

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

CITY OF YOUNGSTOWN, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 16 - EMPLOYEE BENEFITS

A. Life/Health Insurance

During 2005, the City provided health insurance benefits to its employees through Anthem Insurance. The City paid a total of \$6,150,474 to Anthem in premiums in 2005.

In 2005, management and non-management employees, with the exception of Firefighters, were enrolled in an Anthem Health II Plan. Medical/surgical benefits were provided under a PPO Plan (Blue Access) with no deductibles and co-pays of \$10 per office visit and for emergency room visits within a network of providers. Services outside the network of providers were reimbursed at 80% of the usual and customary fee by Anthem after the employee met a deductible of \$300 single/\$600 family. Drug prescription coverage was provided with a drug card that required co-pays of \$8 for generic and \$15 formulary and \$25 non-generic/formulary. Firefighters remained in the Health I PPO Plan which had no deductibles or co-pays within the network of providers.

The premiums paid by the City were \$304.46 per month per employee for single coverage and \$762.23 per month per employee for family coverage for employees in the Health I plan. Premiums for the Health II plan were \$707.20 per month family and \$282.48 per month single. Premiums for vision were \$7.48 single and \$18.20 family. Premiums for dental were \$17.06 single and \$51.32 family.

On May 1, 2005, premiums increased to \$838.45 per month family and \$334.90 per month single for Health I and \$777.92 per month family and \$310.72 per month single for Health II. Vision coverage is \$7.48 single and \$18.20 family. Dental increased to \$18.76 single and \$56.44 family.

During 2005, management employees contributed 10% of the premiums paid by the City for their health insurance. Union employees with the exception of Firefighters contributed between 3-7% toward their premiums in accordance with collective bargaining agreement reached.

Dental and vision coverage were provided by Anthem for all employee, and other than AFSCME union members. Members of AFSCME 2312 and 2726 (water and clerical) had vision, dental, and life insurance provided through the Ohio AFSCME Care Plan. The City contributed \$50.25 per month per AFSCME employee for this coverage.

In 2005, the City provided life insurance and accidental death and dismemberment insurance in equal amounts to its active employee with the exception of AFSCME employees through a plan with Hartford Life. The benefit amount was \$9,500 with the exception of Waste Water Treatment Plant union employees who had coverage in the amount of \$15,000 and Fire Department, 911 and Police union employees who had coverage in the amount of \$20,000. In addition, eligible retirees were covered for death amount benefit amounts ranging from \$1,500 to \$5,000 depending on retirement year of union affiliation. The cost of life insurance coverage for both active and retired employees in 2005 was \$122,322.

B. Compensated Absences

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

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

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 16 - EMPLOYEE BENEFITS - (Continued)

For governmental funds, the current portion of unpaid compensated absences is recorded as a current liability in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the statement of activities. In proprietary funds, the entire amount of compensated absences is reported as a fund liability. As of December 31, 2005, the liability for unpaid compensated absences was \$9,799,461 for the entire City.

NOTE 17 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6701.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5% of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1% of their annual covered salary; members in public safety contributed 9%. The City's contribution rate for pension benefits for 2005 was 9.55%, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 12.7% of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$3,004,638, \$2,055,721, and \$1,779,656, respectively; 75.94% has been contributed for 2005 and 100% has been contributed for 2004 and 2003. The City and plan members did not make any contributions to the member-directed plan for 2005.

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, 2005, 2004 and 2003 were approximately \$361,202, \$343,568, and \$295,059, respectively, equal to 100% of the required contribution for each year.

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 17 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Plan members are required to contribute 10.0% of their annual covered salary to fund pension obligations while the City is required to contribute 19.5% for police officers and 24.0% for firefighters. Contributions are authorized by State statute. The City's contributions to the Fund for police and firefighters were \$2,264,537 and \$1,839,372 for the year ended December 31, 2005, \$1,241,993 and \$1,207,291 for the year ended December 31, 2004, and \$1,235,894 and \$1,165,254 for the year ended December 31, 2003. The full amount has been contributed for 2004 and 2003. 76.01% for police and 73.62% for firefighters has been contributed for 2005 with the remainder being reported as a liability in the respective funds.

NOTE 18 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55% of covered payroll (16.70% for public safety and law enforcement); 4.00% of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPER's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00%, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.30% based on additional annual pay increases. Health care premiums were assumed to increase 4.00% annually.

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

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 18 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The number of active contributing participants in the traditional and combined plans was 376,109. The number of active contributing participants for both plans used in the December 31, 2004, actuarial valuation was 355,287. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$886,978. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004 (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

Component Unit - The actuarially determined and statutorily required contribution requirement from the WRTA for the years ended December 31, 2005, 2004 and 2003 were \$151,286, \$143,901, and \$172,549, respectively.

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 service, disability or survivor 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, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". 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 funds of OP&F 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 rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll, of which 7.75% of covered payroll was applied to the postemployment health care program during 2004 and 2005.

CITY OF YOUNGSTOWN, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 18 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2005 that were used to fund postemployment benefits were \$889,021 for police and \$594,117 for firefighters. The OP&F's total health care expense for the year ended December 31, 2004 (the latest information available) was \$102,173,796, which was net of member contributions of \$55,665,341. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004 (the latest information available), was 13,812 for police and 10,528 for firefighters.

NOTE 19 - BUDGETARY BASIS OF ACCOUNTING

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund and major special revenue fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

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

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

CITY OF YOUNGSTOWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 19 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

Net Change in Fund Balance

| | <u>General</u> | <u>Fire Levy</u> | <u>Police Levy</u> | <u>Community Development</u> |
|--|---------------------|----------------------|------------------------|----------------------------------|
| Budget basis | \$ 1,888,166 | \$ (183,394) | \$ (116,532) | \$ (465,037) |
| Net adjustment for revenue accruals | (416,553) | (111,741) | (148,677) | (796,268) |
| Net adjustment for expenditure accruals | (223,329) | (86,391) | 153,904 | 1,109,383 |
| Net adjustment for other financing sources/uses | 2,465,520 | 15,818 | - | (1,096,248) |
| Adjustment for encumbrances | <u>229,069</u> | <u>88,365</u> | <u>20,285</u> | <u>127,082</u> |
| GAAP basis | <u>\$ 3,942,873</u> | <u>\$ (277,343)</u> | <u>\$ (91,020)</u> | <u>\$ (1,121,088)</u> |

NOTE 20 - 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.

B. Federal and State Grants

Primary Government - For the period January 1, 2005, to December 31, 2005, 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, 2005, 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.

CITY OF YOUNGSTOWN, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 21 – SUBSEQUENT EVENTS

The new Convocation Center opened in November 2005. Global Entertainment Corporation, manager of the Center, has guaranteed \$600,000 annually to the City after the first fiscal year. The Center will host a minor league hockey team, an arena football team and other events that Global Entertainment Corporation promotes such as exhibitions and concerts.

The City has contracted with the Regional Income Tax Agency (RITA) to administer and collect income taxes for the City, with the guidance of the City's finance department. As of January 1, 2006 RITA has started collecting income taxes for the City.

In October 2006, the City issued \$8,275,000 in General Obligation (Limited Tax) Refunding Pension Bonds, Series 2006.

City Council approved the issuance and sale of \$1,480,000 Notes of the City in anticipation of the issuance of bonds, issued to pay costs of constructing Intertech Drive, Innovation Place, Performance Place, Powersdale Avenue in November 2006.

CITY OF YOUNGSTOWN
MAHONING COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2005

| Federal Grantor/ Pass Through Grantor/ Program Title | Pass Through Entity Number | Federal CFDA Number | Receipts | Disbursements |
|---|----------------------------------|---------------------------|-------------------|-------------------|
| <u>US DEPT OF HOUSING AND URBAN DEVELOPMENT</u> | | | | |
| <i>Direct Programs</i> | | | | |
| Community Development Block Grant/ Entitlement Grants -21th Yr | B-95-MC-39-0023 | 14.218 | \$ 32,395 | \$ 32,395 |
| Community Development Block Grant/ Entitlement Grants -22th Yr | B-96-MC-39-0023 | 14.218 | 50,000 | 50,000 |
| Community Development Block Grant/ Entitlement Grants -24th Yr | B-98-MC-39-0023 | 14.218 | 6,570 | 6,570 |
| Community Development Block Grant/ Entitlement Grants -25th Yr | B-99-MC-39-0023 | 14.218 | 137 | 137 |
| Community Development Block Grant/ Entitlement Grants -26th Yr | B-00-MC-39-0023 | 14.218 | 45,170 | 45,170 |
| Community Development Block Grant/ Entitlement Grants -27th Yr | B-01-MC-39-0023 | 14.218 | 21,397 | 21,396 |
| Community Development Block Grant/ Entitlement Grants -28th Yr | B-02-MC-39-0023 | 14.218 | 281,909 | 309,638 |
| Community Development Block Grant/ Entitlement Grants -29th Yr | B-03-MC-39-0023 | 14.218 | 294,350 | 398,306 |
| Community Development Block Grant/ Entitlement Grants -30th Yr | B-04-MC-39-0023 | 14.218 | 2,046,310 | 3,194,200 |
| Community Development Block Grant/ Entitlement Grants -31th Yr | B-05-MC-39-0023 | 14.218 | 2,267,629 | 2,572,685 |
| Section 108 Loan Fund | B-05-MC-39-0023 | 14.218 | - | 57,398 |
| Subtotal | | | 5,045,867 | 6,687,895 |
| Emergency Shelter Grants Program 2003/04 | S-04-MC-39-0023 | 14.231 | 117,414 | 117,414 |
| Emergency Shelter Grants Program 2004/05 | S-05-MC-39-0023 | 14.231 | 68,939 | 68,939 |
| Subtotal | | | 186,353 | 186,353 |
| Homeless Outreach and Care Nurse | OH-16B02-1004 | 14.238 | 22,131 | 40,167 |
| HOME Investment Partnerships Program | M-04/5-MC-39-0209 | 14.239 | 814,850 | 821,784 |
| CDBG Economic Development Initiative | B-00-SP-OH-0455 | 14.246 | 13,838,868 | 14,132,062 |
| Total US Dept of Housing and Urban Development | | | 19,908,069 | 21,868,261 |

CITY OF YOUNGSTOWN
MAHONING COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2005

| Federal Grantor/ Pass Through Grantor/ Program Title | Pass Through Entity Number | Federal CFDA Number | Receipts | Disbursements |
|--|---|------------------------------------|-----------------|----------------------|
| <u>US DEPARTMENT OF JUSTICE</u> | | | | |
| <i>Passed Through Governor's Office of Criminal Justice Services</i> | | | | |
| Byrne Formula Grant | DG-G01-9142 | 16.579 | 533 | 533 |
| Byrne Formula Grant | DG-B01-7079 | 16.579 | 14,318 | 14,318 |
| Byrne Formula Grant | DJ-BX1-1200 | 16.579 | 160,423 | 160,423 |
| Subtotal | | | 175,274 | 175,274 |
| Weed and Seed Grant | WS-QX-0041 | 16.595 | 9,666 | - |
| Weed and Seed Grant | WS-QX-0081 | 16.595 | 69,444 | 11,744 |
| Weed and Seed Grant | WS-QX-0088 | 16.595 | 153,916 | 200,497 |
| Weed and Seed Grant | WS-QX-1040 | 16.595 | 44,546 | 102,216 |
| Subtotal | | | 277,572 | 314,457 |
| Community Prosecution Program | PS-PSN-339 | 16.609 | 7,500 | 7,500 |
| Total US Department of Justice | | | 460,346 | 497,231 |
| <u>FEDERAL HIGHWAY ADMINISTRATION</u> | | | | |
| <i>Passed through the Ohio Dept of Transportation</i> | | | | |
| Highway Planning and Construction Federal Plaza | PID-20345 | 20.205 | 437,221 | 283,666 |
| Total US Federal Highway Administration | | | 437,221 | 283,666 |
| <u>NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION</u> | | | | |
| <i>Passed thru Governor's Office of Highway Safety</i> | | | | |
| State and Community Highway Safety | AGR-3225 | 20.600 | 20,873 | 20,873 |
| Total US National Highway Traffic Safety Administration | | | 20,873 | 20,873 |
| <u>ENVIRONMENTAL PROTECTION AGENCY</u> | | | | |
| <i>Passed thru Ohio Environmental Protection Agency</i> | | | | |
| Air Pollution Control Program Support | SFY04-05 | 66.001 | 205,092 | 429,780 |
| Total US Environmental Protection Agency | | | 205,092 | 429,780 |

CITY OF YOUNGSTOWN
MAHONING COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2005

| Federal Grantor/ Pass Through Grantor Program Title | Pass Through Entity Number | Federal CFDA Number | Receipts | Disbursements |
|--|---|------------------------------------|----------------------|----------------------|
| <u>US DEPARTMENT OF HEALTH AND HUMAN SERVICES</u> | | | | |
| <i>Passed Through Ohio Department of Health</i> | | | | |
| Immunization Action Plan Grant | 50-2-001-2-AZ-04 | 93.268 | 62 | 62 |
| Immunization Action Plan Grant | 50-2-001-2-AZ-05 | 93.268 | 102,997 | 75,227 |
| | | | 103,059 | 75,289 |
| Federal AIDS Prevention | 50-2-001-2-AZ-04 | 93.940 | 28,871 | 4,615 |
| Federal AIDS Prevention | 50-2-001-2-AZ-05 | 93.940 | 199,000 | 140,075 |
| | | | 227,871 | 144,690 |
| Sexually Transmitted Disease Control | 50-2-001-2-BX-05 | 93.977 | 31,177 | 27,068 |
| Maternal and Child Health Block Grant | 50-2-01-F-AJ-320 | 93.994 | 6,070 | 4,094 |
| Dental Sealant Grant | 50-2-001-1-AJ-04 | 93.994 | 27,000 | 49,533 |
| Total US Department of Health and Human Services | | | 395,177 | 300,674 |
| <u>US DEPARTMENT OF HOMELAND SECURITY</u> | | | | |
| <i>Passed Through Ohio Emergency Agency</i> | | | | |
| Assistance to Firefighters Grant | EMW-FG-17433 | 97.044 | 130,909 | 130,909 |
| Total US Department of Homeland Security | | | 130,909 | 130,909 |
| Total Receipts and Expenditures of Federal Awards | | | \$ 21,557,687 | \$ 23,531,394 |

The accompanying notes are an integral part of this schedule.

**CITY OF YOUNGSTOWN
MAHONING COUNTY
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTES TO FEDERAL AWARDS EXPENDITURES SCHEDULE

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

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

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

These loans are collateralized by mortgages on the property and/or tangible personal property. At December 31, 2005, the net amount of loans outstanding under this program were \$4,302,540.

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. Therefore, in certain cases, federal financial assistance expenditures reflected in the Schedule of Federal Awards Expenditures are based on the FIFO method, i.e. first in, first out.

NOTE E -- SUBRECIPIENTS

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

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.



Auditor of State Betty Montgomery

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

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

To Members of Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Youngstown, Mahoning County, Ohio (the City), as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon December 11, 2006. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Youngstown's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting 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 financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2005-002.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the City's management dated December 11, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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www.auditor.state.oh.us

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-001. In a separate letter to the City's management dated December 11, 2006, we reported other matters related to noncompliance we deemed immaterial.

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

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

Betty Montgomery
Auditor of State

December 11, 2006



Auditor of State Betty Montgomery

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

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

To Members of Council:

Compliance

We have audited the compliance of the City of Youngstown (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that are apply to each of its major federal programs for the year ended December 31, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal programs. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Youngstown complied, in all material respects, with the requirements referred to above that are apply to each of its major federal programs for the year ended December 31, 2005. In a separate letter to the City's management dated December 11, 2006, we reported other matters related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

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

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**Internal Control Over Compliance
(Continued)**

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses

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



Betty Montgomery
Auditor of State

December 11, 2006

**CITY OF YOUNGSTOWN
MAHONING COUNTY
DECEMBER 31, 2005**

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

| |
|--|
| 1. SUMMARY OF AUDITOR'S RESULTS |
|--|

| | | |
|---------------------|--|--|
| (d)(1)(i) | Type of Financial Statement Opinion | Unqualified |
| (d)(1)(ii) | Were there any material control weakness conditions reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)? | Yes |
| (d)(1)(iii) | Was there any reported material non-compliance at the financial statement level (GAGAS)? | Yes |
| (d)(1)(iv) | Were there any material internal control weakness conditions reported for major federal programs? | No |
| (d)(1)(iv) | Were there any other reportable internal control weakness conditions reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unqualified |
| (d)(1)(vi) | Are there any reportable findings under § .510? | No |
| (d)(1)(vii) | Major Programs (list): | <p>Community Development Block Grants-Entitlement Grants -- CFDA #14.218</p> <p>Community Development Block Grants-Brownfields Economic Development Initiative (BEDI) -- CFDA #14.246</p> <p>HOME Investment Partnerships Program -- CFDA #14.239</p> |
| (d)(1)(viii) | Dollar Threshold: Type A\B Programs | Type A: > \$ 705,942 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | No |

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

| | |
|-----------------------|-----------------|
| Finding Number | 2005-001 |
|-----------------------|-----------------|

Noncompliance Citation - *Material Citation*:

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

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

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

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

B. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

C. Super Blanket Certificate – The City may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

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

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

Auditee's Response:

See Corrective Action Plan

| | |
|-----------------------|-----------------|
| Finding Number | 2005-002 |
|-----------------------|-----------------|

Reportable Condition

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 63% 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 50% of the vouchers tested for the months of January, February and March of 2006. These expenditures were for goods and services ordered and received in 2005, however purchase orders were not issued until 2006.
2. Purchase orders were neither authorized nor certified in 85% of the expenditures tested.
3. The City did not take advantage of cash discounts that were offered to them in three out of four expenditures where discounts were available.

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.
2. Department heads should certify on the purchase order, or other voucher support documentation, that goods or services are received. 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. The City should be more aware of possible discounts and whenever possible take advantage of them.

The City should have a formalized accounting policies and procedures manual. The accounting policies and procedures manual should address who is authorized to initiate transactions as well as related approvals. This should also address policies and procedures to be followed regarding proper cutoff of the posting of expenditure transactions to ensure they are recorded in the proper period.

Auditee's Response: See Corrective Action Plan

| |
|--|
| 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS |
|--|

| | |
|-----------------------|----------------------------|
| Finding Number | None to be reported |
|-----------------------|----------------------------|

**CITY OF YOUNGSTOWN
MAHONING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2005**

| <u>Finding Number</u> | <u>Finding Summary</u> | <u>Fully Corrected ?</u> | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid |
|-----------------------|---|--------------------------|--|
| 2004-001 | Ohio Revised Code, Section 5705.10, provides that money paid into any fund shall be used only for the purposes for which such fund was established. The City had funds with negative cash balances. | No | Partially Corrected, Reduction in Negative Balances from Prior Year. Negative balances are reflected in the Management Letter. |
| 2004-002 | Ohio Revised Code, Section 5705.41 (D), provides that no "subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate certifying that funds are in the treasury or in the process of collection." | No | Not Corrected, Repeated as Finding 2005-001 in current audit. |
| 2004-003 | Ohio Revised Code Section 5705.14 through 5705.16 provides legal authority to make interfund transfers | Yes | Partially Corrected, Interfund Transfer citation is reflected in the Management Letter. |
| 2004-004 | Internal control weaknesses in the City's disbursement cycle. | No | Not Corrected, Repeated as Finding 2005-002 in current audit. |

**CITY OF YOUNGSTOWN
MAHONING COUNTY
FOR THE YEAR ENDED DECEMBER 31, 2005**

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

| Finding Number | Planned Corrective Action | Anticipated Completion Date | Responsible Contact Person |
|-----------------|--|-----------------------------|----------------------------|
| 2005-001 | <p>The City agrees that the Director of Finance needs to certify the availability of funds prior to expenditure. All purchase orders are certified via Ordinance either on an individual basis (est. 30% of purchase orders) or through the annual budget process (est. 70% of purchase orders).</p> <p>We presently implement the certification of funds method at year-end and throughout the year when encumbrances are received by the Finance Department prior to securing goods or services.</p> <p>We currently do not have the staffing to accomplish this task on a year-round basis. When additional staffing is available, we will implement a system which complies with the applicable law.</p> | 09/2007 | Finance Director |
| 2005-002 | <p>We believe that implementing a Central Purchasing system will substantially eliminate these problems. Once funds are available to hire additional staff, we intend to centralize the purchasing function and address and correct all the current weaknesses in the disbursement cycle.</p> <p>A new purchasing policy is currently being developed for implementation in the first quarter of 2007.</p> | 12/2007 | Finance Director |



Mary Taylor, CPA
Auditor of State

CITY OF YOUNGSTOWN

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 18, 2007**