



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CITY OF NILES
TRUMBULL COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

City of Niles
Trumbull County
34 West State Street
Niles, Ohio 44446

To the Members of Council:

We have audited the accompanying general-purpose financial statements of the City of Niles, Trumbull County, (the City) as of and for the year ended December 31, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Niles, Trumbull County, as of December 31, 1999, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2001 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the City, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Jim Petro
Auditor of State

February 13, 2001

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CITY OF NILES
TRUMBULL COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 1999

	Governmental Fund Types				Proprietary Fund Types	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
Assets and Other Debits						
Assets						
Equity in Pooled Cash and Cash Equivalents	\$8,937,597	\$2,102,606	\$220,268	\$322,935	\$17,140,897	\$599,753
Cash and Cash Equivalents in Segregated Accounts						
Cash and Cash Equivalents with Fiscal Agents			44,141			
Receivables:						
Taxes	1,255,952	348,681				
Accounts	21,952	20,308			203,694	
Special Assessments			38,720			
Intergovernmental	201,439	48,440				
Investment in Joint Venture					529,608	
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents					552,991	
Fixed Assets (Net, where applicable, of Accumulated Depreciation)					7,015,681	
Other Debits						
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds						
Amount Available in Debt Service Fund for Retirement of Special Assessment Bonds						
Amount to be Provided from General Government Resources						
Total Assets and Other Debits	<u>\$10,416,940</u>	<u>\$2,520,035</u>	<u>\$303,129</u>	<u>\$322,935</u>	<u>\$25,442,871</u>	<u>\$599,753</u>

<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		
<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	<u>Totals (Memorandum Only)</u>
\$54,578			\$29,378,634
43,507			43,507
			44,141
			1,604,633
			245,954
			38,720
			249,879
			529,608
			552,991
	6,963,115		13,978,796
		819	819
		25,180	25,180
		<u>1,269,029</u>	<u>1,269,029</u>
<u>\$98,085</u>	<u>\$6,963,115</u>	<u>\$1,295,028</u>	<u>\$47,961,891</u>

CITY OF NILES
TRUMBULL COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)
DECEMBER 31, 1999

	Governmental Fund Types				Proprietary Fund Types	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
Liabilities,						
Fund Equity and Other Credits						
Liabilities						
Accounts Payable	\$21,510	\$7,775		\$41,228	\$325,751	
Contracts Payable					1,076,457	
Accrued Wages and Benefits	14,823	20,057			79,838	
Compensated Absences Payable	983	3,125			327,242	
Intergovernmental Payable	39,051	66,169			97,247	
Deferred Revenue	644,693	348,681	38,720			
Deposits Held and Due to Others						
Matured Bonds Payable			35,000			
Matured Interest Payable			9,141			
Accrued Interest Payable					37,119	
Notes Payable					2,000,000	
Claims Payable						29,515
Payable from Restricted Assets:						
Customer Deposits					552,991	
OWDA Loans Payable					5,558,150	
Police Pension Liability						
OPWC Loans Payable					525,155	
General Obligation Bonds Payable						
Special Assessment Debt with Governmental Commitment						
Total Liabilities	<u>721,060</u>	<u>445,807</u>	<u>82,861</u>	<u>41,228</u>	<u>10,579,950</u>	<u>29,515</u>
Fund Equity and Other Credits						
Investment in General Fixed Assets						
Contributed Capital					170,000	
Retained Earnings:						
Unreserved					14,692,921	570,238
Fund Balances:						
Reserved for Encumbrances	83,848	157,184		151,563		
Reserved for Debt Service:						
Principal			25,999			
Interest			7,630			
Reserved for Endowments						
Unreserved, Undesignated	9,612,032	1,917,044	186,639	130,144		
Total Fund Equity and Other Credits	<u>9,695,880</u>	<u>2,074,228</u>	<u>220,268</u>	<u>281,707</u>	<u>14,862,921</u>	<u>570,238</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$10,416,940</u>	<u>\$2,520,035</u>	<u>\$303,129</u>	<u>\$322,935</u>	<u>\$25,442,871</u>	<u>\$599,753</u>

See accompanying notes to the general purpose financial statements

<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		
<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	<u>Totals (Memorandum Only)</u>
			\$396,264
			1,076,457
			114,718
		644,629	975,979
		149,749	352,216
			1,032,094
43,507			43,507
			35,000
			9,141
			37,119
			2,000,000
			29,515
			552,991
			5,558,150
		474,651	474,651
			525,155
		819	819
		25,180	25,180
<u>43,507</u>		<u>1,295,028</u>	<u>13,238,956</u>
	6,963,115		6,963,115
			170,000
			15,263,159
			392,595
			25,999
			7,630
21,556			21,556
33,022			11,878,881
<u>54,578</u>	<u>6,963,115</u>		<u>34,722,935</u>
<u>\$98,085</u>	<u>\$6,963,115</u>	<u>\$1,295,028</u>	<u>\$47,961,891</u>

CITY OF NILES
TRUMBULL COUNTY

**COMBINED STATEMENT OF REVENUES AND EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Governmental		Fund Types		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues					
Property and Other Taxes	\$557,413	\$293,714			\$851,127
Municipal Income Tax	5,259,477				5,259,477
Charges for Services	45,510	157,090			202,600
Licenses, Permits and Fees	365,089	48,988			414,077
Fines and Forfeitures	259,792	109,923			369,715
Intergovernmental	1,523,762	1,358,176		756,842	3,638,780
Special Assessments			18,692		18,692
Interest	1,263,503	54,414			1,317,917
Rentals	13,204				13,204
Other	116,197	40,519			156,716
Total Revenues	9,403,947	2,062,824	18,692	756,842	12,242,305
Expenditures					
Current:					
General Government	1,276,759	125,784			1,402,543
Security of Persons and Property	246,821	4,893,691			5,140,512
Public Health and Welfare	235,907	6,211			242,118
Transportation	227,768	588,057			815,825
Community Environment	165,446	407,066			572,512
Leisure Time Activities	6,597	412,380			418,977
Capital Outlay				1,170,164	1,170,164
Debt Service:					
Principal Retirement		5,680	9,001		14,681
Interest and Fiscal Charges		20,355	5,416		25,771
Total Expenditures	2,159,298	6,459,224	14,417	1,170,164	9,803,103
Excess of Revenues Over (Under) Expenditures	7,244,649	(4,396,400)	4,275	(413,322)	2,439,202
Other Financing Sources (Uses)					
Operating Transfers In		4,830,000		470,000	5,300,000
Operating Transfers Out	(5,300,000)				(5,300,000)
Total Other Financing Sources (Uses)	(5,300,000)	4,830,000		470,000	
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	1,944,649	433,600	4,275	56,678	2,439,202
Fund Balances Beginning of Year	7,751,231	1,640,627	215,993	225,029	9,832,880
Fund Balances End of Year	\$9,695,880	\$2,074,227	\$220,268	\$281,707	\$12,272,082

See accompanying notes to the general purpose financial statements

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CITY OF NILES
TRUMBULL COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES- BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues			
Property and Other Taxes	\$550,653	\$557,413	\$6,760
Municipal Income Tax	4,500,000	5,242,617	742,617
Charges for Services	32,000	40,151	8,151
Licenses, Permits and Fees	312,000	365,089	53,089
Fines and Forfeitures	205,400	260,423	55,023
Intergovernmental	1,201,005	1,431,510	230,505
Special Assessments			
Interest	1,080,000	1,263,503	183,503
Royalties	10,400	13,204	2,804
Other	54,572	116,551	61,979
<i>Total Revenues</i>	<u>7,946,030</u>	<u>9,290,461</u>	<u>1,344,431</u>
Expenditures			
Current:			
General Government	1,564,090	1,359,645	204,445
Security of Persons and Property	335,716	297,864	37,852
Public Health and Welfare	250,113	232,983	17,130
Transportation	170,451	209,856	(39,405)
Community Environment	203,002	169,728	33,274
Leisure Time Activities	10,025	6,597	3,428
Capital Outlay			
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
<i>Total Expenditures</i>	<u>2,533,397</u>	<u>2,276,673</u>	<u>256,724</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>5,412,633</u>	<u>7,013,788</u>	<u>1,601,155</u>
Other Financing Sources (Uses)			
Operating Transfers In			
Operating Transfers Out		(5,300,000)	(5,300,000)
<i>Total Other Financing Sources (Uses)</i>		<u>(5,300,000)</u>	<u>(5,300,000)</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	5,412,633	1,713,788	(3,698,845)
<i>Fund Balances Beginning of Year</i>	7,092,140	7,092,140	
Prior Year Encumbrances Appropriated	45,221	45,221	
<i>Fund Balances End of Year</i>	<u>\$12,549,994</u>	<u>\$8,851,149</u>	<u>(\$3,698,845)</u>

Special Revenue Funds			Debt Service Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$302,632	\$293,714	(\$8,918)			
252,262	157,090	(95,172)			
50,726	52,589	1,863			
86,164	96,404	10,240			
1,611,174	1,358,929	(252,245)			
50,790	54,414	3,624	15,000	18,692	3,692
142,033	40,519	(101,514)			
<u>2,495,781</u>	<u>2,053,659</u>	<u>(442,122)</u>	<u>15,000</u>	<u>18,692</u>	<u>3,692</u>
153,173	132,980	20,193			
5,400,118	5,023,396	376,722			
15,900	5,212	10,688			
691,874	599,526	92,348			
714,064	507,997	206,067			
457,065	448,186	8,879			
			9,001	9,001	
			<u>6,999</u>	<u>5,416</u>	<u>1,583</u>
<u>7,432,194</u>	<u>6,717,297</u>	<u>714,897</u>	<u>16,000</u>	<u>14,417</u>	<u>1,583</u>
<u>(4,936,413)</u>	<u>(4,663,638)</u>	<u>272,775</u>	<u>(1,000)</u>	<u>4,275</u>	<u>5,275</u>
4,600,000	4,830,000	230,000			
<u>4,600,000</u>	<u>4,830,000</u>	<u>230,000</u>			
(336,413)	166,362	502,775	(1,000)	4,275	5,275
1,739,176	1,739,176		215,993	215,993	
<u>36,433</u>	<u>36,433</u>				
<u>\$1,439,196</u>	<u>\$1,941,971</u>	<u>\$502,775</u>	<u>\$214,993</u>	<u>\$220,268</u>	<u>\$5,275</u>

CITY OF NILES
TRUMBULL COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES- BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUND (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Capital Projects Funds			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Property and Other Taxes				\$853,285	\$851,127	(\$2,158)
Municipal Income Tax				4,500,000	5,242,617	742,617
Charges for Services				284,262	197,241	(87,021)
Licenses, Permits and Fees				362,726	417,678	54,952
Fines and Forfeitures				291,564	356,827	65,263
Intergovernmental	750,000	756,842	6,842	3,562,179	3,547,281	(14,898)
Special Assessments				15,000	18,692	3,692
Interest				1,130,790	1,317,917	187,127
Royalties				10,400	13,204	2,804
Other				196,605	157,070	(39,535)
Total Revenues	750,000	756,842	6,842	11,206,811	12,119,654	912,843
Expenditures						
Current:						
General Government				1,717,263	1,492,625	224,638
Security of Persons and Property				5,735,834	5,321,260	414,574
Public Health and Welfare				266,013	238,195	27,818
Transportation				862,325	809,382	52,943
Community Environment				917,066	677,725	239,341
Leisure Time Activities				467,090	454,783	12,307
Capital Outlay	811,637	1,321,727	(510,090)	811,637	1,321,727	(510,090)
Debt Service:						
Principal Retirement				9,001	9,001	
Interest and Fiscal Charges				6,999	5,416	1,583
Total Expenditures	811,637	1,321,727	(510,090)	10,793,228	10,330,114	463,114
Excess of Revenues Over (Under) Expenditures	(61,637)	(564,885)	(503,248)	413,583	1,789,540	1,375,957
Other Financing Sources (Uses)						
Operating Transfers In		470,000	470,000	4,600,000	5,300,000	700,000
Operating Transfers Out					(5,300,000)	(5,300,000)
Total Other Financing Sources (Uses)		470,000	470,000	4,600,000		(4,600,000)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(61,637)	(94,885)	(33,248)	5,013,583	1,789,540	(3,224,043)
Fund Balances Beginning of Year	202,092	202,092		9,249,401	9,249,401	
Prior Year Encumbrances Appropriated	22,937	22,937		104,591	104,591	
Fund Balances End of Year	\$163,392	\$130,144	(\$33,248)	\$14,367,575	\$11,143,532	(\$3,224,043)

See accompanying notes to the general purpose financial statements

**CITY OF NILES
TRUMBULL COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND EQUITY
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
Operating Revenues				
Charges for Services	\$24,594,732	\$1,307,813		\$25,902,545
Interest			2,083	2,083
<i>Total Operating Revenues</i>	<u>24,594,732</u>	<u>1,307,813</u>	<u>2,083</u>	<u>25,904,628</u>
Operating Expenses				
Personal Services	5,239,055			5,239,055
Contractual Services	17,849,497	288,400	309	18,138,206
Claims		656,475		656,475
Materials and Supplies	761,003			761,003
Depreciation	408,634			408,634
<i>Total Operating Expenses</i>	<u>24,258,189</u>	<u>944,875</u>	<u>309</u>	<u>25,203,373</u>
<i>Operating Income</i>	<u>336,543</u>	<u>362,938</u>	<u>1,774</u>	<u>701,255</u>
Non-Operating Revenue (Expenses)				
Interest and Fiscal Charges	(524,661)			(524,661)
Interest	47,861			47,861
Equity Gain in Joint Venture	4,904			4,904
Other Non-Operating Expenses	(151,465)			(151,465)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(623,361)</u>			<u>(623,361)</u>
<i>Net Income (Loss)</i>	<u>(286,818)</u>	<u>362,938</u>	<u>1,774</u>	<u>77,894</u>
<i>Retained Earnings/Fund Balance Beginning of Year</i>	<u>14,979,739</u>	<u>207,300</u>	<u>52,804</u>	<u>15,239,843</u>
<i>Retained Earnings/Fund Balance End of Year</i>	<u>14,692,921</u>	<u>570,238</u>	<u>54,578</u>	<u>15,317,737</u>
Contributed Capital Beginning/End of Year	<u>170,000</u>			<u>170,000</u>
<i>Total Fund Equity End of Year</i>	<u>\$14,862,921</u>	<u>\$570,238</u>	<u>\$54,578</u>	<u>\$15,487,737</u>

See accompanying notes to the general purpose financial statements

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CITY OF NILES
TRUMBULL COUNTY

COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1999

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Charges for Services	\$24,468,366	\$24,672,390	\$204,024
Interest	55,634	47,861	(7,773)
Proceeds of Notes	2,000,000	2,000,000	
<i>Total Revenues</i>	<u>26,524,000</u>	<u>26,720,251</u>	<u>196,251</u>
Expenses			
Current:			
Personal Services	4,432,140	3,921,020	511,120
Contractual Services	23,688,915	21,623,701	2,065,214
Claims			
Materials and Supplies	1,653,416	790,803	862,613
Capital Outlay	1,081,385	667,234	414,151
Other Non-Operating Expenses	243,780	151,786	91,994
Debt Service:			
Principal Retirement		339,045	(339,045)
Interest and Fiscal Charges		487,542	(487,542)
<i>Total Expenses</i>	<u>31,099,636</u>	<u>27,981,131</u>	<u>3,118,505</u>
<i>Excess of Revenues Over (Under) Expenses</i>	(4,575,636)	(1,260,880)	3,314,756
<i>Fund Equity Beginning of Year</i>	14,915,013	14,915,013	
<i>Prior Year Encumbrances Appropriated</i>	<u>893,530</u>	<u>893,530</u>	
<i>Fund Equity End of Year</i>	<u>\$11,232,907</u>	<u>\$14,547,663</u>	<u>\$3,314,756</u>

CITY OF NILES
TRUMBULL COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND EQUITY - BUDGET (NON-GAAP) AND ACTUAL
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUND (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Internal Service Fund			Nonexpendable Trust Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Charges for Services	\$1,400,000	\$1,307,813	(\$92,187)			
Interest				1,000	2,083	1,083
Proceeds of Notes						
<i>Total Revenues</i>	<u>1,400,000</u>	<u>1,307,813</u>	<u>(92,187)</u>	<u>1,000</u>	<u>2,083</u>	<u>1,083</u>
Expenses						
Current:						
Personal Services						
Contractual Services	288,400	288,400		10,000	309	9,691
Claims	1,355,924	1,023,143	332,781			
Materials and Supplies						
Capital Outlay						
Other Non-Operating Expenses						
Debt Service:						
Principal Retirement						
Interest and Fiscal Charges						
<i>Total Expenses</i>	<u>1,644,324</u>	<u>1,311,543</u>	<u>332,781</u>	<u>10,000</u>	<u>309</u>	<u>9,691</u>
<i>Excess of Revenues Over (Under) Expenses</i>	(244,324)	(3,730)	240,594	(9,000)	1,774	10,774
<i>Fund Equity Beginning of Year</i>	3,483	3,483		52,804	52,804	
<i>Prior Year Encumbrances Appropriated</i>	270,000	270,000				
<i>Fund Equity End of Year</i>	<u>\$29,159</u>	<u>\$269,753</u>	<u>\$240,594</u>	<u>\$43,804</u>	<u>\$54,578</u>	<u>\$10,774</u>

See accompanying notes to the general purpose financial statements

Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$25,868,366	\$25,980,203	\$111,837
56,634	49,944	(6,690)
2,000,000	2,000,000	
<u>27,925,000</u>	<u>28,030,147</u>	<u>105,147</u>
4,432,140	3,921,020	511,120
23,987,315	21,912,410	2,074,905
1,355,924	1,023,143	332,781
1,653,416	790,803	862,613
1,081,385	667,234	414,151
243,780	151,786	91,994
	339,045	(339,045)
	<u>487,542</u>	<u>(487,542)</u>
<u>32,753,960</u>	<u>29,292,983</u>	<u>3,460,977</u>
(4,828,960)	(1,262,836)	3,566,124
14,971,300	14,971,300	
1,163,530	1,163,530	
<u>\$11,305,870</u>	<u>\$14,871,994</u>	<u>\$3,566,124</u>

CITY OF NILES
TRUMBULL COUNTY

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1999

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Increase (Decrease) In Cash and Cash Equivalents				
Cash Flows from Operating Activities				
Cash Received from Quasi-External Transactions with Other Funds		\$1,307,813		\$1,307,813
Cash Payments Received from Customers	24,672,390			24,672,390
Cash Payments to Suppliers for Good and Services	(773,121)			(773,121)
Cash Payments for Claims		(693,143)		(693,143)
Cash Payments for Employee Services and Benefits	(3,876,033)			(3,876,033)
Cash Payments for Contractual Services	(19,018,490)	(288,400)	(309)	(19,307,199)
Cash Payments for Other Non-Operating Expenses	(151,465)			(151,465)
Net Cash Provided By (Used for) Operating Activities	853,281	326,270	(309)	1,179,242
Cash Flows from Capital and Related Financing Activities				
Proceeds from Notes	2,000,000			2,000,000
Principal Payments - OPWC Loans	(37,511)			(37,511)
Principal Payments - OWDA Loans	(301,534)			(301,534)
Interest Payments - OWDA	(487,542)			(487,542)
Fixed Assets Additions	(189,210)			(189,210)
Net Cash Provided by Capital and Related Financing Activities	984,203			984,203
Cash Flows from Investing Activities				
Interest on Investments	47,861		2,083	49,944
Net Increase in Cash and Cash Equivalents	1,885,345	326,270	1,774	2,213,389
Cash and Cash Equivalents Beginning of Year	15,808,543	273,483	52,804	16,134,830
Cash and Cash Equivalents End of Year	\$17,693,888	\$599,753	\$54,578	\$18,348,219
Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities				
Operating Income	\$336,543	\$362,938	\$1,774	\$701,255
Adjustments to Net Cash Used In Operating Activities:				
Operating Activities:				
Depreciation	408,634			408,634
Interest			(2,083)	(2,083)
Non-Operating Expense	(151,465)			(151,465)
Change in Assets and Liabilities:				
Increase in Accounts Receivable:	77,658			77,658
Increase/(Decrease) in Liabilities:				
Accounts Payable	300,631			300,631
Contracts Payable	25,387			25,387
Accrued Wages and Benefits	8,445			8,445
Compensated Absences Payable	49,120			49,120
Intergovernmental Payable	(208,324)			(208,324)
Customer Deposits	6,652			6,652
Claims Payable		(36,668)		(36,668)
Net Cash Provided by (Used for) Operating Activities	\$853,281	\$326,270	(\$309)	\$1,179,242
Reconciliation of Cash and Cash Equivalents to the Balance Sheet:				
Trust and Agency	\$98,085			
Less: Agency Funds	43,507			
Nonexpendable Trust Fund	\$54,578			

See accompanying notes to the general purpose financial statements

**CITY OF NILES
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

1. DESCRIPTION OF THE CITY AND REPORTING ENTITY

The City of Niles (the "City") was incorporated under the laws of the State of Ohio in 1865. The City operates under a Council-Mayor form of government. The Mayor is elected for a four-year term. The eight council members serve two year terms.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Niles, this includes police protection, fire fighting and protection, street maintenance and repairs, building inspection and wastewater. The operation of each of these activities is directly controlled by Council through the budgetary process.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt, or the levying of taxes. The City has no component units.

The City is associated with two jointly governed organizations and one joint venture. They are the Eastgate Development and Transportation Agency, the Emergency Management Agency, and the Ohio Municipal Electric Generation Agency Joint Venture (JV5), respectively. These are discussed in notes 17 and 18 to the combined financial statements.

The Niles Municipal Court has been included in the City's financial statements as an agency fund. The clerk of courts is a City employee who has a fiduciary responsibility for the collection fund distribution of the court fees and fines.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

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

**CITY OF NILES
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Governmental Fund Types

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

General Fund

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

Special Revenue Funds

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

Debt Service Funds

These funds are used to account for the accumulation of resources for, and the payment of, general and special assessment long-term debt principal, interest and related costs.

Capital Projects Funds

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

Proprietary Fund Types

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

**CITY OF NILES
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Enterprise Funds

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

Internal Service Fund

This fund is used to 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.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. There are two types of fiduciary funds, trust and agency. The following are the City's fiduciary fund types:

Nonexpendable Trust Fund

This fund is accounted for in essentially the same manner as proprietary funds.

Agency funds

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

Account Groups

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

General Fixed Assets Account Group

This account group accounts for all general fixed assets of the City.

General Long-Term Obligations Account Group

This account group accounts for all unmatured long-term indebtedness of the City that is not a specific liability of the proprietary fund, including special assessment debt for which the City is obligated in some manner.

**CITY OF NILES
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

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

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

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

All governmental fund types and agency funds are accounted for using the modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current year or soon enough thereafter to be used to pay liabilities of the current year. The available period for the City is thirty-one days after year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, state-levied locally shared taxes (including gasoline tax), fines and forfeitures and income tax.

The City reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Current and delinquent property taxes measurable as of December 31, 1999, whose availability is indeterminate and which are not intended to finance current period obligations, have been recorded as a receivable and deferred revenue. Levied special assessments are measurable, and have been recorded as a receivable. Since all assessments are due outside of the available period, the entire amount has been deferred.

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

**CITY OF NILES
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types and the nonexpendable trust fund. Revenues are recognized when they are earned and become measurable and expenses are recognized when they are incurred, if measurable. Unbilled service charges receivable are recognized as revenue at year end.

C. Budgetary Process

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

Tax Budget

At the first Council meeting in July, the Mayor presents the annual operating budget for the following year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing 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 statement reflect the amounts in the final amended official certificate of estimated resources issued during 1999.

Appropriations

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

**CITY OF NILES
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Encumbrances

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

Lapsing of Appropriations

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

D. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds, including 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 combined balance sheet.

The City of Niles has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during 1999. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 1999.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 1999 amounted to \$1,263,503, which includes \$871,121 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 are presented on the combined balance sheet as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the City's treasury. The cash of the Municipal Court is included in this line item.

**CITY OF NILES
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City utilizes a financial institution to service bonded debt as principal and interest come due. The balance in this account is presented on the combined balance sheet as "cash and cash equivalents with fiscal agents" and represents deposits or short-term investments in certificates of deposits, which are reported at cost.

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

E. Inventory

Inventories of governmental funds are stated at cost while the inventory of the proprietary funds is stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the proprietary fund type when used. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental fund which indicates that it does not constitute available spendable resources even though it is a component of net current assets. Since the inventory balance at December 31, 1999 was not significant, an amount was not reported on the combined balance sheet.

F. Investment in Joint Venture

The investment in the joint venture is reported using the equity method of accounting.

G. Restricted Assets

Customer deposits have been restricted because the deposit remains the property of the customer. The restricted asset account is balanced by a customer deposits payable liability account to demonstrate the fiduciary relationship with customers.

H. Fixed Assets

General fixed assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental type funds and capitalized (recorded and accounted for) in the general fixed assets account group. Infrastructure fixed assets such as streets, storm sewers and drains, and traffic signals and signs are not capitalized by the City and are not reported as part of the general fixed assets account group.

Fixed assets utilized in the proprietary funds are capitalized in these funds.

Fixed asset values were initially determined at December 31, 1987, by assigning original acquisition costs when such information was available. In cases where information supporting original costs was not practicably determinable, estimated historical costs were developed. For certain fixed assets, the estimates we calculated by indexing estimated current costs back to the estimated year of acquisition. Donated fixed assets are capitalized at estimated fair market value on the date donated. The City maintains a capitalization threshold of five hundred dollars.

**CITY OF NILES
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 useful life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets. Depreciation in the proprietary fund types is computed using the straight-line method over the following estimated useful lives:

Building	15 - 45 years
Equipment and Vehicles	3 - 20 years
Sewer Lines	25 years
Water Lines	25 years
Electric Lines	25 years

Interest is capitalized on proprietary fund assets acquired with tax exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the 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 1999, interest costs incurred on construction projects in the proprietary funds were not material.

I. Accrued and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds, regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligation account group to the extent that they will not be paid with current expendable available financial resources. In general, payments made more than thirty-one days after year end are considered not to have been made with current available financial resources. Bonds and loans are recognized as a liability of the general long-term obligations account group until due.

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

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributed 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 using the vesting method. The liability is based on the sick leave accumulated at December 31 by those employees who are currently eligible to receive termination payments and by those employees for whom it is probable they will become eligible to receive termination benefits in the future.

**CITY OF NILES
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

K. Fund Equity

Reserves for retained earnings represent those portions of fund equity not available for appropriation or legally segregated for a specific future use. Contributed capital is recorded in proprietary funds that have received capital grants or contributions from customers. Fund balances are reserved for encumbrances and debt service principal and interest. Fund balance has also been reserved for endowments to indicate that the principal is legally restricted.

L. Interfund Transactions

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

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

M. Estimates

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

N. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

3. BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements and encumbrances.

**CITY OF NILES
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

3. BUDGETARY BASIS OF ACCOUNTING - (Continued)

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - Proprietary Fund Type and Similar Trust Fund are presented on the budgetary basis to provide a relevant comparison of actual results with the budget and to demonstrate compliance with State statute. The major differences between the budget basis and the GAAP basis are:

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. Outstanding year end encumbrances are treated as expenditures/expenses (budget) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund types (GAAP).
4. For the enterprise fund, the investment in joint venture is not reported on the budget basis.

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis.

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$1,944,649	\$433,600	\$4,275	\$56,678
Net Adjustment for Revenue Accruals	(113,486)	(9,165)	0	0
Net Adjustment for Expenditure Accruals	(30,927)	(97,438)	0	41,228
Encumbrances	(86,448)	(160,635)	0	(192,791)
Budget Basis	\$1,713,788	\$166,362	\$4,275	(\$94,885)

**CITY OF NILES
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

3. BUDGETARY BASIS OF ACCOUNTING - (Continued)

Net Income (Loss)/Excess of Revenues
Over (Under) Expenses
Proprietary Fund Type and Similar Trust Fund

	Enterprise	Internal Service	Nonexpendable Trust Fund
GAAP Basis	(\$286,818)	\$362,938	\$1,774
Net Adjustment for Revenue Accruals	72,754	0	0
Proceeds of Notes	2,000,000	0	0
Net Adjustment for Expense Accruals	358,009	(36,668)	0
Capital Outlay	(667,234)	0	0
Depreciation	408,634	0	0
Encumbrances	(3,146,225)	(330,000)	0
Budget Basis	(\$1,260,880)	(\$3,730)	\$1,774

4. FUND DEFICITS

The following fund had negative retained earnings as of December 31, 1999.

Enterprise Fund:	
Sewer Fund	\$134,766

The deficit in the sewer enterprise fund resulted from the conversion to generally accepted accounting principles. Management is analyzing this situation to determine appropriate steps to eliminate the deficit.

5. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the City into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City treasury, in commercial accounts payable or withdrawals 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 pass book accounts.

**CITY OF NILES
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the auditor by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys 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 and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAROhio).

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.

GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements," requires disclosures to help assess actual and potential future deposit and investment market and credit risks. The following information regarding deposits and investments is presented using the categories of risk identified in GASB Statement 3.

**CITY OF NILES
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

Deposits At year-end, the carrying amount of the City's deposits was \$2,843,563 and the bank balance was \$2,774,192. Of the bank balance:

1. \$285,656 was covered by federal depository insurance.
1. \$2,488,536 was uncollateralized and uninsured as defined by the GASB. Although the securities were held by the pledging financial institutions trust department or agent in the City's name and all State statutory requirements for the investment of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

Investments Investments are classified under the guidelines of GASB Statement No. 3 into three categories. Category 1 includes investments that are insured or registered or are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent but not in the City's name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Fair Value
STAROhio	\$27,175,710

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, which classifies investments with original maturities of three months or less as cash equivalent.

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$30,019,273	\$0
Investments which are part of a cash management pool:		
STAROhio	(27,175,710)	27,175,710
GASB Statement 3	\$2,843,563	\$27,175,710

6. PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Property tax revenue received during 1999 for real and public property taxes represents collections of 1998 taxes. Property tax payments received during 1999 for tangible personal property (other than public utility property) is for 1999 taxes.

**CITY OF NILES
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

6. PROPERTY TAXES (Continued)

1999 real property taxes are levied after October 1, 1999, on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at 35 percent of appraiser's market value. 1999 real property taxes are collected in and intended to finance 2000.

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. 1999 public utility property taxes became a lien December 31, 1998, are levied after October 1, 1999, and are collected in 2000 with real property taxes.

1999 Tangible personal property taxes are levied after October 1, 1998, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are 25 percent of true value.

The full tax rate for all City operations for the year ended December 31, 1999 was \$3.50 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 1999 property tax receipts were based are as follows:

Real Property	\$201,681,860
Tangible Personal Property	43,977,654
Public Utility Property	8,144,860
Total Valuation	<u><u>\$253,804,374</u></u>

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

Tangible personal property taxes paid by multi-county taxpayers are due by 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 Niles. The County Auditor periodically remits to the City its portion of the taxes. Property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 1999. 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 1999 operations. The receivable is offset by deferred revenue.

7. MUNICIPAL INCOME TAX

An income tax of 1.5 percent is levied on substantially all income earned within the City. In addition, the residents of the City are required to pay City income taxes on income earned outside the City; however, credit is allowed for income taxes paid to other municipalities up to one hundred percent of the City's current tax rate.

The City's income tax ordinance requires one-third of the income tax revenues to be used to finance the police and fire departments.

**CITY OF NILES
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

7. MUNICIPAL INCOME TAX (Continued)

Employers within the City are required to withhold income tax on employee compensation and remit the tax quarterly to the City. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

Any income tax ordinance must be approved by a majority vote at a City election prior to the ordinance becoming effective. The current income tax levy was increased from 1 percent to 1.5 percent in 1987 and is a permanent levy.

8. RECEIVABLES

Receivables at December 31, 1999, primarily consisted of taxes, accounts (billings for user charged services, including unbilled utility services), special assessments, intergovernmental receivables arising from grants, entitlements and shared revenues. All receivables are considered fully collectible.

A summary of the principal items of intergovernmental receivables follows:

	Amount
General Fund:	
Estate Tax	\$155,726
Local Government	36,668
Liquor Permit Fees	7,580
Gasoline Tax	1,465
Total General Fund	201,439
Special Revenue Funds:	
Street Construction, Maintenance	38,492
State Highway	3,121
Park	332
Permissive Tax	6,495
Total Special Revenue Funds	48,440
Total	\$249,879

9. CONTINGENCIES

Grants

The City receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 1999.

**CITY OF NILES
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

10. FIXED ASSETS

A summary of the enterprise funds' property, plant and equipment at December 31, 1999, follows:

Land	\$668,004
Buildings	2,966,878
Equipment and Vehicles	2,142,758
Sewer Lines	5,314,013
Water Lines	1,698,246
Electric Lines	<u>9,360,551</u>
Total	22,150,450
Less: Accumulated Depreciation	<u>(15,134,769)</u>
Net Fixed Assets	<u><u>\$7,015,681</u></u>

A summary of changes in general fixed assets follows:

	Balance			Balance
	<u>January 1, 1999</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 1999</u>
Land and Improvements	\$1,414,303	\$0	\$0	\$1,414,303
Buildings and Improvements	2,523,681	0	0	2,523,681
Equipment and Machinery	<u>2,625,987</u>	<u>399,144</u>	<u>0</u>	<u>3,025,131</u>
Total	<u><u>\$6,563,971</u></u>	<u><u>\$399,144</u></u>	<u><u>\$0</u></u>	<u><u>\$6,963,115</u></u>

11. LONG-TERM OBLIGATIONS

The original issuance amounts for the City's long-term obligations are as follows:

	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Date of Maturity</u>
Enterprise Funds			
Ohio Public Works Commission Loan:			
Sanitary Sewer Moratorium	No Interest	\$752,249	1/1/14
Ohio Water Development Authority			
Water Tower	6.61%	863,856	1/1/04
Wastewater Treatment Plant	8.48%	6,850,820	1/1/13
General Long Term Obligations			
General Obligation Bonds:			
Safety Service Complex	5.38%	2,000,000	12/1/02
Various Purpose	7.22%	5,355	12/1/02
Special Assessment Bond:			
Various Purpose	7.22%	\$164,645	12/1/02

**CITY OF NILES
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

11. LONG-TERM OBLIGATIONS (Continued)

Changes in the long-term obligations of the City during 1999 were as follows:

	Outstanding 12/31/98	Additions	Reductions	Outstanding 12/31/99
Enterprise Fund Obligations:				
<i>Ohio Public Works Commission Loan</i>				
1994 Sanitary Sewer Moratorium	\$562,666	\$0	(\$37,511)	\$525,155
<i>Ohio Water Development Authority Loans</i>				
1994 Water Tower	500,458	0	(87,706)	412,752
1983 Wastewater Treatment Plant	5,359,226	0	(213,828)	5,145,398
<i>Total Enterprise Fund Obligations</i>	<u>6,422,350</u>	<u>0</u>	<u>(339,045)</u>	<u>6,083,305</u>
General Long Term Obligations:				
General Obligation Bond				
1977 Various Purpose	1,103	0	(284)	819
1983 Special Assessment Bond	33,897	0	(8,717)	25,180
Police and Fire Pension Liability	480,331	0	(5,680)	474,651
Compensated Absences	659,270	0	(14,641)	644,629
Intergovernmental Payable	134,235	149,749	(134,235)	149,749
<i>Total General Long-Term Obligations</i>	<u>1,308,836</u>	<u>149,749</u>	<u>(163,557)</u>	<u>1,295,028</u>
<i>Total All Types</i>	<u>\$7,731,186</u>	<u>\$149,749</u>	<u>(\$502,318)</u>	<u>\$7,378,333</u>

General Obligation and Special Assessment Bonds

On October 1, 1977, the City of Niles issued \$2,000,000 in voted general obligation bonds for the purpose of constructing a safety service complex. On January 2, 1983, the City also issued \$5,355 in voted general obligation bonds and \$164,645 in voted special assessment bonds for various purposes. Both various purpose bonds were issued for a twenty year period with final maturity at December 1, 2002. General obligations bonds will be paid from the general bond retirement debt service fund from property taxes. Special assessment bonds will be paid from the proceeds of special assessments levied against benefitted property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City. Sufficient funds have been reserved to meet all future principal and interest debt service requirements. The remaining fund balance cannot be transferred to another fund until the debt is paid.

The Ohio Public Works Commission loan and the Ohio Water Development Authority loans will be paid from charges for services revenue in the enterprise funds. Compensated absences reported in the "compensated absences payable" account and pension contributions reported in the "police and fire pension liability" and "intergovernmental payable" accounts will be paid from the fund from which the employees' salaries are paid.

**CITY OF NILES
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

11. LONG-TERM OBLIGATIONS (Continued)

The City's overall legal debt margin was \$14,179,509 December 31, 1999. Principal and interest requirements to retire long-term obligations outstanding at December 31, 1999, are as follows:

	Ohio Public Works Commission Loans	Ohio Water Development Authority Loan	General Obligation Bonds	Special Assessment Bond	Police and Fire Pension Liability
2000	\$37,511	\$789,077	\$390	\$11,990	\$26,034
2001	37,511	789,077	353	10,857	26,034
2002	37,511	789,077	284	8,755	26,034
2003	37,511	789,077	0	0	26,034
2004	37,511	668,291	0	0	26,034
2005-2009	187,555	3,341,453	0	0	130,170
2010-2014	168,800	2,004,872	0	0	130,170
2015-2019	0	0	0	0	130,170
2020-2024	0	0	0	0	130,170
2025-2029	0	0	0	0	130,170
2030-2034	0	0	0	0	130,170
2035	0	0	0	0	11,849
Totals	<u>\$543,910</u>	<u>\$9,170,924</u>	<u>\$1,027</u>	<u>\$31,602</u>	<u>\$923,039</u>

The City is a participant in a joint venture that has issued Certificates in Beneficial Interest. The debt service payments are obligations of the joint venture's participants, payable from each participant's municipal electric utility systems, subject only to the proper payment of the operation and maintenance expenses. In case of default by a participant, the remaining participants become liable for that participant's debt service payments. The Certificates of Beneficial Interest are fully insured in case of total default by all participants. No defaults have occurred to date on this joint venture. For accounting purposes, the obligation for repayment of the certificates is reflected in the financial statements of the joint venture.

The debt associated with Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5) amounts to 10.63 percent of \$153,415,000 or approximately \$16,308,015 in which principal payments began February 15, 1998. The total principal retirements and the portion that will be paid by the City is as follows:

Year	Certificates of Beneficial Interest	City of Niles Amount
2000	2,985,000	317,306
2001	3,130,000	332,719
2002	3,280,000	348,664
2003	3,445,000	366,204
2004	3,620,000	384,806
2005-2009	21,150,000	2,248,246
2010-2014	27,500,000	2,923,251
2015-2019	35,945,000	3,820,955
2020-2024	46,760,000	4,970,589
Total	<u>\$147,815,000</u>	<u>\$15,712,740</u>

**CITY OF NILES
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

12. DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System (PERS)

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

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the City is required to contribute 9.35 percent. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contribution to PERS for the years ended December 31, 1999, 1998, and 1997 were \$341,326, \$366,381, and \$342,989, respectively. The full amount has been contributed for 1999 and 1998, 82.85 percent has been contributed for 1999 with the remainder being reported as a liability within the enterprise funds and the general long-term obligations account group.

B. Police and Firemen's Disability and Pension Fund (PFDPF)

The City contributes to the Police and Firemen's Disability and Pension Fund of Ohio (PFDPF), a cost-sharing, multiple employer public employee retirement system administered by PFDPF's Board of Trustees. PFDPF provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and by Chapter 742 of the Ohio Revised Code. PFDPF issues a publicly available financial report that includes financial information and required supplementary information. That report may be obtained by writing to the Police and Firemen's Disability and Pension Fund of Ohio, 140 East Town Street, Columbus, Ohio 43215.

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and for 1999 the City was required to contribute 12.5 percent for police and 17 percent for firefighters. For 1998, the City contributions were 13 percent for police and 17 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the Fund for police and firefighters were \$190,467 and \$235,568 for the year ended December 31, 1999, \$180,804 and \$212,873 for 1998 and \$102,753 and \$91,525 for 1997. The full amount has been contributed for 1998 and 1997, 74.12 percent and 76.54 percent, respectively, have been contributed for 1999 with the remainder being reported as a liability within the general long-term obligations account group.

In addition to the current contribution, the City pays installments on the accrued liability incurred when the State of Ohio established the Statewide pension system for police and firefighters in 1967. As of December 31, 1999, the unfunded liability of the City was \$474,651, payable in semiannual payments through the year 2035. This is an accounting liability of the City which will not vary. The liability is reported in the general long-term obligation account group.

C. Social Security System

Effective August 3, 1992, all volunteer firefighters, not otherwise covered by another retirement system, are covered by social security. The City's liability is 6.2 percent of wages paid.

**CITY OF NILES
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

13. POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement System

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 1999 employer contribution rate was 13.55 percent of covered payroll; 4.2 percent was the portion that was used to fund health care.

Benefits are funded on a pay-as-you-go basis. OPEB are financed through employer contributions and investment earnings. The contributions allocated to retiree health care and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely. During 1999, OPEB expenditures made by PERS were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641. At December 31, 1999, the total number of benefit recipients eligible for OPEB through PERS was 118,062. The City's actual contributions for 1999 which were used to fund OPEB were 206,656.

During 1997, PERS adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method effective January 1, 1998, employer contributions, equal to 4.2 percent of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health coverage.

B. Police and Firemen's Disability and Pension Fund

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (PPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Police and Firemen's Disability and Pension Fund's board of trustees to provide health care coverage and states that health care cost paid from the Police and Firemen's Disability and Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7 percent of covered payroll was applied to the postemployment health care program in 1999. For 1998 the percent used to fund healthcare was 6.5 percent. This allocation will be raised to 7.25 percent in 2000. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The City's actual contributions for 1999 that were used to fund postemployment benefits were \$95,233 for police and \$87,497 for fire. PFDPF's total health care expenses for the year ending December 31, 1998, (the latest information available) were \$78,596,790, which was net of member contributions of \$5,331,515. The number of PFDPF participants eligible to receive health care benefits as of December 31, 1998, was 11,424 for police and 9,186 for firefighters.

**CITY OF NILES
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

14. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 1999, the City contracted with Millers Mutual Insurance for various types of insurance as follows:

Company	Type	Coverage
Millers Mutual Insurance	Commercial Automobile	\$1,000,000
	Commercial Inland Marine	1,000,000
	Commercial Property	1,000,000
	Public Officials Liability	2,000,000
	Law Enforcement Liability	1,000,000
	Employee Dishonesty	25,000
	EDP Equipment	120,000

Claims have not exceeded this coverage in any of the past three years and there has been no significant reduction in commercial coverage in any of the past three years.

The City has elected to provide medical benefits through a self insured program. The maintenance of these benefits are accounted for in the Self-Insurance Internal Service fund. An excess coverage insurance (stop loss) policy covers annual claims in excess of \$50,000 per individual and \$1,000,000 for the City as a whole. Incurred but not reported claims of \$29,515 have been accrued as a liability based on a review of January, 1999 billings provided by the City Auditor's office.

The claims liability of \$29,515 reported in the internal service fund at December 31, 1999, is based on requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claims adjustment expenses. Changes in the funds's claims liability for 1998 and 1999 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance End of Year
1997	\$106,643	\$812,941	\$882,592	\$36,992
1998	36,992	876,949	847,758	66,183
1999	66,183	656,475	693,143	29,515

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

15. NOTE PAYABLE

Changes in the City's note activity for the year ended December 31, 1999, were as follows:

	Outstanding 12/31/98	Additions	(Reductions)	Outstanding 12/31/99
Sewer Improvement - 4.15% - July 20, 2000	\$0	\$2,000,000	\$0	\$2,000,000

The note is backed by the full faith and credit of the City. The note liability is reflected in the enterprise fund, the fund which received the proceeds. Notes are generally issued in anticipation of long-term bond financing and are refinanced until such bonds are issued.

**CITY OF NILES
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

16. SEGMENT INFORMATION

The City's enterprise funds accounts for the provision of water, light and sewer services. The table below reflects, in a summarized format, the more significant data relating to the enterprise funds of the City of Niles as of and for the year ended December 31, 1999:

	Water Fund	Light Fund	Sewer Fund	Total
Operating Revenues	\$3,145,635	\$18,881,884	\$2,567,213	\$24,594,732
Operating Expenses				
Before Depreciation	3,085,436	19,513,110	1,251,009	23,849,555
Depreciation Expense	44,741	240,221	123,672	408,634
Operating Income (Loss)	15,458	(871,447)	1,192,532	336,543
Net Income	(34,550)	(970,508)	718,240	(286,818)
Net Working Capital	1,996,090	8,982,406	3,279,291	14,257,787
Contributed Capital	85,000	0	85,000	170,000
Total Assets	3,307,573	16,283,437	5,851,861	25,442,871
Long-Term Liabilities	512,844	512,844	5,384,859	6,410,547
Total Equity	594,517	14,417,033	(148,629)	14,862,921
Encumbrances	2,035,090	1,021,809	89,326	3,146,225

17. JOINTLY GOVERNED ORGANIZATIONS

A. Eastgate Development and Transportation Agency

The Eastgate Development and Transportation Agency (EDATA) is a jointly governed organization committed to foster cooperative regional efforts in the planning, programming and implementation of public sector activities. EDATA has forty-eight participating members. These include representatives from Trumbull County, Mahoning County, township trustees, participating cities and villages. The operation of EDATA is controlled by a general policy board which consists of a representative from each member. Funding comes from each of the participants. For 1999, the City contributed \$6,550 to the Eastgate Development and Transportation Agency.

B. Emergency Management Agency

The Emergency Management Agency is a jointly governed organization among the thirty-four subdivisions located within Trumbull County. The eight members of the advisory board are appointed by the thirty-four member subdivisions. The degree of control exercised by any participating government is limited to its representation on the Board. The Agency adopts its own budget, authorizes expenditures and hires and fires its own staff. In 1999, the City contributed \$3,752 to the Emergency Management Agency.

**CITY OF NILES
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

18. JOINT VENTURE

Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5)

The City is a participant with forty-two subdivisions within the State of Ohio in a joint venture to construct a hydroelectric plant and associated transmission facilities in West Virginia on the Ohio River at Belleville Locks and Dam and receive electricity from its operation. The Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5) was created for that purpose. On dissolution of the joint venture, the net assets of JV5 will be shared by the participants on a percentage basis. The JV5 is managed by AMP-Ohio, who acts as the joint venture's agent. The participants are obligated by the agreement to remit monthly for those costs incurred by using electricity generated by the joint venture and a portion of the \$153,415,000 Certificates of Beneficial Interest debt that was issued to construct the fixed asset. In accordance with the joint venture agreement, the City remitted \$2,345,322 to the joint venture for 1999 for electricity. The City's net investment and its share of the operating results of JV5 are reported in the City's electric enterprise fund. The City equity interest in JV5 was \$529,991 at December 31, 1999. Financial information can be obtained from AMP-Ohio, 601 Dempsey Road, Westerville, Ohio 43081, or from the City's utility department.

19. ELECTRIC DEREGULATION

Beginning January 1, 2001, retail electric customers of investor owned utilities (IOUs) will have the option of choosing power suppliers. Electric services are broken down into three components, distribution, generation and transmission. This deregulation will affect only the generation of electricity. The City of Niles is planning on completing a cost study analysis to identify the costs associated with each of these components. The City has several options available to them related to this deregulation. First, the City can choose to protect their lines which the City has not made a decision on as of the date of these financial statements. This decision will allow the City to charge any other electric suppliers who may want to use their lines. The City also has the option of closing its borders, meaning no other electric suppliers could deliver services in the City of Niles. The City has not made a decision as of the date of these financial statements.

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CITY OF NILES
TRUMBULL COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 1999

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
<i>Passed Through Ohio Department of Development:</i>				
Community Development Block Grant Small Cities Program	A-C-98-156-1	14.228	201,300	151,522
Direct Program: Home Investment Partnership Program (HOME)	A-C-98-156-2	14.239	<u>256,111</u>	<u>237,947</u>
Total U.S. Department of Housing and Urban Development			<u>457,411</u>	<u>389,469</u>
U.S. DEPARTMENT OF JUSTICE/OFFICE OF JUSTICE PROGRAMS				
Direct Program: Local Law Enforcement Block Grant Program	97/98-LB-VX-3562	16.592	76,760	43,997
Public Safety & Community Policing Grant - COPS Program	95-CF-WX-4807	16.710	<u>75,000</u>	<u>61,908</u>
Total U.S. Department of Justice			<u>151,760</u>	<u>105,905</u>
Totals			<u>\$609,171</u>	<u>\$495,374</u>

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

**CITY OF NILES
TRUMBULL COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 1999**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

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

The Mahoning Valley Economic Development Corporation, on behalf of the City of Niles, also administers an economic revolving loan program with funds provided by the United States Department of Housing and Urban Development, through the Ohio Department of Development, under the Community Development Block Grant Program (CFDA #14.228). The purpose of the program is to provide loans to various businesses to assist in expansion and/or modernization of equipment. As of December 31, 1999, the account balance (including notes receivable) held in trust was \$ 366,125.



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OFFICE OF THE AUDITOR

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

City of Niles
Trumbull County
34 West State Street
Niles, Ohio 44446

To the Members of Council:

We have audited the financial statements of the City of Niles, Trumbull County, (the City), as of and for the year ended December 31, 1999, and have issued our report thereon dated February 13, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Niles' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the City in a separate letter dated February 13, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the City in a separate letter dated February 13, 2001.

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

Jim Petro
Auditor of State

February 13, 2001



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

City of Niles
Trumbull County
34 West State Street
Niles, Ohio 44446

To the Members of Council:

Compliance

We have audited the compliance of the City of Niles, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 1999. The City of Niles's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Niles's management. Our responsibility is to express an opinion on the City of Niles's compliance based on our audit.

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

In our opinion, the City of Niles complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 1999.

Internal Control Over Compliance

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

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 condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated February 13, 2001.

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

Jim Petro
Auditor of State

February 13, 2001

**CITY OF NILES
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 1999**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	UNQUALIFIED
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	NO
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	NO
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	NO
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	NO
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	NO
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	UNQUALIFIED
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	NO
<i>(d)(1)(vii)</i>	Major Programs (list):	HOMES - CFDA #14.239 COPS - CFDA #16.710
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	NO

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

Finding Number - NONE	NOT APPLICABLE
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3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number - NONE	NOT APPLICABLE
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OFFICE OF THE AUDITOR

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CITY OF NILES

TRUMBULL 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
MARCH 13, 2001**