

**CITY OF NILES  
TRUMBULL COUNTY, OHIO**

***Basic Financial Statements***  
**(Audited)**

For the Year Ended  
December 31, 2017





# Dave Yost • Auditor of State

Members of Council  
City of Niles  
34 West State Street  
Niles, Ohio 44446

We have reviewed the *Independent Auditors' Report* of the City of Niles, Trumbull County, prepared by Julian & Grube, Inc., for the audit period January 1, 2017 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Niles is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

July 24, 2018

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**CITY OF NILES  
TRUMBULL COUNTY, OHIO**

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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**Independent Auditor's Report**

City of Niles  
Trumbull County  
34 W. State Street  
Niles, Ohio 44446

To the Members of Council and Mayor:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Niles, Trumbull County, Ohio, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City of Niles' basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

***Summary of Opinions***

<b>Opinion Unit</b>	<b>Type of Opinion</b>
Governmental Activities	Qualified
Business-Type Activities	Qualified
General Fund	Unmodified
Police and Fire Tax Fund	Unmodified
Water Fund	Qualified
Sewer Fund	Qualified
Electric Fund	Qualified
Aggregate Remaining Fund Information	Unmodified

***Basis for Qualified Opinions on the Governmental Activities, Business-Type Activities, Water Fund, Sewer Fund, and Electric Fund***

Management has not provided accounting records to support the capital assets reported within the governmental activities, the business-type activities, water fund, sewer fund, and electric fund. Accounting principles generally accepted in the United States of America require that the historical or estimated cost of capital assets be reported net of accumulated depreciation expense. We cannot reasonably determine whether the capital assets reported in the financial statements are fairly stated. The reported capital assets represent 69 percent of assets reported within the governmental activities, 65 percent of assets reported within the business-type activities, 66 percent of assets reported within the water fund, 93 percent of assets reported within the sewer fund, and 14 percent of assets reported within the electric fund.

***Qualified Opinions***

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinions on the Governmental Activities, Business-Type Activities, Water Fund, Sewer Fund, and Electric Fund* paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, water fund, sewer fund, and electric fund of the City of Niles, Trumbull County, Ohio, as of December 31, 2017, and the respective changes in financial position thereof and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the general fund, police and fire tax fund, and the aggregate remaining fund information of the City of Niles, Trumbull County, Ohio, as of December 31, 2017, and the respective changes in its financial position thereof and the respective budgetary comparisons for the general fund and police and fire tax fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 23 to the financial statements, on October 7, 2014, the Auditor of State declared the City of Niles to be in a state of fiscal emergency. We did not modify our opinions regarding this matter.



***Other Matters***

*Required Supplementary Information*

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2018, on our consideration of the City of Niles' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Niles' internal control over financial reporting and compliance.



Julian & Grube, Inc.  
June 25, 2018

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**City of Niles**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2017*  
*Unaudited*

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The discussion and analysis of the City of Niles' financial performance provides an overall review of the City's financial activities for the year ended December 31, 2017. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers are encouraged to consider information presented here in conjunction with the additional information contained in the basic financial statements to enhance their understanding of the City's financial performance.

### **Financial Highlights**

Financial highlights for 2017 are as follows:

- The City's overall financial position improved in 2017. Governmental activities net position increased due mainly to an increase in cash and cash equivalents attributable to higher income tax collections as well as having unspent general obligation bond proceeds at year-end. Business-type activities net position increased due to an increase business-type net capital assets as well as to an increase in cash and cash equivalents and accounts receivable attributable to higher charges for services revenues.
- The City's net capital assets increased by over \$11.6 million due to current year additions exceeding annual depreciation. Current year additions consisted of buildings and improvements, vehicles and construction in progress on the safety service complex building and the wastewater treatment plant.
- Long-term debt obligations increased due to the issuance of OWDA loans and \$1.6 million in general obligation bonds. The increase was partially offset by the continued pay-down of debt.

### **Using this Annual Financial Report**

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

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

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

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

The Statement of Net Position presents information, excluding fiduciary funds, on all the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, in evaluating the overall position of the City, non-financial factors such as the City's tax base, change in tax laws and the condition of capital assets should also be considered. Both the Statement of Net Position and the Statement of Activities use the accrual basis of accounting that is similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**City of Niles**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2017*  
*Unaudited*

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The Statement of Net Position and the Statement of Activities are divided into the following categories:

- Assets
- Deferred Outflows of Resources
- Liabilities
- Deferred Inflows of Resources
- Net Position
- Program Revenues and Expenses
- General Revenues
- Net Position Beginning of Year and Year's End

In the Statement of Net Position and the Statement of Activities, the City is divided into two kinds of activities:

- ◆ Governmental activities - Most of the City's programs and services are reported here including police, fire and rescue, street maintenance, capital improvements and general administration. These services are funded primarily by property and income taxes and intergovernmental revenues including Federal and State grants and other shared revenues.
- ◆ Business-type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The City's water, sewer, electric and para-transit operations are reported here.

### **Reporting on the Most Significant Funds of the City**

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

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds are the general fund and the police and fire tax special revenue fund.

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

**City of Niles**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2017*  
*Unaudited*

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

The City maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation.

***Proprietary Funds*** The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City's enterprise funds are the water, sewer, electric and para-transit funds.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City's internal service funds report on City departments' motor fuel and self-insurance programs for employee medical benefits.

***Fiduciary Funds*** Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City's fiduciary funds are a private purpose trust and an agency fund.

***Notes to the Financial Statements*** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### **The City as a Whole**

The Statement of Net Position provides an overall view of the City. Table 1 shows a summary of the City's net position for 2017 as they compare to 2016.

**City of Niles**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2017*  
*Unaudited*

(Table 1)						
<i>Net Position</i>						
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Assets</b>						
Current and Other Assets	\$10,155,258	\$6,866,866	\$22,218,104	\$21,393,443	\$32,373,362	\$28,260,309
Capital Assets, Net	22,267,771	22,364,079	41,445,629	29,737,094	63,713,400	52,101,173
<i>Total Assets</i>	<u>32,423,029</u>	<u>29,230,945</u>	<u>63,663,733</u>	<u>51,130,537</u>	<u>96,086,762</u>	<u>80,361,482</u>
<b>Deferred Outflows of Resources</b>						
Pension	3,344,825	4,084,702	2,898,051	2,408,635	6,242,876	6,493,337
<b>Liabilities</b>						
Current Liabilities	916,377	1,075,249	1,286,052	3,766,995	2,202,429	4,842,244
Long-term Liabilities						
Due within one Year	1,146,252	369,328	346,285	305,263	1,492,537	674,591
Due in More than one Year						
Net Pension Liability	15,220,132	14,907,657	6,436,085	5,119,658	21,656,217	20,027,315
Other Amounts	4,932,000	4,048,373	35,414,505	24,254,509	40,346,505	28,302,882
<i>Total Liabilities</i>	<u>22,214,761</u>	<u>20,400,607</u>	<u>43,482,927</u>	<u>33,446,425</u>	<u>65,697,688</u>	<u>53,847,032</u>
<b>Deferred Inflows of Resources</b>						
Property Taxes	839,826	908,855	0	0	839,826	908,855
Pension	583,284	365,193	145,953	57,933	729,237	423,126
<i>Total Deferred Inflows of Resources</i>	<u>1,423,110</u>	<u>1,274,048</u>	<u>145,953</u>	<u>57,933</u>	<u>1,569,063</u>	<u>1,331,981</u>
<b>Net Position</b>						
Net Investment in Capital Assets	19,370,810	19,347,242	8,052,497	7,924,340	27,423,307	27,271,582
Restricted for:						
Capital Projects	14,082	17,250	0	0	14,082	17,250
Other Purposes	1,582,360	1,967,376	0	0	1,582,360	1,967,376
Unrestricted (Deficit)	(8,837,269)	(9,690,876)	14,880,407	12,069,486	6,043,138	2,378,610
<i>Total Net Position</i>	<u>\$12,129,983</u>	<u>\$11,640,992</u>	<u>\$22,932,904</u>	<u>\$19,993,826</u>	<u>\$35,062,887</u>	<u>\$31,634,818</u>

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2017 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

**City of Niles**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2017*  
*Unaudited*

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GASB 68 requires the net pension liability to equal the City's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the City's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

Governmental activities current and other assets increased over the prior year due mainly to an increase in cash and cash equivalents attributable to higher income tax collections as well as to having approximately \$1.4 million in unspent general obligation bond proceeds at December 31, 2017. Capital assets decreased due to annual depreciation outpacing current year additions. The increase in long-term liabilities can be attributed to increases in general obligation bonds payable, compensated absences and the net pension liability.

Net position of business-type activities increased from the prior year. Current and other assets increased due to an increase in cash and cash equivalents and accounts receivable attributable to higher charges for services revenues. The increase in capital assets is attributable to current year additions being greater than depreciation. Long-term liabilities increased due to an increase in OWDA loans payable and the net pension liability.

**City of Niles**  
*Management's Discussion and Analysis*  
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*Unaudited*

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for the current year. Table 2 shows total revenues, expenses and changes in net position for the fiscal years 2017 and 2016.

(Table 2)  
*Changes in Net Position*

	Governmental Activities		Business Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Program Revenues</b>						
Charges for Services and Assessments	\$1,790,827	\$1,925,095	\$38,771,957	\$38,598,888	\$40,562,784	\$40,523,983
Operating Grants	1,618,390	1,224,327	0	0	1,618,390	1,224,327
Capital Grants	391,028	722,190	0	0	391,028	722,190
<i>Total Program Revenues</i>	<u>3,800,245</u>	<u>3,871,612</u>	<u>38,771,957</u>	<u>38,598,888</u>	<u>42,572,202</u>	<u>42,470,500</u>
<b>General Revenues</b>						
Property Taxes	881,828	702,366	0	0	881,828	702,366
Income Taxes	8,289,056	7,143,647	0	0	8,289,056	7,143,647
Grants and Entitlements	342,306	464,478	0	0	342,306	464,478
Unrestricted Contributions	5,305	0	0	0	5,305	0
Excise Taxes	850,699	875,605	0	0	850,699	875,605
Hotel Taxes	144,685	99,621	0	0	144,685	99,621
Interest	44,879	18,519	0	0	44,879	18,519
Other	19,193	131,333	239,475	0	258,668	131,333
<i>Total General Revenues</i>	<u>10,577,951</u>	<u>9,435,569</u>	<u>239,475</u>	<u>0</u>	<u>10,817,426</u>	<u>9,435,569</u>
<i>Total Revenues</i>	<u>14,378,196</u>	<u>13,307,181</u>	<u>39,011,432</u>	<u>38,598,888</u>	<u>53,389,628</u>	<u>51,906,069</u>
<b>Program Expenses</b>						
General Government	1,848,701	2,047,739	0	0	1,848,701	2,047,739
General Government - External Portion	34,715	43,508	0	0	34,715	43,508
Security of Persons and Property	8,974,646	8,611,106	0	0	8,974,646	8,611,106
Public Health and Welfare	255,337	247,420	0	0	255,337	247,420
Leisure Time Activities	620,373	421,774	0	0	620,373	421,774
Community Environment	815,478	247,538	0	0	815,478	247,538
Transportation	1,213,242	1,246,125	0	0	1,213,242	1,246,125
Interest and Fiscal Charges	116,213	105,283	0	0	116,213	105,283
Water	0	0	6,324,084	5,633,192	6,324,084	5,633,192
Sewer	0	0	2,462,108	2,892,446	2,462,108	2,892,446
Electric	0	0	27,286,162	25,789,697	27,286,162	25,789,697
Para-Transit	0	0	10,500	10,336	10,500	10,336
<i>Total Program Expenses</i>	<u>13,878,705</u>	<u>12,970,493</u>	<u>36,082,854</u>	<u>34,325,671</u>	<u>49,961,559</u>	<u>47,296,164</u>
Transfers	(10,500)	(10,500)	10,500	10,500	0	0
<i>Change in Net Position</i>	<u>488,991</u>	<u>326,188</u>	<u>2,939,078</u>	<u>4,283,717</u>	<u>3,428,069</u>	<u>4,609,905</u>
<i>Net Position Beginning of Year</i>	<u>11,640,992</u>	<u>11,314,804</u>	<u>19,993,826</u>	<u>15,710,109</u>	<u>31,634,818</u>	<u>27,024,913</u>
<i>Net Position End of Year</i>	<u>\$12,129,983</u>	<u>\$11,640,992</u>	<u>\$22,932,904</u>	<u>\$19,993,826</u>	<u>\$35,062,887</u>	<u>\$31,634,818</u>



**City of Niles**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2017*  
*Unaudited*

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Governmental program revenues decreased in 2017 due to decreases in charges for services and capital grants. The decrease in charges for services revenue was attributable to a drop in fees, licenses and permits. The decrease in capital grants was due to a drop in State grants for capital improvements. The City continues to seek out additional sources of revenue to ensure the stability of the infrastructure is maintained. Operating grants increased as a result of an increase in community development grants. Income tax revenues increased in 2017 due to higher collections. Total program expenses increased due mainly to increases in security of persons and property, leisure time activities relating to the Wellness Center and community environment relating to community development projects.

***Governmental Activities***

Funding for governmental activities is derived from several sources, the largest of which is the City's municipal income tax. The revenue collected from the income tax, less funds necessary to cover refunds are receipted into the general fund and the police and fire tax fund.

General government expenses decreased due to careful spending. Security of persons and property increased due to higher contractual service expenditures. Leisure time activities increased due to higher contractual service costs relating to the Wellness Center. Community environment expenses increased due to an increase in costs related to community development projects.

**Business-Type Activities**

The City has four business-type operations. They are water, sewer, electric and para-transit operations. The largest source of revenue for business-type operations was charges for services. On the expense side, the largest expense was for contractual services for operations.

**The City's Funds**

Information about the City's governmental funds begins with the balance sheet. The funds are accounted for using the modified accrual method of accounting. The general fund concluded the year with an increase in fund balance due mainly to a large drop in transfers out as well as to a decrease in program expenditures. The police and fire tax fund had an increase in fund balance due to an increase in income taxes as total revenues and other financing sources continued to exceed expenditures.

***Proprietary Funds*** Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. The water fund increased due to higher charges for services revenue as total revenues continued to exceed total expenses. The sewer fund's net position increased as total expenses remained under total revenues. Despite a decrease in revenues coupled with an increase in expenses, the electric had an increase as the total net change in the fund remained positive.

**General Fund Budgeting Highlights**

Budgeting for the operations of the City is done as prescribed by Ohio Revised Code. Essentially the budget is the City's appropriations, which is restricted by the amounts of the anticipated revenues certified by the County Budget Commission in accordance with Ohio Revised Code. In 2017, actual revenues for the general fund were greater than final estimated revenues due in large part to higher income taxes and rental revenues collected than expected. The City actively seeks out additional sources of funding to maintain services. Actual expenditures were less than final appropriations due to management's effort to control costs and ensure economic stability going forward.

**City of Niles**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2017*  
*Unaudited*

**Capital Assets and Long-term Obligations**

***Capital Assets***

Total capital assets for the governmental activities, net of accumulated depreciation decreased from the prior year due to annual depreciation outpacing capital asset additions which consisted of construction in progress, buildings and improvements and the purchase of various vehicles.

Total capital assets for the business-type activities, net of accumulated depreciation increased due to capital asset additions exceeding current year depreciation. Current year additions consisted of construction in progress and vehicles. See Note 10 to the basic financial statements for additional information on capital assets.

Table 3 shows 2017 values compared to 2016.

(Table 3)  
*Capital Assets at December 31*  
*(Net of Accumulated Depreciation)*

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$106,300	\$106,300	\$668,004	\$668,004	\$774,304	\$774,304
Construction-in-progress	137,310	0	33,147,659	21,361,485	33,284,969	21,361,485
Land Improvements	367,873	420,424	0	0	367,873	420,424
Buildings and Improvements	20,680,921	20,828,826	154,669	174,936	20,835,590	21,003,762
Equipment	452,955	586,359	1,018,025	1,359,841	1,470,980	1,946,200
Vehicles	522,412	422,167	544,977	22,289	1,067,389	444,456
Infrastructure	0	0	5,912,295	6,150,539	5,912,295	6,150,539
<b>Total Capital Assets</b>	<b>\$22,267,771</b>	<b>\$22,364,076</b>	<b>\$41,445,629</b>	<b>\$29,737,094</b>	<b>\$63,713,400</b>	<b>\$52,101,170</b>

***Long-term Obligations***

Table 4 summarizes the City's long-term obligations outstanding.

(Table 4)  
*Outstanding Long-term Obligations at Year End*

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	\$4,078,355	\$2,614,674	\$3,254,066	\$3,435,796	\$7,332,421	\$6,050,470
OWDA Loans	0	0	30,163,132	18,376,958	30,163,132	18,376,958
Net Pension Liability	15,220,132	14,907,657	6,436,085	5,119,658	21,656,217	20,027,315
Potential Stranded Cost Liability	0	0	1,988,719	2,388,571	1,988,719	2,388,571
Police and Fire Liability	318,556	330,664	0	0	318,556	330,664
Capital Leases	280,901	402,163	0	0	280,901	402,163
Special Termination Benefits	76,994	0	0	0	76,994	0
Compensated Absences	1,323,446	1,070,200	354,873	358,447	1,678,319	1,428,647
<b>Total</b>	<b>\$21,298,384</b>	<b>\$19,325,358</b>	<b>\$42,196,875</b>	<b>\$29,679,430</b>	<b>\$63,495,259</b>	<b>\$49,004,788</b>

**City of Niles**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2017*  
*Unaudited*

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During 2017, the City's long-term obligations outstanding increased due to increases in compensated absences and the net pension liability as well as to the issuance of general obligation bonds. This increase was partially offset by the continued pay down of debt.

The City's overall debt margin was \$22,275,349 and the unvoted legal debt margin was \$9,735,183 at December 31, 2017. For more information about the City's long-term obligations, see Note 11 to the basic financial statements.

**Current Financial Issues**

From a management and administrative perspective, the City is continuing to examine expenditures to reduce where possible and gain efficiencies as well. Departments are continuing to operate at minimal staffing levels in an effort to reduce overall payroll and benefit costs. Like many other municipalities, the City of Niles faces uncertainty concerning Federal and State revenue sources. The Administration is continually reviewing all programs to determine the most efficient use of funds and resources, to maintain the high level of service to the residents.

**Contacting the City of Niles's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Giovanna Merlo, City Auditor, City of Niles, 34 West State Street, Niles, Ohio 44446.

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## Basic Financial Statements

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**City of Niles, Ohio**  
*Statement of Net Position*  
December 31, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$5,634,004	\$14,979,163	\$20,613,167
Cash and Cash Equivalents:			
In Segregated Accounts	150,977	0	150,977
Accounts Receivable	43,930	3,284,314	3,328,244
Internal Balances	580,102	(580,102)	0
Intergovernmental Receivable	673,976	4,991	678,967
Income Taxes Receivable	1,788,914	0	1,788,914
Property Taxes Receivable	1,023,188	0	1,023,188
Special Assessments Receivable	213,159	0	213,159
Loans Receivable	47,008	0	47,008
Investment in Joint Venture	0	1,526,228	1,526,228
Regulatory Asset	0	1,988,719	1,988,719
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	0	1,014,791	1,014,791
Nondepreciable Capital Assets	243,610	33,815,663	34,059,273
Depreciable Capital Assets, Net	22,024,161	7,629,966	29,654,127
<i>Total Assets</i>	<u>32,423,029</u>	<u>63,663,733</u>	<u>96,086,762</u>
<b>Deferred Outflows of Resources</b>			
Pension	3,344,825	2,898,051	6,242,876
<b>Liabilities</b>			
Accounts Payable	17,304	23,203	40,507
Accrued Wages	143,027	55,561	198,588
Contracts Payable	60,210	62,357	122,567
Retainage Payable	13,656	0	13,656
Intergovernmental Payable	125,223	81,972	207,195
Payable from Restricted Assets:			
Deposits Held and Due to Others	0	1,014,791	1,014,791
Unearned Revenue	169,430	0	169,430
Matured Compensated Absences Payable	0	39,789	39,789
Accrued Interest Payable	18,295	8,379	26,674
Claims Payable	369,232	0	369,232
Long-Term Liabilities:			
Due Within One Year	1,146,252	346,285	1,492,537
Due In More Than One Year:			
Net Pension Liability (See Note 14)	15,220,132	6,436,085	21,656,217
Other Amounts	4,932,000	35,414,505	40,346,505
<i>Total Liabilities</i>	<u>22,214,761</u>	<u>43,482,927</u>	<u>65,697,688</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	839,826	0	839,826
Pension	583,284	145,953	729,237
<i>Total Deferred Inflows of Resources</i>	<u>1,423,110</u>	<u>145,953</u>	<u>1,569,063</u>
<b>Net Position</b>			
Net Investment in Capital Assets	19,370,810	8,052,497	27,423,307
Restricted for:			
Capital Projects	14,082	0	14,082
Other Purposes	1,582,360	0	1,582,360
Unrestricted (Deficit)	(8,837,269)	14,880,407	6,043,138
<i>Total Net Position</i>	<u>\$12,129,983</u>	<u>\$22,932,904</u>	<u>\$35,062,887</u>

See accompanying notes to the basic financial statements

**City of Niles, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2017

	Program Revenues			
	Expenses	Charges for Services and Assessments	Operating Grants	Capital Grants
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
General Government	\$1,848,701	\$951,408	\$0	\$0
General Government - External Portion	34,715	36,557	0	0
Security of Persons and Property	8,974,646	433,026	284,829	0
Public Health and Welfare	255,337	115,228	0	0
Leisure Time Activities	620,373	90,850	13,545	0
Community Environment	815,478	156,848	420,551	0
Transportation	1,213,242	6,910	899,465	391,028
Interest and Fiscal Charges	116,213	0	0	0
<i>Total Governmental Activities</i>	13,878,705	1,790,827	1,618,390	391,028
<b>Business-Type Activities:</b>				
Water	6,324,084	7,424,499	0	0
Sewer	2,462,108	3,319,631	0	0
Electric	27,286,162	28,027,827	0	0
Para-Transit	10,500	0	0	0
<i>Total Business-Type Activities</i>	36,082,854	38,771,957	0	0
<i>Total - Primary Government</i>	<u>\$49,961,559</u>	<u>\$40,562,784</u>	<u>\$1,618,390</u>	<u>\$391,028</u>

**General Revenues**

Property Taxes Levied for:

- General Purposes
- Police and Fire
- Park

Income Taxes Levied for:

- General Purposes
- Police and Fire

Grants and Entitlements not Restricted to Specific Programs

Unrestricted Contributions

Excise Taxes

Hotel Taxes

Interest

Other

*Total General Revenues*

Transfers

*Total General Revenues and Transfers*

Change in Net Position

*Net Position Beginning of Year*

*Net Position End of Year*

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
(\$897,293)	\$0	(\$897,293)
1,842	0	1,842
(8,256,791)	0	(8,256,791)
(140,109)	0	(140,109)
(515,978)	0	(515,978)
(238,079)	0	(238,079)
84,161	0	84,161
(116,213)	0	(116,213)
(10,078,460)	0	(10,078,460)
0	1,100,415	1,100,415
0	857,523	857,523
0	741,665	741,665
0	(10,500)	(10,500)
0	2,689,103	2,689,103
(10,078,460)	2,689,103	(7,389,357)
496,226	0	496,226
135,982	0	135,982
249,620	0	249,620
4,121,662	0	4,121,662
4,167,394	0	4,167,394
342,306	0	342,306
5,305	0	5,305
850,699	0	850,699
144,685	0	144,685
44,879	0	44,879
19,193	239,475	258,668
10,577,951	239,475	10,817,426
(10,500)	10,500	0
10,567,451	249,975	10,817,426
488,991	2,939,078	3,428,069
11,640,992	19,993,826	31,634,818
\$12,129,983	\$22,932,904	\$35,062,887

**City of Niles, Ohio**

*Balance Sheet*

*Governmental Funds*

*December 31, 2017*

	General	Police and Fire Tax	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$2,287,470	\$66,219	\$2,583,848	\$4,937,537
Cash and Cash Equivalents				
In Segregated Accounts	0	0	150,977	150,977
Accounts Receivable	22,272	0	5,996	28,268
Interfund Receivable	89,442	0	0	89,442
Intergovernmental Receivable	176,790	0	493,572	670,362
Income Taxes Receivable	927,459	861,455	0	1,788,914
Property Taxes Receivable	564,061	0	459,127	1,023,188
Loans Receivable	959,775	0	47,008	1,006,783
Special Assessments Receivable	213,159	0	0	213,159
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	24,957	0	0	24,957
<i>Total Assets</i>	<u>\$5,265,385</u>	<u>\$927,674</u>	<u>\$3,740,528</u>	<u>\$9,933,587</u>
<b>Liabilities</b>				
Accounts Payable	\$9,361	\$3,150	\$3,890	\$16,401
Accrued Wages	11,880	121,552	9,595	143,027
Contracts Payable	595	0	59,615	60,210
Retainage Payable	0	0	13,656	13,656
Intergovernmental Payable	18,497	2,363	104,363	125,223
Unearned Revenue	169,430	0	0	169,430
Interfund Payable	0	0	89,442	89,442
<i>Total Liabilities</i>	<u>209,763</u>	<u>127,065</u>	<u>280,561</u>	<u>617,389</u>
<b>Deferred Inflows of Resources</b>				
Property Taxes	460,967	0	378,859	839,826
Unavailable Revenue	1,048,079	554,533	461,624	2,064,236
<i>Total Deferred Inflows of Resources</i>	<u>1,509,046</u>	<u>554,533</u>	<u>840,483</u>	<u>2,904,062</u>
<b>Fund Balances</b>				
Nonspendable	984,732	0	0	984,732
Restricted	0	246,076	2,692,551	2,938,627
Committed	0	0	30,000	30,000
Assigned	71,668	0	0	71,668
Unassigned (Deficit)	2,490,176	0	(103,067)	2,387,109
<i>Total Fund Balances</i>	<u>3,546,576</u>	<u>246,076</u>	<u>2,619,484</u>	<u>6,412,136</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$5,265,385</u>	<u>\$927,674</u>	<u>\$3,740,528</u>	<u>\$9,933,587</u>

See accompanying notes to the basic financial statements



**City of Niles, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 December 31, 2017*

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**Total Governmental Fund Balances** \$6,412,136

*Amounts reported for governmental activities in the  
 statement of net position are different because*

Capital assets used in governmental activities are not financial  
 resources and therefore are not reported in the funds. 22,267,771

Other long-term assets are not available to pay for current-  
 period expenditures and therefore are reported as  
 unavailable revenue in the funds.

Delinquent Property Taxes	183,362
Hotel Taxes	10,338
Income Taxes	1,151,553
Intergovernmental	500,209
Special Assessments	213,159
Rentals	1,883
Other	3,732
	3,732

Total 2,064,236

Internal service funds are used by management to charge the costs  
 of insurance and materials and supplies to individual funds.  
 The assets and liabilities of the internal service funds are included  
 as part of governmental activities in the statement of net position.

Net Position	320,651
Internal Balances	(379,673)
	(379,673)

Total (59,022)

In the statement of activities, interest is accrued on outstanding  
 bonds, whereas in governmental funds, an interest  
 expenditure is reported when due. (18,295)

The net pension liability is not due and payable in the current period;  
 therefore, the liability and related deferred inflows/outflows are not  
 reported in governmental funds.

Deferred Outflows - Pension	3,344,825
Deferred Inflows - Pension	(583,284)
Net Pension Liability	(15,220,132)
	(15,220,132)

Total (12,458,591)

Long-term liabilities are not due and payable in the current  
 period and therefore are not reported in the funds.

General Obligation Bonds	(4,078,355)
Police and Fire Pension	(318,556)
Capital Leases Payable	(280,901)
Compensated Absences	(1,323,446)
Special Termination Benefits Payable	(76,994)
	(76,994)

Total (6,078,252)

*Net Position of Governmental Activities* \$12,129,983

See accompanying notes to the basic financial statements

**City of Niles, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2017*

	General	Police and Fire Tax	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$462,925	\$0	\$360,335	\$823,260
Income Taxes	4,292,527	4,088,001	0	8,380,528
Special Assessments	16,692	0	0	16,692
Excise Taxes	850,699	0	0	850,699
Hotel Taxes	134,347	0	0	134,347
Intergovernmental	348,561	0	1,967,599	2,316,160
Interest	42,222	0	2,657	44,879
Fees, Licenses and Permits	290,276	0	0	290,276
Fines and Forfeitures	492,745	0	202,784	695,529
Rentals	18,704	0	6,741	25,445
Charges for Services	282,231	0	264,395	546,626
Contributions and Donations	5,305	0	0	5,305
Cable Franchise Fees	213,717	0	0	213,717
Other	28,038	0	18,954	46,992
<i>Total Revenues</i>	<u>7,478,989</u>	<u>4,088,001</u>	<u>2,823,465</u>	<u>14,390,455</u>
<b>Expenditures</b>				
Current:				
General Government	1,511,108	0	71,007	1,582,115
Security of Persons and Property	324,846	6,361,599	1,369,047	8,055,492
Public Health and Welfare	0	0	195,124	195,124
Leisure Time Activities	156,910	0	290,016	446,926
Community Environment	243,289	0	470,934	714,223
Transportation	13,173	0	942,894	956,067
Capital Outlay	0	0	640,982	640,982
Debt Service:				
Principal Retirement	179,353	12,108	76,909	268,370
Interest and Fiscal Charges	84,736	13,926	8,516	107,178
<i>Total Expenditures</i>	<u>2,513,415</u>	<u>6,387,633</u>	<u>4,065,429</u>	<u>12,966,477</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>4,965,574</u>	<u>(2,299,632)</u>	<u>(1,241,964)</u>	<u>1,423,978</u>
<b>Other Financing Sources (Uses)</b>				
General Obligation Bonds Issued	0	0	1,600,000	1,600,000
Transfers In	0	2,320,024	1,006,226	3,326,250
Transfers Out	(3,336,750)	0	0	(3,336,750)
<i>Total Other Financing Sources (Uses)</i>	<u>(3,336,750)</u>	<u>2,320,024</u>	<u>2,606,226</u>	<u>1,589,500</u>
<i>Net Change in Fund Balances</i>	1,628,824	20,392	1,364,262	3,013,478
<i>Fund Balances Beginning of Year - Restated (See Note 22)</i>	<u>1,917,752</u>	<u>225,684</u>	<u>1,255,222</u>	<u>3,398,658</u>
<i>Fund Balances End of Year</i>	<u><u>\$3,546,576</u></u>	<u><u>\$246,076</u></u>	<u><u>\$2,619,484</u></u>	<u><u>\$6,412,136</u></u>

See accompanying notes to the basic financial statements

**City of Niles, Ohio**

*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2017*

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**Net Change in Fund Balances - Total Governmental Funds** \$3,013,478

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

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

Capital Asset Additions	695,133	
Current Year Depreciation	<u>(791,441)</u>	
Total		(96,308)

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

Delinquent Property Taxes	58,568	
Hotel Taxes	10,338	
Income Taxes	(91,472)	
Intergovernmental	35,571	
Special Assessments	(27,449)	
Rentals	1,883	
Charges for Services	(8,456)	
Other	<u>(27,799)</u>	
Total		(48,816)

The internal service funds used by management are not reported in the City-internal service fund revenue are eliminated. The net revenue (expense) of the internal service funds is allocated among the governmental activities.

Change in Net Position	991,377	
Internal Balances	<u>(386,611)</u>	
Total		604,766

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 1,249,257

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (2,519,715)

Other financing sources, such as general obligation bonds issued, in the governmental funds increase long-term liabilities in the statement of net assets. (1,600,000)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 268,370

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrued Interest on Bonds	(10,354)	
Amortization of Premium	<u>1,319</u>	
Total		(9,035)

Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	(296,012)	
Special Termination Benefits Payable	<u>(76,994)</u>	
Total		<u>(373,006)</u>

*Change in Net Position of Governmental Activities* \$488,991

See accompanying notes to the basic financial statements

**City of Niles, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Year Ended December 31, 2017*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues</b>				
Property Taxes	\$417,193	\$469,000	\$470,485	\$1,485
Income Taxes	3,421,801	4,263,740	4,374,492	110,752
Special Assessments	14,801	15,000	16,692	1,692
Excise Taxes	754,340	875,000	850,699	(24,301)
Hotel Taxes	117,853	128,000	132,908	4,908
Intergovernmental	367,369	420,924	411,290	(9,634)
Interest	34,966	39,000	39,433	433
Fees, Licenses and Permits	257,263	265,550	290,126	24,576
Fines and Forfeitures	429,998	465,000	484,926	19,926
Rentals	167,330	22,000	188,704	166,704
Charges for Services	250,383	271,000	282,367	11,367
Contributions and Donations	5,563	5,563	5,563	0
Cable Franchise Fees	188,388	214,000	212,453	(1,547)
Other	16,649	36,386	35,906	(480)
<i>Total Revenues</i>	6,443,897	7,490,163	7,796,044	305,881
<b>Expenditures</b>				
Current:				
General Government	1,609,683	1,843,085	1,564,562	278,523
Security of Persons and Property	377,103	369,317	328,198	41,119
Leisure Time Activities	210,087	193,291	180,154	13,137
Community Environment	251,663	268,152	257,122	11,030
Transportation	32,950	33,043	17,673	15,370
Debt Service:				
Principal Retirement	179,353	179,353	179,353	0
Interest and Fiscal Charges	95,473	95,473	84,736	10,737
<i>Total Expenditures</i>	2,756,312	2,981,714	2,611,798	369,916
<i>Excess of Revenues Over (Under) Expenditures</i>	3,687,585	4,508,449	5,184,246	675,797
<b>Other Financing Sources (Uses)</b>				
Advances-Out	(59,442)	(59,442)	(59,442)	0
Transfers Out	(3,416,098)	(3,546,108)	(3,336,750)	209,358
<i>Total Other Financing Sources (Uses)</i>	(3,475,540)	(3,605,550)	(3,396,192)	209,358
<i>Net Change in Fund Balance</i>	212,045	902,899	1,788,054	885,155
<i>Fund Balance Beginning of Year</i>	336,693	336,693	336,693	0
Prior Year Encumbrances Appropriated	61,721	61,721	61,721	0
<i>Fund Balance End of Year</i>	\$610,459	\$1,301,313	\$2,186,468	\$885,155

See accompanying notes to the basic financial statements

**City of Niles, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Police and Fire Tax Fund*  
*For the Year Ended December 31, 2017*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Income Taxes	\$4,385,857	\$4,394,221	\$4,036,260	(\$357,961)
<b>Expenditures</b>				
Current:				
Security of Persons and Property	6,851,419	6,889,800	6,367,269	522,531
Debt Service:				
Principal Retirement	12,108	12,108	12,108	0
Interest and Fiscal Charges	13,926	13,926	13,926	0
<i>Total Expenditures</i>	<u>6,877,453</u>	<u>6,915,834</u>	<u>6,393,303</u>	<u>522,531</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(2,491,596)	(2,521,613)	(2,357,043)	164,570
<b>Other Financing Sources (Uses)</b>				
Transfers In	<u>2,520,970</u>	<u>2,525,779</u>	<u>2,320,024</u>	<u>(205,755)</u>
<i>Net Change in Fund Balance</i>	29,374	4,166	(37,019)	(41,185)
<i>Fund Balance Beginning of Year</i>	49,132	49,132	49,132	0
Prior Year Encumbrances Appropriated	<u>6,211</u>	<u>6,211</u>	<u>6,211</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$84,717</u>	<u>\$59,509</u>	<u>\$18,324</u>	<u>(\$41,185)</u>

See accompanying notes to the basic financial statements

**City of Niles, Ohio**  
*Statement of Fund Net Position*  
*Proprietary Funds*  
*December 31, 2017*

	Enterprise				Internal Service
	Water	Sewer	Electric	Total	
<b>Assets</b>					
<i>Current Assets:</i>					
Equity in Pooled Cash and Cash Equivalents	\$241,687	\$2,246,369	\$12,491,107	\$14,979,163	\$671,510
Receivables:					
Intergovernmental	2,077	605	2,309	4,991	3,614
Accounts	662,051	335,556	2,286,707	3,284,314	15,662
<i>Total Current Assets</i>	<u>905,815</u>	<u>2,582,530</u>	<u>14,780,123</u>	<u>18,268,468</u>	<u>690,786</u>
<i>Noncurrent Assets:</i>					
Investment in Joint Venture	0	0	1,526,228	1,526,228	0
Regulatory Asset	0	0	1,988,719	1,988,719	0
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	323,341	270,907	420,543	1,014,791	0
Capital Assets:					
Nondepreciable Capital Assets	2,175,565	30,867,261	772,837	33,815,663	0
Depreciable Capital Assets, Net	236,555	5,064,102	2,329,309	7,629,966	0
<i>Total Noncurrent Assets</i>	<u>2,735,461</u>	<u>36,202,270</u>	<u>7,037,636</u>	<u>45,975,367</u>	<u>0</u>
<i>Total Assets</i>	<u>3,641,276</u>	<u>38,784,800</u>	<u>21,817,759</u>	<u>64,243,835</u>	<u>690,786</u>
<b>Deferred Outflows of Resources</b>					
Pension	591,402	729,280	1,577,369	2,898,051	0
<b>Liabilities</b>					
<i>Current Liabilities:</i>					
Accounts Payable	528	9,500	13,175	23,203	903
Accrued Wages	11,146	12,966	31,449	55,561	0
Contracts Payable	0	62,357	0	62,357	0
Intergovernmental Payable	17,914	19,738	44,320	81,972	0
Payable from Restricted Assets:					
Deposits Held and Due to Others	323,341	270,907	420,543	1,014,791	0
Matured Compensated Absences Payable	0	0	39,789	39,789	0
Compensated Absences Payable	35,304	17,797	108,184	161,285	0
Accrued Interest Payable	2,209	6,170	0	8,379	0
Internal Loans Payable	159,962	0	0	159,962	0
General Obligation Bonds Payable	50,000	135,000	0	185,000	0
Claims Payable	0	0	0	0	369,232
<i>Total Current Liabilities</i>	<u>600,404</u>	<u>534,435</u>	<u>657,460</u>	<u>1,792,299</u>	<u>370,135</u>
<i>Long-Term Liabilities (net of current portion):</i>					
Compensated Absences Payable	30,884	56,835	105,869	193,588	0
Internal Loans Payable	799,813	0	0	799,813	0
General Obligation Bonds Payable	806,306	2,262,760	0	3,069,066	0
OWDA Loans Payable	0	30,163,132	0	30,163,132	0
Stranded Cost Liability	0	0	1,988,719	1,988,719	0
Net Pension Liability	1,305,872	1,585,702	3,544,511	6,436,085	0
<i>Total Long-Term Liabilities</i>	<u>2,942,875</u>	<u>34,068,429</u>	<u>5,639,099</u>	<u>42,650,403</u>	<u>0</u>
<i>Total Liabilities</i>	<u>3,543,279</u>	<u>34,602,864</u>	<u>6,296,559</u>	<u>44,442,702</u>	<u>370,135</u>
<b>Deferred Inflows of Resources</b>					
Pension	29,614	35,960	80,379	145,953	0
<b>Net Position</b>					
Net Investment in Capital Assets	1,562,120	3,388,231	3,102,146	8,052,497	0
Unrestricted (Deficit)	(902,335)	1,487,025	13,916,044	14,500,734	320,651
<i>Total Net Position</i>	<u>\$659,785</u>	<u>\$4,875,256</u>	<u>\$17,018,190</u>	<u>\$22,553,231</u>	<u>\$320,651</u>

Net position reported for business-type activities in the statement of net position are different because they include accumulated overpayments to the internal service funds:

379,673

Net position of business-type activities

\$22,932,904

See accompanying notes to the basic financial statements

**City of Niles, Ohio**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Position  
Proprietary Funds  
For the Year Ended December 31, 2017*

	Enterprise				Total	Internal Service
	Water	Sewer	Electric	Nonmajor Enterprise Funds		
<b>Operating Revenues</b>						
Charges for Services	\$7,424,499	\$3,319,631	\$28,027,827	\$0	\$38,771,957	\$3,602,752
Other	26,118	31,293	182,064	0	239,475	0
<i>Total Operating Revenues</i>	<u>7,450,617</u>	<u>3,350,924</u>	<u>28,209,891</u>	<u>0</u>	<u>39,011,432</u>	<u>3,602,752</u>
<b>Operating Expenses</b>						
Personal Services	1,378,413	1,835,425	3,955,468	0	7,169,306	0
Materials and Supplies	124,573	69,679	427,778	0	622,030	0
Contractual Services	4,777,130	416,826	22,232,735	10,500	27,437,191	185,138
Depreciation	79,369	169,459	381,894	0	630,722	0
Claims	0	0	0	0	0	2,424,489
Other	9,881	8,796	105,972	0	124,649	1,748
<i>Total Operating Expenses</i>	<u>6,369,366</u>	<u>2,500,185</u>	<u>27,103,847</u>	<u>10,500</u>	<u>35,983,898</u>	<u>2,611,375</u>
<i>Operating Income (Loss)</i>	<u>1,081,251</u>	<u>850,739</u>	<u>1,106,044</u>	<u>(10,500)</u>	<u>3,027,534</u>	<u>991,377</u>
<b>Non-Operating Revenues (Expenses)</b>						
Interest and Fiscal Charges	(27,251)	(76,709)	0	0	(103,960)	0
Loss on Investment in Joint Venture	0	0	(381,607)	0	(381,607)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(27,251)</u>	<u>(76,709)</u>	<u>(381,607)</u>	<u>0</u>	<u>(485,567)</u>	<u>0</u>
<i>Income (Loss) before Transfers</i>	<u>1,054,000</u>	<u>774,030</u>	<u>724,437</u>	<u>(10,500)</u>	<u>2,541,967</u>	<u>991,377</u>
Transfers In	0	0	0	10,500	10,500	0
<i>Change in Net Position</i>	<u>1,054,000</u>	<u>774,030</u>	<u>724,437</u>	<u>0</u>	<u>2,552,467</u>	<u>991,377</u>
<i>Net Position Beginning of Year - Restated (See Note 22)</i>	<u>(394,215)</u>	<u>4,101,226</u>	<u>16,293,753</u>	<u>0</u>		<u>(670,726)</u>
<i>Net Position End of Year</i>	<u>\$659,785</u>	<u>\$4,875,256</u>	<u>\$17,018,190</u>	<u>\$0</u>		<u>\$320,651</u>

Some amounts reported for business-type activities in the statement of activities are different because a portion of the net revenue of the internal service funds reduces expenses in the business-type activities.

386,611

Change in net position of business-type activities

\$2,939,078

See accompanying notes to the basic financial statements

**City of Niles, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds*  
*For the Year Ended December 31, 2017*

	Enterprise					Internal Service
	Water	Sewer	Electric	Nonmajor Enterprise Funds	Total	
<b>Increase (Decrease) in Cash and Cash Equivalents</b>						
<b>Cash Flows from Operating Activities</b>						
Cash Received from Customers	\$7,406,984	\$3,340,712	\$27,163,551	\$0	\$37,911,247	\$3,585,248
Other Cash Receipts	25,664	30,736	179,803	0	236,203	0
Cash Payments to Employees for Services	(958,889)	(1,231,036)	(2,707,155)	0	(4,897,080)	0
Cash Payments for Goods and Services	(4,908,121)	(460,187)	(22,659,857)	(10,500)	(28,038,665)	(184,235)
Cash Payments for Claims	0	0	0	0	0	(2,858,499)
Cash Payments for Interfund Services Provided	(261,402)	(413,678)	(718,232)	0	(1,393,312)	0
Other Cash Payments	(10,020)	(8,856)	(105,972)	0	(124,848)	(1,748)
<i>Net Cash Provided by (Used for)</i> <i>Operating Activities</i>	<u>1,294,216</u>	<u>1,257,691</u>	<u>1,152,138</u>	<u>(10,500)</u>	<u>3,693,545</u>	<u>540,766</u>
<b>Cash Flows from Noncapital and Related Financing Activities</b>						
Advances In	0	0	391,846	0	391,846	0
Advances Out	(790,260)	0	0	0	(790,260)	0
Transfers In	0	0	0	10,500	10,500	0
<i>Net Cash Provided by (Used for)</i> <i>Noncapital Financing Activities</i>	<u>(790,260)</u>	<u>0</u>	<u>391,846</u>	<u>10,500</u>	<u>(387,914)</u>	<u>0</u>
<b>Cash Flows from Capital and Related Financing Activities</b>						
OWDA Loans Issued	0	11,786,174	0	0	11,786,174	0
Principal Paid on General Obligation Bonds	(45,000)	(135,000)	0	0	(180,000)	0
Interest Paid on General Obligation Bonds	(28,232)	(79,505)	0	0	(107,737)	0
Cash used for Joint Venture	0	0	(220,300)	0	(220,300)	0
Payment on Potential Stranded Cost Liability	0	0	(399,852)	0	(399,852)	0
Payments for Capital Acquisitions	0	(11,786,174)	(553,083)	0	(12,339,257)	0
<i>Net Cash Provided by (Used for)</i> <i>Capital and Related Financing Activities</i>	<u>(73,232)</u>	<u>(214,505)</u>	<u>(1,173,235)</u>	<u>0</u>	<u>(1,460,972)</u>	<u>0</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	430,724	1,043,186	370,749	0	1,844,659	540,766
<i>Cash and Cash Equivalents</i> <i>Beginning of Year - Restated</i>	<u>134,304</u>	<u>1,474,090</u>	<u>12,540,901</u>	<u>0</u>	<u>14,149,295</u>	<u>130,744</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$565,028</u>	<u>\$2,517,276</u>	<u>\$12,911,650</u>	<u>\$0</u>	<u>\$15,993,954</u>	<u>\$671,510</u>

(continued)



**City of Niles, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds (continued)*  
For the Year Ended December 31, 2017

	Enterprise				Total	Internal Service
	Water	Sewer	Electric	Nonmajor Enterprise Funds		
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>						
Operating Income (Loss)	\$1,081,251	\$850,739	\$1,106,044	(\$10,500)	\$3,027,534	\$991,377
Adjustments:						
Depreciation	79,369	169,459	381,894	0	630,722	0
<i>(Increase) Decrease in Assets:</i>						
Accounts Receivable	(206,717)	(69,772)	(711,800)	0	(988,289)	(15,662)
Intergovernmental Receivable	(289)	(486)	(1,461)	0	(2,236)	(1,842)
Net Pension Asset	7	8	18	0	33	0
(Increase) Decrease in Deferred Outflows - Pension	(93,216)	(152,808)	(243,392)	0	(489,416)	0
<i>Increase (Decrease) in Liabilities:</i>						
Accounts Payable	(6,557)	(36,099)	656	0	(42,000)	903
Accrued Wages	(6,172)	(8,602)	(24,324)	0	(39,098)	0
Contracts Payable	0	62,357	0	0	62,357	0
Intergovernmental Payable	3,239	1,079	3,403	0	7,721	0
Deposits Held and Due to Others	189,037	90,782	(153,276)	0	126,543	0
Matured Compensated Absences Payable	0	0	39,789	0	39,789	0
Compensated Absences Payable	(1,846)	(21,637)	19,909	0	(3,574)	0
Claims Payable	0	0	0	0	0	(434,010)
Net Pension Liability	246,956	360,386	709,085	0	1,316,427	0
Increase (Decrease) in Deferred Inflows - Pension	9,154	12,285	25,593	0	47,032	0
<i>Total Adjustments</i>	<u>212,965</u>	<u>406,952</u>	<u>46,094</u>	<u>0</u>	<u>666,011</u>	<u>(450,611)</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>\$1,294,216</u>	<u>\$1,257,691</u>	<u>\$1,152,138</u>	<u>(\$10,500)</u>	<u>\$3,693,545</u>	<u>\$540,766</u>

See accompanying notes to the basic financial statements

**City of Niles**  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*December 31, 2017*

	Private Purpose Trust	
	Endowment	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$85,937	\$19,176
<b>Liabilities</b>		
Deposits Held and Due to Others	0	19,176
<b>Net Position</b>		
Held in Trust for Scholarships	\$85,937	

See accompanying notes to the basic financial statements

**City of Niles**  
*Statement of Changes in Fiduciary Net Position*  
*Fiduciary Fund*  
*For the Year Ended December 31, 2017*

	Private Purpose Trust
<b>Additions</b>	\$0
<b>Deductions</b>	
Benefits	35
<i>Change in Net Position</i>	(35)
<i>Net Position Beginning of Year</i>	85,972
<i>Net Position End of Year</i>	\$85,937

See accompanying notes to the basic financial statements

**City of Niles, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 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 to a four-year term. The eight council members serve two-year terms.

On October 7, 2014, the Auditor of State's office declared the City of Niles to be in a state of fiscal emergency in accordance with Section 118.03, Ohio Revised Code. The declaration resulted in the establishment of a Financial Planning and Supervision Commission. The Commission is composed of the Mayor of the City, Council President, three financial consultants from various corporations and/or organizations within the City and two representatives from the State of Ohio. The City had 120 days after the first meeting of the Commission to approve a financial recovery plan. Once the plan was adopted, the City's discretion was limited in that all financial activity of the City must be in accordance with the plan. See Note 23 for more information on the City's fiscal emergency status.

***Reporting Entity***

The 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 consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Niles, this includes the agencies and departments that provide the following services: police and fire protection, street maintenance and repairs, building inspection, sewer, water and electric.

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

The City participates in two jointly governed organizations and three joint ventures. They are the Eastgate Regional Council of Governments, the Emergency Management Agency, the Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5), the Ohio Municipal Electric Generation Agency Joint Venture 2 (JV2) and the Ohio Municipal Electric Generation Agency Joint Venture 1 (JV1), respectively. These organizations are presented in Notes 16 and 17 to the general purpose financial statements.

**Note 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 local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the City's accounting policies are described below.

**City of Niles, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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***Basis of Presentation***

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

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

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

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

***Fund Accounting***

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

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

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

**City of Niles, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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***Police and fire tax fund*** This fund accounts for and reports the restricted revenue received from income tax for police and fire and for various police and fire expenditures.

The other governmental funds of the City account for grants and other resources whose use is restricted, committed or assigned to a particular purpose.

***Proprietary Funds*** Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

***Enterprise Fund*** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The City has three major enterprise funds.

***Water fund*** This fund accounts for the provision of water treatment and distribution to its residential and commercial users located within the City.

***Sewer fund*** This fund accounts for the provision of sanitary sewer service to the residents and commercial users located within the City.

***Electric fund*** This fund accounts for the operations of providing electric services to customers and to maintain the local electric system of the City.

Other enterprise funds of the City are used to account for the operations of the City's transportation services for users within the City.

***Internal Service Fund*** Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service funds are a health fund that accounts for vision, dental, prescription drug and hospital/medical claims of the City employees and for fuel reimbursements across all departments.

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

***Measurement Focus***

***Government-wide Financial Statements*** The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the City are included on the Statement of Net Position. The Statement of Activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

**City of Niles, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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

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

***Basis of Accounting***

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

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), interest, fines and forfeitures, grants and fees.

**City of Niles, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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***Deferred Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 14.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City unavailable revenue includes delinquent property taxes, income taxes, charges for service, special assessments, interest and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 19. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 14)

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

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

***Pensions***

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

***Budgetary Process***

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations ordinance is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of budgetary control has been established by City Council at the function level of expenditures by personal services and all other expenditure categories within each department for all funds pursuant to Ohio Revised Code Section 5705.38(C). Budgetary modifications may only be made



**City of Niles, Ohio**  
*Notes to the Basic Financial Statements*  
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by ordinance of the City Council at the legal level of control. The City Auditor has been authorized to allocate appropriations within expenditure categories as appropriated by Council. Budgetary statements are presented beyond the legal level of control for informational purposes only.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the City Auditor. The amounts reported as the original and final budgeted amounts on the budgetary statements reflect the amounts on the original and final amended official certificate of estimated resources when the original and final appropriations were enacted by Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts on the budgetary statements reflect the first appropriations ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year.

***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 City records. Interest in the pool is presented as "equity in pooled cash and cash equivalents".

The City has segregated bank accounts for monies held separately from the City's central bank account as part of a revolving loan fund administered by Mahoning Valley Economic Development Agency. These interest-bearing depository accounts and investments are presented on the financial statements as "cash in segregated accounts" since they are not required to be deposited into the County treasury.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue is distributed to the general fund, certain special revenue funds, debt service funds and certain capital projects funds. Interest revenue credited to the general fund during 2017 amounted to \$42,222, which includes \$37,480 assigned from other City funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the City are presented on the financial statements as cash equivalents.

***Investment in Joint Venture***

The investment in the joint venture is reported using the equity method of accounting. The amounts included in the statements relating to the joint venture are as of December 31, 2017.

***Restricted Assets***

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws or other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund represent money set aside for unclaimed monies. Restricted assets in the enterprise funds represent utility deposits held by the City.

**City of Niles, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

***Inventory***

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption.

***Capital Assets***

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are valued at their acquisition values as of the date received. The City maintains a capitalization threshold of ten thousand dollars for infrastructure, zero dollars for land, works of art, computers and computer peripherals and five thousand dollars for all other assets. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

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

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land Improvements	25 years	N/A
Buildings and Improvements	50 years	10-50 years
Machinery and Equipment	N/A	5-50 years
Equipment	3-40 years	N/A
Vehicles	5-25 years	5-10 years
Infrastructure	N/A	50 years

The City's infrastructure consists of roads, sidewalks, storm sewers, bridges and culverts, dams and does not include infrastructure acquired prior to December 31, 1980.

**City of Niles, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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***Interfund Balances***

On the fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as “interfund receivables/payables”. Long term interfund loans are reported as “loans to/from other funds” and are classified as nonspendable fund balance which indicates that they do not constitute “available expendable resources” since they are not a component of net current position. Interfund balance amounts are eliminated in the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

***Compensated Absences***

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the City's termination policy. The City records a liability for accumulated unused sick leave for all employees after five years of service.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “matured compensated absences payable” in the fund(s) from which the employees who have resigned or retired will be paid.

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

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims, compensated absences and net pension liability that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and long-term loans are recognized as a liability on the governmental fund financial statements when due.

***Fund Balance***

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

**City of Niles, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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

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

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party—such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by the highest level of formal action (ordinance or resolution, as both are equally binding) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by City Council. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute. State statute authorizes the Finance Director to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

***Unassigned*** Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

**City of Niles, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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***Bond Premiums***

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight-line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On fund financial statements, bond premiums are received in the year the bonds are issued. Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

***Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activities of the proprietary funds. For the City, these revenues are charges for services for water, electric, sewer and para transit programs. Operating expenses are necessary costs incurred to provide the service for the primary activities of the funds. Revenues and expenses not meeting these definitions are reported as nonoperating.

***Internal Activity***

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated.

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

***Net Position***

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Net position restricted for other purposes include resources restricted for street and state highway, indigent drivers program, probation and park services. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**City of Niles, Ohio**  
*Notes to the Basic Financial Statements*  
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**Estimates**

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

**Note 3 - Budgetary Basis of Accounting**

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

1. Revenues and other sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures and other uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than restricted, committed or assigned fund balance (GAAP).
4. Advances out are operating transactions (budget) as opposed to balance sheet transactions.
5. Unreported cash represents amounts received but not included as revenue on the budgetary statements, but which are reported on the operating statements prepared using GAAP.
6. Budgetary revenues and expenditures of the unclaimed monies fund are classified to general fund for GAAP Reporting.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund and for the major special revenue fund.

Net Change in Fund Balances		
	General	Police and Fire Tax
GAAP Basis	\$1,628,824	\$20,392
Net Adjustment for Revenue Accruals	343,668	(51,741)
Perspective Difference:		
Unclaimed Monies	(10,754)	0
Ending Unrecorded Cash	(15,859)	0
Net Adjustment for Expenditure Accruals	(19,781)	42,225
Advances Out	(59,442)	0
Adjustments for Encumbrances	(78,602)	(47,895)
Budget Basis	\$1,788,054	(\$37,019)

**City of Niles, Ohio**  
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*For the Year Ended December 31, 2017*

**Note 4 – Fund Balances**

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

Fund Balances	General	Police and Fire Tax	Other Governmental Funds	Total
<u>Nonspendable:</u>				
Unclaimed Monies	\$24,957	\$0	\$0	\$24,957
Long-term Loans	959,775	0	0	959,775
<i>Total Nonspendable</i>	984,732	0	0	984,732
<u>Restricted for:</u>				
Police and Fire Protection	0	246,076	440,620	686,696
Park and Community Activities	0	0	35,966	35,966
Debt Service Retirement	0	0	1,000	1,000
Street Maintenance	0	0	401,008	401,008
Health and Welfare	0	0	52,884	52,884
Municipal Court	0	0	99,206	99,206
Revolving Loan	0	0	197,985	197,985
Capital Improvements	0	0	1,458,022	1,458,022
Other Purposes	0	0	5,860	5,860
<i>Total Restricted</i>	0	246,076	2,692,551	2,938,627
<u>Committed to:</u>				
Capital Improvements	0	0	30,000	30,000
<u>Assigned to:</u>				
<u>Purchases on Order:</u>				
General Government	35,921	0	0	35,921
Security of Persons and Property	3,312	0	0	3,312
Community Environment	12,302	0	0	12,302
Leisure Time Activities	19,901	0	0	19,901
Transportation	232	0	0	232
<i>Total Assigned</i>	71,668	0	0	71,668
Unassigned (Deficit)	2,490,176	0	(103,067)	2,387,109
<b>Total Fund Balances</b>	<b>\$3,546,576</b>	<b>\$246,076</b>	<b>\$2,619,484</b>	<b>\$6,412,136</b>

**City of Niles, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 5 - Deposits and Investments**

The City has chosen to follow State statutes and classify monies held by the City into three categories.

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

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

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

Interim monies held by the City can be deposited or invested in the following securities:

1. United States Treasury bills, bonds notes, 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, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and



**City of Niles, Ohio**  
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8. Written repurchase agreements in the securities described in (1) or (2) provided 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 the term of the agreement must not exceed thirty days.

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.

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The City may also invest any monies not required to be used for a specific period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest, or coupons;
3. Obligations of the City.

### **Deposits**

***Custodial Credit Risk*** for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in possession of an outside party. At year end, \$957,024 of the City's bank balance of \$21,966,628 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the Federal Deposit Insurance Corporation.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by:

Eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Two of the City's four financial institutions were in the process of joining OPCS; however, at December 31, 2017, the financial institutions still maintained their own collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

**City of Niles, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 6 - Receivables**

Receivables at December 31, 2017, consisted primarily of municipal income taxes, property taxes, intergovernmental receivables arising from entitlements and shared revenues, special assessments, accrued interest on investments, and accounts (billings for utility service).

No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant. All receivables except property taxes and special assessments are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

***Property Taxes***

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2017 for real and public utility property taxes represents collections of 2016 taxes.

2017 real property taxes were levied after October 1, 2017, on the assessed value as of January 1, 2017, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2017 real property taxes are collected in and intended to finance 2018.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2017 public utility property taxes which became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2017, was \$3.50 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2017 property tax receipts were based are as follows:

	<u>Assessed Value</u>
Real Estate	
Residential/Agricultural	\$162,456,230
Commercial Industrial/PU	86,553,000
Public Utility Property	<u>1,794,090</u>
Total Assessed Value	<u><u>\$250,803,320</u></u>

The Trumbull County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2017, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2017 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

**City of Niles, Ohio**  
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***Income Tax***

The City levied and collected an income tax of 2.0 percent on substantially all income earned within the City as well as on incomes of residents earned outside the City, allowing a credit of 100 percent of the tax paid to another municipality, not to exceed the City's current tax rate.

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

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

***Intergovernmental Receivables***

A summary of the governmental activities principal items of intergovernmental receivables follows:

	<u>Amounts</u>
<b>Governmental:</b>	
Gasoline Tax	\$205,531
Cents per Gallon	107,228
Local Government	103,839
Motor Vehicle License Registration	68,519
Homestead and Rollback	49,269
City of Niles Municipal Court	48,156
Permissive Motor Vehicle License Tax	45,592
Grants	36,457
State of Ohio Distributions	4,349
Trumbull County	<u>1,422</u>
Total Governmental Funds	<u><u>\$670,362</u></u>

At December 31, 2017 the City had intergovernmental receivables of \$2,077, \$605 and \$2,309 in the water, sewer and electric enterprise funds, respectively, for charges to the Mahoning Valley Sanitary District and refunds from the Bureau of Workers' Compensation as well as \$3,614 in the internal service funds for amounts received from Weathersfield Township for motor fuel costs.

## **Note 7 - Contingencies**

### ***Grants***

The City received 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 are 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, 2017.

### ***Litigation***

Several claims and lawsuits are pending against the City. In the opinion of management, any such claims and lawsuits will not have a material adverse effect on the overall financial position of the City at December 31, 2017.

## **Note 8 - Other Employee Benefits**

### ***Compensated Absences***

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn one to eight weeks of vacation per year, depending upon length of service. Vacation accumulation is limited to one year unless an extension is approved by the Mayor. All accumulated unused vacation time is paid upon termination of employment. Outstanding unused vacation is reflected as compensated absences payable.

Employees earn sick leave at the rate of 4.6 hours for each 80 hours of completed service. There are several sick leave accumulation limits for each bargaining unit based on the hire date of the employee. Upon retirement, an employee will be paid according to the corresponding bargaining unit agreement. There are several severance calculations for each bargaining unit based on the hire date of the employee.

### ***Health and Life Insurance***

The City provides health insurance through Medical Mutual to its employees. It also provides life insurance and accidental death and dismemberment insurance to its employees through Hartford Life Insurance.

### ***Retirement Incentive***

The City Council offers employees participation in a Retirement Incentive program. Participation was open to employees who have a minimum of ten years of continuous employment with the City and who are eligible to retire under the rules and regulations of the respective pension system. This incentive shall consist of one week salary, at retirement, for each year of completed service with the City. This incentive will be spread over one year. In 2017, seven employees took the retirement incentive. The remaining retirement incentive will be paid out in 2018 and 2019.

**City of Niles, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

**Note 9 - Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year, the City contracted with the USI Insurance Services for all insurance. The coverage and deductibles are as follows:

Type of Coverage	Coverage	Deductible
<i>General Liability:</i>		
Each Occurrence	\$2,000,000	None
Employee Benefits Liability	1,000,000	\$1,000
Injunctive Relief	50,000	None
Sewer Backup Pollution Liability	1,000,000	None
Underground Storage Tank Pollution	55,000	None
<i>Auto Liability and Physical Damage</i>		
Each Occurrence	2,000,000	None
Uninsured Motorists	1,000,000	None
<i>Law Enforcement Liability</i>		
Each Occurrence	2,000,000	1,000
<i>Wrongful Acts Coverage</i>		
Each Occurrence	2,000,000	1,000

The City has updated its coverages from the prior year. However, settled claims have not exceeded this commercial coverage in any of the past three years.

The City has elected to provide employee hospital/medical, prescription, dental, and vision insurance benefits through a partially self-insured program. The City established a health insurance internal service fund to account for and finance the cost of this program.

Medical Mutual of Ohio serves as the third party administrator who reviews and processes medical, prescription, dental and vision claims which the City then pays after discounts are applied. The City has stop loss coverage of \$100,000 per individual. The departments are charged an amount annually equal to the estimated costs for the year divided by the number of qualified covered employees.

The claims liability of \$369,232 as estimated by the third party administrator and reported in the health insurance internal service fund at December 31, 2017, is based on the requirements of GASB Statement No. 30 which requires a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The estimate was not affected by incremental claims adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the funds claims liability amount in 2016 and 2017 were as follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2016	\$670,183	\$3,338,002	\$3,204,943	\$803,242
2017	803,242	2,424,489	2,858,499	369,232

Workers' compensation coverage is provided by the State of Ohio. 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.

**City of Niles, Ohio**  
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**Note 10 - Capital Assets**

Capital asset activity for the year ended December 31, 2017, was as follows:

	Balance 12/31/16	Additions	Deletions	Balance 12/31/17
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$106,300	\$0	\$0	\$106,300
Construction in Progress	0	137,310	0	137,310
<i>Total Capital Assets, not being depreciated</i>	<u>106,300</u>	<u>137,310</u>	<u>0</u>	<u>243,610</u>
<i>Capital Assets, being depreciated:</i>				
Land Improvements	1,313,828	0	0	1,313,828
Buildings and Improvements	24,556,351	357,468	0	24,913,819
Equipment	2,778,164	0	0	2,778,164
Vehicles	2,490,872	200,355	0	2,691,227
<i>Total Capital Assets, being depreciated</i>	<u>31,139,215</u>	<u>557,823</u>	<u>0</u>	<u>31,697,038</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(893,401)	(52,554)	0	(945,955)
Buildings and Improvements	(3,727,525)	(505,373)	0	(4,232,898)
Equipment	(2,191,805)	(133,404)	0	(2,325,209)
Vehicles	(2,068,705)	(100,110)	0	(2,168,815)
<i>Total Accumulated Depreciation</i>	<u>(8,881,436)</u>	<u>(791,441) *</u>	<u>0</u>	<u>(9,672,877)</u>
Total Capital Assets being depreciated, net	<u>22,257,779</u>	<u>(233,618)</u>	<u>0</u>	<u>22,024,161</u>
Governmental Activities Capital Assets, Net	<u>\$22,364,079</u>	<u>(\$96,308)</u>	<u>\$0</u>	<u>\$22,267,771</u>

\* Depreciation expense was charged to governmental functions as follows:

General Government	\$81,835
Security of Persons and Property	364,300
Public Health and Welfare	27,146
Transportation	168,102
Community Environment	9,102
Leisure Time Activities	140,956
Total Depreciation Expense	<u>\$791,441</u>

**City of Niles, Ohio**  
*Notes to the Basic Financial Statements*  
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	Balance 12/31/16	Additions	Deletions	Balance 12/31/17
<b>Business-type Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$668,004	\$0	\$0	\$668,004
Construction in Progress	21,361,485	11,786,174	0	33,147,659
<i>Total Capital Assets, not being depreciated</i>	<u>22,029,489</u>	<u>11,786,174</u>	<u>0</u>	<u>33,815,663</u>
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	3,344,996	0	0	3,344,996
Machinery and Equipment	7,856,454	0	0	7,856,454
Vehicles	1,427,029	553,083	0	1,980,112
Infrastructure	22,334,341	0	0	22,334,341
<i>Total Capital Assets, being depreciated</i>	<u>34,962,820</u>	<u>553,083</u>	<u>0</u>	<u>35,515,903</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(3,170,060)	(20,267)	0	(3,190,327)
Machinery and Equipment	(6,496,613)	(341,816)	0	(6,838,429)
Vehicles	(1,404,740)	(30,395)	0	(1,435,135)
Infrastructure	(16,183,802)	(238,244)	0	(16,422,046)
<i>Total Accumulated Depreciation</i>	<u>(27,255,215)</u>	<u>(630,722) *</u>	<u>0</u>	<u>(27,885,937)</u>
Total Capital Assets being depreciated, net	<u>7,707,605</u>	<u>(77,639)</u>	<u>0</u>	<u>7,629,966</u>
Business-type Activities Capital Assets, Net	<u>\$29,737,094</u>	<u>\$11,708,535</u>	<u>\$0</u>	<u>\$41,445,629</u>

\* Depreciation expense was charged to enterprise funds as follows:

Water	\$79,369
Sewer	169,459
Electric	<u>381,894</u>
Total Depreciation Expense	<u><u>\$630,722</u></u>

**City of Niles, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2017

**Note 11 - Long-Term Obligations**

The original issue date, interest rate, original issuance and maturity date for each of the City's bonds, note and loans follows:

	<u>Original Issue Date</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Date of Maturity</u>
<b>Governmental Activities:</b>				
<i>General Obligation Bonds</i>				
Various Purpose Improvement Bonds	2011	0.70 to 4.50 %	\$3,245,000	December 1, 2031
Various Purpose Improvement Bonds II	2017	3.996	1,600,000	November 1, 2027
<b>Business-Type Activities:</b>				
<i>General Obligation Bonds</i>				
Various Purpose Improvement Bonds - Water	2011	0.70 to 4.50	1,115,000	December 1, 2031
Various Purpose Improvement Bonds - Sewer	2011	0.70 to 4.50	3,140,000	December 1, 2031
<i>OWDA Loans</i>				
Wastewater Treatment Plant Upgrades	2015	0.73	N/A	July 1, 2038

A schedule of changes in bonds and other long-term obligations of the City during 2017 follows:

	<u>Amounts Outstanding 12/31/16</u>	<u>Additions</u>	<u>Reductions</u>	<u>Amounts Outstanding 12/31/17</u>	<u>Amounts Due in One Year</u>
<i>Governmental Activities:</i>					
<i>General Obligation Bonds:</i>					
Various Purpose Improvement Bonds	\$2,595,000	\$0	(\$135,000)	\$2,460,000	\$140,000
Unamortized Premium	19,674	0	(1,319)	18,355	0
<b>Total Various Purpose Improvement Bonds</b>	<b>2,614,674</b>	<b>0</b>	<b>(136,319)</b>	<b>2,478,355</b>	<b>140,000</b>
Various Purpose Improvement Bonds II	0	1,600,000	0	1,600,000	129,900
<b>Total General Obligation Bonds</b>	<b>2,614,674</b>	<b>1,600,000</b>	<b>(136,319)</b>	<b>4,078,355</b>	<b>269,900</b>
<i>Other Long-term Obligations:</i>					
Net Pension Liability:					
OPERS	2,313,415	578,161	0	2,891,576	0
OP&F	12,594,242	0	(265,686)	12,328,556	0
<b>Total Net Pension Liability</b>	<b>14,907,657</b>	<b>578,161</b>	<b>(265,686)</b>	<b>15,220,132</b>	<b>0</b>
Police and Fire Pension Liability	330,664	0	(12,108)	318,556	12,628
Capital Lease	402,163	0	(121,262)	280,901	116,635
Special Termination Benefits	0	76,994	0	76,994	48,362
Compensated Absences	1,070,200	350,080	(96,834)	1,323,446	698,727
<b>Total Other Long-term Obligations</b>	<b>16,710,684</b>	<b>1,005,235</b>	<b>(495,890)</b>	<b>17,220,029</b>	<b>876,352</b>
<b>Total Governmental Long-Term Liabilities</b>	<b>\$19,325,358</b>	<b>\$2,605,235</b>	<b>(\$632,209)</b>	<b>\$21,298,384</b>	<b>\$1,146,252</b>



**City of Niles, Ohio**  
*Notes to the Basic Financial Statements*  
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	Amounts Outstanding 12/31/16	Additions	Reductions	Amounts Outstanding 12/31/17	Amounts Due in One Year
<i>Business-Type Activities:</i>					
<i>General Obligation Bonds:</i>					
Various Purpose Improvement Bonds - Water	\$895,000	\$0	(\$45,000)	\$850,000	\$50,000
Unamortized Premium	6,759	0	(453)	6,306	0
Various Purpose Improvement Bonds - Sewer	2,515,000	0	(135,000)	2,380,000	135,000
Unamortized Premium	19,037	0	(1,277)	17,760	0
<i>Total General Obligation Bonds</i>	<u>3,435,796</u>	<u>0</u>	<u>(181,730)</u>	<u>3,254,066</u>	<u>185,000</u>
<i>OWDA Loan:</i>					
Wastewater Treatment Plant Upgrades	18,376,958	11,786,174	0	30,163,132	0
<i>Other Long-term Obligations:</i>					
<i>Net Pension Liability OPERS:</i>					
Water	1,058,916	246,956	0	1,305,872	0
Sewer	1,225,316	360,386	0	1,585,702	0
Electric	2,835,426	709,085	0	3,544,511	0
<i>Total Net Pension Liability</i>	<u>5,119,658</u>	<u>1,316,427</u>	<u>0</u>	<u>6,436,085</u>	<u>0</u>
Potential Stranded Cost Liability	2,388,571	0	(399,852)	1,988,719	0
Compensated Absences	358,447	119,960	(123,534)	354,873	161,285
<i>Total Other Long-term Obligations</i>	<u>7,866,676</u>	<u>1,436,387</u>	<u>(523,386)</u>	<u>8,779,677</u>	<u>161,285</u>
<i>Total Business-Type Long-Term Liabilities</i>	<u>\$29,679,430</u>	<u>\$13,222,561</u>	<u>(\$705,116)</u>	<u>\$42,196,875</u>	<u>\$346,285</u>

General obligation bonds will be paid from the taxes received into the general fund and charges for services revenue in the water and sewer enterprise funds.

Compensated absences will be paid from the general fund, the police and fire tax, park, street and cemetery special revenue funds, and the water, sewer and electric enterprise funds which are the funds from which the employees' salaries are paid. There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the following funds: general fund, the police and fire tax, park, street and cemetery special revenue funds, and the water, sewer and electric enterprise funds. For additional information related to the net pension liability see Note 14. The OWDA loan will be paid with charges for services revenue in the sewer enterprise fund. The police and fire pension liability represents police and fire pension obligations that will be paid from taxes received in the police and fire tax fund. Capital lease obligations are paid from the fund that maintains custody of the related assets. Capital leases are paid from the general fund and the permissive tax, street and state highway special revenue funds.

**City of Niles, Ohio**  
*Notes to the Basic Financial Statements*  
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During 2011, the City issued various purpose general obligation bonds in the amount of \$3,245,000 for improving the City's recreation center. These bonds are general obligations of the City for which the full faith and credit of the City are pledged for repayment. Interest on these bonds is payable annually and the interest rates vary from 0.7 percent to 4.5 percent. The bonds mature on December 1, 2031. Principal and interest payments will be made from the general fund.

During 2017, the City issued various purpose general obligation bonds in the amount of \$1,600,000 for improving the City's cemetery, safety service building, fire station, municipal building and recreational facilities. These bonds are general obligations of the City for which the full faith and credit of the City are pledged for repayment. Interest on these bonds is payable annually and the interest rate is fixed at 3.996 percent. The bonds mature on November 1, 2027. Principal and interest payments will be made from the general fund.

During 2011, the City issued \$1,115,000 in general obligation bonds to fund improving the City's water system. These bonds are general obligations of the City for which the full faith and credit of the City are pledged for repayment. Debt service requirements will be paid from user fees generated by the water fund. Interest on these bonds is payable annually and the interest rates vary from 0.7 percent to 4.5 percent. The bonds mature on December 1, 2031. Principal and interest payments will be made from the water fund.

During 2011, the City issued \$3,140,000 in general obligation bonds to fund improving the City's wastewater and sewer system. These bonds are general obligations of the City for which the full faith and credit of the City are pledged for repayment. Debt service requirements will be paid from user fees generated by the sewer fund. Interest on these bonds is payable annually and the interest rates vary from 0.7 percent to 4.5 percent. The bonds mature on December 1, 2031. Principal and interest payments will be made from the sewer fund.

The City has entered into contractual agreements for construction loans from the Ohio Water Development Authority (OWDA). Under the terms of this agreement, OWDA will reimburse, advance or directly pay the construction costs of the approved projects. OWDA will capitalize administrative costs and construction interest and then add them to the total amounts of the final loans. The loan will not have an accurate payment schedule until finalized, and therefore the loan has not been included in the schedule of future debt service requirements. Until a final repayment schedule is available, the City will pay based on estimates when required. The balance of the wastewater treatment plant upgrade loan is \$30,163,132 at December 31, 2017.

The City has recorded a long-term obligation for the potential stranded cost liability in the electric fund. A debt schedule for the duration of the liability was unavailable at December 31, 2017 (See Note 21 for more detail on the AMPGS Project).

The City's overall debt margin was \$22,275,349 and the unvoted legal debt margin was \$9,735,183 at December 31, 2017. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2017, are as follows:

**City of Niles, Ohio**  
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	Governmental Activities			
	General Obligation Bonds		Police and Fire Pension Liability	
	Principal	Interest	Principal	Interest
2018	\$269,900	\$159,418	\$12,628	\$13,406
2019	283,700	147,070	13,170	12,863
2020	294,200	137,555	13,737	12,298
2021	300,200	127,003	14,326	11,708
2022	311,200	116,055	14,941	11,092
2023-2027	1,760,800	390,640	84,904	45,268
2028-2032	840,000	94,659	104,772	25,398
2033-2035	0	0	60,078	3,835
Total	\$4,060,000	\$1,172,400	\$318,556	\$135,868

	Business-Type Activities	
	General Obligation Bonds	
	Principal	Interest
2018	\$185,000	\$121,212
2019	190,000	116,660
2020	195,000	111,436
2021	205,000	105,585
2022	205,000	99,026
2023-2027	1,150,000	378,876
2028-2031	1,100,000	123,246
Total	\$3,230,000	\$1,056,041

**Note 12 - Capital Leases**

The City entered into lease agreements for lighting improvements and a truck lease. The City's lease obligations meet the criteria of a capital lease and have been recorded on the government-wide statements. The original amounts capitalized for the capital leases and the book value as of December 31, 2017 follows:

	Amounts
Asset:	
Buildings and Improvements	\$228,681
Vehicles	405,555
Less: Accumulated Depreciation	(190,270)
Current Book Value	\$443,966

**City of Niles, Ohio**  
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The following is a schedule of the future long-term minimum lease payments required under the capital lease and present value of the minimum lease payments is as follows:

<u>Year Ending December 31,</u>	
2018	\$123,819
2019	85,425
2020	<u>85,425</u>
Total	294,669
Less: Amount representing Interest	<u>(13,768)</u>
Present Value of Minimum Lease	<u><u>\$280,901</u></u>

Capital lease payments have been reclassified and reflected as debt service in the fund financial statement for the general fund and the permissive tax, street and state highway special revenue funds. These expenditures are reflected as program expenditures on a budgetary basis.

**Note 13 – Loan Transactions**

On July 7, 2004, the general fund paid \$1,599,623 (\$1,400,000 in principal and \$199,623 in interest) to retire a note of the water fund, while the water fund paid \$165,000 of principal on this note. The water fund intends to repay the general fund the entire \$1,599,623 over an eleven year period beginning in July 2005. During 2017, the City did not make this payment due to insufficient funds in the water fund. On the fund financial statements, the receivable balance in the general fund at December 31, 2017 is \$959,775 and a corresponding payable is recorded in the water fund. On the government-wide financial statements the amounts are considered a part of the internal balance between the governmental and the business-type activities.

The following is a schedule of repayment:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$137,935	\$22,027	\$159,962
2019	141,383	18,580	159,963
2020	144,918	15,044	159,962
2021	148,541	11,421	159,962
2022	152,254	7,709	159,963
2023	<u>156,061</u>	<u>3,902</u>	<u>159,963</u>
Total	<u><u>\$881,092</u></u>	<u><u>\$78,683</u></u>	<u><u>\$959,775</u></u>

## **Note 14 – Defined Benefit Pension Plans**

### ***Net Pension Liability***

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

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

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

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

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

### ***Plan Description – Ohio Public Employees Retirement System (OPERS)***

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS’ traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

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

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

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

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

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

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	State and Local
<b>2017 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
<b>2017 Actual Contribution Rates</b>	
Employer:	
Pension	13.0 %
Post-employment Health Care Benefits	1.0
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contribution was \$1,175,958 for 2017. Of this amount, \$112,708 is reported as an intergovernmental payable.

***Plan Description – Ohio Police & Fire Pension Fund (OP&F)***

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

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit. (See OP&F CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits.)

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

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the member's base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

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

	Police	Firefighters
<b>2017 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 <b>2017 Actual Contribution Rates</b>		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
 Total Employer	 19.50 %	 24.00 %
 Employee	 12.25 %	 12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$884,710 for 2017. Of this amount, \$88,981 is reported as an intergovernmental payable.

In addition to current contributions, the City pays installments on a specific liability the City incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2017, the specific liability of the City was \$318,556, payable in semi-annual payments through the year 2035.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability for OPERS was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:



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	<u>OPERS</u>	<u>OP&amp;F</u>	
Proportion of the Net Pension Liability:			
Current Measurement Date	0.041076%	0.1946440%	
Prior Measurement Date	<u>0.042913%</u>	<u>0.1957730%</u>	
Change in Proportionate Share	<u>-0.0018370%</u>	<u>-0.0011290%</u>	
			<u>Total</u>
Proportionate Share of the Net Pension Liability	\$9,327,661	\$12,328,556	\$21,656,217
Pension Expense	\$2,689,897	\$1,515,305	\$4,205,202

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$12,643	\$3,488	\$16,131
Changes of assumptions	1,479,481	0	1,479,481
Net difference between projected and actual earnings on pension plan investments	1,389,104	1,198,898	2,588,002
Changes in proportion and differences between City contributions and proportionate share of contributions	98,594	0	98,594
City contributions subsequent to the measurement date	<u>1,175,958</u>	<u>884,710</u>	<u>2,060,668</u>
Total Deferred Outflows of Resources	<u>\$4,155,780</u>	<u>\$2,087,096</u>	<u>\$6,242,876</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$55,513	\$28,385	\$83,898
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>366,168</u>	<u>279,171</u>	<u>645,339</u>
Total Deferred Inflows of Resources	<u>\$421,681</u>	<u>\$307,556</u>	<u>\$729,237</u>

\$2,060,668 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

**City of Niles, Ohio**  
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Year Ending December 31:	OPERS	OP&F	Total
2018	\$995,178	\$390,508	\$1,385,686
2019	1,116,287	390,508	1,506,795
2020	487,393	281,862	769,255
2021	(40,717)	(146,162)	(186,879)
2022	0	(20,952)	(20,952)
Thereafter	0	(934)	(934)
Total	<u>\$2,558,141</u>	<u>\$894,830</u>	<u>\$3,452,971</u>

***Actuarial Assumptions - OPERS***

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the OPERS' actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0 percent down to 7.5 percent, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2016, compared with December 31, 2015, are presented below.

	December 31, 2016	December 31, 2015
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

**City of Niles, Ohio**  
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For 2016, mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

For 2015, mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2015. The prior experience study was completed for the five year period ended December 31, 2010.

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

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3 percent for 2016.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

**City of Niles, Ohio**  
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Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other investments	18.00	4.92
<b>Total</b>	<b>100.00 %</b>	<b>5.66 %</b>

**Discount Rate** The discount rate used to measure the total pension liability for 2016 was 7.5 percent. The discount rate for 2015 was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the City’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$14,250,086	\$9,327,661	\$5,225,689

**Actuarial Assumptions – OP&F**

OP&F’s total pension liability as of December 31, 2016, is based on the results of an actuarial valuation date of January 1, 2016, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

**City of Niles, Ohio**  
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Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2016, are presented below:

Valuation Date	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
	plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3.00 percent simple; 2.6 percent simple for increases based on the lesser of the increase in CPI and 3 percent

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2016, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	- %	0.00 %
Domestic Equity	16.00	5.21
Non-US Equity	16.00	5.40
Core Fixed Income *	20.00	2.37
Global Inflation Protected Securities*	20.00	2.33
High Yield	15.00	4.48
Real Estate	12.00	5.65
Private Markets	8.00	7.99
Timber	5.00	6.87
Master Limited Partnerships	8.00	7.36
	120.00 %	

Note: Assumptions are geometric.

\* levered 2x

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

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

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$16,420,175	\$12,328,556	\$8,860,852

***Changes between Measurement Date and Report Date***

In October 2017, the OP&F Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of January 1, 2017. The most significant change is a reduction in the discount rate from 8.25 percent to 8 percent. Although the exact amount of these changes is not known, it has the potential to impact to the City's net pension liability.

**Note 15 – Postemployment Benefits**

***Ohio Public Employees Retirement System***

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2017 was 4.0 percent.

Substantially all of the City's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2017, 2016 and 2015 was \$90,458, \$177,849 and \$175,138, respectively. For 2017, 91.10 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2016 and 2015.

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***Police and Fire Pension Fund***

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

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2017, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contribution to OP&F for the years ended December 31, 2017, 2016 and 2015 were \$884,710, \$925,263 and \$845,498, respectively, of which \$20,909, \$22,036 and \$20,357, respectively, was allocated to the healthcare plan. For 2017, 90.18 percent has been contributed for both police and firefighters with the balance being reported as an *intergovernmental payable*. The full amount has been contributed for 2016 and 2015.



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**Note 16 - Jointly Governed Organizations**

***Eastgate Regional Council of Governments***

The Eastgate Regional Council of Governments (ERCG) is a jointly governed organization that is committed to fostering cooperative regional efforts in the planning, programming and implementation of public sector activities. ERCG has forty-eight participating members. These include representatives from Trumbull County and Mahoning County, township trustees and officials from participating cities and villages. The operation of ERCG is controlled by a general policy board which consists of a representative from each participant. Each member's degree of control is limited to its representation on the board. Funding comes from each of the participants. For 2017, the City contributed \$14,256 to the Eastgate Regional Council of Governments. For more information contact John R. Getchey, executive director, at 5121 Mahoning Avenue, Youngstown, Ohio 44515.

***Emergency Management Agency***

The Emergency Management Agency is a jointly governed organization among the thirty-four subdivisions located within Trumbull County that was created to ensure that the State, and the citizens residing in it, are prepared to respond to an emergency or disaster and to lead mitigation efforts against the effect of future disasters. 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. Funding comes from each of the participants. For 2017, the City contributed \$4,046 to the Emergency Management Agency. For more information contact Linda Beil, director, at 1453 Youngstown Kingsville Road, Vienna, Ohio 44473.

**Note 17 – Joint Ventures**

***Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5)***

The City is a Financing Participant with an ownership percentage of 10.63 percent and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA Joint Venture JV5 Agreement (Agreement), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP. OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near the Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

Also pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110 percent of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2017 the City has met their debt coverage obligation.

**City of Niles, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25 percent of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

OMEGA JV5 is managed by AMP, which acts as the joint venture's agent. During 1993 and 2001 AMP issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024. On February 15, 2014, all of the 2004 BIRCs were redeemed from funds held under the trust agreement securing the 2004 BIRCs and the proceeds of a promissory note issued to AMP by OMEGA JV5. This was accomplished with a draw on AMP's revolving credit facility. The resulting balance was \$65,891,509 at February 28, 2014. On January 29, 2016, OMEGA JV5 issued the 2016 Beneficial Interest Certificates ("2016 Certificates") in the amount of \$49,745,000 for the purpose of refunding the promissory note to AMP in full. The outstanding amount on the promissory note had been reduced to \$49,243,377 at the time of refunding as compared to its value at December 31, 2015 of \$49,803,187. The promissory note represented the February 2014 redemption of the 2004 Certificates from funds held under the trust agreement securing the 2004 BIRCs.

The City's net investment and its share of operating results of OMEGA JV5 are reported in the City's electric fund (an enterprise fund). The City's net investment to date in OMEGA JV5 was \$317,612 at December 31, 2017. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at [www.ohioauditor.gov](http://www.ohioauditor.gov).

***Ohio Municipal Electric Generation Agency Joint Venture 2 (JV2)***

The City is a Financing Participant and an Owner Participant with percentages of liability and ownership of 14.65 percent and 11.49 percent, respectively, and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective Project shares, ownership of which is held in trust for such Purchaser Participants. Pursuant to the OMEGA JV2 Agreement (Agreement), the participants jointly undertook as either Financing Participants or Non-Financing Participants and as either Owner Participants or Purchaser Participants, the acquisition, construction, and equipping of OMEGA JV2, including such portions of OMEGA JV2 as have been acquired, constructed or equipped by AMP and to pay or incur the costs of the same in accordance with the Agreement.

**City of Niles, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Distributive Generation Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. Under the terms of the Agreement, each Financing Participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110 percent of the sum of OMEGA JV2 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2017 the City has met their debt coverage obligation.

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participants' entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP, which acts as the joint venture's agent. During 2001, AMP issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. On January 3, 2011, AMP redeemed all of the \$31,110,000 OMEGA JV2 Project Distributive Generation Bonds then outstanding by borrowing on AMP's revolving credit facility. As such, the remaining outstanding bond principal of the OMEGA JV2 indebtedness was reduced to zero, with the remaining principal balance now residing on the AMP credit facility. As of December 31, 2017, the outstanding debt was retired in full leaving the City with no portion outstanding. The City's net investment and its share of operating results of OMEGA JV2 are reported in the City's electric fund (an enterprise fund). The City's net investment in OMEGA JV2 was \$1,152,956 at December 31, 2017. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at [www.ohioauditor.gov](http://www.ohioauditor.gov).

***Ohio Municipal Electric Generation Agency Joint Venture 1 (JV1)***

The City is a participant in the Ohio Municipal Electric Generation Agency Joint Venture 1 (OMEGA JV1). OMEGA JV1 was organized by 21 subdivisions of the State of Ohio (the participants) on April 1, 1992, pursuant to a joint venture agreement (the agreement) under the Ohio Constitution and Section 715.02 of the Ohio Revised Code. Its purpose is to provide a source of supplemental capacity to the participants. The participants are members of American Municipal Power-Ohio, Inc. (AMP-Ohio) Northeast Area Service Group. The participants are charged fees for the costs required to administer the joint venture and maintain the jointly owned electric plant. OMEGA JV1 purchased its electric generating facilities known as the Engle turbines designed for a total capacity of nine megawatts. These facilities are located in Cuyahoga Falls, Ohio. The City's net investment and its share of the operating results of OMEGA JV1 are reported in the City's electric enterprise fund. The City's equity interest in OMEGA JV1 was \$55,660 at December 31, 2017.

**City of Niles, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

**Note 18 - Interfund Transfers and Balances**

***Transfers***

Transfers made during the year ended December 31, 2017 were as follows:

Transfers To	Transfers From General
<b>Major Funds</b>	
Police and Fire Tax	\$2,320,024
<b>Other Governmental Funds</b>	
Police Pension	389,500
Fire Pension	386,000
Park	40,000
Cemetery	70,000
Capital Projects	90,726
Fire Truck Replacement	30,000
<i>Total Other Governmental Funds</i>	1,006,226
<b>Enterprise Fund</b>	
Para-Transit	10,500
<i>Total Transfers</i>	\$3,336,750

The general fund transfers to all funds were to provide additional resources for current operations.

***Balances***

Interfund receivables and payables are due to the timing of the receipts of monies (grant and property taxes) by the nonmajor funds. All interfund balances will be repaid within one year. Interfund balances at December 31, 2017, consist of interfund receivable/payables between the general fund and the FEMA, cemetery and BRT cleanup special revenue funds in the amount of \$30,000, \$30,000 and \$29,442, respectively.

**Note 19 – Significant Commitments**

***Contractual Commitments***

As of December 31, 2017, the City had a contractual commitment specific to various roofing and a building exterior projects in the amount of \$204,090 remaining on the contract.

***Encumbrances***

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year or soon thereafter were as follows:

**City of Niles, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

	<b>Governmental</b>		<b>Business-Type</b>
General	\$78,602	Water	\$226,439
Police and Fire Tax	47,895	Sewer	360,327
Other Governmental funds	341,530	Electric	928,568
Total	\$468,027	Motor Fuel	4,897
		Hospital Self Insurance	186,558
		Total	\$1,706,789

Remaining commitment amounts were encumbered at year end.

**Note 20 - Tax Abatement Disclosures**

As of December 31, 2017, the City provides tax abatements through Enterprise Zones (Ezone). This program relates to the abatement of property taxes.

Ezone - Under the authority of ORC Sections 5709.62 and 5709.63, the Ezone program is an economic development tool administered by municipal and county governments that provides real and personal property tax exemptions to businesses making investments in Ohio. An Ezone is a designated area of land in which businesses can receive tax incentives in the form of tax exemptions on qualifying new investment. An Ezone's geographic area is identified by the local government involved in the creation of the zone. Once the zone is defined, the local legislative authority participating in the creation must petition the OSDA. The OSDA must then certify the area for it to become an active Enterprise Zone. The local legislative authority negotiates the terms of the Enterprise Zone Agreement (the "Agreement") with the business, which may include tax sharing with the Board of Education. Legislation must then be passed to approve the Agreement. All Agreements must be finalized before the project begins and may contain provisions for the recoupment of taxes should the individual, or entity, fail to perform. The amount of the abatement is deducted from the business's property tax bill.

The City has entered an agreement to abate property taxes through this program. During 2017, the City's property tax revenues were reduced as a result of these agreements as follows:

	<b>City</b>
<b>Tax Abatement Program</b>	<b>Taxes Abated</b>
Ezone	\$286

**Note 21 – American Municipal Power Generating Station Project**

The City is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The City's share was 40,656 kilowatts of a total 771,281 kilowatts, giving the City a 5.27 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed impaired and participants were obligated to pay costs already incurred. In prior years, the payment of these costs was not considered probable due to AMP's pursuit of legal action to void them. As a result of a March 31, 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the

**City of Niles, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The City's estimated share at March 31, 2014 of the impaired costs is \$7,042,699. The City received a credit of \$2,365,778 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$1,838,662 related to the AMPGS costs deemed to have future benefit for the project participants, leaving a net impaired cost estimate of \$2,838,259. Because payment is now probable and reasonably estimable, the City is reporting a payable to AMP in its business-type activities and in its electric enterprise fund for these impaired costs. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the City's liability. These amounts will be recorded as they become estimable. The City made payments in 2017 totaling \$399,852, leaving a net impaired cost estimate of \$1,988,719 at December 31, 2017.

**Note 22 – Change in Accounting Principle and Restatement of Fund Balance and Net Position**

***Change in Accounting Principle***

For 2017, the City implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2016-1*. These changes were incorporated in the City's 2017 financial statements; however, there was no effect on beginning net position/fund balance.

***Restatement of Prior Year's Fund Balance***

During 2017, the City determined that cash and cash equivalents of \$12,766 and intergovernmental receivables of \$1,772 were misreported in the general fund and instead should have been reported in the internal service funds. These restatements had the following effect on fund balances of the major and nonmajor funds as they were previously reported.

	General	Police and Fire Tax	Other Governmental Funds	Total Governmental Funds
Fund Balance at				
December 31, 2016	\$1,932,290	\$225,684	\$1,255,222	\$3,413,196
Cash and Cash Equivalents	(12,766)	0	0	(12,766)
Intergovernmental Receivable	(1,772)	0	0	(1,772)
Adjusted Fund Balance at				
December 31, 2017	<u>\$1,917,752</u>	<u>\$225,684</u>	<u>\$1,255,222</u>	<u>\$3,398,658</u>

***Restatement of Prior Year Net Position***

During 2017, the City determined that cash and cash equivalents of \$12,766 and intergovernmental receivables of \$1,772 were understated on the proprietary financial statements for the internal service fund. These restatements had the following effect on net position as previously reported.

**City of Niles, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

	Internal Service
Net Position, December 31, 2016	(\$685,264)
Cash and Cash Equivalents	12,766
Intergovernmental Receivable	1,772
Adjusted Net Position, December 31, 2016	(\$670,726)

**Note 23 – Fiscal Emergency**

In accordance with Section 118.03, Ohio Revised Code, the City was placed in fiscal emergency by the Auditor of State’s office on October 7, 2014. The declaration resulted in the establishment of a financial planning and supervision commission. The Commission is composed of a representative of the Office of Budget and Management, a representative of the Treasurer of State, the City mayor, the president of City council, and three individuals appointed by the Governor who are residents of the City and meet certain criteria. In accordance with Section 118.06 of the Ohio Revised Code, the City is required to submit to the Commission a financial recovery plan for the City which outlines the measures to be taken to eliminate the fiscal emergency conditions. The City adopted its initial recovery plan on May 8, 2015. The most recent plan was updated on July 27, 2017. A city is placed into fiscal emergency when any one of six conditions is present. For the City of Niles, one of the six conditions was present at the date of the Auditor of State’s determination. The condition present in the City was deficit fund balances. Under Sections 118.03(A)(5) of the Revised Code, the aggregate sum of all deficit funds at the end of the preceding fiscal year, less any transferable balance in the general fund and in any special revenue fund that exceed one-sixth of the general fund budget and the receipts of the deficit funds is a fiscal emergency condition. As of December 31, 2013, the City had deficit fund balances in the following funds: prisoner transport, permissive tax, water and sewer. The Auditor of State’s calculation determined the total unprovided portion of aggregate deficit funds was \$487,973 for the year ended December 31, 2013.

**Note 24 – Accountability**

The following funds had deficit fund balances as of December 31, 2017:

<i>Special Revenue Funds</i>	
Police Pension	\$36,214
Fire Pension	41,482
Cemetery	21,783
BRT Clean-up	3,588

The special revenue funds have deficits caused by the recognition of expenditures on a modified accrual basis of accounting which are substantially greater than the expenditures recognized on a cash basis. The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur.

**City of Niles, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 25 – Compliance**

The City did not maintain an accurate capital asset listing in a manual or computerized format, which is in noncompliance with Ohio Administrative Code (OAC) Section 117-2-02(D).



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## Required Supplementary Information

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**City of Niles, Ohio**  
*Required Supplementary Information*  
*Schedule of the City's Proportionate Share of the Net Pension Liability*  
*Ohio Public Employees Retirement System - Traditional Plan*  
*Last Four Years (1) \**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's Proportion of the Net Pension Liability	0.04107600%	0.04291300%	0.04551600%	0.04551600%
City's Proportionate Share of the Net Pension Liability	\$9,327,661	\$7,433,073	\$5,489,738	\$5,365,742
City's Covered Payroll	\$8,808,467	\$8,756,908	\$9,581,542	\$9,888,108
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	105.89%	84.88%	57.29%	54.26%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.25%	81.08%	86.45%	86.36%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

\* Amounts presented for each year were determined as of the City's measurement date which is the prior year end.

**City of Niles, Ohio**  
*Required Supplementary Information*  
*Schedule of the City's Proportionate Share of the Net Pension Liability*  
*Ohio Police and Fire Pension Fund*  
*Last Four Years (1) \**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's Proportion of the Net Pension Liability	0.19464400%	0.19577300%	0.20257260%	0.20257260%
City's Proportionate Share of the Net Pension Liability	\$12,328,556	\$12,594,242	\$10,494,105	\$9,865,921
City's Covered Payroll	\$4,407,335	\$4,012,821	\$4,175,907	\$4,475,133
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	279.73%	313.85%	251.30%	220.46%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.36%	66.77%	71.71%	73.00%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

\* Amounts presented for each year were determined as of the City's measurement date, which is the prior year end.

**City of Niles, Ohio**  
*Required Supplementary Information*  
*Schedule of City Contributions*  
*Ohio Public Employees Retirement System - Traditional Plan*  
*Last Ten Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$1,175,958	\$1,057,016	\$1,050,829	\$1,149,785
Contributions in Relation to the Contractually Required Contribution	<u>(1,175,958)</u>	<u>(1,057,016)</u>	<u>(1,050,829)</u>	<u>(1,149,785)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$9,045,831	\$8,808,467	\$8,756,908	\$9,581,542
Contributions as a Percentage of Covered Payroll	13.00%	12.00%	12.00%	12.00%

2013	2012	2011	2010	2009	2008
\$1,285,454	\$589,644	\$619,581	\$556,005	\$875,179	\$716,733
<u>(1,285,454)</u>	<u>(589,644)</u>	<u>(619,581)</u>	<u>(556,005)</u>	<u>(875,179)</u>	<u>(716,733)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$9,888,108	\$5,896,440	\$6,195,810	\$6,233,240	\$10,764,809	\$10,239,043
13.00%	10.00%	10.00%	8.92%	8.13%	7.00%

**City of Niles, Ohio**  
*Required Supplementary Information*  
*Schedule of City Contributions*  
*Ohio Police and Fire Pension Fund*  
*Last Ten Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$884,710	\$925,263	\$845,498	\$883,080
Contributions in Relation to the Contractually Required Contribution	<u>(884,710)</u>	<u>(925,263)</u>	<u>(845,498)</u>	<u>(883,080)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$4,181,757	\$4,407,335	\$4,012,821	\$4,175,907
Contributions as a Percentage of Covered Payroll	21.16%	20.99%	21.07%	21.15%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$802,295	\$700,954	\$763,950	\$916,438	\$866,569	\$696,109
<u>(802,295)</u>	<u>(700,954)</u>	<u>(763,950)</u>	<u>(916,438)</u>	<u>(866,569)</u>	<u>(696,109)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$4,475,133	\$4,798,908	\$5,280,346	\$6,299,694	\$5,922,782	\$4,756,919
17.93%	14.61%	14.47%	14.55%	14.63%	14.63%

**City of Niles, Ohio**  
*Notes to the Required Supplementary Information*  
*For the Year Ended December 31, 2017*

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**Changes in Assumptions - OPERS**

Amounts reported for 2017 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2016 and prior are presented below:

	December 31, 2017	December 31, 2016 and Prior
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Amounts reported for 2017 use mortality rates based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Amounts reported for 2016 and prior use mortality rates based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.





**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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**Independent Auditor's Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Required by *Government Auditing Standards***

City of Niles  
Trumbull County  
34 W. State Street  
Niles, Ohio 44446

To the Members of Council and Mayor:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Niles, Trumbull County, Ohio, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City of Niles' basic financial statements and have issued our report thereon dated June 25, 2018, wherein we qualified our opinion on the governmental activities, business-type activities, water fund, sewer fund, and electric fund because certain accounting records supporting the valuations of capital assets were not presented for audit. Furthermore, we noted in Note 23, on October 7, 2014, the Auditor of State declared the City of Niles to be in a state of fiscal emergency.

***Internal Control Over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City of Niles' financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider a material weakness. We consider finding 2017-001 to be a material weakness.

Members of Council and Mayor  
City of Niles

***Compliance and Other Matters***

As part of reasonably assuring whether the City of Niles' financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as item 2017-001.

***City of Niles' Response to Finding***

The City of Niles response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City of Niles' response and, accordingly, we express no opinion on it.

***Purpose of this Report***

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



Julian & Grube, Inc.  
June 25, 2018

**CITY OF NILES  
TRUMBULL COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2017**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
<b>Finding Number</b>	2017-001

Material Weakness/Noncompliance - Capital Asset Listing

Ohio Administrative Code (OAC) §117-2-02(D) states that all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include capital asset records including such information as the original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset description, location, and tag number. Local governments preparing financial statements using generally accepted accounting principles will want to maintain additional data. Further, OAC Section 117-2-02(E) states that each public office should establish a capitalization threshold, so that at a minimum, eighty percent of the local public office's non-infrastructure assets are identified, classified, and recorded on the local public office's financial records.

It is management's responsibility to implement internal accounting control policies and procedures to reasonably ensure the City's assets are safeguarded and recorded. Specifically, these control procedures include the maintenance of adequate documentation to support the accuracy and completeness of capital asset records. The City's capital assets are reported on the financial statements at \$63,713,400.

The following internal control weaknesses were noted related to the City's capital asset accounting:

- A complete capital asset listing is not maintained by the City. A partial list is maintained, but does not include the location of the assets (buildings, departments, etc.), does not account for changes to the asset list, and does not account for changes in asset values due to renovations or replacements.
- The capital asset listing for the water, sewer, and electric utilities has not been updated since 1996.
- The City does not have an accounting system in place to identify capital asset purchases and deletions throughout the year.
- The City does not maintain any type of identification system for capitalized items, such as inventory tag numbers.

These internal control weaknesses have resulted in an inability to manage and monitor the City's capital assets in an effective manner.

To help ensure that capital assets are reported accurately, we recommend the following:

- The City should conduct a complete physical inventory of its assets and prepare an accurate and complete capital asset listing. Also, the City should annually conduct a physical inventory of its assets and reconcile with the capital asset listing.
- The water, sewer, and electric utilities capital asset listing should be updated.
- The City should establish a system in which departments notify the City Auditor's Office of any capital assets acquired and/or disposed. The notifications should be used to update the capital asset listing maintained by the City.
- The City should identify all capital assets by assigning inventory tag numbers and include the identification numbers in their capital asset listing.

**CITY OF NILES  
TRUMBULL COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2017**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2017-001 - (Continued)

*Client Response:* Requests for proposals (RFP) are being requested. The timeline for the RFP to be published is the end of June. RFPs are to be opened by mid-July and a capital asset and physical inventory firm to be selected by September 1, to be finalized by December 2018.

**CITY OF NILES  
TRUMBULL COUNTY, OHIO**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2017**

<b>Finding Number</b>	<b>Year Initially Occurred</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2016-001	2000	<u>Material Weakness/Noncompliance - Capital Asset Listing</u> - Ohio Administrative Code (OAC) Section 117-2-02(D) states that all local public offices may maintain accounting records in a manual or computerized format. Such records should include capital asset records. No such records existed.	Not Corrected	Reissued as Finding 2017-001; City failed to monitor capital asset activity.
2016-002	2014	<u>Noncompliance</u> - Ohio Revised Code Section 9.38 indicates that public money must be deposited with the Treasurer of the public office or to a designated depository on the business day following the day of receipt, or within three days if the amount of receipts is less than \$1,000 and can be properly safeguarded. The collection and deposit of public monies did not follow these guidelines within multiple city departments.	Corrective Action Taken and Finding is Fully Corrected	N/A

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# Dave Yost • Auditor of State

**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  
AUGUST, 7 2018**