



**CITY OF NILES
TRUMBULL COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CITY OF NILES
TRUMBULL COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

City of Niles
Trumbull County
34 West State Street
Niles, OH 44406

To City Council:

We have audited the accompanying general-purpose financial statements of the City of Niles, Trumbull County, (the City) as of and for the year ended December 31, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Niles, Trumbull County, as of December 31, 2000, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2001 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Jim Petro
Auditor of State

September 6, 2001

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City of Niles, Ohio
Combined Balance Sheet
All Fund Types and Account Groups
December 31, 2000

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$11,762,987	\$2,074,410	\$217,930	\$204,415
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0
Cash and Cash Equivalents with Fiscal Agents	0	0	38,738	0
Receivables:				
Taxes	1,260,726	338,840	0	0
Accounts	21,622	10,586	0	0
Due from Other Funds	0	9,521	0	0
Special Assessments	0	0	29,494	0
Intergovernmental	254,073	34,366	0	0
Investment in Joint Venture	0	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	0	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount Available in Debt Service Fund for Retirement of Special Assessment Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	\$13,299,408	\$2,467,723	\$286,162	\$204,415

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$15,627,283	\$818,710	\$56,667	\$0	\$0	\$30,762,402
0	0	35,547	0	0	35,547
50,078	0	0	0	0	88,816
0	0	0	0	0	1,599,566
237,080	0	0	0	0	269,288
0	0	0	0	0	9,521
0	0	0	0	0	29,494
0	0	0	0	0	288,439
464,148	0	0	0	0	464,148
552,991	0	0	0	0	552,991
8,094,851	0	0	6,837,107	0	14,931,958
0	0	0	0	535	535
0	0	0	0	16,463	16,463
0	0	0	0	1,371,521	1,371,521
<u>\$25,026,431</u>	<u>\$818,710</u>	<u>\$92,214</u>	<u>\$6,837,107</u>	<u>\$1,388,519</u>	<u>\$50,420,689</u>

(continued)

City of Niles, Ohio
Combined Balance Sheet
All Fund Types and Account Groups (continued)
December 31, 2000

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<i>Liabilities,</i>				
<i>Fund Equity and Other Credits</i>				
Liabilities				
Accounts Payable	\$10,667	\$325,317	\$0	\$285
Contracts Payable	0	0	0	18,168
Accrued Wages and Benefits	20,251	17,748	0	0
Compensated Absences Payable	3,902	3,181	0	0
Due to Other Funds	0	0	0	9,521
Intergovernmental Payable	86,153	213,212	0	0
Deferred Revenue	624,098	338,840	29,494	0
Deposits Held and Due to Others	0	0	0	0
Matured Bonds Payable	0	0	30,000	0
Matured Interest Payable	0	0	8,738	0
Accrued Interest Payable	0	0	0	0
Notes Payable	0	0	0	0
Claims Payable	0	0	0	0
Payable from Restricted Assets:				
Customer Deposits	0	0	0	0
OWDA Loans Payable	0	0	0	0
Police and Fire Pension Liability	0	0	0	0
OPWC Loans Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Special Assessment Debt with Governmental Commitment	0	0	0	0
<i>Total Liabilities</i>	<u>745,071</u>	<u>898,298</u>	<u>68,232</u>	<u>27,974</u>
Fund Equity and Other Credits				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	21,627	32,942	2,690	159,652
Reserved for Debt Service:				
Principal	0	0	16,998	0
Interest	0	0	3,380	0
Reserved for Endowments	0	0	0	0
Unreserved, Undesignated	12,532,710	1,536,483	194,862	16,789
<i>Total Fund Equity and Other Credits</i>	<u>12,554,337</u>	<u>1,569,425</u>	<u>217,930</u>	<u>176,441</u>
<i>Total Liabilities, Fund Equity and Other Credits</i>	<u>\$13,299,408</u>	<u>\$2,467,723</u>	<u>\$286,162</u>	<u>\$204,415</u>

See accompanying notes to the general purpose financial statements

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$222,965	\$0	\$0	\$0	\$0	\$559,234
242,124	0	0	0	0	260,292
83,909	0	0	0	0	121,908
302,276	0	0	0	731,255	1,040,614
0	0	0	0	0	9,521
187,785	0	0	0	171,539	658,689
0	0	0	0	0	992,432
0	0	35,547	0	0	35,547
0	0	0	0	0	30,000
0	0	0	0	0	8,738
43,191	0	0	0	0	43,191
2,000,000	0	0	0	0	2,000,000
0	262,779	0	0	0	262,779
552,991	0	0	0	0	552,991
5,232,686	0	0	0	0	5,232,686
0	0	0	0	468,727	468,727
487,644	0	0	0	0	487,644
0	0	0	0	535	535
0	0	0	0	16,463	16,463
<u>9,355,571</u>	<u>262,779</u>	<u>35,547</u>	<u>0</u>	<u>1,388,519</u>	<u>12,781,991</u>
0	0	0	6,837,107	0	6,837,107
170,000	0	0	0	0	170,000
15,500,860	555,931	0	0	0	16,056,791
0	0	0	0	0	216,911
0	0	0	0	0	16,998
0	0	0	0	0	3,380
0	0	21,556	0	0	21,556
0	0	35,111	0	0	14,315,955
<u>15,670,860</u>	<u>555,931</u>	<u>56,667</u>	<u>6,837,107</u>	<u>0</u>	<u>37,638,698</u>
<u>\$25,026,431</u>	<u>\$818,710</u>	<u>\$92,214</u>	<u>\$6,837,107</u>	<u>\$1,388,519</u>	<u>\$50,420,689</u>

City of Niles, Ohio
*Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Year Ended December 31, 2000*

	Governmental	
	General	Special Revenue
Revenues		
Property and Other Taxes	\$623,216	\$315,536
Municipal Income Tax	5,846,196	0
Charges for Services	106,670	121,652
Fees, Licenses, and Permits	283,503	46,712
Fines and Forfeitures	261,203	103,110
Intergovernmental	958,950	990,501
Special Assessments	0	0
Interest	1,686,156	77,402
Rentals and Royalties	20,194	0
Other	571,812	156,118
<i>Total Revenues</i>	10,357,900	1,811,031
Expenditures		
Current:		
General Government	1,407,093	139,341
Security of Persons and Property	220,252	5,303,508
Public Health and Welfare	227,690	46,029
Transportation	238,618	771,468
Community Environment	198,533	325,261
Leisure Time Activities	7,257	404,191
Capital Outlay	0	0
Debt Service:		
Principal Retirement	0	5,924
Interest and Fiscal Charges	0	20,111
<i>Total Expenditures</i>	2,299,443	7,015,833
<i>Excess of Revenues Over (Under) Expenditures</i>	8,058,457	(5,204,802)
Other Financing Sources (Uses)		
Operating Transfers In	0	4,700,000
Operating Transfers Out	(5,200,000)	0
<i>Total Other Financing Sources (Uses)</i>	(5,200,000)	4,700,000
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	2,858,457	(504,802)
<i>Fund Balances Beginning of Year</i>	9,695,880	2,074,227
<i>Fund Balances End of Year</i>	\$12,554,337	\$1,569,425

See accompanying notes to the general purpose financial statements

Fund Types		Totals (Memorandum Only)
Debt Service	Capital Projects	
\$0	\$0	\$938,752
0	0	5,846,196
0	0	228,322
0	0	330,215
0	0	364,313
0	0	1,949,451
11,601	0	11,601
0	0	1,763,558
0	0	20,194
0	60,134	788,064
<u>11,601</u>	<u>60,134</u>	<u>12,240,666</u>
0	0	1,546,434
0	0	5,523,760
0	0	273,719
0	0	1,010,086
0	0	523,794
0	0	411,448
0	665,400	665,400
9,001	0	14,925
4,938	0	25,049
<u>13,939</u>	<u>665,400</u>	<u>9,994,615</u>
<u>(2,338)</u>	<u>(605,266)</u>	<u>2,246,051</u>
0	500,000	5,200,000
0	0	(5,200,000)
<u>0</u>	<u>500,000</u>	<u>0</u>
(2,338)	(105,266)	2,246,051
<u>220,268</u>	<u>281,707</u>	<u>12,272,082</u>
<u>\$217,930</u>	<u>\$176,441</u>	<u>\$14,518,133</u>

City of Niles, Ohio
*Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types
For The Year Ended December 31, 2000*

	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues			
Property and Other Taxes	\$620,881	\$623,216	\$2,335
Municipal Income Tax	4,800,000	5,820,827	1,020,827
Charges for Services	110,000	107,000	(3,000)
Fees, Licenses, and Permits	206,000	283,503	77,503
Fines and Forfeitures	200,000	261,203	61,203
Intergovernmental	683,472	906,316	222,844
Special Assessments	0	0	0
Interest	600,000	1,686,156	1,086,156
Rentals and Royalties	12,000	20,194	8,194
Other	511,528	571,812	60,284
<i>Total Revenues</i>	<u>7,743,881</u>	<u>10,280,227</u>	<u>2,536,346</u>
Expenditures			
Current:			
General Government	1,563,117	1,368,883	194,234
Security of Persons and Property	289,883	230,906	58,977
Public Health and Welfare	244,164	217,674	26,490
Transportation	286,316	263,125	23,191
Community Environment	212,660	195,215	17,445
Leisure Time Activities	12,025	7,257	4,768
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>2,608,165</u>	<u>2,283,060</u>	<u>325,105</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>5,135,716</u>	<u>7,997,167</u>	<u>2,861,451</u>
Other Financing Sources (Uses)			
Operating Transfers In	0	0	0
Operating Transfers Out	(5,200,000)	(5,200,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(5,200,000)</u>	<u>(5,200,000)</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(64,284)	2,797,167	2,861,451
<i>Fund Balances Beginning of Year</i>	8,851,149	8,851,149	0
Prior Year Encumbrances Appropriated	86,448	86,448	0
<i>Fund Balances End of Year</i>	<u>\$8,873,313</u>	<u>\$11,734,764</u>	<u>\$2,861,451</u>

Special Revenue Funds			Debt Service Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$573,125	\$315,536	(\$257,589)	\$0	\$0	\$0
0	0	0	0	0	0
145,000	121,080	(23,920)	0	0	0
28,279	47,125	18,846	0	0	0
96,000	112,991	16,991	0	0	0
1,088,493	1,004,575	(83,918)	0	0	0
0	0	0	14,000	11,601	(2,399)
45,406	77,402	31,996	0	0	0
0	0	0	0	0	0
99,655	156,118	56,463	0	0	0
<u>2,075,958</u>	<u>1,834,827</u>	<u>(241,131)</u>	<u>14,000</u>	<u>11,601</u>	<u>(2,399)</u>
165,953	136,984	28,969	0	0	0
5,788,858	5,227,312	561,546	0	0	0
58,373	45,486	12,887	0	0	0
676,915	770,997	(94,082)	0	0	0
206,931	334,782	(127,851)	0	0	0
438,926	401,683	37,243	0	0	0
0	0	0	0	0	0
0	0	0	9,500	9,001	499
0	0	0	5,500	7,628	(2,128)
<u>7,335,956</u>	<u>6,917,244</u>	<u>418,712</u>	<u>15,000</u>	<u>16,629</u>	<u>(1,629)</u>
<u>(5,259,998)</u>	<u>(5,082,417)</u>	<u>177,581</u>	<u>(1,000)</u>	<u>(5,028)</u>	<u>(4,028)</u>
5,455,000	4,700,000	(755,000)	0	0	0
0	0	0	0	0	0
<u>5,455,000</u>	<u>4,700,000</u>	<u>(755,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>
195,002	(382,417)	(577,419)	(1,000)	(5,028)	(4,028)
1,941,971	1,941,971	0	220,268	220,268	0
160,635	160,635	0	0	0	0
<u>\$2,297,608</u>	<u>\$1,720,189</u>	<u>(\$577,419)</u>	<u>\$219,268</u>	<u>\$215,240</u>	<u>(\$4,028)</u>

City of Niles, Ohio
*Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types (continued)
For The Year Ended December 31, 2000*

	<u>Capital Projects Funds</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Property and Other Taxes	\$0	\$0	\$0
Municipal Income Tax	0	0	0
Charges for Services	0	0	0
Fees, Licenses, and Permits	0	0	0
Fines and Forfeitures	0	0	0
Intergovernmental	0	0	0
Special Assessments	0	0	0
Interest	0	0	0
Rentals and Royalties	0	0	0
Other	100,000	69,655	(30,345)
<i>Total Revenues</i>	<u>100,000</u>	<u>69,655</u>	<u>(30,345)</u>
Expenditures			
Current:			
General Government	0	0	0
Security of Persons and Property	0	0	0
Public Health and Welfare	0	0	0
Transportation	0	0	0
Community Environment	0	0	0
Leisure Time Activities	0	0	0
Capital Outlay	843,385	852,240	(8,855)
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>843,385</u>	<u>852,240</u>	<u>(8,855)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(743,385)</u>	<u>(782,585)</u>	<u>(39,200)</u>
Other Financing Sources (Uses)			
Operating Transfers In	500,000	500,000	0
Operating Transfers Out	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>500,000</u>	<u>500,000</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(243,385)</u>	<u>(282,585)</u>	<u>(39,200)</u>
<i>Fund Balances Beginning of Year</i>	130,144	130,144	0
Prior Year Encumbrances Appropriated	<u>192,791</u>	<u>192,791</u>	<u>0</u>
<i>Fund Balances End of Year</i>	<u><u>\$79,550</u></u>	<u><u>\$40,350</u></u>	<u><u>(\$39,200)</u></u>

See accompanying notes to the general purpose financial statements

Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$1,194,006	\$938,752	(\$255,254)
4,800,000	5,820,827	1,020,827
255,000	228,080	(26,920)
234,279	330,628	96,349
296,000	374,194	78,194
1,771,965	1,910,891	138,926
14,000	11,601	(2,399)
645,406	1,763,558	1,118,152
12,000	20,194	8,194
711,183	797,585	86,402
<u>9,933,839</u>	<u>12,196,310</u>	<u>2,262,471</u>
1,729,070	1,505,867	223,203
6,078,741	5,458,218	620,523
302,537	263,160	39,377
963,231	1,034,122	(70,891)
419,591	529,997	(110,406)
450,951	408,940	42,011
843,385	852,240	(8,855)
9,500	9,001	499
5,500	7,628	(2,128)
<u>10,802,506</u>	<u>10,069,173</u>	<u>733,333</u>
<u>(868,667)</u>	<u>2,127,137</u>	<u>2,995,804</u>
5,955,000	5,200,000	(755,000)
<u>(5,200,000)</u>	<u>(5,200,000)</u>	<u>0</u>
<u>755,000</u>	<u>0</u>	<u>(755,000)</u>
(113,667)	2,127,137	2,240,804
11,143,532	11,143,532	0
439,874	439,874	0
<u>\$11,469,739</u>	<u>\$13,710,543</u>	<u>\$2,240,804</u>

City of Niles, Ohio
*Combined Statement of Revenues, Expenses
and Changes in Fund Equity
All Proprietary Fund Types and Similar Trust Fund
For the Year Ended December 31, 2000*

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Operating Revenues				
Charges for Services	\$25,201,972	\$1,580,254	\$0	\$26,782,226
Interest	0	0	2,412	2,412
<i>Total Operating Revenues</i>	<u>25,201,972</u>	<u>1,580,254</u>	<u>2,412</u>	<u>26,784,638</u>
Operating Expenses				
Personal Services	3,002,384	0	0	3,002,384
Contractual Services	20,529,722	322,312	323	20,852,357
Claims	0	1,272,249	0	1,272,249
Materials and Supplies	586,383	0	0	586,383
Depreciation	514,019	0	0	514,019
<i>Total Operating Expenses</i>	<u>24,632,508</u>	<u>1,594,561</u>	<u>323</u>	<u>26,227,392</u>
<i>Operating Income (Loss)</i>	<u>569,464</u>	<u>(14,307)</u>	<u>2,089</u>	<u>557,246</u>
Non-Operating Expenses				
Interest and Fiscal Charges	(512,876)	0	0	(512,876)
Other Non-Operating Expenses	(19,126)	0	0	(19,126)
<i>Total Non-Operating Expenses</i>	<u>(532,002)</u>	<u>0</u>	<u>0</u>	<u>(532,002)</u>
<i>Net Income (Loss)</i>	37,462	(14,307)	2,089	25,244
<i>Retained Earnings/Fund Balance Beginning of Year (Restated See Note 3)</i>	<u>15,633,398</u>	<u>570,238</u>	<u>54,578</u>	<u>16,258,214</u>
<i>Retained Earnings/Fund Balance End of Year</i>	15,670,860	555,931	56,667	16,283,458
Contributed Capital Beginning/End of Year	<u>170,000</u>	<u>0</u>	<u>0</u>	<u>170,000</u>
<i>Total Fund Equity End of Year</i>	<u><u>\$15,840,860</u></u>	<u><u>\$555,931</u></u>	<u><u>\$56,667</u></u>	<u><u>\$16,453,458</u></u>

See accompanying notes to the general purpose financial statements

City of Niles, Ohio
*Combined Statement of Revenues, Expenses and
Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual
All Proprietary Fund Types and Similar Trust Fund
For The Year Ended December 31, 2000*

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Charges for Services	\$24,600,000	\$25,168,586	\$568,586
Interest	0	0	0
Proceeds of Notes	0	0	0
<i>Total Revenues</i>	<u>24,600,000</u>	<u>25,168,586</u>	<u>568,586</u>
Expenses			
Current:			
Personal Services	4,219,693	3,905,144	314,549
Contractual Services	22,762,422	21,883,118	879,304
Claims	0	0	0
Materials and Supplies	691,945	609,714	82,231
Capital Outlay	1,148,373	702,790	445,583
Other Non-Operating Expenses	28,721	19,329	9,392
Debt Service:			
Principal Retirement	362,975	362,975	0
Interest and Fiscal Charges	506,804	506,804	0
<i>Total Expenses</i>	<u>29,720,933</u>	<u>27,989,874</u>	<u>1,731,059</u>
<i>Excess of Revenues Over (Under) Expenses</i>	(5,120,933)	(2,821,288)	2,299,645
<i>Fund Equity Beginning of Year</i>	14,547,663	14,547,663	0
<i>Prior Year Encumbrances Appropriated</i>	<u>3,146,225</u>	<u>3,146,225</u>	<u>0</u>
<i>Fund Equity End of Year</i>	<u><u>\$12,572,955</u></u>	<u><u>\$14,872,600</u></u>	<u><u>\$2,299,645</u></u>

(continued)

City of Niles, Ohio
*Combined Statement of Revenues, Expenses and
Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual
All Proprietary Fund Types and Similar Trust Fund (continued)
For The Year Ended December 31, 2000*

	Internal Service Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Charges for Services	\$1,700,000	\$1,580,254	(\$119,746)
Interest	0	0	0
Proceeds of Notes	0	0	0
<i>Total Revenues</i>	<u>1,700,000</u>	<u>1,580,254</u>	<u>(119,746)</u>
Expenses			
Current:			
Personal Services	0	0	0
Contractual Services	822,312	822,312	0
Claims	1,245,088	1,038,985	206,103
Materials and Supplies	0	0	0
Capital Outlay	0	0	0
Other Non-Operating Expenses	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenses</i>	<u>2,067,400</u>	<u>1,861,297</u>	<u>206,103</u>
<i>Excess of Revenues Over (Under) Expenses</i>	(367,400)	(281,043)	86,357
<i>Fund Equity Beginning of Year</i>	269,753	269,753	0
<i>Prior Year Encumbrances Appropriated</i>	<u>330,000</u>	<u>330,000</u>	<u>0</u>
<i>Fund Equity End of Year</i>	<u>\$232,353</u>	<u>\$318,710</u>	<u>\$86,357</u>

See accompanying notes to the general purpose financial statements

Nonexpandable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$26,300,000	\$26,748,840	\$448,840
1,000	2,412	1,412	1,000	2,412	1,412
0	0	0	0	0	0
1,000	2,412	1,412	26,301,000	26,751,252	450,252
0	0	0	4,219,693	3,905,144	314,549
10,000	323	9,677	23,594,734	22,705,753	888,981
0	0	0	1,245,088	1,038,985	206,103
0	0	0	691,945	609,714	82,231
0	0	0	1,148,373	702,790	445,583
0	0	0	28,721	19,329	9,392
0	0	0	362,975	362,975	0
0	0	0	506,804	506,804	0
10,000	323	9,677	31,798,333	29,851,494	1,946,839
(9,000)	2,089	11,089	(5,497,333)	(3,100,242)	2,397,091
54,578	54,578	0	14,871,994	14,871,994	0
0	0	0	3,476,225	3,476,225	0
<u>\$45,578</u>	<u>\$56,667</u>	<u>\$11,089</u>	<u>\$12,850,886</u>	<u>\$15,247,977</u>	<u>\$2,397,091</u>

City of Niles, Ohio
Combined Statement of Cash Flows
All Proprietary Fund Types and Similar Trust Fund
For the Year Ended December 31, 2000

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
<i>Increase (Decrease) In Cash and Cash Equivalents</i>				
<i>Cash Flows from Operating Activities</i>				
Cash Received from Quasi-External Transactions with Other Funds	\$0	\$1,580,254	\$0	\$1,580,254
Cash Payments Received from Customers	25,168,586	0	0	25,168,586
Cash Payments to Suppliers for Good and Services	(586,383)	0	0	(586,383)
Cash Payments for Claims	0	(1,038,985)	0	(1,038,985)
Cash Payments for Employee Services and Benefits	(3,869,860)	0	0	(3,869,860)
Cash Payments for Contractual Services	(20,634,262)	(322,312)	(323)	(20,956,897)
Cash Payments for Other Non-Operating Expenses	(19,126)	0	0	(19,126)
<i>Net Cash Provided By (Used for) Operating Activities</i>	<u>58,955</u>	<u>218,957</u>	<u>(323)</u>	<u>277,589</u>
<i>Cash Flows from Capital and Related Financing Activities</i>				
Principal Payments - OPWC Loans	(37,511)	0	0	(37,511)
Principal Payments - OWDA Loans	(325,464)	0	0	(325,464)
Interest Payments - OWDA	(506,804)	0	0	(506,804)
Fixed Assets Additions	(702,790)	0	0	(702,790)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(1,572,569)</u>	<u>0</u>	<u>0</u>	<u>(1,572,569)</u>
<i>Cash Flows from Investing Activities</i>				
Interest on Investments	0	0	2,412	2,412
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(1,513,614)	218,957	2,089	(1,292,568)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>17,743,966</u>	<u>599,753</u>	<u>54,578</u>	<u>18,398,297</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$16,230,352</u>	<u>\$818,710</u>	<u>\$56,667</u>	<u>\$17,105,729</u> (continued)

City of Niles, Ohio
Combined Statement of Cash Flows
Proprietary Fund Types and Similar Trust Fund (continued)
For the Year Ended December 31, 2000

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities				
Operating Income (Loss)	\$464,924	(\$14,307)	\$2,089	\$452,706
<i>Adjustments:</i>				
Depreciation	514,019	0	0	514,019
Interest	0	0	(2,412)	(2,412)
Non-Operating Expense	(19,126)	0	0	(19,126)
<i>Change in Assets and Liabilities:</i>				
Increase in Accounts Receivable:	(33,386)	0	0	(33,386)
<i>Increase/(Decrease) in Liabilities:</i>				
Accounts Payable	(102,786)	0	0	(102,786)
Contracts Payable	(834,333)	0	0	(834,333)
Accrued Wages and Benefits	4,071	0	0	4,071
Compensated Absences Payable	(24,966)	0	0	(24,966)
Intergovernmental Payable	90,538	0	0	90,538
Claims Payable	0	233,264	0	233,264
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>\$58,955</u>	<u>\$218,957</u>	<u>(\$323)</u>	<u>\$277,589</u>

*Reconciliation of Cash and
Cash Equivalents to the
Balance Sheet:*

Trust and Agency	\$92,214
Less: Agency Funds	35,547
Nonexpendable Trust Fund	<u>\$56,667</u>

See accompanying notes to the general purpose financial statements

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City of Niles, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

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 for a four-year term. The eight council members serve two year terms.

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

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

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

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

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

A. Basis Of Presentation - Fund Accounting

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

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein,

City of Niles, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

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

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

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

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

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

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

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

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

Internal Service Fund This fund is used to account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis.

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

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

City of Niles, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

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

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

General Fixed Assets Account Group This account group accounts for all general fixed assets of the City.

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

B. Measurement Focus and Basis of Accounting

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

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

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

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

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

The City reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Current and delinquent property taxes measurable as of December 31, 2000, whose availability is indeterminate and which are not intended to finance current period obligations, have been recorded as a receivable and deferred revenue. Levied special assessments are measurable, and have been recorded as a receivable. Since all assessments are due outside of the available period, the entire amount has been deferred.

City of Niles, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

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

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

C. Budgetary Process

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

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

Estimated Resources The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2000.

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

City of Niles, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

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

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

D. Cash and Cash Equivalents

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

The City of Niles has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during 2000. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2000.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2000 amounted to \$1,686,156, which includes \$1,026,332 assigned from other City funds.

The City has segregated bank accounts for monies held separate from the City's central bank account. These interest-bearing depository accounts are presented on the combined balance sheet as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the City's treasury. The cash of the Municipal Court is included in this line item.

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

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

E. Inventory

Inventories of governmental funds are stated at cost while the inventory of the proprietary funds is stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the proprietary fund type when used. Reported materials and supplies inventory is equally offset by a fund balance

City of Niles, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

reserve in the governmental fund which indicates that it does not constitute available spendable resources even though it is a component of net current assets. Since the inventory balance at December 31, 2000 was not significant, an amount was not reported on the combined balance sheet.

F. Investment in Joint Venture

The investment in the joint venture is reported using the equity method of accounting. The amounts included in the statements relating to the joint venture are as of December 31, 2000, the latest information available.

G. Restricted Assets

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

H. Fixed Assets

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

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

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

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's useful life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

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

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

Interest is capitalized on proprietary fund assets acquired with tax exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. For 2000, interest costs incurred on construction projects in the proprietary funds were not material.

City of Niles, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

I. Accrued and Long-Term Obligations

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

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

J. Compensated Absences

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

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

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

K. Fund Equity

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

L. Interfund Transactions

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

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

City of Niles, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

M. Estimates

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

N. Total Columns on General Purpose Financial Statements

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

Note 3 - Restatement of Prior Year Fund Equity

The following adjustments resulted in the restatement of beginning retained earnings in the enterprise funds. The table below provides details of these adjustments and the resulting effect on retained earnings.

	Enterprise
Balance as Previously Reported	\$14,692,921
Understatement of Cash with Fiscal Agent	50,078
Understatement of Fixed Assets	890,399
Restated Balance December 31, 1999	\$15,633,398

The effect of these changes on net income as previously reported for the year ended December 31, 1999, is as follows:

	Enterprise
Net Loss as Previously Reported	(\$286,818)
Understatement of Fixed Assets	(408,634)
Net Income	(\$695,452)

The general fixed assets account group total assets decreased by \$366,232 from \$6,693,115 to \$6,326,883 as of December 31, 1999, due to a restatement for fixed assets.

Note 4 - Budgetary Basis of Accounting

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

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - All Proprietary Fund Types and Similar Trust

City of Niles, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

Fund are presented on the budgetary basis to provide a relevant comparison of actual results with the budget and to demonstrate compliance with State statute. The major differences between the budget basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Outstanding year end encumbrances are treated as expenditures/expenses (budget) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund types (GAAP).
4. For the enterprise fund, the investment in joint venture is not reported on the budget basis.

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

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$2,858,457	(\$504,802)	(\$2,338)	(\$105,266)
Net Adjustment for Revenue Accruals	(77,673)	23,796	0	9,521
Net Adjustment for Expenditure Accruals	44,606	452,810	0	(22,775)
Encumbrances	(28,223)	(354,221)	(2,690)	(164,065)
Budget Basis	<u>\$2,797,167</u>	<u>(\$382,417)</u>	<u>(\$5,028)</u>	<u>(\$282,585)</u>

City of Niles, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

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

	Enterprise	Internal Service	Nonexpendable Trust Fund
GAAP Basis	(\$67,078)	(\$14,307)	\$2,089
Net Adjustment for Revenue Accruals	(33,386)	0	0
Net Adjustment for Expense Accruals	(1,224,379)	233,264	0
Capital Outlay	(702,790)	0	0
Depreciation	514,019	0	0
Encumbrances	(1,307,674)	(500,000)	0
Budget Basis	(\$2,821,288)	(\$281,043)	\$2,089

Note 5 - Accountability

Fund Balance/retained earnings at December 31, 2000, included the following individual fund deficits:

	Deficit Fund Balance/ Retained Earnings
<i>Special Revenue Funds:</i>	
Police Pension	\$56,529
Fire Pension	11,541
<i>Enterprise Fund:</i>	
Sewer	89,085

The deficit in the police pension and fire pension special revenue funds resulted from adjustments for accrued liabilities. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

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

Note 6 - Deposits and Investments

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

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

City of Niles, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

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

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the auditor by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution. Interim monies may be deposited or invested in the following securities:

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

City of Niles, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Deposits At year-end, the carrying amount of the City's deposits was \$2,282,567 and the bank balance was \$3,260,024. Of the bank balance:

1. \$229,504 was covered by federal depository insurance.
2. \$3,030,520 was uncollateralized and uninsured as defined by the GASB. Although the securities were held by the pledging financial institutions trust department or agent in the City's name and all State statutory requirements for the investment of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

	Fair Value
	<hr/>
STAROhio	\$29,157,189
	<hr/> <hr/>

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

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$31,439,756	\$0
Investments which are part of a cash management pool:		
STAROhio	(29,157,189)	29,157,189
GASB Statement 3	\$2,282,567	\$29,157,189

City of Niles, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

Note 7 - Property Taxes

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Property tax revenue received during 2000 for real and public property taxes represents collections of 1999 taxes. Property tax payments received during 2000 for tangible personal property (other than public utility property) is for 2000 taxes.

2000 real property taxes are levied after October 1, 2000, on the assessed value as of January 1, 2000, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2000 real property taxes are collected in and intended to finance 2001.

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. 2000 public utility property taxes became a lien December 31, 1999, are levied after October 1, 2000, and are collected in 2001 with real property taxes.

2000 Tangible personal property taxes are levied after October 1, 1999, on the value as of December 31, 1999. Collections are made in 2000. Tangible personal property assessments are 25 percent of true value.

The full tax rate for all City operations for the year ended December 31, 2000 was \$3.50 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2000 property tax receipts were based are as follows:

Real Property	\$239,705,020
Tangible Personal Property	48,481,077
Public Utility Property	7,371,570
Total Valuation	<u><u>\$295,557,667</u></u>

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

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

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Niles. The County Auditor periodically remits to the City its portion of the taxes. Property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2000. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 2000 operations. The receivable is offset by deferred revenue.

B. Income Tax

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

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

City of Niles, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

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

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

Note 8 - Receivables

Receivables at December 31, 2000, primarily consisted of taxes, accounts (billings for user charged services, including unbilled utility services), special assessments, and intergovernmental receivables arising from grants, entitlements and shared revenues. All receivables are considered fully collectible.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
General Fund	\$254,073
Special Revenue Funds:	
SCMR	31,789
State Highway	<u>2,577</u>
Total Special Revenue Funds	<u>34,366</u>
Total	<u><u>\$288,439</u></u>

Note 9 - Contingencies

A. Grants

The City receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2000.

B. Litigation

The City of Niles is not a party to legal proceedings.

City of Niles, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

Note 10 - Fixed Assets

A summary of the enterprise funds' property, plant and equipment at December 31, 2000, follows:

Land	\$668,004
Buildings	4,561,228
Equipment and Vehicles	1,712,868
Sewer Lines	5,314,013
Water Lines	1,703,649
Electric Lines	<u>9,360,551</u>
Total	23,320,313
Less: Accumulated Depreciation	<u>(15,225,462)</u>
Net Fixed Assets	<u><u>\$8,094,851</u></u>

A summary of changes in general fixed assets follows:

	Balance <u>01/01/00</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/00</u>
Land and Improvements	\$1,414,303	\$0	\$0	\$1,414,303
Buildings and Improvements	2,712,131	0	0	2,712,131
Equipment and Machinery	<u>2,200,449</u>	<u>510,224</u>	<u>0</u>	<u>2,710,673</u>
Total	<u><u>\$6,326,883</u></u>	<u><u>\$510,224</u></u>	<u><u>\$0</u></u>	<u><u>\$6,837,107</u></u>

Note 11 - Long-Term Obligations

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

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

Changes in the long-term obligations of the City during 2000 were as follows:

City of Niles, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

	Outstanding 01/01/00	Additions	Reductions	Outstanding 12/31/00
Enterprise Fund Obligations:				
<i>Ohio Public Works Commission Loan</i>				
1994 Sanitary Sewer Moratorium	\$525,155	\$0	(\$37,511)	\$487,644
<i>Ohio Water Development Authority Loans</i>				
1994 Water Tower	412,752	0	(93,503)	319,249
1983 Wastewater Treatment Plant	5,145,398	0	(231,961)	4,913,437
<i>Total Ohio Water Development Authority Loans</i>	5,558,150	0	(325,464)	5,232,686
<i>Total Enterprise Fund Obligations</i>	6,083,305	0	(362,975)	5,720,330
General Long Term Obligations:				
<i>General Obligation Bond</i>				
1977 Various Purpose	819	0	(284)	535
1983 Special Assessment Bond	25,180	0	(8,717)	16,463
Police and Fire Pension Liability	474,651	0	(5,924)	468,727
Compensated Absences	644,629	86,626	0	731,255
Intergovernmental Payable	149,749	171,539	(149,749)	171,539
<i>Total General Long-Term Obligations</i>	1,295,028	258,165	(164,674)	1,388,519
<i>Total All Types</i>	\$7,378,333	\$258,165	(\$527,649)	\$7,108,849

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

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

The City's overall legal debt margin was \$10,518,344 at December 31, 2000. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2000, are as follows:

City of Niles, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

	Ohio Public Works Commission Loans	Ohio Water Development Authority Loan	General Obligation Bonds	Special Assessment Bond	Police and Fire Pension Liability
2001	\$37,511	\$789,077	\$353	\$10,857	\$26,034
2002	37,511	789,077	284	8,755	26,034
2003	37,511	789,077	0	0	26,034
2004	37,511	668,291	0	0	26,034
2005	37,511	668,291	0	0	26,034
2006-2010	187,555	3,341,453	0	0	130,170
2011-2015	112,534	1,336,581	0	0	130,170
2016-2020	0	0	0	0	130,170
2021-2025	0	0	0	0	130,170
2026-2030	0	0	0	0	130,170
2031-2035	0	0	0	0	115,985
Totals	<u>\$487,644</u>	<u>\$8,381,847</u>	<u>\$637</u>	<u>\$19,612</u>	<u>\$897,005</u>

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

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

Year	Certificates of Beneficial Interest	City of Niles Amount
2001	\$3,130,000	\$332,719
2002	3,280,000	348,664
2003	3,445,000	366,204
2004	3,620,000	384,806
2005	3,800,000	403,940
2006-2010	22,290,000	2,369,428
2011-2015	28,995,000	3,082,170
2016-2020	37,910,000	4,029,834
2021-2024	38,360,000	4,077,669
Total	<u>\$144,830,000</u>	<u>\$15,395,434</u>

Note 12 - Defined Benefit Pension Plans

A. Public Employees Retirement System

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

City of Niles, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. For calendar year 2000, PERS instituted a temporary employer rate rollback for state and local governments. The 2000 employer pension contribution rate for the City was 6.54 percent of covered payroll, reduced from 9.35 percent in 1999. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to PERS for the years ended December 31, 2000, 1999, and 1998 were \$304,450, \$341,326, and \$366,381 respectively. The full amount has been contributed for 1999 and 1998. 85.92 percent has been contributed for 2000 with the remainder being reported as a liability in the general long-term obligations account group.

B. Ohio Police and Fire Pension Fund

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

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 12.25 percent for police and 16.75 percent for firefighters. For 1999 the City contributions were 12.5 percent for police and 17 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the OP&F for police and firefighters were \$197,678 and \$220,062 for the year ended December 31, 2000, \$190,467 and \$235,568 for the year ended December 31, 1999, \$180,804 and \$212,873 for the year ended December 31, 1998. The full amount has been contributed for 1999 and 1998. 73.73 percent and 71.82 percent, respectively, have been contributed for 2000 with the remainder being reported as a liability in the general long-term obligations account group.

In addition to current contributions, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2000, the unfunded liability of the City was \$468,727 payable in semi-annual payments through the year 2035. This is an accounting liability of the City which will not vary. The liability is reported in the general long-term obligations account group.

C. Social Security System

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

Note 13 - Postemployment Benefits

A. Public Employees Retirement System

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of

City of Niles, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2000 employer contribution rate was 10.84 percent of covered payroll; 4.30 percent was the portion that was used to fund health care for 2000. For 1999, the contribution rate was 13.55 percent of covered payroll; 4.20 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 1999, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually for inflation (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 percent annually.

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

The number of active contributing participants was 401,339. The City's actual contributions for 2000 which were used to fund postemployment benefits were \$200,174. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 1999, (the latest information available) were \$10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$12,473.6 million and \$1,668.1 million, respectively.

For 2000, PERS elected to return to an actuarially pre-funded type of disclosure because it is a better presentation of PERS's actual funding methodology. Since 1997, disclosures had been based on a pay-as-you-go funding basis.

B. Ohio Police and Fire Pension Fund

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

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

The City's actual contributions for 2000 that were used to fund postemployment benefits were \$116,993 for police and \$95,251 for fire. The OP&F's total health care expenses for the year ended December 31, 1999, (the latest information available) were \$95,004,633, which was net of member contributions of \$5,518,098. The number of OP&F participants eligible to receive health care benefits as of December 31, 1999, was 12,467 for police and 9,807 for firefighters.

City of Niles, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

Note 14 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2000, the City contracted with Millers Mutual Insurance for various types of insurance as follows:

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

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

The City has elected to provide medical benefits through a self insured program. The maintenance of these benefits are accounted for in the Self-Insurance Internal Service fund. An excess coverage insurance (stop loss) policy covers annual claims in excess of \$50,000 per individual and \$1,000,000 for the City as a whole. Incurred but not reported claims of \$262,779 have been accrued as a liability based on a review of January, 2001 billings provided by the City Auditor's office.

The claims liability of \$262,779 reported in the internal service fund at December 31, 2000, is based on requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claims adjustment expenses. Changes in the fund's claims liability for 1998, 1999 and 2000 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance End of Year
1998	\$36,992	\$876,949	\$847,758	\$66,183
1999	66,183	748,837	785,505	29,515
2000	29,515	1,272,249	1,038,985	262,779

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.

Note 15 - Note Payable

Changes in the City's note activity for the year ended December 31, 2000, were as follows:

	Outstanding 1/1/00	Additions	(Reductions)	Outstanding 12/31/00
Sewer Improvement 4.72% July 18, 2001	\$2,000,000	\$2,000,000	(\$2,000,000)	\$2,000,000

City of Niles, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

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

Note 16 - Segment Information

The City's enterprise funds accounts for the provision of water, light and sewer services. The table below reflects, in a summarized format, the more significant data relating to the enterprise funds of the City of Niles as of and for the year ended December 31, 2000:

	Water Fund	Light Fund	Sewer Fund	Total
Operating Revenues	\$3,803,143	\$18,931,906	\$2,466,923	\$25,201,972
Depreciation Expense	75,278	295,360	143,381	514,019
Operating Income (Loss)	(1,132,242)	1,035,857	561,309	464,924
Net Income (Loss)	(1,212,732)	1,029,936	115,718	(67,078)
Net Working Capital	862,255	10,998,061	3,430,580	15,290,896
Fixed Asset Additions	47,578	488,651	166,561	702,790
Total Assets	3,416,118	16,145,123	5,530,650	25,091,891
Long-Term Liabilities	2,287,263	176,533	5,185,631	7,649,427
Total Equity	698,375	15,127,030	(89,085)	15,736,320
Encumbrances	535,367	286,737	485,570	1,307,674

Note 17 - Jointly Governed Organizations

A. Eastgate Development and Transportation Agency

The Eastgate Development and Transportation Agency (EDATA) is a jointly governed organization committed to foster cooperative regional efforts in the planning, programming and implementation of public sector activities. EDATA has forty-eight participating members. These include representatives from Trumbull County, Mahoning County, township trustees, participating cities and villages. The operation of EDATA is controlled by a general policy board which consists of a representative from each member. Funding comes from each of the participants. For 2000, the City contributed \$7,395 to the Eastgate Development and Transportation Agency.

B. Emergency Management Agency

The Emergency Management Agency is a jointly governed organization among the thirty-four subdivisions located within Trumbull County. The eight members of the advisory board are appointed by the thirty-four member subdivisions. The degree of control exercised by any participating government is limited to its representation on the Board. The Agency adopts its own budget, authorizes expenditures and hires and fires its own staff. In 2000, the City contributed \$4,437 to the Emergency Management Agency.

City of Niles, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

Note 18 - Joint Venture

Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5)

The City is a participant with forty-two subdivisions within the State of Ohio in a joint venture to construct a hydroelectric plant and associated transmission facilities in West Virginia on the Oho River at Belleville Locks and Dam and receive electricity from its operation. The Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5) was created for that purpose. On dissolution of the joint venture, the net assets of JV5 will be shared by the participants on a percentage basis. The JV5 is managed by AMP-Ohio, who acts as the joint venture's agent. The participants are obligated by the agreement to remit monthly for those costs incurred by using electricity generated by the joint venture and a portion of the \$153,415,000 Certificates of Beneficial Interest debt that was issued to construct the fixed asset. In accordance with the joint venture agreement, the City remitted \$2,079,511 to the joint venture for 2000 for electricity. The City's net investment and its share of the operating results of JV5 are reported in the City's electric enterprise fund. The City equity interest in JV5 was \$464,148 at December 31, 2000. Financial information can be obtained from AMP-Ohio, 601 Dempsey Road, Westerville, Ohio 43081, or from the City's utility department.

Note 19 - Electric Deregulation

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

Note 20 - Interfund Transactions

The Capital Improvement capital projects fund had an interfund payable that was owed to the Community Development special revenue fund in the amount of \$9,521.

CITY OF NILES
TRUMBULL COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2000
(Cash Basis)

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
<i>Passed Through Ohio Department of Development:</i>				
Community Development Block Grant	A-C-98-156-1	14.228	32,900	\$47,816
Small Cities Program	A-F-99-156-1		106,000	105,670
	A-F-98-156-1		11,800	1,000
<i>Direct Program:</i>				
Home Investment Partnership Program (HOME)	A-C-98-156-2	14.239	144,919	170,755
Total U.S. Department of Housing and Urban Development			295,619	325,241
<u>U.S. DEPARTMENT OF JUSTICE/OFFICE OF JUSTICE PROGRAM</u>				
Public Safety & Community Policing Grant COPS Program	95-CF-WX-4807	16.710	46,786	
Total U.S. Department of Justice			46,786	
Total			\$342,405	\$325,241

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

**CITY OF NILES
TRUMBULL COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 2000**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

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

The Mahoning Valley Economic Development Corporation, on behalf of the City of Niles, also administers an economic revolving loan program with funds provided by the United States Department of Housing and Urban Development, through the Ohio Department of Development, under the Community Development Block Grant Program (CFDA #14.228). The purpose of the program is to provide loans to various businesses to assist in expansion and/or modernization of equipment. As of December 31, 2000, the account balance (including notes receivable) held in trust was \$330,787.



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

City of Niles
Trumbull County
34 West State Street
Niles, OH 44406

To City Council:

We have audited the financial statements of City of Niles, Trumbull County as of and for the year ended December 31, 2000, and have issued our report thereon dated September 6, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2000-21178-01. We also noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated September 6, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2000-21178-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

However, we believe the reportable condition described above to not be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated September 6, 2001.

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

Jim Petro
Auditor of State

September 6, 2001



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

City of Niles
Trumbull County
34 West State Street
Niles, OH 44406

To City Council:

Compliance

We have audited the compliance of the City of Niles, Trumbull County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2000. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2000. We noted certain instances of noncompliance that do not require inclusion in this report that we have reported to the management of the City in a separate letter dated September 6, 2001.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated September 6, 2001.

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

Jim Petro
Auditor of State

September 6, 2001

**CITY OF NILES
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2000**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Home Investment Partnership Program- CFDA# 14.239
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No
2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS		

FINDING NUMBER 2000-21178-001

Noncompliance Citation

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

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate- If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the City may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

**FINDING NUMBER 2000-21178-001
(Continued)**

- B. If the amount involved is less than one thousand dollars the fiscal officer may issue a warrant upon completing a then and now certificate, but may authorize it to be paid without affirmation of the City Council.

Prior certification was not obtained in 71% of the expenditures tested. In addition, certification of funds by the City Auditor was not obtained for utility expenditures, training expenditures, and Community Development Fund Expenditures.

Unless the certification meets one of the two above exceptions, the City Auditor should certify funds before the City monies are obligated using a regular, blanket or super blanket certificate (as further permitted by ORC 5705.41(D)). This certificate should be signed by the City Auditor.

FINDING NUMBER 2000-21178-002

Reportable Condition - Fixed Asset Listing

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

- a. A complete fixed asset listing for the General Fixed Asset Account Group is not maintained by the City. The list maintained does not state the location of the assets (buildings, departments, etc.), does not account for changes to the original fixed asset list, and does not account for changes in asset values due to renovations or replacements incurred (i.e. swimming pool).
- b. The fixed asset listing for the Enterprise Fund has not been updated for the cost and depreciation of additions since 1996. Additions were calculated during the audit and communicated to the City by the Auditor of State. However the details of the additions were not posted by the Auditor's Office.
- c. The City does not have a system in place to identify fixed asset purchases and deletions throughout the year.
- d. The City does not maintain any type of inventory identification system for capitalized items, such as inventory tag numbers.

The above weaknesses can result in inaccurate reporting of fixed assets on the City's financial statements and an inability to manage and monitor the City's fixed assets in an effective manner.

To help ensure that fixed assets are reported accurately:

- a. The City should conduct a complete physical inventory and construct an accurate fixed asset listing. Also, the City should develop policies and procedures for periodically conducting a physical inventory with reconciliation of the inventory to the fixed asset listing.
- b. The Enterprise fund fixed asset listing should be updated for all assets acquired since 1996 and appropriate depreciation should also be calculated.
- c. The City should establish a system in which City departments notify the City Auditor's office of any fixed assets acquired and fixed assets disposed. The notifications should be used to make yearly updates to the fixed asset listing maintained by the City Auditor's office.
- d. The City should identify all capitalized fixed assets by assigning inventory tag numbers and including this identification number as part of the fixed asset listing.

3. FINDINGS FOR FEDERAL AWARDS

None



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CITY OF NILES
TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 11, 2001**