

**CITY OF NILES  
TRUMBULL COUNTY, OHIO**

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

For the Year Ended  
December 31, 2016

**GIOVANNE MERLO, CITY AUDITOR**





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the City of Niles, Trumbull County, prepared by Julian & Grube, Inc., for the audit period January 1, 2016 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

July 19, 2017

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**CITY OF NILES  
TRUMBULL COUNTY, OHIO**

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**CITY OF NILES  
TRUMBULL COUNTY, OHIO**

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

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report**

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

To the Members of Council and Mayor:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Niles, Trumbull County, Ohio, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Niles' basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

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

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

*Summary of Opinions*

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

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

Management has not provided accounting records to support the capital assets reported within the governmental activities, the business-type activities, water fund, sewer fund, and electric fund. Accounting principles generally accepted in the United States of America require that the historical or estimated cost of capital assets be reported net of accumulated depreciation expense. We cannot reasonably determine whether the capital assets reported in the financial statements are fairly stated. The reported capital assets represent 77 percent of assets reported within the governmental activities, 58 percent of assets reported within the business-type activities, 81 percent of assets reported within the water fund, 93 percent of assets reported within the sewer fund, and 12 percent of assets reported within the electric fund.

***Qualified Opinions***

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinions on the Governmental Activities, Business-Type Activities, Water Fund, Sewer Fund, and Electric Fund* paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, water fund, sewer fund, and electric fund of the City of Niles, Trumbull County, Ohio, as of December 31, 2016, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the general fund, police and fire tax fund, and the aggregate remaining fund information of the City of Niles, Trumbull County, Ohio, as of December 31, 2016, and the respective changes in its financial position thereof and the respective budgetary comparisons for the general fund and police and fire tax fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 22 to the financial statements, on October 7, 2014, the Auditor of State declared the City of Niles to be in a state of fiscal emergency. We did not modify our opinions regarding this matter.



***Other Matters***

*Required Supplementary Information*

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

*Supplementary Information*

Our audit was conducted to opine on the City of Niles' basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards (the "Schedule") presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2017, on our consideration of the City of Niles' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Niles' internal control over financial reporting and compliance.



Julian & Grube, Inc.  
June 15, 2017

## CITY OF NILES, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

The management's discussion and analysis of the City of Niles's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2016. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

#### **Financial Highlights**

Key financial highlights for 2016 are as follows:

- The total net position of the City increased \$4,609,905. Net position of governmental activities increased \$326,188 or 2.88% from 2015 and net position of business-type activities increased \$4,283,717 or 27.27% from 2015.
- General revenues accounted for \$9,435,569 or 70.91% of total governmental activities revenue. Program specific revenues accounted for \$3,871,612 or 29.09% of total governmental activities revenue of \$13,307,181.
- The City had \$12,970,493 in expenses related to governmental activities; \$3,871,612 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$9,098,881 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$9,435,569.
- The City has two major funds, the general fund and police and fire tax fund. The general fund had revenues of \$8,066,594 in 2016. The expenditures and other financing uses of the general fund totaled \$7,581,251 in 2016. The general fund balance increased \$485,343 from a balance of \$1,446,947 to \$1,932,290.
- The police and fire tax fund had revenues and other financing sources of \$6,366,957 in 2016. The expenditures of the police and fire tax fund totaled \$6,216,323 in 2016. The police and fire tax fund balance increased \$150,634 from a balance of \$75,050 to a fund balance of \$225,684.
- Net position for the business-type activities, which are made up of the water, sewer, electric, utility trust and para transit enterprise funds, increased in 2016 by \$4,283,717.

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

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

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

## CITY OF NILES, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

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

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

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2016?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

The City's governmental statement of net position and statement of activities can be found on pages 18 - 20 of this report.

#### **Reporting the City's Most Significant Funds**

##### *Fund Financial Statements*

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

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focuses on the City's most significant funds. The analysis of the City's major governmental and proprietary funds begins on page 12.

## CITY OF NILES, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

#### ***Governmental Funds***

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

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

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund and police and fire tax fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 21-26 of this report.

#### ***Proprietary Funds***

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, electric, para-transit and utility deposits management functions. The City's major enterprise funds are the water, sewer and electric funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The basic proprietary fund financial statements can be found on pages 27-30 of this report.

#### ***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. A private purpose trust fund is the City's fiduciary fund type. The basic fiduciary fund financial statements can be found on pages 31-32 of this report.

#### ***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 34-79 of this report.

#### ***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's net pension liability. The required supplementary information can be found on pages 81-87 of this report.

**CITY OF NILES, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**Government-Wide Financial Analysis**

The table below provides a summary of the City's net position for 2016 and 2015.

	<b>Net Position</b>					
	Governmental Activities		Business-Type Activities		Total	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b><u>Assets</u></b>						
Current and other assets	\$ 6,866,866	\$ 6,292,606	\$ 21,393,443	\$ 17,190,096	\$ 28,260,309	\$ 23,482,702
Capital assets, net	<u>22,364,079</u>	<u>21,884,746</u>	<u>29,737,094</u>	<u>15,786,227</u>	<u>52,101,173</u>	<u>37,670,973</u>
Total assets	<u>29,230,945</u>	<u>28,177,352</u>	<u>51,130,537</u>	<u>32,976,323</u>	<u>80,361,482</u>	<u>61,153,675</u>
Deferred outflows of resources	<u>4,084,702</u>	<u>1,994,739</u>	<u>2,408,635</u>	<u>1,003,620</u>	<u>6,493,337</u>	<u>2,998,359</u>
<b><u>Liabilities</u></b>						
Current and other liabilities	1,075,249	931,950	3,766,995	5,639,726	4,842,244	6,571,676
Long term liabilities:						
Due within one year	369,328	363,407	305,263	215,555	674,591	578,962
Net pension liability	14,907,657	12,689,237	5,119,658	3,294,606	20,027,315	15,983,843
Due in more than one year	<u>4,048,373</u>	<u>4,027,777</u>	<u>24,254,509</u>	<u>9,062,014</u>	<u>28,302,882</u>	<u>13,089,791</u>
Total liabilities	<u>20,400,607</u>	<u>18,012,371</u>	<u>33,446,425</u>	<u>18,211,901</u>	<u>53,847,032</u>	<u>36,224,272</u>
Deferred inflows of resources	<u>1,274,048</u>	<u>844,916</u>	<u>98,921</u>	<u>57,933</u>	<u>1,372,969</u>	<u>902,849</u>
<b><u>Net Position</u></b>						
Net investment						
in capital assets	19,347,242	19,005,384	7,924,340	8,518,427	27,271,582	27,523,811
Restricted	1,984,626	2,192,155	-	-	1,984,626	2,192,155
Unrestricted (deficit)	<u>(9,690,876)</u>	<u>(9,882,735)</u>	<u>12,069,486</u>	<u>7,191,682</u>	<u>2,378,610</u>	<u>(2,691,053)</u>
Total net position	<u>\$ 11,640,992</u>	<u>\$ 11,314,804</u>	<u>\$ 19,993,826</u>	<u>\$ 15,710,109</u>	<u>\$ 31,634,818</u>	<u>\$ 27,024,913</u>

During 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68" which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

## CITY OF NILES, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

Under the new standards required by GASB 68, the net pension liability equals the City's proportionate share of each plan's collective:

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

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

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

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

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2016, the City's assets and deferred outflows exceeded liabilities and deferred inflows by \$31,634,818. At year-end, net positions were \$11,640,992 and \$19,993,826 for the governmental activities and the business-type activities, respectively.

At year-end, capital assets represented 64.83% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, equipment and infrastructure. The City's net investment in capital assets at December 31, 2016 were \$19,347,242 and \$7,924,340 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$1,984,626, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net position is a deficit of \$9,690,876 may be used to meet the government's ongoing obligations to citizens and creditors.

**CITY OF NILES, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

The table below shows the changes in net position for 2016 and 2015.

	<b>Change in Net Position</b>					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 1,925,095	\$ 1,718,405	\$ 38,598,888	\$ 39,659,836	\$ 40,523,983	\$ 41,378,241
Operating grants and contributions	1,224,327	1,068,717	-	-	1,224,327	1,068,717
Capital grants and contributions	722,190	31,698	-	-	722,190	31,698
Total program revenues	<u>3,871,612</u>	<u>2,818,820</u>	<u>38,598,888</u>	<u>39,659,836</u>	<u>42,470,500</u>	<u>42,478,656</u>
General revenues:						
Property taxes	1,577,971	1,527,627	-	-	1,577,971	1,527,627
Income taxes	7,143,647	5,679,422	-	-	7,143,647	5,679,422
Unrestricted grants and entitlements	564,099	536,514	-	-	564,099	536,514
Investment earnings	18,519	5,746	-	-	18,519	5,746
Miscellaneous	131,333	98,827	-	315,700	131,333	414,527
Total general revenues	<u>9,435,569</u>	<u>7,848,136</u>	<u>-</u>	<u>315,700</u>	<u>9,435,569</u>	<u>8,163,836</u>
Total revenues	<u>13,307,181</u>	<u>10,666,956</u>	<u>38,598,888</u>	<u>39,975,536</u>	<u>51,906,069</u>	<u>50,642,492</u>
<b>Expenses</b>						
General government	1,757,152	1,514,527	-	-	1,757,152	1,514,527
Security of persons and property	8,611,106	8,555,616	-	-	8,611,106	8,555,616
Public health and welfare	247,420	499,641	-	-	247,420	499,641
Transportation	1,246,125	1,172,120	-	-	1,246,125	1,172,120
Community environment	247,538	365,547	-	-	247,538	365,547
Leisure time activity	421,774	522,732	-	-	421,774	522,732
Other	334,095	499,441	-	-	334,095	499,441
Interest and fiscal charges	105,283	113,197	-	-	105,283	113,197
Water	-	-	5,633,192	5,816,563	5,633,192	5,816,563
Sewer	-	-	2,892,446	2,687,549	2,892,446	2,687,549
Electric	-	-	25,789,697	25,976,418	25,789,697	25,976,418
Para transit	-	-	10,336	164	10,336	164
Total expenses	<u>12,970,493</u>	<u>13,242,821</u>	<u>34,325,671</u>	<u>34,480,694</u>	<u>47,296,164</u>	<u>47,723,515</u>
Change in net assets before transfers	336,688	(2,575,865)	4,273,217	5,494,842	4,609,905	2,918,977
Transfers	<u>(10,500)</u>	<u>222,763</u>	<u>10,500</u>	<u>(222,763)</u>	<u>-</u>	<u>-</u>
Change in net position	<u>326,188</u>	<u>(2,353,102)</u>	<u>4,283,717</u>	<u>5,272,079</u>	<u>4,609,905</u>	<u>2,918,977</u>
Net position at beginning of year	<u>11,314,804</u>	<u>13,667,906</u>	<u>15,710,109</u>	<u>10,438,030</u>	<u>27,024,913</u>	<u>24,105,936</u>
Net position at end of year	<u>\$ 11,640,992</u>	<u>\$ 11,314,804</u>	<u>\$ 19,993,826</u>	<u>\$ 15,710,109</u>	<u>\$ 31,634,818</u>	<u>\$ 27,024,913</u>

## CITY OF NILES, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

#### Governmental Activities

Governmental activities net position increased \$326,188 in 2016.

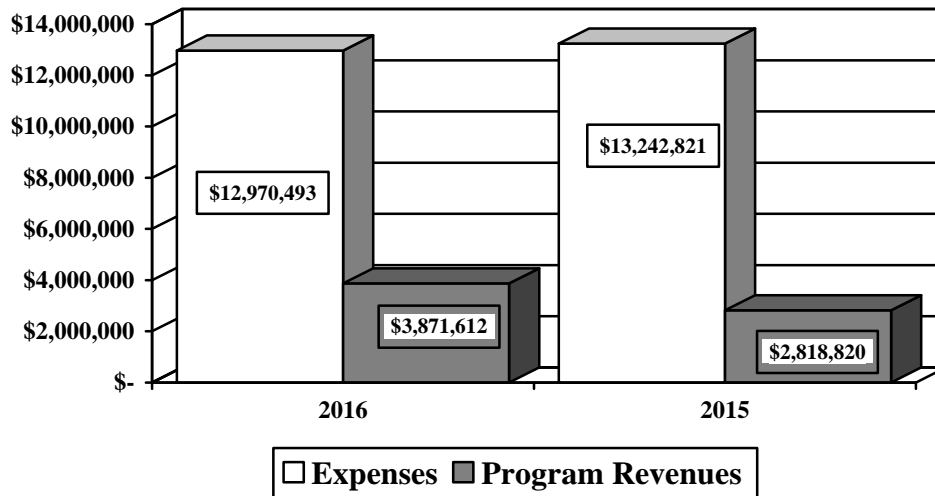
Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$8,611,106 of the total expenses of the City. These expenses were partially funded by \$676,232 in direct charges to users of the services. Transportation expenses totaled \$1,246,125. Transportation expenses were funded by \$12,940 in direct charges to users of the service, \$878,981 in operating grants and contributions and \$722,190 in capital grants and contributions.

The State and Federal government contributed to the City a total of \$1,224,327 in operating grants and contributions. These revenues are restricted to a particular program or purpose.

General revenues totaled \$9,435,569, and amounted to 70.91% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$8,721,618. The other consistent primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$564,099.

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

**Governmental Activities - Program Revenues vs. Total Expenses**





**CITY OF NILES, OHIO**

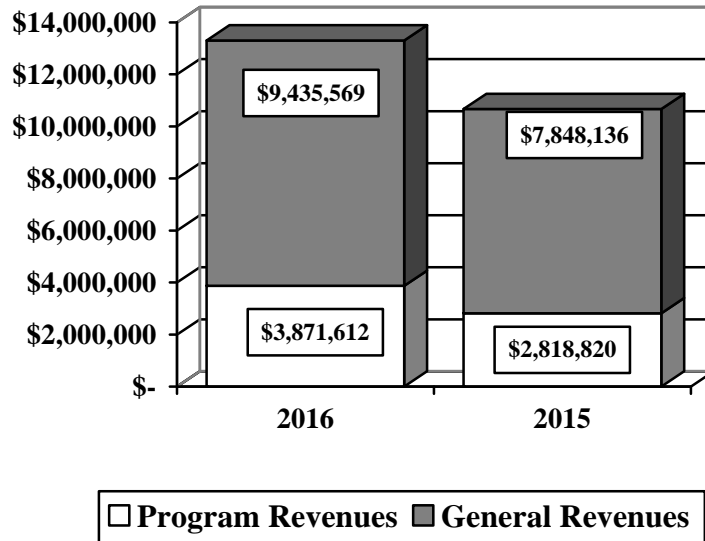
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Governmental Activities**

	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>
<b>Expenses</b>				
General government	\$ 1,757,152	\$ 746,083	\$ 1,514,527	\$ 843,935
Security of persons and property	8,611,106	7,930,801	8,555,616	8,013,169
Public health and welfare	247,420	189,803	499,641	356,227
Transportation	1,246,125	(367,986)	1,172,120	45,963
Community environment	247,538	(242,027)	365,547	38,210
Leisure time activity	421,774	402,829	522,732	513,859
Other	334,095	334,095	499,441	499,441
Interest and fiscal charges	<u>105,283</u>	<u>105,283</u>	<u>113,197</u>	<u>113,197</u>
 Total expenses	 <u>\$ 12,970,493</u>	 <u>\$ 9,098,881</u>	 <u>\$ 13,242,821</u>	 <u>\$ 10,424,001</u>

The dependence upon general revenues for governmental activities is apparent, with 70.15% of expenses supported through taxes and other general revenues.

**Governmental Activities - General and Program Revenues**



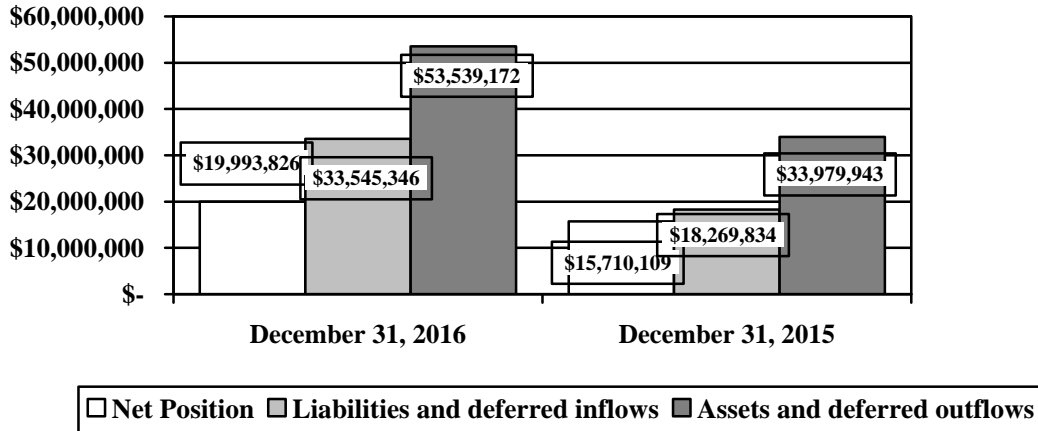
**Business-type Activities**

Business-type activities include the water, sewer, electric, para transit, and utility deposits enterprise funds. These programs had program revenues of \$38,598,888, transfers in of \$10,500 and expenses of \$34,325,671 for 2016. The graph below shows the business-type activities assets, deferred outflows, liabilities, deferred inflows, and net position at year-end.

**CITY OF NILES, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Net Position in Business - Type Activities**



**Financial Analysis of the Government's Funds**

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

**Governmental Funds**

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

The City's governmental funds (as presented on the balance sheet on page 21) reported a combined fund balance of \$3,413,196 which is \$640,659 more than last year's total of \$2,772,537. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2016 for all major and nonmajor governmental funds.

	Fund Balances <u>12/31/16</u>	Fund Balances <u>12/31/15</u>	<u>Change</u>
Major funds:			
General	\$ 1,932,290	\$ 1,446,947	\$ 485,343
Police and fire tax fund	225,684	75,050	150,634
Other nonmajor governmental funds	<u>1,255,222</u>	<u>1,250,540</u>	<u>4,682</u>
Total	<u>\$ 3,413,196</u>	<u>\$ 2,772,537</u>	<u>\$ 640,659</u>

**CITY OF NILES, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

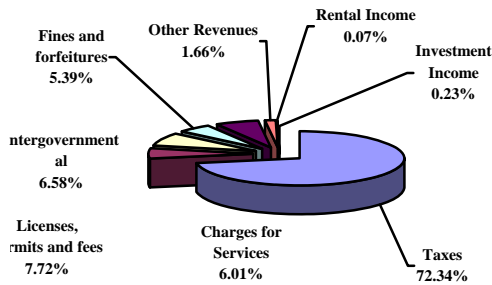
**General Fund**

The City's general fund balance increased \$485,343. The table that follows assists in illustrating the revenues of the general fund.

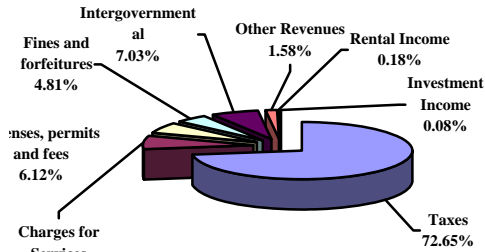
	<u>2016</u>	<u>2015</u>	<u>Amount</u>	<u>Percentage</u>
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>	<u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 5,835,866	\$ 5,278,182	\$ 557,684	10.57 %
Charges for services	484,898	547,508	(62,610)	(11.44) %
Licenses, permits and fees	622,564	444,603	177,961	40.03 %
Fines and forfeitures	434,467	349,579	84,888	24.28 %
Investment income	18,519	5,746	12,773	222.29 %
Intergovernmental	530,492	510,860	19,632	3.84 %
Rental income	5,750	13,342	(7,592)	(56.90) %
Other	<u>134,038</u>	<u>115,097</u>	<u>18,941</u>	16.46 %
<b>Total</b>	<b><u>\$ 8,066,594</u></b>	<b><u>\$ 7,264,917</u></b>	<b><u>\$ 801,677</u></b>	11.03 %

Tax revenue represents 72.35% of all general fund revenue and increased \$557,684 or 10.57% due to the passing of an income tax levy. The decrease of 11.44% in charges for services is due mainly to a decrease in reimbursements received by the City. Licenses, permits and fees increased by 40.03% due mainly to building permits issuance increasing during 2016. Rental income decreased by 56.90% due mainly to decreased gas royalties that were received by the City. All other revenues are comparable to prior years.

**Revenues - 2016**



**Revenues - 2015**



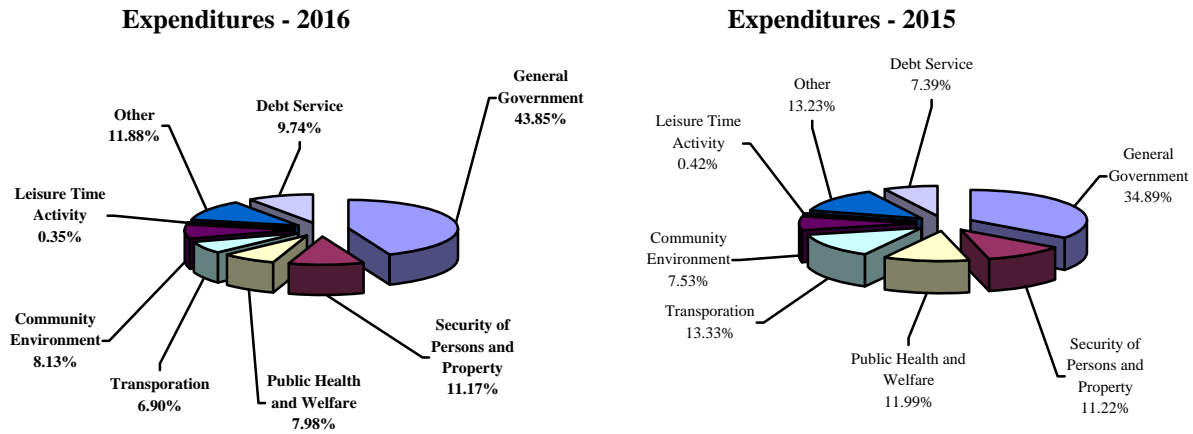
**CITY OF NILES, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

	<u>2016</u>	<u>2015</u>	<u>Amount</u>	<u>Percentage</u>
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>	<u>Change</u>
<b><u>Expenditures</u></b>				
General government	\$ 1,232,841	\$ 1,316,947	\$ (84,106)	(6.39) %
Security of persons and property	311,810	423,017	(111,207)	(26.29) %
Public health and welfare	224,414	452,692	(228,278)	(50.43) %
Transportation	193,965	503,335	(309,370)	(61.46) %
Community environment	228,537	284,098	(55,561)	(19.56) %
Leisure time activities	9,746	15,951	(6,205)	(38.90) %
Other	334,095	499,441	(165,346)	(33.11) %
Debt service	<u>273,721</u>	<u>279,087</u>	<u>(5,366)</u>	(1.92) %
<b>Total</b>	<b><u>\$ 2,809,129</u></b>	<b><u>\$ 3,774,568</u></b>	<b><u>\$ (965,439)</u></b>	<b>(25.58) %</b>

General fund expenditures decreased by 25.58% from the prior year due mainly to the City's ongoing attempts to improve its financial position. These decreases are meant to improve the general fund's fund balance and to provide a stability financial position going into future years.



***Police and Fire Tax Fund***

The police and fire tax fund had revenues and other financing sources of \$6,366,957 in 2016. The expenditures of the police and fire tax fund totaled \$6,216,323 in 2016. The police and fire tax fund balance increased \$150,634 from a balance of \$75,050 to a fund balance of \$255,684.

***Budgeting Highlights***

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

**CITY OF NILES, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

Budgetary information is presented for the general fund. In the general fund, the actual revenues and other financing sources came in \$119,171 higher than they were in the final budget and actual expenditures and other financing uses were \$206,873 lower than the amount in the final budget. Final budgeted revenues and other financing sources were \$2,605,694 higher than the original budgeted revenues and other financing sources and final budgeted expenditures and other financing uses increased \$949,018 from the original to the final budget.

**Capital Assets and Debt Administration**

*Capital Assets*

At the year-end, the City had \$52,101,173 (net of accumulated depreciation) invested in land, construction in progress, land improvements, buildings and improvements, equipment and infrastructure. Of this total, \$22,364,079 was reported in governmental activities and \$29,737,094 was reported in business-type activities.

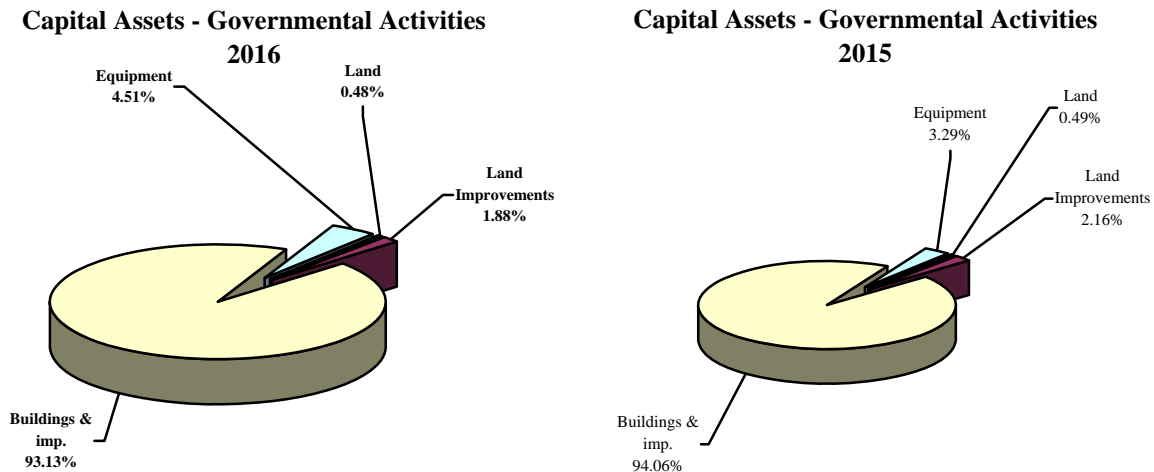
The following table shows 2016 balances compared to 2015:

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 106,300	\$ 106,300	\$ 668,004	\$ 668,004	\$ 774,304	\$ 774,304
Construction in Progress	-	-	21,361,485	6,639,802	21,361,485	6,639,802
Land Improvements	420,427	472,980	-	-	420,427	472,980
Buildings and improvements	20,828,826	20,584,997	174,936	208,620	21,003,762	20,793,617
Equipment	1,008,526	720,469	1,382,130	1,847,901	2,390,656	2,568,370
Infrastructure	-	-	6,150,539	6,421,900	6,150,539	6,421,900
Totals	<u>\$ 22,364,079</u>	<u>\$ 21,884,746</u>	<u>\$ 29,737,094</u>	<u>\$ 15,786,227</u>	<u>\$ 52,101,173</u>	<u>\$ 37,670,973</u>

The City's business-type activities increased \$13,950,867 mostly due to the construction of a waste water treatment plant.

The following graphs show the breakdown of governmental capital assets by category for 2016 and 2015.

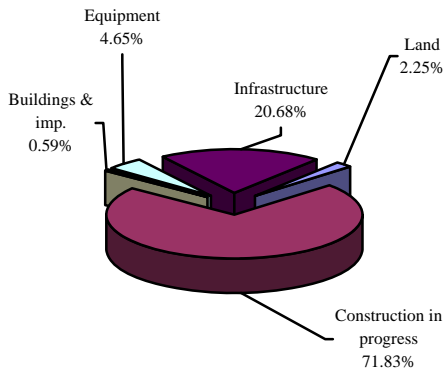


**CITY OF NILES, OHIO**

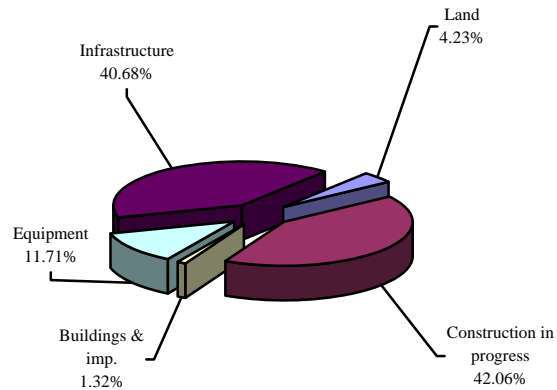
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

The following graphs show the breakdown of business-type capital assets by category for 2016 and 2015.

**Capital Assets - Business-Type Activities  
2016**



**Capital Assets - Business-Type Activities  
2015**



The City's largest business-type capital asset category is infrastructure that primarily includes water and sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 20.68% of the City's total business-type capital assets.

***Debt Administration***

The City had the following long-term obligations outstanding at December 31, 2016 and 2015:

	Governmental Activities	
	<u>2016</u>	<u>2015</u>
General Obligation Bonds	\$ 2,595,000	\$ 2,730,000
Capital lease payable	402,163	128,369
Police and fire pension liability	<u>330,664</u>	<u>342,273</u>
<b>Total long-term obligations</b>	<b><u>\$ 3,327,827</u></b>	<b><u>\$ 3,200,642</u></b>
	Business-type Activities	
	<u>2016</u>	<u>2015</u>
General Obligation Bonds	\$ 3,435,796	\$ 3,612,525
OWDA loan	18,376,958	2,744,939
Stranded cost liability	<u>2,388,571</u>	<u>2,589,830</u>
<b>Total long-term obligations</b>	<b><u>\$ 24,201,325</u></b>	<b><u>\$ 8,947,294</u></b>

## **CITY OF NILES, OHIO**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016**

#### **Economic Conditions and Outlook**

The City's Administration considers the impact of various economic factors when establishing the year 2016 budget. The continued challenges resulting from regional loss of employment, stagnant economic development, and the general national recession, have yielded significant influence on the objectives established in the 2016 budget. The primary objectives include continued improvement to constituent service delivery as well as long-term fiscal stability.

Despite the uncertainty surrounding the economy, the City continues to carefully monitor two primary sources of revenue - local income taxes and shared intergovernmental (State) revenue. In order to stabilize the impact of the fluctuations in these revenue sources, City Council continues to pursue economic development and job creation; maintain the community's reputation for high public safety standards; and adoption of a budget designed to promote long-term fiscal stability. In order to meet the objectives of the 2016 budget, the City is aggressively pursuing new sources of revenue.

In order to meet these challenges, a strong and a balanced commitment to cost containment and continued revenue enhancement actions is essential. The City's financial position is anticipated to remain stable if conservative financial management is practiced.

#### **Contacting the City's Financial Management**

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

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CITY OF NILES, OHIO

STATEMENT OF NET POSITION  
DECEMBER 31, 2016

	Governmental Activities	Business-type Activities	Total
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 1,371,807	\$ 13,261,047	\$ 14,632,854
Cash in segregated accounts . . . . .	143,916	-	143,916
Receivables (net allowance for uncollectibles):			
Income taxes . . . . .	1,910,610	-	1,910,610
Property and other local taxes . . . . .	1,047,166	-	1,047,166
Accounts . . . . .	36,141	2,296,025	2,332,166
Special assessments . . . . .	240,608	-	240,608
Accrued interest . . . . .	1,886	-	1,886
Loans receivable . . . . .	52,048	-	52,048
Due from other governments . . . . .	697,542	2,755	700,297
Investment in joint venture . . . . .	-	1,907,835	1,907,835
Regulatory asset . . . . .	-	4,402,627	4,402,627
Internal balance . . . . .	1,365,127	(1,365,127)	-
Net pension asset . . . . .	15	33	48
Restricted assets:			
Equity in pooled cash and cash equivalents . . . . .	-	888,248	888,248
Capital assets:			
Non-depreciable capital assets . . . . .	106,300	22,029,489	22,135,789
Depreciable capital assets, net . . . . .	22,257,779	7,707,605	29,965,384
Total capital assets, net . . . . .	<u>22,364,079</u>	<u>29,737,094</u>	<u>52,101,173</u>
Total assets . . . . .	<u>29,230,945</u>	<u>51,130,537</u>	<u>80,361,482</u>
<b>Deferred outflows of resources:</b>			
Pension-OP&F . . . . .	2,996,314	-	2,996,314
Pension-OPERS . . . . .	1,088,388	2,408,635	3,497,023
Total deferred outflows of resources . . . . .	<u>4,084,702</u>	<u>2,408,635</u>	<u>6,493,337</u>
Total assets and deferred outflows of resources . . . . .	<u>33,315,647</u>	<u>53,539,172</u>	<u>86,854,819</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	16,830	65,203	82,033
Accrued wages and benefits payable . . . . .	117,000	94,659	211,659
Due to other governments . . . . .	130,236	74,251	204,487
Accrued interest payable . . . . .	7,941	10,426	18,367
Claims payable . . . . .	803,242	-	803,242
Payable to joint venture . . . . .	-	620,152	620,152
Payable from restricted assets . . . . .	-	888,248	888,248
Regulatory liability . . . . .	-	2,014,056	2,014,056
Long-term liabilities:			
Due within one year . . . . .	369,328	305,263	674,591
Due in more than one year:			
Net pension liability . . . . .	14,907,657	5,119,658	20,027,315
Other amounts due in more than one year . . . . .	4,048,373	24,254,509	28,302,882
Total liabilities . . . . .	<u>20,400,607</u>	<u>33,446,425</u>	<u>53,847,032</u>
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year . . . . .	908,855	-	908,855
Pension-OP&F . . . . .	320,493	-	320,493
Pension-OPERS . . . . .	44,700	98,921	143,621
Total deferred inflows of resources . . . . .	<u>1,274,048</u>	<u>98,921</u>	<u>1,372,969</u>
Total liabilities and deferred inflows of resources . . . . .	<u>21,674,655</u>	<u>33,545,346</u>	<u>55,220,001</u>
<b>Net position:</b>			
Net investment in capital assets . . . . .	19,347,242	7,924,340	27,271,582
Restricted for:			
Capital projects . . . . .	17,250	-	17,250
Security of persons and property . . . . .	1,024,397	-	1,024,397
Transportation projects . . . . .	528,744	-	528,744
Other purposes . . . . .	414,235	-	414,235
Unrestricted (deficit) . . . . .	<u>(9,690,876)</u>	<u>12,069,486</u>	<u>2,378,610</u>
Total net position . . . . .	<u>\$ 11,640,992</u>	<u>\$ 19,993,826</u>	<u>\$ 31,634,818</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF NILES, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Governmental activities:</b>				
Current:				
General government . . . . .	\$ 1,757,152	\$ 702,855	\$ 308,214	\$ -
Security of persons and property . . . . .	8,611,106	676,232	4,073	-
Public health and welfare . . . . .	247,420	57,617	-	-
Transportation . . . . .	1,246,125	12,940	878,981	722,190
Community environment . . . . .	247,538	456,506	33,059	-
Leisure time activity . . . . .	421,774	18,945	-	-
Other . . . . .	334,095	-	-	-
Interest and fiscal charges . . . . .	105,283	-	-	-
Total governmental activities . . . . .	<u>12,970,493</u>	<u>1,925,095</u>	<u>1,224,327</u>	<u>722,190</u>
<b>Business-type activities:</b>				
Water . . . . .	5,633,192	6,685,127	-	-
Sewer . . . . .	2,892,446	3,084,840	-	-
Electric . . . . .	25,789,697	28,828,921	-	-
Other business-type activities:				
Para Transit . . . . .	10,336	-	-	-
Total business-type activities . . . . .	<u>34,325,671</u>	<u>38,598,888</u>	<u>-</u>	<u>-</u>
Total primary government . . . . .	<u>\$ 47,296,164</u>	<u>\$ 40,523,983</u>	<u>\$ 1,224,327</u>	<u>\$ 722,190</u>

**General revenues:**

Income taxes levied for:

    General purposes . . . . .

    Police and fire . . . . .

Property taxes levied for:

    General purposes . . . . .

    Police and fire . . . . .

Grants and entitlements not restricted to specific programs . . .

Investment earnings . . . . .

Miscellaneous . . . . .

Total general revenues . . . . .

Transfers . . . . .

Total general revenues and transfers. . . . .

Change in net position. . . . .

**Net position at beginning of year . . . . .**

**Net position at end of year . . . . .**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net Revenue (Expense) and Changes in Net Position**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (746,083)	\$ -	\$ (746,083)
(7,930,801)	-	(7,930,801)
(189,803)	-	(189,803)
367,986	-	367,986
242,027	-	242,027
(402,829)	-	(402,829)
(334,095)	-	(334,095)
(105,283)	-	(105,283)
<u>(9,098,881)</u>	<u>-</u>	<u>(9,098,881)</u>
-	1,051,935	1,051,935
-	192,394	192,394
-	3,039,224	3,039,224
<u>-</u>	<u>(10,336)</u>	<u>(10,336)</u>
<u>-</u>	<u>4,273,217</u>	<u>4,273,217</u>
<u>(9,098,881)</u>	<u>4,273,217</u>	<u>(4,825,664)</u>
4,320,153	-	4,320,153
2,823,494	-	2,823,494
1,328,617	-	1,328,617
249,354	-	249,354
564,099	-	564,099
18,519	-	18,519
131,333	-	131,333
<u>9,435,569</u>	<u>-</u>	<u>9,435,569</u>
<u>(10,500)</u>	<u>10,500</u>	<u>-</u>
<u>9,425,069</u>	<u>10,500</u>	<u>9,435,569</u>
326,188	4,283,717	4,609,905
<u>11,314,804</u>	<u>15,710,109</u>	<u>27,024,913</u>
<u>\$ 11,640,992</u>	<u>\$ 19,993,826</u>	<u>\$ 31,634,818</u>

**CITY OF NILES, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2016

	<u>General</u>	<u>Police and Fire Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 33,510	\$ 55,344	\$ 1,164,975	\$ 1,253,829
Cash with fiscal and escrow agents. . . . .	-	-	143,916	143,916
Receivables (net of allowance for uncollectibles):				
Income taxes. . . . .	1,180,289	730,321	-	1,910,610
Property and other taxes . . . . .	585,650	-	461,516	1,047,166
Accounts. . . . .	32,242	-	3,899	36,141
Special assessments . . . . .	240,608	-	-	240,608
Interfund loans . . . . .	30,000	-	-	30,000
Accrued interest . . . . .	1,886	-	-	1,886
Due from other funds. . . . .	398,414	-	-	398,414
Due from other governments . . . . .	282,101	-	415,441	697,542
Loans receivable . . . . .	959,775	-	52,048	1,011,823
Total assets . . . . .	<u>\$ 3,744,475</u>	<u>\$ 785,665</u>	<u>\$ 2,241,795</u>	<u>\$ 6,771,935</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 11,825	\$ 1,619	\$ 3,386	\$ 16,830
Accrued wages and benefits payable . . . . .	19,137	82,033	15,830	117,000
Compensated absences payable . . . . .	-	-	42,766	42,766
Interfund loans payable. . . . .	-	-	30,000	30,000
Due to other governments . . . . .	29,152	1,189	99,895	130,236
Total liabilities . . . . .	<u>60,114</u>	<u>84,841</u>	<u>191,877</u>	<u>336,832</u>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year . . . . .	508,297	-	400,558	908,855
Income tax revenue not available . . . . .	767,885	475,140	-	1,243,025
Delinquent property tax revenue not available. . . . .	69,793	-	55,001	124,794
Special assessments revenue not available . . . . .	240,608	-	-	240,608
Miscellaneous revenue not available . . . . .	39,787	-	200	39,987
Intergovernmental revenue not available . . . . .	125,701	-	338,937	464,638
Total deferred inflows of resources. . . . .	<u>1,752,071</u>	<u>475,140</u>	<u>794,696</u>	<u>3,021,907</u>
<b>Fund balances:</b>				
Nonspendable . . . . .	973,978	-	-	973,978
Restricted . . . . .	-	225,684	1,360,151	1,585,835
Assigned. . . . .	58,887	-	-	58,887
Unassigned (deficit) . . . . .	899,425	-	(104,929)	794,496
Total fund balances . . . . .	<u>1,932,290</u>	<u>225,684</u>	<u>1,255,222</u>	<u>3,413,196</u>
Total liabilities, deferred inflows of resources and fund balances. . . . .	<u>\$ 3,744,475</u>	<u>\$ 785,665</u>	<u>\$ 2,241,795</u>	<u>\$ 6,771,935</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF NILES, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2016

<b>Total governmental fund balances</b>	\$	3,413,196
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		22,364,079
Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflows in the funds.		
Income taxes receivable	\$ 1,243,025	
Property and other local taxes receivable	124,794	
Miscellaneous revenue not available	39,987	
Special assessments receivable	240,608	
Due from other governments	464,638	
Total	464,638	2,113,052
An internal service fund is used by management to charge the costs of health care to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position. The net position of the internal service fund, including an internal balance of \$6,938, are:		(678,326)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(7,941)
Unamortized premiums on bond issuances are not recognized in the governmental funds.		(19,674)
The net pension asset and net pension liability are not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds.		
Net pension asset	15	
Deferred outflows of resources	4,084,702	
Deferred inflows of resources	(365,193)	
Net pension liability	(14,907,657)	
Total	(14,907,657)	(11,188,133)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The long term liabilities are as follows:		
Police and fire pension liability	(330,664)	
General obligation bonds payable	(2,595,000)	
Capital lease payable	(402,163)	
Compensated absences	(1,027,434)	
Total	(4,355,261)	(4,355,261)
<b>Net position of governmental activities</b>	<b>\$</b>	<b>11,640,992</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF NILES, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>General</u>	<u>Police and Fire Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Income taxes . . . . .	\$ 4,495,009	\$ 2,819,903	\$ -	\$ 7,314,912
Property and other local taxes . . . . .	1,340,857	-	235,854	1,576,711
Charges for services . . . . .	484,898	-	117,433	602,331
Licenses, permits and fees . . . . .	622,564	-	142,014	764,578
Fines and forfeitures . . . . .	434,467	-	126,328	560,795
Intergovernmental . . . . .	530,492	-	1,943,805	2,474,297
Investment income . . . . .	18,519	-	3,923	22,442
Special assessments . . . . .	17,305	-	-	17,305
Rental income . . . . .	5,750	-	4,261	10,011
Other . . . . .	116,733	-	42,070	158,803
Total revenues . . . . .	<u>8,066,594</u>	<u>2,819,903</u>	<u>2,615,688</u>	<u>13,502,185</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	1,232,841	-	634,278	1,867,119
Security of persons and property . . . . .	311,810	6,216,323	1,014,986	7,543,119
Public health and welfare . . . . .	224,414	-	-	224,414
Transportation . . . . .	193,965	-	956,619	1,150,584
Community environment . . . . .	228,537	-	30,200	258,737
Leisure time activity . . . . .	9,746	-	321,656	331,402
Other . . . . .	334,095	-	-	334,095
Capital outlay . . . . .	-	-	1,161,932	1,161,932
Debt service:				
Principal retirement . . . . .	181,336	-	97,034	278,370
Interest and fiscal charges . . . . .	92,385	-	14,424	106,809
Total expenditures . . . . .	<u>2,809,129</u>	<u>6,216,323</u>	<u>4,231,129</u>	<u>13,256,581</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>5,257,465</u>	<u>(3,396,420)</u>	<u>(1,615,441)</u>	<u>245,604</u>
<b>Other financing sources (uses):</b>				
Capital lease transaction . . . . .	-	-	405,555	405,555
Transfers in . . . . .	-	3,547,054	1,214,568	4,761,622
Transfers (out) . . . . .	<u>(4,772,122)</u>	-	-	<u>(4,772,122)</u>
Total other financing sources (uses) . . . . .	<u>(4,772,122)</u>	<u>3,547,054</u>	<u>1,620,123</u>	<u>395,055</u>
Net change in fund balances . . . . .	485,343	150,634	4,682	640,659
<b>Fund balances at beginning of year . . . . .</b>	<u>1,446,947</u>	<u>75,050</u>	<u>1,250,540</u>	<u>2,772,537</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 1,932,290</u>	<u>\$ 225,684</u>	<u>\$ 1,255,222</u>	<u>\$ 3,413,196</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF NILES, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016

**Net change in fund balances - total governmental funds** \$ 640,659

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

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

Capital asset additions	\$ 1,234,223	
Current year depreciation	(754,890)	
Total		479,333

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

Income taxes	(171,265)	
Property and other local taxes	1,260	
Charges for services	(4,138)	
Licenses and permits	(52,852)	
Rental revenues	545	
Miscellaneous revenues	38,679	
Special assessments	(22,245)	
Intergovernmental revenues	15,012	
Total		(195,004)

Proceeds of capital leases are reported as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net position. (405,555)

Repayment of bond, capital lease and police and fire pension liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. 278,370

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

Decrease in accrued interest payable	207	
Amortization of bond premiums and discounts	1,319	
Total		1,526

Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 1,257,377

Except for amounts reported as deferred inflows/outflows, changes in the net pension asset/liability are reported as pension expense in the statement of activities. (1,712,528)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 32,547

The internal service fund used by management to charge the costs of health care to individual funds is not reported in the statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal fund, including an internal balance of \$34,765, is allocated among the governmental activities. (50,537)

**Change in net position of governmental activities** \$ 326,188

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF NILES, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Income taxes . . . . .	\$ 1,681,806	\$ 4,463,781	\$ 4,407,741	\$ (56,040)
Property and other local taxes . . . . .	1,342,731	1,344,605	1,342,300	(2,305)
Charges for services . . . . .	316,817	311,000	316,715	5,715
Licenses, permits and fees . . . . .	622,714	532,600	622,514	89,914
Fines and forfeitures . . . . .	407,191	450,000	407,060	(42,940)
Intergovernmental . . . . .	490,622	440,225	490,466	50,241
Investment income . . . . .	17,311	14,000	17,305	3,305
Special assessments . . . . .	5,633	4,000	5,631	1,631
Rental income . . . . .	17,491	10,000	17,485	7,485
Other . . . . .	95,253	33,057	95,222	62,165
<b>Total revenues . . . . .</b>	<b>4,997,569</b>	<b>7,603,268</b>	<b>7,722,439</b>	<b>119,171</b>
<b>Expenditures:</b>				
Current:				
General government . . . . .	1,206,912	1,245,230	1,189,252	55,978
Security of persons and property . . . . .	232,820	322,242	298,010	24,232
Public health and welfare . . . . .	219,741	259,706	253,625	6,081
Transportation . . . . .	66,581	52,941	42,848	10,093
Community environment . . . . .	270,181	285,757	258,784	26,973
Leisure time activity . . . . .	14,880	14,880	11,642	3,238
Other . . . . .	338,500	423,083	359,541	63,542
Debt service:				
Principal retirement . . . . .	-	135,000	135,000	-
Interest and fiscal charges . . . . .	-	92,900	87,528	5,372
<b>Total expenditures . . . . .</b>	<b>2,349,615</b>	<b>2,831,739</b>	<b>2,636,230</b>	<b>195,509</b>
<b>Excess of revenues over expenditures . . . . .</b>	<b>2,647,954</b>	<b>4,771,529</b>	<b>5,086,209</b>	<b>314,680</b>
<b>Other financing uses:</b>				
Advances in . . . . .	14,832	14,827	14,827	-
Transfers out . . . . .	(4,505,754)	(4,972,648)	(4,961,284)	11,364
<b>Total other financing uses . . . . .</b>	<b>(4,490,922)</b>	<b>(4,957,821)</b>	<b>(4,946,457)</b>	<b>11,364</b>
<b>Net change in fund balances . . . . .</b>	<b>(1,842,968)</b>	<b>(186,292)</b>	<b>139,752</b>	<b>326,044</b>
<b>Fund balances at beginning of year . . . . .</b>	<b>148,225</b>	<b>148,225</b>	<b>148,225</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>48,716</b>	<b>48,716</b>	<b>48,716</b>	<b>-</b>
<b>Fund balance (deficit) at end of year . . . . .</b>	<b>\$ (1,646,027)</b>	<b>\$ 10,649</b>	<b>\$ 336,693</b>	<b>\$ 326,044</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**CITY OF NILES, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 POLICE AND FIRE TAX FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Income taxes . . . . .	\$ 2,727,352	\$ 2,727,352	\$ 2,727,352	\$ -
Total revenues . . . . .	<u>2,727,352</u>	<u>2,727,352</u>	<u>2,727,352</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Security of persons and property . . . . .	6,068,206	6,295,979	6,226,327	69,652
Total expenditures . . . . .	<u>6,068,206</u>	<u>6,295,979</u>	<u>6,226,327</u>	<u>69,652</u>
Excess of expenditures over revenues . . . . .	<u>(3,340,854)</u>	<u>(3,568,627)</u>	<u>(3,498,975)</u>	<u>69,652</u>
<b>Other financing sources:</b>				
Transfers in . . . . .	2,972,648	3,574,650	3,547,053	(27,597)
Total other financing sources . . . . .	<u>2,972,648</u>	<u>3,574,650</u>	<u>3,547,053</u>	<u>(27,597)</u>
Net change in fund balances . . . . .	(368,206)	6,023	48,078	42,055
<b>Fund balance (deficit) at beginning of year . . . . .</b>	(25,148)	(25,148)	(25,148)	-
<b>Prior year encumbrances appropriated . . . . .</b>	26,202	26,202	26,202	-
<b>Fund balance (deficit) at end of year . . . . .</b>	<u>\$ (367,152)</u>	<u>\$ 7,077</u>	<u>\$ 49,132</u>	<u>\$ 42,055</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF NILES, OHIO

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund	
	Water	Sewer	Electric	Nonmajor Enterprise Funds		Total
<b>Assets:</b>						
Current assets:						
Equity in pooled cash and cash equivalents. . . . .	\$ -	\$ 1,293,965	\$ 11,967,082	\$ -	\$ 13,261,047	\$ 117,978
Receivables (net of allowance for uncollectibles):						
Accounts . . . . .	455,334	265,784	1,574,907	-	2,296,025	-
Due from other funds . . . . .	-	-	391,846	-	391,846	-
Due from other governments. . . . .	1,788	119	848	-	2,755	-
Total current assets . . . . .	457,122	1,559,868	13,934,683	-	15,951,673	117,978
Noncurrent assets:						
Net pension asset . . . . .	7	8	18	-	33	-
Investment in joint venture . . . . .	-	-	1,907,835	-	1,907,835	-
Regulatory asset. . . . .	-	-	4,402,627	-	4,402,627	-
Restricted assets:						
Equity in pooled cash and cash equivalents. . . . .	134,304	180,125	573,819	-	888,248	-
Capital assets:						
Non-depreciable capital assets. . . . .	2,175,565	19,081,087	772,837	-	22,029,489	-
Depreciable capital assets, net. . . . .	315,924	5,233,561	2,158,120	-	7,707,605	-
Total capital assets, net . . . . .	2,491,489	24,314,648	2,930,957	-	29,737,094	-
Total noncurrent assets . . . . .	2,625,800	24,494,781	9,815,256	-	36,935,837	-
Total assets . . . . .	3,082,922	26,054,649	23,749,939	-	52,887,510	117,978
<b>Deferred outflows of resources:</b>						
Pension-OPERS . . . . .	498,186	576,472	1,333,977	-	2,408,635	-
Total assets and deferred outflows of resources . . . . .	3,581,108	26,631,121	25,083,916	-	55,296,145	117,978
<b>Liabilities:</b>						
Current liabilities:						
Accounts payable . . . . .	7,085	45,599	12,519	-	65,203	-
Accrued wages and benefits payable. . . . .	17,318	21,568	55,773	-	94,659	-
Due to other governments . . . . .	14,675	18,659	40,917	-	74,251	-
Accrued interest payable. . . . .	2,737	7,689	-	-	10,426	-
Claims payable . . . . .	-	-	-	-	-	803,242
Payable from restricted assets:						
Customer deposits. . . . .	134,304	180,125	573,819	-	888,248	-
Due to other funds. . . . .	790,260	-	-	-	790,260	-
Regulatory liability . . . . .	-	-	2,014,056	-	2,014,056	-
Internal loan payable - current . . . . .	159,962	-	-	-	159,962	-
Compensated absences payable - current . . . . .	5,882	42,871	74,781	-	123,534	-
General obligation bonds payable - current. . . . .	45,000	135,000	-	-	180,000	-
Unamortized premium on bonds - current . . . . .	453	1,276	-	-	1,729	-
Total current liabilities . . . . .	1,177,676	452,787	2,771,865	-	4,402,328	803,242
Long-term liabilities:						
Compensated absences payable . . . . .	62,152	53,398	119,363	-	234,913	-
Payable to joint venture . . . . .	-	-	620,152	-	620,152	-
Internal loans payable . . . . .	799,813	-	-	-	799,813	-
General obligation bonds payable . . . . .	850,000	2,380,000	-	-	3,230,000	-
Unamortized premium on bonds . . . . .	6,306	17,761	-	-	24,067	-
OWDA loans payable . . . . .	-	18,376,958	-	-	18,376,958	-
Stranded cost liability . . . . .	-	-	2,388,571	-	2,388,571	-
Net pension liability . . . . .	1,058,916	1,225,316	2,835,426	-	5,119,658	-
Total long-term liabilities. . . . .	2,777,187	22,053,433	5,963,512	-	30,794,132	-
Total liabilities . . . . .	3,954,863	22,506,220	8,735,377	-	35,196,460	803,242
<b>Deferred inflows of resources:</b>						
Pension OPERS. . . . .	20,460	23,675	54,786	-	98,921	-
Total liabilities and deferred inflows of resources. . . . .	3,975,323	22,529,895	8,790,163	-	35,295,381	803,242
<b>Net position:</b>						
Net investment in capital assets . . . . .	1,589,730	3,403,653	2,930,957	-	7,924,340	-
Unrestricted (deficit). . . . .	(1,983,945)	697,573	13,362,796	-	12,076,424	(685,264)
Total net position (deficit) . . . . .	\$ (394,215)	\$ 4,101,226	\$ 16,293,753	\$ -	20,000,764	\$ (685,264)
Adjustment to reflect the consolidation of the internal service fund activities related to enterprise funds.					(6,938)	
Net position of business-type activities:					\$ 19,993,826	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF NILES, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental Activities - Internal Service Fund</b>	
	<b>Water</b>	<b>Sewer</b>	<b>Electric</b>	<b>Nonmajor Enterprise Funds</b>		<b>Total</b>
<b>Operating revenues:</b>						
Charges for services . . . . .	\$ 6,671,658	\$ 3,008,825	\$ 28,719,692	\$ -	\$ 38,400,175	\$ 3,322,230
Other operating revenues . . . . .	13,469	76,015	109,229	-	198,713	-
Total operating revenues. . . . .	<u>6,685,127</u>	<u>3,084,840</u>	<u>28,828,921</u>	<u>-</u>	<u>38,598,888</u>	<u>3,322,230</u>
<b>Operating expenses:</b>						
Personal services . . . . .	1,335,053	1,818,367	3,313,363	-	6,466,783	-
Contract services . . . . .	3,964,923	577,929	21,197,782	10,336	25,750,970	-
Materials and supplies . . . . .	117,933	81,906	421,656	-	621,495	-
Claims expense . . . . .	-	-	-	-	-	3,338,002
Depreciation. . . . .	182,946	213,151	497,372	-	893,469	-
Other . . . . .	8,756	2,924	4,045	-	15,725	-
Total operating expenses. . . . .	<u>5,609,611</u>	<u>2,694,277</u>	<u>25,434,218</u>	<u>10,336</u>	<u>33,748,442</u>	<u>3,338,002</u>
Operating income (loss) . . . . .	<u>1,075,516</u>	<u>390,563</u>	<u>3,394,703</u>	<u>(10,336)</u>	<u>4,850,446</u>	<u>(15,772)</u>
<b>Nonoperating expenses:</b>						
Interest and fiscal charges . . . . .	(29,553)	(206,526)	-	-	(236,079)	-
Net loss on investment in joint venture . . . . .	-	-	(375,915)	-	(375,915)	-
Total nonoperating expenses . . . . .	<u>(29,553)</u>	<u>(206,526)</u>	<u>(375,915)</u>	<u>-</u>	<u>(611,994)</u>	<u>-</u>
Income (loss) before transfers. . . . .	1,045,963	184,037	3,018,788	(10,336)	4,238,452	(15,772)
Transfer in. . . . .	-	-	-	10,500	10,500	-
Change in net position . . . . .	1,045,963	184,037	3,018,788	164	4,248,952	(15,772)
<b>Net position (deficit) at beginning of year . . . . .</b>	<u>(1,440,178)</u>	<u>3,917,189</u>	<u>13,274,965</u>	<u>(164)</u>		<u>(669,492)</u>
<b>Net position (deficit) at end of year . . . . .</b>	<u>\$ (394,215)</u>	<u>\$ 4,101,226</u>	<u>\$ 16,293,753</u>	<u>\$ -</u>		<u>\$ (685,264)</u>
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds.					34,765	
Change in net position of business-type activities.					<u>\$ 4,283,717</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF NILES, OHIO**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2016

	<b>Business-type Activities - Enterprise Funds</b>				<b>Total</b>	<b>Governmental Activities - Internal Service Fund</b>
	<b>Water</b>	<b>Sewer</b>	<b>Electric</b>	<b>Nonmajor Enterprise Funds</b>		
<b>Cash flows from operating activities:</b>						
Cash received from charges for services . . . . .	\$ 6,620,960	\$ 3,075,043	\$ 30,224,450	\$ -	\$39,920,453	\$ 3,322,320
Cash received from other operations. . . . .	13,469	75,967	109,181	-	198,617	-
Cash payments for personal services. . . . .	(1,205,836)	(1,762,555)	(3,084,560)	-	(6,052,951)	-
Cash payments for contractual services . . . . .	(4,300,223)	(442,694)	(23,239,083)	(10,500)	(27,992,500)	-
Cash payments for materials and supplies . . . . .	(116,411)	(80,086)	(423,112)	-	(619,609)	-
Cash payments for claims . . . . .	-	-	-	-	-	(3,204,943)
Cash payments for other expenses. . . . .	(10,240)	(2,864)	(4,045)	-	(17,149)	-
Net cash provided by (used in) operating activities . . . . .	<u>1,001,719</u>	<u>862,811</u>	<u>3,582,831</u>	<u>(10,500)</u>	<u>5,436,861</u>	<u>117,377</u>
<b>Cash flows from noncapital financing activities:</b>						
Cash received from OWDA loan proceeds. . . . .	-	14,721,683	-	-	14,721,683	-
Cash received from transfers in . . . . .	-	-	-	10,500	10,500	-
Cash used for interfund loans . . . . .	(894,952)	-	1,096,425	-	201,473	-
Net cash provided by (used in) noncapital financing activities. . . . .	<u>(894,952)</u>	<u>14,721,683</u>	<u>1,096,425</u>	<u>10,500</u>	<u>14,933,656</u>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>						
Cash payments for the acquisition of capital assets . . . . .	-	(14,721,683)	(122,653)	-	(14,844,336)	-
Cash used for joint venture. . . . .	-	-	(366,877)	-	(366,877)	-
Cash payment for stranded cost liability . . . . .	-	-	(201,259)	-	(201,259)	-
Cash payments for principal retirement - bonds . . . . .	(45,000)	(130,000)	-	-	(175,000)	-
Cash payments for interest and fiscal charges - bonds . . . . .	(30,075)	(84,696)	-	-	(114,771)	-
Cash payments for principal retirement - OWDA loan . . . . .	-	(123,305)	-	-	(123,305)	-
Net cash used in capital and related financing activities . . . . .	<u>(75,075)</u>	<u>(15,059,684)</u>	<u>(690,789)</u>	<u>-</u>	<u>(15,825,548)</u>	<u>-</u>
Net increase in cash and cash equivalents. . . . .	31,692	524,810	3,988,467	-	4,544,969	117,377
<b>Cash and cash equivalents at beginning of year . . . . .</b>	102,612	949,280	8,552,434	-	9,604,326	601
<b>Cash and cash equivalents at end of year . . . . .</b>	<u>\$ 134,304</u>	<u>\$ 1,474,090</u>	<u>\$ 12,540,901</u>	<u>\$ -</u>	<u>\$14,149,295</u>	<u>\$ 117,978</u>

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**CITY OF NILES, OHIO**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2016

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental Activities - Internal Service Fund</b>	
	<b>Water</b>	<b>Sewer</b>	<b>Electric</b>	<b>Nonmajor Enterprise Funds</b>		<b>Total</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>						
Operating income (loss) . . . . .	\$ 1,075,516	\$ 390,563	\$ 3,394,703	\$ (10,336)	\$ 4,850,446	\$ (15,772)
Adjustments:						
Depreciation . . . . .	182,946	213,151	497,372	-	893,469	-
Changes in assets, deferred outflows, liabilities, and deferred inflows:						
Accounts receivable . . . . .	(84,517)	(64,809)	(252,728)	-	(402,054)	-
Due from other funds . . . . .	-	-	-	-	-	-
Due from other governments . . . . .	(1,788)	(119)	(848)	-	(2,755)	90
Net pension asset . . . . .	27	32	81	-	140	-
Deferred outflows - pension - OPERS . . . . .	(299,578)	(345,111)	(760,326)	-	(1,405,015)	-
Accounts payable . . . . .	(4,842)	32,887	(1,787)	(164)	26,094	-
Accrued wages and benefits . . . . .	10,732	11,873	12,849	-	35,454	-
Due to other governments . . . . .	(327,057)	2,379	(9,780)	-	(334,458)	-
Compensated absences payable . . . . .	358	14,726	13,088	-	28,172	-
Customers deposits payable . . . . .	33,984	131,098	7,076	-	172,158	-
Regulatory liability . . . . .	-	-	(290,830)	-	(290,830)	-
Net pension liability . . . . .	406,942	465,821	952,289	-	1,825,052	-
Deferred inflows - pension - OPERS . . . . .	8,996	10,320	21,672	-	40,988	-
Claims payable . . . . .	-	-	-	-	-	133,059
Net cash provided (used in) by operating activities . . . . .	<u>\$ 1,001,719</u>	<u>\$ 862,811</u>	<u>\$ 3,582,831</u>	<u>\$ (10,500)</u>	<u>\$ 5,436,861</u>	<u>\$ 117,377</u>

**Noncash capital and related financing activities:**

During 2015 \$904,914 of capital assets were purchased on account and recorded as contracts payable in the sewer fund.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF NILES, OHIO**

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2016

	<u>Private-Purpose Trust</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 85,972
Total assets . . . . .	<u>85,972</u>
<b>Net position:</b>	
Held in trust for private purpose . . . . .	<u>85,972</u>
Total net position. . . . .	<u>\$ 85,972</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF NILES, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Private Purpose Trust</u>
<b>Deductions:</b>	
Benefits . . . . .	\$ 35
Total deductions . . . . .	<u>35</u>
Change in net position . . . . .	(35)
<b>Net position at beginning of year . . . . .</b>	<u>86,007</u>
<b>Net position at end of year . . . . .</b>	<u><u>\$ 85,972</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CITY OF NILES, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE 1 - DESCRIPTION OF THE CITY**

The City of Niles, Ohio (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.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements (BFS) of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The most significant of the City’s accounting policies are described below.

**A. Reporting Entity**

For financial reporting purposes, the City’s BFS include all funds, agencies, boards, commissions, and departments for which the City is financially accountable. 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; or (3) the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt, or the levying of taxes for the organization. The City also took into consideration other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City’s financial statements to be misleading or incomplete. Based upon the foregoing criteria, the City has no component units.

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

The following organizations are described due to their relationship with the City.

*JOINTLY GOVERNED ORGANIZATION*

Eastgate Development and Transportation Agency (EDATA) - 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, and officials from 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. The City did not contribute any funds to EDATA during 2016.

**CITY OF NILES, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

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

Emergency Management Agency (Agency) - The 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 hire and fires its own staff. In 2016, the City contributed \$4,046 to the Agency.

*JOINT VENTURES*

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

Pursuant to the OMEGA Joint Venture JV5 Agreement (Agreement), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near the Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

Also pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2016 the City has met their debt coverage obligation.

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

**CITY OF NILES, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

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

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

The City's net investment and its share of operating results of OMEGA JV5 are reported in the City's electric fund (an enterprise fund). The City's net investment to date in OMEGA JV5 was \$317,612 at December 31, 2016. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at [www.ohioauditor.gov](http://www.ohioauditor.gov).

Ohio Municipal Electric Generation Agency Joint Venture 2 (JV2) - The City is a Financing Participant and an Owner Participant with percentages of liability and ownership of 14.65% and 11.49% respectively and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective Project shares, ownership of which is held in trust for such Purchaser Participants. Pursuant to the OMEGA JV2 Agreement (Agreement), the participants jointly undertook as either Financing Participants or Non-Financing Participants and as either Owner Participants or Purchaser Participants, the acquisition, construction, and equipping of OMEGA JV2, including such portions of OMEGA JV2 as have been acquired, constructed or equipped by AMP and to pay or incur the costs of the same in accordance with the Agreement.

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Distributive Generation Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. Under the terms of the Agreement each Financing Participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV2 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2016 the City has met their debt coverage obligation.

**CITY OF NILES, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

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

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participants' entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP, which acts as the joint venture's agent. During 2001, AMP issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. On January 3, 2011, AMP redeemed all of the \$31,110,000 OMEGA JV2 Project Distributive Generation Bonds then outstanding by borrowing on AMP's revolving credit facility. As such, the remaining outstanding bond principal of the OMEGA JV2 indebtedness was reduced to zero, with the remaining principal balance now residing on the AMP credit facility. As of December 31, 2016, the outstanding debt was \$4,142,633. The City's net obligation for this amount at December 31, 2016 was \$606,896. The City's net investment and its share of operating results of OMEGA JV2 are reported in the City's electric fund (an enterprise fund). The City's net investment in OMEGA JV2 was \$1,529,297 at December 31, 2016. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at [www.ohioauditor.gov](http://www.ohioauditor.gov).

The City's liability for the bonds is disclosed below:

Year Ending December 31,	Principal	Interest	Total Debt Service
2017	\$ 620,152	\$ 8,496	\$ 628,648
Total Gross Liability	<u>\$ 620,152</u>	<u>\$ 8,496</u>	<u>\$ 628,648</u>

*Ohio Municipal Electric Generation Agency Joint Venture 1 (JV1)* - The City is a participant in the Ohio Municipal Electric Generation Agency Joint Venture 1 (OMEGA JV1). OMEGA JV1 was organized by 21 subdivisions of the State of Ohio (the participants) on April 1, 1992, pursuant to a joint venture agreement (the agreement) under the Ohio Constitution and Section 715.02 of the Ohio Revised Code. Its purpose is to provide a source of supplemental capacity to the participants. The participants are members of American Municipal Power-Ohio, Inc. (AMP-Ohio) Northeast Area Service Group. The participants are charged fees for the costs required to administer the joint venture and maintain the jointly owned electric plant. OMEGA JV1 purchased its electric generating facilities known as the Engle turbines designed for a total capacity of nine megawatts. These facilities are located in Cuyahoga Falls, Ohio. The City's net investment and its share of the operating results of OMEGA JV1 are reported in the City's electric enterprise fund. The City's equity interest in OMEGA JV1 was \$60,926 at December 31, 2016.

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

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

**CITY OF NILES, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

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

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activities of the internal service fund are eliminated to avoid “doubling up” revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

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

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

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

Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City’s own programs.

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

**C. Fund Accounting**

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

**CITY OF NILES, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

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

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

The following are the City's major governmental funds:

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

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

Other governmental funds of the City are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Proprietary funds - Proprietary fund reporting focuses on changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

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

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

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

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

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

Internal service fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service fund is used to account for employee health insurance.

**CITY OF NILES, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

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

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

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

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

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

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

Private-purpose trust funds are reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**E. Basis of Accounting**

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

**CITY OF NILES, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

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

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

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, see Note 14 for deferred outflows of resources related the City's net pension liability.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2016, but which were levied to finance 2017 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes, but is not limited to, income taxes, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.



**CITY OF NILES, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

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

For the City, see Note 14 for deferred inflows of resources related to the City's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

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

**F. Budgetary Data**

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 appropriations resolution, 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. The legal level of budgetary control is at the fund, department and object level. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

Tax Budget - During the first Council meeting in July, the Mayor presents the following year's annual operating budget 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 certificate of estimated resources, which states the projected revenue of each fund. On or about 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 appropriations measure. On or about January 1, the certificate of estimated resources is amended to include unencumbered cash balances at December 31 of the preceding year. The certificate of estimated resources may be further amended during the year if the City Auditor determines and the Budget Commission agrees, that estimates need to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the original and final certificates of estimated resources issued during 2016.

**CITY OF NILES, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

*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 appropriations for a fund may only be modified during the year by an ordinance of Council. The amounts on the budgetary statement reflect the original and final appropriation amounts, including all amendments and modifications legally enacted by Council.

*Lapsing of Appropriations* - At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. Encumbrances are carried forward and are not reappropriated as part of the subsequent year appropriations.

**G. Cash and Investments**

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

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

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2016 amounted to \$18,519, which includes \$17,582 assigned from other City funds.

For purposes of the combined statement of cash flows and for presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

**H. 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, 2016.

**CITY OF NILES, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

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

**I. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$10,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets is also capitalized.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-type Activities Estimated Lives</u>
Buildings and land improvements	15 - 45 years	15 - 50 years
Equipment and Vehicles	3 - 20 years	3 - 40 years
Sewer Lines	N/A	50 years
Water Lines	N/A	50 years
Electric Lines	N/A	3 - 38 years

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The City's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project from the date of borrowing until completion of the project and the interest earned from temporary investment of the debt proceeds over the same period.

Capitalized interest is amortized on the straight-line method over the estimated useful life of the asset. For 2016, the net interest expense incurred on proprietary fund construction projects was not material.

**J. Restricted Assets**

Restricted assets in the enterprise funds include "equity in pooled cash and cash equivalents" which represents utility deposits held by the City.

**K. Compensated Absences**

Compensated absences of the City consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the City and the employee.

**CITY OF NILES, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

In conformity with GASB Statement No. 16, "Accounting for Compensated Absences", vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. 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.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments. City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation and sick leave at various rates.

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

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

**L. Interfund Balances**

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

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

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

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

**CITY OF NILES, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

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

**N. Interfund Activity**

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

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

**O. Fund Balance**

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

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

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

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of City Council (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as committed. The City Council has by resolution authorized the City Auditor to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

*Unassigned* - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

**CITY OF NILES, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

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

**P. Estimates**

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

**Q. Net Position**

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. Net position restricted for other purposes consist primarily of municipal court computerization, State misdemeanor programs, indigent drivers program, Brownfield programs, municipal court security and municipal court legal research.

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

**R. Bond Issuance Costs and Bond Premiums**

On government-wide financial statements and in the enterprise funds, issuance costs are expensed during the year in which they are incurred.

Bond premiums/discounts are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

For advance refundings resulting in the defeasance of debt reported in the government-wide financial statements and enterprise funds, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as deferred outflows of resources on the statement of net position in the government-wide financial statements and enterprise funds.

On the governmental-wide financial statements and proprietary fund financial statements bond premiums are recognized in the current period. The reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 12.

**CITY OF NILES, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

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

**S. Operating Revenues and Expenses**

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

**T. Contributions of Capital**

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. During 2016 the City received no contributed capital.

**U. Pensions**

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

**V. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of City Administration and that are either unusual in nature or infrequent in occurrence. During 2016 the City did not have any extraordinary or special items.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For 2016, the City has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", GASB Statement No. 77, "Tax Abatement Disclosures", GASB Statement No. 78, "Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans" and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the City.

**CITY OF NILES, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the City.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the City.

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. See Note 17 for disclosure of the City's tax abatement agreements. There was no effect on beginning net position or fund balance.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the City.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The City participates in STAR Ohio which implemented GASB Statement No. 79 for 2016. The implementation of GASB Statement No. 79 did not have an effect on the financial statement of the City.

**B. Deficit Fund Balances**

Fund balances at December 31, 2016 included the following individual fund deficits:

<u>Major Fund</u>	<u>Deficit</u>
Water fund	\$ 394,215
<u>Nonmajor funds</u>	
Police fund	40,521
Fire fund	45,505
Cemetery fund	18,903
Internal service fund	685,264



**CITY OF NILES, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

The general fund is liable for any deficits in these fund and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

**C. Compliance**

- i.* The City did not maintain an accurate capital asset listing in a manual or computerized format, which is in noncompliance with Ohio Administrative Code (OAC) Section 117-2-02(D).
- ii.* The City had untimely deposits, which is in noncompliance with Ohio Revised Code (ORC) Section 9.38.

**NOTE 4 - 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 withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies 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;

**CITY OF NILES, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

5. No-load money market mutual funds consisting exclusively of obligations described in items 1 or 2 above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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 City Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

**A. Deposits with Financial Institutions**

At December 31, 2016, the carrying amount of all City deposits was \$15,750,990. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2016, \$11,094,401 of the City's bank balance of \$16,022,211 was exposed to custodial risk as discussed below, while \$4,927,810 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the City's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

**CITY OF NILES, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**B. Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2016:

<u>Cash per note</u>	
Carrying amount of deposits	<u>\$ 15,750,990</u>
 <u>Cash per statement of net position</u>	
Governmental activities	\$ 1,515,723
Business type activities	14,149,295
Private-purpose trust funds	<u>85,972</u>
Total	<u>\$ 15,750,990</u>

**NOTE 5 - INTERFUND ACTIVITY**

- A.** Interfund transfers for the year ended December 31, 2016, consisted of the following, as reported in the fund statements:

<u>Transfers from general fund to:</u>	
Police and fire tax fund	\$ 3,547,054
Nonmajor governmental funds	1,214,568
Nonmajor enterprise funds	<u>10,500</u>
Total	<u>\$ 4,772,122</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Transfers between governmental funds are eliminated on the government-wide financial statements.

All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

- B.** Interfund balances, related to items other than charges for goods and services rendered, at December 31, 2016, consist of the following individual fund loans receivable and payable as reported on the fund statements:

<u>Interfund Payable to:</u>	<u>Nonmajor Governmental</u>
General fund	<u>\$ 30,000</u>

The interfund loans payable in the nonmajor governmental funds to the general fund is to provide cash for operations and will be repaid as resources become available.

**CITY OF NILES, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 5 - INTERFUND TRANSFERS - (Continued)**

Interfund balances between governmental funds are eliminated on the government-wide financial statements. Interfund balances between governmental funds and business-type activities are reported as an internal balance on the statement of activities.

- C. Interfund balances at December 31, 2016 as reported on the fund statements, consist of the following amounts due to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Water fund	\$ 398,414
Electric fund	Water fund	391,846
Total		<u>\$ 790,260</u>

The primary purpose of the interfund balances is to cover negative cash balances in specific funds where revenues were not received by December 31. These interfund balances will be repaid once the anticipated revenues are received.

Interfund balances between governmental funds and between business-type activities funds are eliminated on the government-wide financial statements. Interfund balances between governmental funds and business-type activities are reported as an internal balance on the government-wide statement of activities.

**NOTE 6 - PROPERTY TAXES**

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2016 public utility property taxes became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

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 collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2016 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by a deferred inflow of resources since the current taxes were not levied to finance 2016 operations and the collection of delinquent taxes has been offset by deferred inflow of resources since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

**CITY OF NILES, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 6 - PROPERTY TAXES - (Continued)**

The full tax rate for all City operations for the year ended December 31, 2016 was \$4.50 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2016 property tax receipts were based are as follows:

Real property

Residential/agricultural	\$ 162,456,230
Commercial/industrial/mineral	86,553,000

Public utility

Real	454,950
Personal	<u>1,339,140</u>
Total assessed value	<u>\$ 250,803,320</u>

**NOTE 7 - LOCAL INCOME TAX**

The City levied and collected an income tax of 1.5 percent on substantially all income earned within the City as well as on incomes of residents earned outside the City from January 1, 2016 to June 30, 2016. Starting on July 1, 2016, the rate increased to 2.0 percent. In the latter case, the City allows a credit of 75 percent of the tax paid to another municipality, not to exceed 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 on the 1.5 percent tax rate and half of income tax revenues on the 2.0 percent tax rate.

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

Any income tax ordinance must be approved by a majority vote at a city election prior to the ordinance becoming effective.

Income tax revenue for 2016 was \$7,314,912 on the governmental fund financial statements.

**NOTE 8 - RECEIVABLES**

Receivables at December 31, 2016, consisted of taxes, accounts (billings for user charged services), special assessments, accrued interest, loans and intergovernmental receivables arising from grants, entitlements and shared revenue. All intergovernmental receivables have been classified as "due from other governments" on the financial statements. Receivables have been recorded to the extent that they are measurable at December 31, 2016.

**CITY OF NILES, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 8 - RECEIVABLES - (Continued)**

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

**Governmental activities:**

Income taxes	\$ 1,910,610
Property and other local taxes	1,047,166
Accounts	36,141
Special assessments	240,608
Due from other governments	697,542
Loans receivable	52,048
Accrued interest	1,886

**Business-type activities:**

Accounts	2,296,025
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Receivables have been disaggregated on the face of the financial statements. All receivables, except special assessments, are expected to be collected within the subsequent year.

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2016, was as follows:

	Balance <u>12/31/15</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/16</u>
<b><u>Governmental activities:</u></b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 106,300	\$ -	\$ -	\$ 106,300
Total capital assets, not being depreciated	<u>106,300</u>	<u>-</u>	<u>-</u>	<u>106,300</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,313,828	-	-	1,313,828
Buildings and improvements	23,820,988	735,363	-	24,556,351
Equipment	4,770,176	498,860	-	5,269,036
Total capital assets, being depreciated	<u>29,904,992</u>	<u>1,234,223</u>	<u>-</u>	<u>31,139,215</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(840,848)	(52,553)	-	(893,401)
Buildings and improvements	(3,235,991)	(491,534)	-	(3,727,525)
Equipment	(4,049,707)	(210,803)	-	(4,260,510)
Total accumulated depreciation	<u>(8,126,546)</u>	<u>(754,890)</u>	<u>-</u>	<u>(8,881,436)</u>
Total capital assets, being depreciated, net	<u>21,778,446</u>	<u>479,333</u>	<u>-</u>	<u>22,257,779</u>
Governmental activities capital assets, net	<u>\$ 21,884,746</u>	<u>\$ 479,333</u>	<u>\$ -</u>	<u>\$ 22,364,079</u>

**CITY OF NILES, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 9 - CAPITAL ASSETS - (Continued)**

	Balance 12/31/15	Additions	Disposals	Balance 12/31/16
<b><u>Business-type activities:</u></b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 668,004	\$ -	\$ -	\$ 668,004
Construction in progress	6,639,802	14,721,683	-	21,361,485
Total capital assets, not being depreciated	7,307,806	14,721,683	-	22,029,489
<i>Capital assets, being depreciated:</i>				
Buildings	3,344,996	-	-	3,344,996
Equipment	9,160,830	122,653	-	9,283,483
Infrastructure	22,334,341	-	-	22,334,341
Total capital assets, being depreciated	34,840,167	122,653	-	34,962,820
<i>Less: accumulated depreciation:</i>				
Buildings	(3,136,376)	(33,684)	-	(3,170,060)
Equipment	(7,312,929)	(588,424)	-	(7,901,353)
Infrastructure	(15,912,441)	(271,361)	-	(16,183,802)
Total accumulated depreciation	(26,361,746)	(893,469)	-	(27,255,215)
Total capital assets, being depreciated, net	8,478,421	(770,816)	-	7,707,605
Business-type activities capital assets, net	\$ 15,786,227	\$13,950,867	\$ -	\$ 29,737,094

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

**Governmental activities:**

General government	\$ 78,129
Security of persons and property	347,451
Transportation	160,360
Public health and welfare	25,862
Community environment	8,658
Leisure time activity	134,430
Total depreciation expense - governmental activities	\$ 754,890

**Business-type activities:**

Water	\$ 182,946
Sewer	213,151
Electric	497,372
Total depreciation expense - business-type activities	\$ 893,469

**CITY OF NILES, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 10 - LOAN TRANSACTIONS**

On July 7, 2004, the general fund paid \$1,599,623 (\$1,400,000 in principal and \$199,623 in interest) to retire a note of the water fund, while the water fund paid \$165,000 of principal on this note. The water fund intends to repay the general fund the entire \$1,599,623 over an eleven year period beginning in July 2005. During 2016, the City did not make this payment due to insufficient funds in the water fund. On the fund financial statements, the receivable balance in the general fund at December 31, 2016 is \$959,775 and a corresponding payable is recorded in the water fund. On the government-wide financial statements the amounts are considered a part of the internal balance between the governmental and the business-type activities.

The following is a schedule of repayment:

Year Ending December 31,	Principal	Interest	Total
2017	\$ 137,935	\$ 22,027	\$ 159,962
2018	141,383	18,580	159,963
2019	144,918	15,044	159,962
2020	148,541	11,421	159,962
2021	152,254	7,709	159,963
2022	156,061	3,902	159,963
Total	<u>\$ 881,092</u>	<u>\$ 78,683</u>	<u>\$ 959,775</u>

**NOTE 11 - CAPITAL LEASES**

During 2013, the City entered into a capital lease agreement to provide financing for energy efficient lighting at the Wellness Center. The lease payments are paid from the general fund and mature on September 1, 2018.

During 2016, the City entered into a capital lease agreement for three plow trucks. These trucks will be used by the City for snow removal and salt spreading. The lease payments will be paid from the permissive tax fund (a nonmajor governmental fund), the street fund (a nonmajor governmental fund), and the state highway fund (a nonmajor governmental fund) and will mature on November 16, 2020.

The lease agreements meet the criteria of a capital lease as defined by GASB Statement No. 62, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments in governmental funds have been reclassified and are reflected as debt service expenditures in the combined BFS and are reported as function expenditures on the budgetary statements.

Capital assets consisting of buildings and improvements and equipment have been capitalized in the statement of net position in the amount of \$634,236 in governmental activities. A liability of \$402,163 is reported on the statement of net position at year end, which represents the remaining amount of principal payments outstanding on the lease. The governmental activities made \$131,761 and \$4,857 in principal and interest payments, respectively, during 2016.



**CITY OF NILES, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 11 - CAPITAL LEASES - (Continued)**

The net capital assets acquired through the capital leases are as follows:

	Governmental Activities
Asset:	
Building and improvements	\$ 634,236
Less: accumulated depreciation	(93,914)
Total	\$ 540,322

The lease agreements provide for minimum, annual payments as follows:

	Year Ending December 31,	Governmental Activities
	2017	\$ 136,618
	2018	119,733
	2019	85,425
	2020	85,425
Total		427,201
Less: amount representing interest		(25,038)
Present value of net minimum lease payments		\$ 402,163

**NOTE 12 - LONG-TERM OBLIGATIONS**

**A. Governmental Activities Long-Term Obligations**

During 2016, the following changes occurred in governmental activities long-term obligations.

	Balance 12/31/15	Additions	Reductions	Balance 12/31/16	Amounts Due in One Year
<b><u>Governmental activities:</u></b>					
2011 various purpose					
general obligation bonds	\$ 2,730,000	\$ -	\$ (135,000)	\$ 2,595,000	\$ 135,000
Police and fire pension liability	342,273	-	(11,609)	330,664	12,108
Capital lease	128,369	405,555	(131,761)	402,163	125,386
Net pension liability	12,689,237	2,218,420	-	14,907,657	-
Compensated absences	1,169,549	71,113	(170,462)	1,070,200	96,834
Total	\$ 17,059,428	\$ 2,695,088	\$ (448,832)	19,305,684	\$ 369,328
				Add: unamortized premium on bond issue: 19,674	
				Total reported on statement of net position: \$ 19,325,358	

**CITY OF NILES, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

Net Pension Liability

See Note 14 for detail.

Series 2011 Various Purpose General Obligation Bonds

During 2011, the City issued general obligation bonds in the amount of \$3,245,000 for improving the City's recreation center. These bonds are general obligations of the City for which the full faith and credit of the City are pledged for repayment. Interest on these bonds is payable annually and the interest rates vary from 0.70% to 4.50%. The bonds mature on December 1, 2031. Principal and interest payments will be made from the general fund.

The police and fire pension liability represents police and fire pension obligations that will be paid from taxes received in the police and fire pension special revenue funds. The compensated absences liability will be paid from the fund from which the employees' salaries are paid which, for the City, is primarily the general fund.

Principal and interest requirements to retire the governmental long-term obligations outstanding at December 31, 2016, are as follows:

Year Ending December 31,	<u>2011 Various Purpose G.O Bonds</u>		<u>Police and Fire Pension Liability</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 135,000	\$ 95,298	\$ 12,108	\$ 13,926
2018	140,000	92,368	12,628	13,406
2019	145,000	88,924	13,170	12,863
2020	150,000	84,937	13,737	12,298
2021	150,000	80,437	14,326	11,708
2022 - 2026	845,000	320,537	81,407	48,764
2027 - 2031	1,030,000	139,000	100,457	29,713
2032 - 2036	-	-	82,831	7,116
Total	<u>\$ 2,595,000</u>	<u>\$ 901,501</u>	<u>\$ 330,664</u>	<u>\$ 149,794</u>

**CITY OF NILES, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

**B. Business-Type Activities Long-Term Obligations**

During 2016, the following changes occurred in the City's business-type long-term liabilities.

<b><u>Business-type activities:</u></b>	<u>Balance</u>			<u>Balance</u>	<u>Amount Due</u>
	<u>12/31/15</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/16</u>	<u>in One Year</u>
<b><u>General Obligation Bonds:</u></b>					
Various purpose - series 2011 - water	\$ 940,000	\$ -	\$ (45,000)	\$ 895,000	\$ 45,000
Unamortized premium - water	7,212	-	(453)	6,759	453
Various purpose - series 2011 - sewer	2,645,000	-	(130,000)	2,515,000	135,000
Unamortized premium - sewer	20,313	-	(1,276)	19,037	1,276
<b><u>Other:</u></b>					
Potential stranded cost liability	2,589,830	-	(201,259)	2,388,571	-
WWTP Upgrades - OWDA Loan	2,744,939	15,632,019	-	18,376,958	-
Compensated absences	330,275	66,998	(38,826)	358,447	123,534
Net pension liability	<u>3,294,606</u>	<u>1,825,052</u>	<u>-</u>	<u>5,119,658</u>	<u>-</u>
Total business-type activities long-term obligations	<u>\$12,572,175</u>	<u>\$ 17,524,069</u>	<u>\$ (416,814)</u>	<u>\$ 29,679,430</u>	<u>\$ 305,263</u>

**Net Pension Liability**  
See Note 14 for detail.

**Series 2011 Water Various Purpose General Obligation Bonds**

During 2011, the City issued \$1,115,000 in general obligation bonds to fund improving the City's water system. These bonds are general obligations of the City for which the full faith and credit of the City are pledged for repayment. Debt service requirements will be paid from user fees generated by the water fund. Interest on these bonds is payable annually and the interest rates vary from 0.70% to 4.50%. The bonds mature on December 1, 2031. Principal and interest payments will be made from the water fund.

**Series 2011 Sewer Various Purpose General Obligation Bonds**

During 2011, the City issued \$3,140,000 in general obligation bonds to fund improving the City's wastewater and sewer system. These bonds are general obligations of the City for which the full faith and credit of the City are pledged for repayment. Debt service requirements will be paid from user fees generated by the sewer fund. Interest on these bonds is payable annually and the interest rates vary from 0.70% to 4.50%. The bonds mature on December 1, 2031. Principal and interest payments will be made from the sewer fund.

**CITY OF NILES, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

Ohio Water Development Authority Loan

In 2015 the City entered into a debt financing arrangement through the Ohio Water Development Authority (OWDA) Loan Fund to fund sewer improvements and upgrades. The amounts due to the OWDA are payable solely from operating revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 2016, the City has outstanding borrowings of \$18,376,958. The projects amortization schedule has not been completed at December 31, 2016 and is not included in the amortization schedules shown below. At December 31, 2016 \$18,307,142 of the total loan amount has been disbursed. The loans are payable from the sewer fund.

The City has recorded a long-term obligation for the potential stranded cost liability in the Electric Fund. A debt schedule for the duration of the liability was unavailable at December 31, 2016 (See Note 21 for more detail on the AMPGS Project.).

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2016, are as follows:

Year Ending December 31,	2011 Various Purpose G.O Bonds - Water		2011 Various Purpose G.O Bonds - Sewer	
	Principal	Interest	Principal	Interest
2017	\$ 45,000	\$ 32,850	\$ 135,000	\$ 92,268
2018	50,000	31,873	135,000	89,339
2019	50,000	30,643	140,000	86,018
2020	50,000	29,268	145,000	82,168
2021	55,000	27,768	150,000	77,818
2022 - 2026	290,000	110,067	815,000	309,738
2027 - 2031	<u>355,000</u>	<u>47,622</u>	<u>995,000</u>	<u>133,722</u>
Total	<u>\$ 895,000</u>	<u>\$ 310,091</u>	<u>\$ 2,515,000</u>	<u>\$ 871,071</u>

**C. Legal Debt Margin**

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the City's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the City's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2016, the City's total debt margin was \$23,740,349 and the unvoted debt margin was \$11,199,183.

**CITY OF NILES, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 13 - RISK MANAGEMENT**

**A. Comprehensive**

The City is exposed to various risks of loss related to torts, theft of, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During 2016, the City contracted with Love Insurance Agency for various types of insurance as follows:

<u>Type</u>	<u>Coverage</u>	<u>Deductible</u>
Commercial Property	84,628,774	1,000
Commercial Inland Marine	1,430,592	2,500
Employee Dishonesty	50,000	None

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

**B. Employee Medical benefits**

The City has elected to provide medical benefits through a self insured program. The maintenance of these benefits is 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 \$803,242 have been accrued as a liability.

The claims liability of \$803,242 reported in the internal service fund at December 31, 2016, is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claims adjustment expenses. Changes in the funds claims liability for 2016 and 2015 were:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payment</u>	<u>Balance at End of Year</u>
2016	\$ 670,183	\$ 3,338,002	\$ (3,204,943)	\$ 803,242
2015	420,419	5,232,267	(4,982,503)	670,183

**C. Workers' Compensation**

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

**CITY OF NILES, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 14 - DEFINED BENEFIT PENSION PLANS**

*Net Pension Liability/Asset*

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

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

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

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

The proportionate share of each plan’s unfunded benefits or overfunded benefits is presented as a long-term *net pension liability* or *net pension asset*, respectively, on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *due to other governments* on both the accrual and modified accrual bases of accounting.

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

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS’ Traditional Pension Plan.

**CITY OF NILES, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

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

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

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

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

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.0% to the member's FAS for the first 30 years of service.

**CITY OF NILES, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 3% COLA adjustment on the defined benefit portion of their benefit.

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS's Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS CAFR.

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

	State and Local
<b>2016 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
 <b>2016 Actual Contribution Rates</b>	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0 %
Total Employer	14.0 %
 Employee	 10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The City's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$1,067,092 for 2016. Of this amount, \$113,752 is reported as due to other governments.



**CITY OF NILES, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

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

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

**CITY OF NILES, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

	Police	Firefighters
<b>2016 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 <b>2016 Actual Contribution Rates</b>		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50 %	0.50 %
 Total Employer	 19.50 %	 24.00 %
 Employee	 12.25 %	 12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$925,263 for 2016. Of this amount \$88,574 is reported as due to other governments.

In addition to current contributions, the City pays installments on a specific liability of the City incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2016, the specific liability of the City was \$330,664 payable in semi-annual payments through the year 2035.

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

The net pension liability and net pension asset for the OPERS Traditional Pension Plan and Combined Plan and Member-Directed Plan, respectively, were measured as of December 31, 2015, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2015, and was determined by rolling forward the total pension liability as of January 1, 2015, to December 31, 2015. The City's proportion of the net pension liability or asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

**CITY OF NILES, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.04551600%	0.20257260%	
Proportion of the net pension liability current measurement date	<u>0.04291300%</u>	<u>0.19577300%</u>	
Change in proportionate share	<u>-0.00260300%</u>	<u>-0.00679960%</u>	
Proportion of the net pension asset prior measurement date	0.00075400%		
Proportion of the net pension asset current measurement date	<u>0.01227800%</u>		
Change in proportionate share	<u>0.01152400%</u>		
Proportionate share of the net pension liability	\$ 7,433,073	\$ 12,594,242	\$ 20,027,315
Proportionate share of the net pension asset	48		48
Pension expense	1,233,046	1,675,625	2,908,671

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 325	\$ -	\$ 325
Net difference between projected and actual earnings on pension plan investments	2,184,934	2,049,855	4,234,789
Changes in employer's proportionate percentage/ difference between employer contributions	244,672	21,196	265,868
City contributions subsequent to the measurement date	<u>1,067,092</u>	<u>925,263</u>	<u>1,992,355</u>
Total deferred outflows of resources	<u>\$ 3,497,023</u>	<u>\$ 2,996,314</u>	<u>\$ 6,493,337</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	143,621	35,364	178,985
Changes in employer's proportionate percentage/ difference between employer contributions	<u>-</u>	<u>285,129</u>	<u>285,129</u>
Total deferred inflows of resources	<u>\$ 143,621</u>	<u>\$ 320,493</u>	<u>\$ 464,114</u>

\$1,992,355 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/asset in the year ending December 31, 2017.

**CITY OF NILES, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS	OP&F	Total
2017	\$ 660,748	\$ 485,097	\$ 1,145,845
2018	569,452	485,097	1,054,549
2019	561,456	485,095	1,046,551
2020	494,489	368,754	863,243
2021	40	(61,752)	(61,712)
Thereafter	125	(11,733)	(11,608)
Total	\$ 2,286,310	\$ 1,750,558	\$ 4,036,868

**Actuarial Assumptions - OPERS**

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability/asset in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.75 percent
Future salary increases, including inflation COLA or ad hoc COLA	4.25 to 10.05 percent including wage inflation Pre 1/7/2013 retirees: 3 percent, simple Post 1/7/2013 retirees: 3 percent, simple through 2018, then 2.80% simple
Investment rate of return	8 percent
Actuarial cost method	Individual entry age

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

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

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

**CITY OF NILES, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 401 (h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.40 percent for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	23.00 %	2.31 %
Domestic equities	20.70	5.84
Real estate	10.00	4.25
Private equity	10.00	9.25
International equities	18.30	7.40
Other investments	18.00	4.59
Total	<u>100.00 %</u>	<u>5.27 %</u>

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

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table presents the City's proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 8 percent, as well as what the City's proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

**CITY OF NILES, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$11,842,701	\$ 7,433,073	\$ 3,713,691
Member-Directed Plan	123	(48)	(123)

***Changes Between Measurement Date and Report Date*** - In October 2016, the OPERS Board of Trustees adopted certain assumption changes which impacted their annual actuarial valuation prepared as of December 31, 2016. The most significant changes are a reduction in the expected investment return to 7.50% from 8.00%, the expected long-term average wage inflation was reduced to 3.25% from 3.75%, the expected long-term average price inflation was reduced to 2.50% from 3.00% and a change to various demographic assumptions. Although the exact amount of these changes is not known, the impact to the City's net pension liability is expected to be significant.

***Actuarial Assumptions – OP&F***

OP&F's total pension liability as of December 31, 2015 is based on the results of an actuarial valuation date of January 1, 2015, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2015, are presented below:

Valuation date	January 1, 2015
Actuarial cost method	Entry age normal
Investment rate of return	8.25 percent
Projected salary increases	4.25 percent to 11 percent
Payroll increases	3.75 percent
Inflation assumptions	3.25 percent
Cost of living adjustments	2.60 and 3.00 percent simple

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

The most recent experience study was completed for the five-year period ended December 31, 2011. The recommended assumption changes based on this experience study were adopted by OPF's Board and were effective beginning with the January 1, 2012 actuarial valuation.

**CITY OF NILES, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2015 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Real Rate of Return **</u>	<u>30 Year Expected Real Rate of Return **</u>
Cash and Cash Equivalents	- %		
Domestic Equity	16.00	6.50 %	7.80 %
Non-US Equity	16.00	6.70	8.00
Core Fixed Income *	20.00	3.50	5.35
Global Inflation			
Protected Securities *	20.00	3.50	4.73
High Yield	15.00	6.35	7.21
Real Estate	12.00	5.80	7.43
Private Markets	8.00	9.50	10.73
Timber	5.00	6.55	7.35
Master Limited Partnerships	8.00	9.65	10.75
Total	<u>120.00 %</u>		

\* levered 2x

\*\* numbers include inflation

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

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

**CITY OF NILES, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$ 16,610,082	\$ 12,594,242	\$ 9,192,379

**NOTE 15 - POSTRETIREMENT BENEFIT PLANS**

**A. Ohio Public Employees Retirement System**

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension Plan and the Combined Plan. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2016, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan and Combined Plan for 2016 was 2.00%.



**CITY OF NILES, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2016, 2015, and 2014 were \$177,849, \$175,138, and \$189,436, respectively; 90.86% has been contributed for 2016 and 100% has been contributed for 2015 and 2014. The remaining 2016 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00% of the employer contributions toward the health care fund after the end of the transition period.

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

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

OP&F provides access to post-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

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

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

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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

**CITY OF NILES, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was .5% of covered payroll from January 1, 2016 thru December 31, 2016. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$12,273 and \$9,763 for the year ended December 31, 2016, \$11,128 and \$9,229 for the year ended December 31, 2015, and \$10,627 and \$9,510, for the year ended December 31, 2014. 100% has been contributed for 2015 and 2014. 91.24% has been contributed for police and 90.05% has been contributed for firefighters for 2016. The remaining 2016 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements.

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING**

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund and police and fire tax fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

**CITY OF NILES, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

**Net Change in Fund Balance**

	<u>General Fund</u>	Police & Fire <u>Tax Fund</u>
Budget basis	\$ 139,752	\$ 48,078
Net adjustment for revenue accruals	170,031	92,551
Net adjustment for expenditure accruals	(92,488)	3,793
Net adjustment for other sources/uses	174,335	1
Funds budgeted elsewhere	31,992	-
Adjustment for encumbrances	<u>61,721</u>	<u>6,211</u>
GAAP basis	<u>\$ 485,343</u>	<u>\$ 150,634</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the motor fuel fund, seizure fund and unclaimed monies fund.

**NOTE 17 - TAX ABATEMENTS**

As of December 31, 2016, the City provides tax abatements through Enterprise Zones (Ezone). This program relates to the abatement of property taxes.

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

The City has entered an agreement to abate property taxes through this programs. During 2016, the City's property tax revenues were reduced as a result of these agreements as follows:

<u>Tax Abatement Program</u>	City <u>Taxes Abated</u>
Ezone	\$ <u>5,186</u>

**CITY OF NILES, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 18 - FUND BALANCE**

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

Fund balance	General	Police and Fire Tax	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Unclaimed monies	\$ 14,203	\$ -	\$ -	\$ 14,203
Long-term loans	<u>959,775</u>	<u>-</u>	<u>-</u>	<u>959,775</u>
Total nonspendable	<u>973,978</u>	<u>-</u>	<u>-</u>	<u>973,978</u>
Restricted:				
Debt service	-	-	1,000	1,000
Capital projects	-	-	17,250	17,250
General government	-	-	89,166	89,166
Security of persons and property	-	225,684	366,347	592,031
Public health service programs	-	-	52,884	52,884
Transportation projects	-	-	560,481	560,481
Community environment	-	-	76,221	76,221
Leisure time activities programs	-	-	838	838
Long-term loans	<u>-</u>	<u>-</u>	<u>195,964</u>	<u>195,964</u>
Total restricted	<u>-</u>	<u>225,684</u>	<u>1,360,151</u>	<u>1,585,835</u>
Assigned:				
General government	13,940	-	-	13,940
Security of persons and property	508	-	-	508
Public health service programs	7,101	-	-	7,101
Transportation projects	890	-	-	890
Community environment	4,788	-	-	4,788
Leisure time activity	1,943	-	-	1,943
Other purposes	<u>29,717</u>	<u>-</u>	<u>-</u>	<u>29,717</u>
Total assigned	<u>58,887</u>	<u>-</u>	<u>-</u>	<u>58,887</u>
Unassigned (deficit)	<u>899,425</u>	<u>-</u>	<u>(104,929)</u>	<u>794,496</u>
Total fund balances	<u>\$ 1,932,290</u>	<u>\$ 225,684</u>	<u>\$ 1,255,222</u>	<u>\$ 3,413,196</u>

**CITY OF NILES, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE 19 - OTHER COMMITMENTS**

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the City's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 58,887
Police and fire tax fund	4,670
Nonmajor governmental funds	<u>43,050</u>
Total	<u>\$ 106,607</u>

**NOTE 20 - CONTINGENCIES**

**A. Grants**

The City receives significant financial assistance from numerous federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2016.

**B. Litigation**

Several claims and lawsuits are pending against the City. In the opinion of the City Law Director, any potential liability would not have a material effect on the basic financial statements.

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**CITY OF NILES, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE 21 - AMERICAN MUNICIPAL POWER GENERATING STATION PROJECT**

The City is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The City's share was 40,656 kilowatts of a total 771,281 kilowatts, giving the City a 5.27 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed impaired and participants were obligated to pay costs already incurred. In prior years, the payment of these costs was not considered probable due to AMP's pursuit of legal action to void them. As a result of a March 31, 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The City's estimated share at March 31, 2014 of the impaired costs is \$7,042,699. The City received a credit of \$2,365,778 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$1,838,662 related to the AMPGS costs deemed to have future benefit for the project participants, leaving a net impaired cost estimate of \$2,838,259. Because payment is now probable and reasonably estimable, the City is reporting a payable to AMP in its business-type activities and in its electric enterprise fund for these impaired costs. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the City's liability. These amounts will be recorded as they become estimable. The City made payments in 2016 totaling \$201,259, leaving a net impaired cost estimate of \$2,388,571 at December 31, 2016.

**NOTE 22 - FISCAL EMERGENCY**

On October 7, 2014, the Auditor of State declared the City in fiscal emergency at December 31, 2013 and July 31, 2014, due to the existence of numerous negative fund balances and the City not being reconciled. The declaration resulted in a financial planning and supervision commission assuming certain management responsibilities for the duration of this emergency. This contributed to the City's financial condition including reductions in State revenues, phase-out of the tangible personal property tax, increasing health care costs and building maintenance costs and a significant decline in growth on the local level. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF NILES, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY/NET PENSION ASSET  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST THREE YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Traditional Plan:</i>			
City's proportion of the net pension liability	0.042913%	0.045516%	0.045516%
City's proportionate share of the net pension liability	\$ 7,433,073	\$ 5,489,738	\$ 5,365,742
City's covered-employee payroll	\$ 8,756,908	\$ 9,581,542	\$ 9,888,108
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	84.88%	57.29%	54.26%
Plan fiduciary net position as a percentage of the total pension liability	81.08%	86.45%	86.36%
<i>Combined Plan:</i>			
City's proportion of the net pension asset	0.000000%	0.000754%	0.000754%
City's proportionate share of the net pension asset	\$ -	\$ 289	\$ 79
City's covered-employee payroll	\$ -	\$ 2,758	\$ -
City's proportionate share of the net pension asset as a percentage of its covered-employee payroll	0.00%	10.48%	0.00%
Plan fiduciary net position as a percentage of the total pension asset	116.90%	114.83%	104.56%
<i>Member Directed Plan:</i>			
City's proportion of the net pension asset	0.012278%	n/a	n/a
City's proportionate share of the net pension asset	\$ 48	n/a	n/a
City's covered-employee payroll	\$ 40,000	n/a	n/a
City's proportionate share of the net pension asset as a percentage of its covered-employee payroll	0.12%	n/a	n/a
Plan fiduciary net position as a percentage of the total pension asset	103.91%	n/a	n/a

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



**CITY OF NILES, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST THREE YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability	0.19577300%	0.20257260%	0.20257260%
City's proportionate share of the net pension liability	\$ 12,594,242	\$ 10,494,105	\$ 9,865,921
City's covered-employee payroll	\$ 4,012,821	\$ 4,175,906	\$ 4,475,662
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	313.85%	251.30%	220.43%
Plan fiduciary net position as a percentage of the total pension liability	66.77%	72.20%	73.00%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF NILES, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY CONTRIBUTIONS  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TEN YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 1,057,016	\$ 1,050,829	\$ 1,149,785	\$ 1,285,454
Contributions in relation to the contractually required contribution	<u>(1,057,016)</u>	<u>(1,050,829)</u>	<u>(1,149,785)</u>	<u>(1,285,454)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 8,808,467	\$ 8,756,908	\$ 9,581,542	\$ 9,888,108
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	12.00%	13.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ 675	\$ -	\$ 331	\$ -
Contributions in relation to the contractually required contribution	<u>(675)</u>	<u>-</u>	<u>(331)</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 5,625	\$ -	\$ 2,758	\$ -
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	12.00%	13.00%
<i>Member Directed Plan:</i>				
Contractually required contribution	\$ 9,401	\$ 4,800		
Contributions in relation to the contractually required contribution	<u>(9,401)</u>	<u>(4,800)</u>		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>		
City's covered-employee payroll	\$ 78,342	\$ 40,000		
Contributions as a percentage of covered-employee payroll	12.00%	12.00%		

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 589,644	\$ 619,581	\$ 556,005	\$ 875,179	\$ 716,733	\$ 775,256
<u>(589,644)</u>	<u>(619,581)</u>	<u>(556,005)</u>	<u>(875,179)</u>	<u>(716,733)</u>	<u>(775,256)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 5,896,440	\$ 6,195,810	\$ 6,233,240	\$ 10,764,809	\$ 10,239,043	\$ 9,284,503
10.00%	10.00%	8.92%	8.13%	7.00%	8.35%
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7.95%	7.95%	9.69%	8.13%	7.00%	8.35%

**CITY OF NILES, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY CONTRIBUTIONS  
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST TEN YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<i>Police:</i>				
Contractually required contribution	\$ 466,390	\$ 411,729	\$ 414,867	\$ 387,870
Contributions in relation to the contractually required contribution	<u>(466,390)</u>	<u>(411,729)</u>	<u>(414,867)</u>	<u>(387,870)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 2,454,684	\$ 2,166,995	\$ 2,183,511	\$ 2,442,506
Contributions as a percentage of covered-employee payroll	19.00%	19.00%	19.00%	15.88%
<i>Fire:</i>				
Contractually required contribution	\$ 458,873	\$ 433,769	\$ 468,213	\$ 414,425
Contributions in relation to the contractually required contribution	<u>(458,873)</u>	<u>(433,769)</u>	<u>(468,213)</u>	<u>(414,425)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,952,651	\$ 1,845,826	\$ 1,992,396	\$ 2,033,156
Contributions as a percentage of covered-employee payroll	23.50%	23.50%	23.50%	20.38%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 359,430	\$ 416,244	\$ 482,401	\$ 439,481	\$ 352,635	\$ 334,692
<u>(359,430)</u>	<u>(416,244)</u>	<u>(482,401)</u>	<u>(439,481)</u>	<u>(352,635)</u>	<u>(334,692)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,819,059	\$ 3,264,659	\$ 3,783,537	\$ 3,446,910	\$ 2,765,765	\$ 2,625,035
12.75%	12.75%	12.75%	12.75%	12.75%	12.75%
\$ 341,524	\$ 347,706	\$ 434,037	\$ 427,088	\$ 343,474	\$ 332,017
<u>(341,524)</u>	<u>(347,706)</u>	<u>(434,037)</u>	<u>(427,088)</u>	<u>(343,474)</u>	<u>(332,017)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,979,849	\$ 2,015,687	\$ 2,516,157	\$ 2,475,872	\$ 1,991,154	\$ 1,924,736
17.25%	17.25%	17.25%	17.25%	17.25%	17.25%

**CITY OF NILES, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2016

*OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for 2014-2016.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

*OHIO POLICE AND FIRE (OP&F) PENSION FUND*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for 2014-2016.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

## **SUPPLEMENTARY INFORMATION**

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**CITY OF NILES**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(A) CASH DISBURSEMENTS
<b>U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PASSED THROUGH THE OHIO DEPARTMENT OF DEVELOPMENT</b>			
(C) Community Development Block Grants (CDBG) Formula Allocation Program	14.228	A-F-15-2CW-1	\$ 30,200
<b>Total U.S. Department of Housing and Urban Development</b>			<u>30,200</u>
<b>U. S. DEPARTMENT OF TRANSPORTATION PASSED THROUGH THE OHIO DEPARTMENT OF TRANSPORTATION</b>			
Highway Planning and Construction	20.205	98872	361,666
Highway Planning and Construction	20.205	98878	242,937
Total Highway Planning and Construction			<u>604,603</u>
<b>Total U.S. Department of Transportation</b>			<u>604,603</u>
<b>U. S. DEPARTMENT OF HOMELAND SECURITY PASSED THROUGH THE N/A</b>			
Assistance to Firefighters Grant	97.044	N/A	300,000
<b>Total U.S. Department of Homeland Security</b>			<u>300,000</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 934,803</u>

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:**

- (A) This schedule includes the federal award activity of the City of Niles under programs of the federal government for the year ended December 31, 2016 and is prepared in accordance with the cash basis of accounting. The information on this schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City of Niles, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Niles.
- (B) CFR Section 200.414 of the Uniform Guidance allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. The City has elected not to use the 10% de minimis indirect cost rate.
- (C) The City has established a revolving loan program to provide low-interest loans to businesses that are creating jobs and meet the other program requirements. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Expenditures of Federal Awards (the Schedule). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule. At December 31, 2016, the City had \$52,048 in loans outstanding under this program. The City did not issue any loans during the year ended December 31, 2016 and received \$40,310 in loans repaid.

Cash balance on hand as of 12/31/16: \$181,671  
Delinquent amounts due as of 12/31/16: \$0

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

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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

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

To the Members of Council and Mayor:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Niles, Trumbull County, Ohio, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Niles' basic financial statements and have issued our report thereon dated June 15, 2017, wherein we qualified our opinion on the governmental activities, business-type activities, water fund, sewer fund, and electric fund because certain accounting records supporting the valuations of capital assets were not presented for audit. Furthermore, we noted in Note 22, on October 7, 2014, the Auditor of State declared the City of Niles to be in a state of fiscal emergency.

***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

Members of Council and Mayor  
City of Niles

***Compliance and Other Matters***

As part of reasonably assuring whether the City of Niles' financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2016-001 and 2016-002.

***City of Niles' Response to Findings***

The City of Niles' responses to the findings identified in our audit are described in the accompanying corrective action plan. We did not audit the City of Niles' responses and, accordingly, we express no opinion on them.

***Purpose of this Report***

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



Julian & Grube, Inc.  
June 15, 2017



## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

### **Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance**

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

To the Members of Council and Mayor:

#### ***Report on Compliance for The Major Federal Program***

We have audited the City of Niles' compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the City of Niles' major federal program for the year ended December 31, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the City of Niles' major federal program.

#### ***Management's Responsibility***

The City of Niles' Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to opine on the City of Niles' compliance for the City of Niles' major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Niles' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the City of Niles' major program. However, our audit does not provide a legal determination of the City of Niles' compliance.

#### ***Opinion on the Major Federal Program***

In our opinion, the City of Niles complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2016.

Members of Council and Mayor  
City of Niles

***Report on Internal Control Over Compliance***

The City of Niles' management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the City of Niles' internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City of Niles' internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.  
June 15, 2017

**CITY OF NILES  
TRUMBULL COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
UNIFORM GUIDANCE 2 CFR § 200.515  
DECEMBER 31, 2016**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinions</i>	Qualified: Governmental Activities, Business-type Activities, Water Fund, Sewer Fund, Electric Fund  Unmodified: General Fund, Police and Fire Tax Fund, Aggregate Remaining Fund Information
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under 2 CFR §200.516(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Highway Planning and Construction, CFDA #20.205
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$750,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee under 2 CFR § 200.520?</i>	No

**CITY OF NILES  
TRUMBULL COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
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Finding Number	2016-001
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Material Weakness/Noncompliance - Capital Asset Listing

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

It is management's responsibility to implement internal accounting control policies and procedures to reasonably ensure the City's assets are safeguarded and recorded. Specifically, these control procedures include the maintenance of adequate documentation to support the accuracy and completeness of capital asset records. The City's capital assets are reported on the financial statements at \$52,101,173.

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

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

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

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

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



**CITY OF NILES  
TRUMBULL COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2016-002

Noncompliance

Ohio Rev. Code §9.38 indicates that public money must be deposited with the Treasurer of the public office or to a designated depository on the business day following the day of receipt. Public money collected for other public offices must be deposited by the first business day following the date of receipt.

If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. If the public office is governed by a legislative authority (counties, municipalities, townships, and school districts), only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the first business day following the date of receipt.

The collection and deposit of public monies did not follow the above guidelines within the building and zoning and income tax departments.

Delays of this nature could cause daily receipts to be lost, stolen, or misplaced without being detected in a timely manner.

We recommend the building and zoning and income tax departments develop additional policies and procedures to help properly safeguard receipts and implement Ohio Rev. Code §9.38 relative to depositing requirements and procedures.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None

**CITY OF NILES  
TRUMBULL COUNTY, OHIO**

**CORRECTIVE ACTION PLAN  
2 CFR § 200.511(c)  
DECEMBER 31, 2016**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2016-001	The City will analyze ways to track and monitor its capital assets in a cost effective manner.	Fiscal Year 2017	Giovanna Merlo, City Auditor
2016-002	The City will work to deposit funds more timely and will communicate the importance of timely depositing funds to City departments.	Fiscal Year 2017	Tony Vigorito, Building Inspector; Lisa Smathers, Tax Director

**CITY OF NILES  
TRUMBULL COUNTY, OHIO**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
2 CFR § 200.511(b)  
DECEMBER 31, 2016**

Finding Number	Year Initially Occurred	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid
2015-001	2012	<u>Material Weakness/Noncompliance - OPWC and ODOT On-Behalf Payments</u> - Auditor of State Bulletins 2000-008 and 2002-004 provide guidance for local governments participating in on-behalf programs with other governments as to the application of Statement No. 24 of the Governmental Accounting Standards Board. In general, when a local government enters into an on-behalf program agreement with another local government or the State (or the federal government, if applicable), whereby the local government or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf disbursements are made. During 2015, the City did not record on-behalf payments from OPWC or ODOT.	Yes	N/A
2015-002	2012	<u>Material Weakness/Noncompliance - Lack of Monitoring</u> - Ohio Administrative Code Section 117-2-01(A) states that all public officials are responsible for the operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories. During 2015, the City's lack of effective monitoring controls contributed to an environment which allowed for expenditure of funds contrary to the directives of the governing body, incomplete capital asset records, and numerous adjustments that required posting to the financial statements.	Yes	N/A
2015-003	2000	<u>Material Weakness/Noncompliance - Capital Asset Listing</u> - Ohio Administrative Code (OAC) Section 117-2-02(D) states that all local public offices may maintain accounting records in a manual or computerized format. Such records should include capital asset records. No such records existed.	No	Not Corrected; Reissued as Finding 2016-001; City failed to monitor capital asset activity.

**CITY OF NILES  
TRUMBULL COUNTY, OHIO**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
2 CFR § 200.511(b)  
DECEMBER 31, 2016**

Finding Number	Year Initially Occurred	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid
2015-004	2012	<u>Material Weakness/Noncompliance - Monies/Funds Used Improperly</u> - Ohio Revised Code Section 5705.10 (I) requires that money paid into any fund shall be used only for the purposes for which such fund is established. The City had multiple expenditures that were improperly posted to the wrong fund.	Yes	N/A
2015-005	2015	<u>Material Weakness/Noncompliance</u> - Ohio Revised Code Section 5705.36 in part, requires subdivisions to request increased or reduced amended certificates of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the last certified amended certificate. The City did not request timely amended certificates throughout the fiscal year upon notice of increased or decreased resources.	Partially Corrected	Re-issued as Management Letter comment; the City properly requested enough amended certificates throughout the year; however, the City did not properly certify unencumbered fund balances at January 1, 2016.
2015-006	2015	<u>Material Weakness/Noncompliance</u> - Ohio Revised Code Section 5705.39 requires that a subdivision's total appropriations from each fund should not exceed total estimated resources. The City had total appropriations exceeding total estimated resources in the Police and Fire Tax Fund at December 31, 2015.	Yes	N/A
2015-007	2015	<u>Material Weakness/Noncompliance</u> - Ohio Revised Code Section 5705.36 (A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency. The City had appropriations in excess of actual resources, which consists of actual revenues and beginning unencumbered fund balance, in the Police and Fire Tax Fund at December 31, 2015.	Yes	N/A

**CITY OF NILES  
TRUMBULL COUNTY, OHIO**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
2 CFR § 200.511(b)  
DECEMBER 31, 2016**

<b>Finding Number</b>	<b>Year Initially Occurred</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid</b>
2015-008	2014	<p><u>Noncompliance</u> - Ohio Revised Code Section 9.38 indicates that public money must be deposited with the Treasurer of the public office or to a designated depository on the business day following the day of receipt, or within three days if the amount of receipts is less than \$1,000 and can be properly safeguarded. The collection and deposit of public monies did not follow these guidelines within multiple city departments.</p>	No	Not Corrected; Reissued as Finding 2016-002; City failed to timely deposit public monies.

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# Dave Yost • Auditor of State

**CITY OF NILES**

**TRUMBULL COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 1, 2017**