

OHIO AUDITOR OF STATE
KEITH FABER



City of Niles
Trumbull County

Fiscal Emergency Termination

Local Government Services

City of Niles, Trumbull County

Fiscal Emergency Termination

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Appendix A
City of Niles Financial Forecast
For the Years Ending December 31, 2019 through December 31, 2023

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OHIO AUDITOR OF STATE KEITH FABER



CERTIFICATION

Pursuant to a request sent to the Auditor of State by the Financial Planning and Supervision Commission of the City of Niles, the Auditor of State performed an analysis of the City of Niles to determine whether the Commission and its functions under Chapter 118 of the Ohio Revised Code should be terminated. Based on the analysis, the Auditor of State certifies, as required by Section 118.27 of the Revised Code, that the City of Niles no longer meets the fiscal emergency conditions set forth in Section 118.03 of the Revised Code, that the objectives of the financial recovery plan are being met, that an effective financial accounting and reporting system in accordance with Section 118.10 of the Revised Code has been implemented, and that Management has prepared a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State and an opinion has been rendered by the Auditor of State that the financial forecast is considered to be nonadverse. Therefore, the existence of the Financial Planning and Supervision Commission of the City of Niles and its role in the operation of the City of Niles is terminated as of March 11, 2019.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted to Steven Mientkiewicz, Mayor of the City of Niles; Barry Steffey, Jr., Council President; Mike DeWine, Governor; Kimberly Murnieks, Director of the Office of Budget and Management; Robert Sprague, Treasurer of State; and Adrian Biviano, Trumbull County Auditor.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

March 11, 2019

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370
www.ohioauditor.gov

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City of Niles, Trumbull County
Report on the Termination of the City of Niles
Financial Planning and Supervision Commission

Report on the Termination of the Niles Financial Planning and Supervision Commission

At the request of the Financial Planning and Supervision Commission (the Commission) of the City of Niles, Trumbull County, Ohio, as provided by Section 118.27(B) of the Ohio Revised Code, the Auditor of State has performed an analysis in order to determine whether the Commission and its functions under Chapter 118 of the Revised Code should be terminated.

Guidelines for performing such an analysis are set forth in Section 118.27(A) of the Revised Code, which states that:

“A Financial Planning and Supervision Commission with respect to a municipality...and its functions under this chapter shall continue in existence until such time as a determination is made pursuant to division (B) of this section that the municipality has done all of the following: (1) planned, and is in the process of good faith implementation of, an effective financial accounting and reporting system in accordance with Section 118.10 of the Revised Code, and it is reasonably expected that such implementation will be completed within two years; (2) corrected and eliminated or has planned and is in the process of good faith implementation of correcting and eliminating all the fiscal emergency conditions determined pursuant to Section 118.04 of the Revised Code, and no new fiscal emergency conditions have occurred; (3) met the objectives of the financial plan described in Section 118.06 of the Revised Code; and (4) the municipal corporation...prepares a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State...”.

Results of our work under Section 118.27(A) of the Revised Code are as follows:

Pages six through thirteen of the report indicate that the City has effectively implemented corrections to its financial accounting and reporting system in accordance with Section 118.10(A) of the Revised Code.

All fiscal emergency conditions have been corrected and eliminated and no new fiscal emergency conditions exist under Section 118.04 of the Revised Code. This analysis can be found beginning on page fourteen.

We have reviewed the objectives of the financial plan and determined that the City has met the objectives in accordance with Section 118.06 of the Revised Code. Specific conclusions can be found on page nineteen.

We examined and issued a non-adverse report on the five-year forecast prepared by the City. The forecast and our report can be found in Appendix A.

Based on this analysis, the Auditor of State’s Office has determined that the Financial Planning and Supervision Commission and its functions may be terminated.

It is understood that this report’s determination is for the use of the Financial Planning and Supervision Commission of the City of Niles, the Auditor of State of Ohio, the Governor of Ohio, the Mayor of the City of Niles, and others as designated by the Auditor of State and is not to be used for any other purpose. Our procedures and findings follow.

City of Niles, Trumbull County
Report on the Termination of the City of Niles
Financial Planning and Supervision Commission

Section 1 - Financial Accounting and Reporting System

When a City is placed in fiscal emergency, the Auditor of State is required to report on the effectiveness of the City's financial accounting and reporting system. The Auditor of State, in accordance with Section 118.10(A) of the Revised Code assessed the methods, accuracy, and legality of the accounts, records, files, and reports of the City of Niles (the City) and issued a Report on Accounting Methods, dated January 30, 2018. The report identified areas where the City's financial accounting and reporting system were not in compliance with Section 117.43 of the Revised Code and the requirements of the Auditor of State.

The criteria for termination of the Commission include a determination by the Auditor of State that an effective financial accounting and reporting system has been implemented, or is in the process of implementation, and is expected to be completed within two years. This determination is based on management providing a summary of the actions taken to address the issues identified in the Report on Accounting Methods. We confirmed whether the actions taken by management were sufficient to correct these issues identified in the Report on Accounting Methods. A summary of each area of noncompliance identified in the Report on Accounting Methods and the status of each corrective action is presented below:

Budgetary System

Auditor of State Comment from Report on Accounting Methods

Section 5705.39 of the Revised Code requires that the total appropriations from each fund shall not exceed the total of the estimated resources available for expenditure, as certified by the Budget Commission. The City Auditor should ensure that appropriations do not exceed the total estimated resources in any of the City's funds.

Implemented

The City no longer has total appropriations of any fund exceeding the total of the estimated resources available for expenditure.

Accounting Ledgers

Auditor of State Comment from Report on Accounting Methods

The City does not have a written disaster recovery plan identifying how the City would restore operations including information technology and accounting functions if the City would experience a serious incident (flood, explosion, computer malfunction, accident, grievous act). The plan should address common terminology, preventative measures, a readiness plan, offsite locations and an emergency contact list. The City should develop and implement a disaster recovery plan.

Implemented

City Council passed Resolution 04-19 on January 9, 2019. The Resolution implements a written disaster recovery plan that identifies how the City would restore operations if the City would experience a serious incident. The plan addresses common terminology, preventative measures, a readiness plan, offsite locations and an emergency contact list.

City of Niles, Trumbull County
Report on the Termination of the City of Niles
Financial Planning and Supervision Commission

Revenue Activity

Auditor of State Comment from Report on Accounting Methods

According to Revised Code Section 9.38, all monies received must be remitted to the City Treasurer by the next business day after receipt. If the amount is less than \$1,000 and a policy is specifically adopted outlining the procedures, the monies can be held up to a maximum of three business days after the day of receipt. The Building and Zoning department frequently holds monies for more than a day. On two separate instances in the past year, the Income Tax department has left boxes of unopened checks sitting on the floor for months. The City should ensure that cash receipts are being remitted daily, or institute a specific policy outlining how many days it may be held, up to a maximum of three, and relevant procedures.

Implemented

The City's annual audit for both 2017 and 2018 found no instances of deposits not being made in accordance with Revised Code Section 9.38. As of year-end, December 31, 2017, the City eliminated the Income Tax department and is now utilizing the Regional Income Tax Agency for the collection of City income tax.

Auditor of State Comment from Report on Accounting Methods

There is no cross-training on job responsibilities in the Income Tax department. Employees should receive cross-training on Income Tax department job responsibilities.

Implemented

The Income Tax department was eliminated as of year-end December 31, 2017.

Purchasing Process

Auditor of State Comment from Report on Accounting Methods

The original purchase order is not sent to the vendor automatically and is only sent upon request by the vendor. The purchase order should always be mailed, faxed, or emailed to the vendor.

Implemented

The City now emails, mails or faxes a copy of the original purchase order to each vendor.

Auditor of State Comment from Report on Accounting Methods

The City does not utilize the Auditor of State Findings for Recovery Database when entering into all contracts. Section 9.24, Revised Code, prohibits any State agency or political subdivision from awarding a contract for goods, services, or construction, paid for in whole or in part with State funds, to any person against whom a finding for recovery has been issued by the Auditor of State, if that finding is unresolved. The City should verify vendors against the State's database of findings for recovery before entering into a contract for goods, services, or construction paid for in whole or in part with State funds and save that documentation.

City of Niles, Trumbull County
Report on the Termination of the City of Niles
Financial Planning and Supervision Commission

Implemented

The City now verifies vendors against the State's database of findings for recovery before entering into a contract and saves the documentation on file for future reference.

Auditor of State Comment from Report on Accounting Methods

The City will issue purchase orders to a vendor before all the required information has been turned in and the City Auditor has given approval. The City should have all new vendors fill out the IRS Form W-9 and the City Auditor should approve the vendor before placing orders with that vendor.

Implemented

The City now ensures that they have an IRS form W-9 on file along with the City Auditor's approval before placing any orders with vendors.

Auditor of State Comment from Report on Accounting Methods

The City Council, per Section 5705.41(D), Revised Code, should establish, by resolution or ordinance, the maximum amount for blanket purchase orders to be issued by the City Auditor's office. Blanket purchase orders used without the City Council having set a limit are not valid because the City does not have the authority to use blanket purchase orders without the action by City Council.

Implemented

City Council passed Ordinance 03-19 on January 9, 2019. The Ordinance institutes a written purchasing policy which documents purchasing procedures along with maximum limits on blanket purchase orders by the various types of potential purchases.

Cash Disbursements

Auditor of State Comment from Report on Accounting Methods

The City Auditor does not review the checks after they are printed and electronically signed. The City Auditor should review the printed checks to ensure that the checks are complete and to ensure that the amounts have not been changed.

Implemented

The City Auditor or the Deputy Auditor now reviews the check register after each check run. The register is signed and dated by the City Auditor or the Deputy Auditor as indication of approval.

Auditor of State Comment from Report on Accounting Methods

The City Auditor should document the procedures for cash disbursements including the staff positions and their functions. This document should also include procedures for invoices exceeding the purchase order and the use of "Then and Now" certifications. The document should be kept on file in the City Auditor's office. The document should be reviewed periodically to ensure procedures are followed and it is kept up to date.

City of Niles, Trumbull County
Report on the Termination of the City of Niles
Financial Planning and Supervision Commission

Implemented

The City Auditor now has a written a cash disbursement procedure which includes staff positions and their functions. The procedure also outlines the use of “Then and Now” certifications. It is kept on file in the City Auditor’s office.

Auditor of State Comment from Report on Accounting Methods

The City Council, per Section 5705.41(D)(1), Revised Code, should approve all “Then and Now” purchase orders in excess of \$3,000 within thirty days. The City does not have the authority to issue “Then and Now” certifications in excess of \$3,000 without action by City Council.

Implemented

City Council is now approving all use of “Then and Now” certifications for amounts exceeding \$3,000 in compliance with Section 5705.41(D)(1), Revised Code.

Auditor of State Comment from Report on Accounting Methods

Invoices are mailed to either the originating department or the City Auditor’s office. The City Auditor should require all invoices to be mailed to the City Auditor’s office. Invoices should be copied and sent to the appropriate department for approval and returned along with the packing slip and any other supporting documentation to the City Auditor’s office.

Implemented

The City Auditor’s office now receives all invoices making the appropriate copies and distributions to the appropriate departments. The packing slip and other supporting documentation are returned to the City Auditor’s office.

Payroll Processing

Auditor of State Comment from Report on Accounting Methods

The City does not have written procedures regarding the payroll process. The City Auditor’s office should document its payroll procedures and maintain them on file.

Implemented

The City has documented the procedures for the payroll process which is maintained on file within the City Auditor’s office.

Auditor of State Comment from Report on Accounting Methods

The employee who processes payroll has access to and is responsible for making rate adjustments and changes to the employee master file. An employee who does not process payroll should make rate adjustments and changes to the employee master file.

Implemented

The Deputy Auditor, who does not process payroll, is now responsible for making rate adjustments and changes to the employee master file.

City of Niles, Trumbull County
Report on the Termination of the City of Niles
Financial Planning and Supervision Commission

Auditor of State Comment from Report on Accounting Methods

The City does not have a payroll policy. The City should prepare a comprehensive payroll policy which should include leave accruals, overtime, vacation etc. and have it approved by Council.

Implemented

City Council passed Resolution 04-19 on January 9, 2019. The Resolution institutes a payroll policy which includes all payroll related items not covered through collective bargaining agreements.

Capital Assets and Supplies Inventory

Auditor of State Comment from Report on Accounting Methods

The City does not have written policies and procedures for capital assets and the City does not annually verify the existence of capital assets. The City should prepare and adopt a comprehensive capital asset policy that should address such things as valuing donated assets, assigning salvage values, establishing capitalization thresholds, and determining the estimated useful life of an asset. The City should also prepare written capital asset procedures that include documentation for each asset and prescribe how accountability will be maintained. The policies for capital assets should be approved by Council.

Implemented

City Council passed Ordinance 04-19 on January 9, 2019. This Ordinance institutes a capital asset policy covering the valuing of donated assets, assigning salvage values, establishing capitalization thresholds and determining the useful life of assets. The City hired HCA Asset Management to perform a comprehensive inventory of all physical assets of the City. HCA Management will continue to maintain accountability of these assets.

Auditor of State Comment from Report on Accounting Methods

The City does not have written policies and procedures to account for consumable inventory. The City should prepare a policy for consumable inventory. The policy should include an annual year-end physical inventory. Procedures for performing the inventory should also be developed, documented, and maintained in the office of the City Auditor. The policies for consumable inventory should be approved by Council.

Implemented

City Council passed Ordinance 04-19 on January 9, 2019. This Ordinance institutes a broad scope policy prepared by HCA Management which covers consumable inventory. City Department Heads are preparing year-end consumable inventory values for their specific departments. Procedures for performing the inventory have been developed, documented and are maintained in the office of the City Auditor.

Auditor of State Comment from Report on Accounting Methods

The City does not maintain capital assets or inventory records. The City should acquire software and maintain or hire an appraisal firm to maintain accountability over its capital assets.

Implemented

The City hired HCA Asset Management to maintain accountability over its capital assets.

City of Niles, Trumbull County
Report on the Termination of the City of Niles
Financial Planning and Supervision Commission

Auditor of State Comment from Report on Accounting Methods

The City does not assign salvage value to depreciable capital assets. In accordance with GASB Statement No. 34, depreciation expense should be calculated by allocating the net cost of depreciable assets over their estimated useful lives. The net cost of depreciable assets is defined as historical cost less estimated salvage value. The City should assign salvage values to depreciable assets and recalculate annual and accumulated depreciation.

Implemented

City Council passed Ordinance 04-19 on January 9, 2019. This Ordinance institutes a capital asset policy covering salvage values. Per the policy, the City will not be assigning salvage values. It is the policy of the City to fully exhaust the utility of capital assets.

Auditor of State Comment from Report on Accounting Methods

The City does not use asset tags at all. Assets should be tagged in every department and the tag number should be entered on a fixed asset acquisition form as well as in a capital asset reporting system.

Implemented

HCA Asset Management has tagged all City owned property and documented the tag numbers in the capital asset reporting system.

Auditor of State Comment from Report on Accounting Methods

The City does not perform an annual inventory of consumable supplies. The City should perform an annual inventory of consumable supplies as close to year-end as possible to substantiate its inventory balance at December 31.

Implemented

The Department Heads compiled and reported the consumable inventory quantities and values to the City Auditor as of December 31st and will continue to do so on an annual basis.

Auditor of State Comment from Report on Accounting Methods

The City does not complete a physical inventory to verify the existence of capital assets. The City should complete a physical inventory every two to three years to verify the existence of capital assets.

Implemented

HCA Asset Management completed a physical inventory to verify the existence of capital assets as of December 31, 2018 and will continue to maintain accountability of those assets.

Auditor of State Comment from Report on Accounting Methods

The City does not have a written capitalization threshold but, in practice, the City generally uses \$10,000 as the capitalization threshold. The City should formally establish the capitalization threshold value and document the threshold in the City's Capital Asset Policy.

City of Niles, Trumbull County
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Implemented

The Capital Asset Policy prepared by HCA Management and passed by Ordinance 04-19 on January 9, 2019, formally established capitalization threshold values by asset type. The City has varying thresholds for its capital assets that range from including the entire amount regardless of cost for land and land improvements up to \$100,000 for infrastructure, depending on the type of capital asset.

Auditor of State Comment from Report on Accounting Methods

The City is not using a formal capital asset addition or disposal form. In order to better track asset additions and dispositions, the City should enact a policy that documents these transactions.

Implemented

HCA Asset Management has a standard addition and disposal form that the City is utilizing to track additions and dispositions. The transactions are a part of the comprehensive Capital Asset Policy passed by Ordinance 04-19 on January 9, 2019 provided by HCA Asset Management.

Cash Management and Investing

Auditor of State Comment from Report on Accounting Methods

The City's investment policy does not address the allocation of interest. It should be updated and filed with the Treasurer's office.

Implemented

City Council passed Resolution 87-18 on November 7, 2018. The Resolution updated the investment and depository policy to include the allocation of interest. It is kept on file with the Treasurer's office.

Auditor of State Comment from Report on Accounting Methods

The City does not post interest to the street or state highway special revenue funds as required by Article XII, Section 5a, Ohio Constitution. The City should allocate interest to the required funds.

Implemented

The City now allocates interest to the street and state highway special revenue funds on a monthly basis.

Auditor of State Comment from Report on Accounting Methods

The City does not have written policies and procedures for change funds. Written procedures should be developed for the change funds which include the individual designated as the custodian of the cash and the custodian's duties and responsibilities.

Implemented

City Council passed Resolution 87-18 on November 7, 2018 which formally documents the policy and procedures for change funds which include the designation of the custodian of the cash and their duties and responsibilities.

City of Niles, Trumbull County
Report on the Termination of the City of Niles
Financial Planning and Supervision Commission

Auditor of State Comment from Report on Accounting Methods

The City does not include the amount of change funds maintained within City offices on the monthly reconciliations. The change funds should be included on the City's monthly reconciliation.

Implemented

The City now includes the amount of petty cash maintained within City offices on the monthly reconciliation.

Financial Reporting

Auditor of State Comment from Report on Accounting Methods

At the time the annual financial report is filed with the Auditor of State, the City Auditor's office must publish in the newspaper notice of the completion of the report and that the report is available for inspection.

Implemented

The City published notice in the newspaper of the completion of the annual financial report for the December 31, 2017 reporting period.

Auditor of State Comment from Report on Accounting Methods

The Council does not receive reports presenting estimated revenues and appropriations. The City Auditor should provide the Council with reports comparing estimated revenues and appropriations to actual amounts on a monthly and cumulative basis.

Implemented

City Council now receives a monthly packet containing various budget and actual cash amounts. Included in the packet are estimated revenues in comparison to actual receipts, appropriations in comparison to actual expenditures and current cash balances for all funds.

Audit Report and Management Letters

The City Council and Officials receive a compliance letter at the conclusion of each annual audit. The letter that accompanied the December 31, 2017 audit identified a noncompliance issue. The City Council did not receive a Management Letter for the December 31, 2017 audit.

The only noncompliance issue noted in the audit stated the City did not comply with implementing internal 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 has addressed this issue as part of their work to correct specific comments in the Report on Accounting Methods. This is not an issue that would prevent termination of the Financial Planning and Supervision Commission.

City of Niles, Trumbull County
 Report on the Termination of the City of Niles
 Financial Planning and Supervision Commission

Section 2 - Correction of Fiscal Emergency Conditions and Current Existence of Fiscal Emergency Conditions

Under Section 118.27(A)(2) of the Ohio Revised Code, the City shall have corrected or eliminated or have planned and be in the process of good faith implementation of actions to correct and eliminate all of the fiscal emergency conditions that existed when declared in fiscal emergency and no new fiscal emergency conditions have occurred in order to be terminated from fiscal emergency. Our analysis of the six fiscal emergency conditions described in Section 118 of the Revised Code is presented below:

Condition One - Default on Any Debt Obligation

Section 118.03(A)(1) of the Revised Code defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under Section 118.04 of the Revised Code, of a default on any debt obligation for more than thirty days.

A summary of the City’s outstanding debt as of December 31, 2018, is as follows:

Debt Issue	Year Issued	Interest Rate	Issue Amount
Governmental Activities			
Various Purpose Improvement Bonds	2011	0.70-4.50%	\$3,245,000
Various Purpose Improvement Bonds II	2017	3.996	1,600,000
Service Truck Lease	2018	2.66	405,555
Business-Type Activities			
Various Purpose Improvement Bonds - Water	2011	0.70-4.50	1,115,000
Various Purpose Improvement Bonds - Sewer	2011	0.70-4.50	3,140,000
OWDA Loan - Wastewater Treatment Plant Upgrades	2015	0.73	N/A

We reviewed the outstanding indebtedness as of December 31, 2018. The City had \$40,649,315 in outstanding debt at December 31, 2018, and had made all debt payments due as of that date.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(1) of the Revised Code. No default on any debt obligation for more than thirty days existed at December 31, 2018.

Condition Two - Payment of All Payroll

Section 118.03(A)(2) of the Revised Code defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under Section 118.04 of the Revised Code, of a failure for lack of cash in the funds to make payment of all payroll to employees of the municipal corporation in the amounts and at the times required by laws, ordinances, resolutions, or agreements, which failure of payment has continued:

- a. For more than thirty days after such time for payment, or

City of Niles, Trumbull County
Report on the Termination of the City of Niles
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- b. Beyond a period of extension, or beyond the expiration of ninety days from the original time for payment, whichever first occurs, if the time for payment has been extended for more than thirty days by the written consent of at least two-thirds of the employees affected by such failure to pay, acting individually or by their duly authorized representatives.

We reviewed the payroll records of the City as of December 31, 2018. We reviewed Council minutes, ordinances, resolutions, and had discussions with the City Auditor to determine the employees of the City, pay rates, frequency of payroll, and whether any extensions for the payment of payroll existed. We reviewed the payroll reports and the payroll bank statement to determine whether City employees had been paid within the time specified by Sections 118.03(A)(2)(a) and (b) of the Revised Code. We determined that adequate cash was in the bank account and there were sufficient fund balances to cover payroll.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(2) of the Revised Code as of December 31, 2018. All employees had been paid in amounts and at the times required by ordinance.

Condition Three - Increase in Minimum Tax Levy

Section 118.03(A)(3) of the Revised Code defines a fiscal emergency condition as:

An increase, by action of the county budget commission pursuant to division (D) of Section 5705.31 of the Revised Code, in the minimum levy of the municipal corporation for the current or next fiscal year which results in a reduction in the minimum levies for one or more other subdivisions or taxing districts.

We confirmed with the Trumbull County Budget Commission whether there had been an increase, pursuant to division (D) of Section 5705.31 of the Revised Code, in the minimum levy of the City for 2018, which resulted in a reduction in the minimum levies for one or more other subdivisions or taxing districts. The confirmation received from the Trumbull County Budget Commission indicated that the Budget Commission had not taken any action for tax year 2018 to increase the inside millage of the City.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(3) of the Revised Code as of December 31, 2018.

City of Niles, Trumbull County
 Report on the Termination of the City of Niles
 Financial Planning and Supervision Commission

Condition Four - Past Due Accounts Payable from the General Fund and all Funds

Section 118.03(A)(4) of the Revised Code defines a fiscal emergency condition as:

The existence of a condition in which all accounts that, at the end of its preceding fiscal year, were due and payable from the general fund and that either had been due and payable at least thirty days at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, including, but not limited to, final judgments, fringe benefits payments due and payable, and amounts due and payable to persons and other governmental entities and including any interest and penalties thereon, less the year-end balance in the general fund, exceeded one-sixth of the general fund budget for the year, or in which all accounts that, at the end of its preceding fiscal year, were due and payable from all funds of the municipal corporation and that either had been due and payable for at least thirty days at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, less the year-end balance in the general fund and in the respective special funds lawfully available to pay such accounts, excluded one-sixth of the available revenues during the preceding fiscal year, excluding nonrecurring receipts, of the general fund and of all special funds from which such accounts lawfully are payable.

We prepared a schedule of accounts payable (as defined above) as of December 31, 2018, for all funds that were due and payable for at least thirty days or to which a penalty had been added for failure to pay as of December 31, 2018, including, but not limited to, final judgments, fringe benefits payments due and payable, and amounts due and payable to persons and other governmental entities including any interest and penalties. From this amount, we subtracted the year-end fund balance available to pay such outstanding bills. We then determined if the accounts payable in excess of the available fund balance exceeded one-sixth of the available revenues during 2018, excluding non-recurring receipts of all special funds from which such accounts are lawfully payable. No funds of the City had accounts payable over 30 days past due in excess of available fund balance at December 31, 2018.

Schedule I

Accounts Payable from All Funds Over 30 Days Past Due
 Ohio Revised Code Section 118.03(A)(4)
 As of December 31, 2018

Fund	Payable Over 30 Days Past Due	Fund Balance Available	Balance Available in Excess of Payables
General Fund	\$10	\$4,651,181	\$4,651,171
Park	444	28,956	28,512
Cemetery	402	21,123	20,721
Water	6,318	480,908	474,590

Conclusion: Schedule I indicates that a fiscal emergency condition does not exist under Section 118.03(A)(4) of the Ohio Revised Code as of December 31, 2018. There are no accounts payable in excess of the available fund balance.

City of Niles, Trumbull County
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Condition Five - Deficit Fund Balances

Section 118.03(A)(5) of the Revised Code defines a fiscal emergency condition as:

The existence of a condition in which the aggregate of deficit amounts of all deficit funds at the end of its preceding fiscal year, less the total of any year-end balance in the general fund and in any special fund that may be transferred as provided in Section 5705.14 of the Revised Code to meet such deficit, exceeded one-sixth of the total of the general fund budget for that year and the receipts to those deficit funds during that year other than from transfers from the general fund.

We computed the adjusted aggregate sum of all deficit funds at December 31, 2018, by subtracting all accounts payable and encumbrances from the year end cash fund balance of each fund. No further calculations were necessary because there were no deficit fund balances at December 31, 2018.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(5) of the Revised Code, as there were no deficit fund balances at December 31, 2018.

Condition Six - Treasury Balances

Section 118.03(A)(6) of the Revised Code defines a fiscal emergency condition as:

The existence of a condition in which, at the end of the preceding fiscal year, moneys and marketable investments in or held for the unsegregated treasury of the municipal corporation minus outstanding checks and warrants were less in amount than the aggregate of the positive balances of the general fund and those special funds the purposes of which the unsegregated treasury is held to meet and such deficiency exceeded one-sixth of the total amount received into the unsegregated treasury during the preceding fiscal year.

We verified the City's reconciled bank balance to its cash summary by fund for all funds as of December 31, 2018, which included subtracting reconciling factors to arrive at the treasury balance. We then determined the aggregate sum of all positive fund cash balances, the purpose of which the unsegregated treasury is held to meet, to determine the treasury deficit. No further calculations were necessary because the treasury balance equaled the sum of all fund cash balances.

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Schedule II

Treasury Balances
 Ohio Revised Code Section 118.03(A)(6)
 As of December 31, 2018

	Amounts at December 31, 2018
Bank Cash Balance	
Farmers General Account	\$6,000,000
Sweep Account	15,750,857
Bond Retirement Account	152,964
Home Federal Savings and Loan General Account	1,011,983
Huntington General Account	90,193
MMAX Account	4,124,762
Payroll Account	298,211
<i>Total Bank Cash</i>	27,428,970
<i>Adjustments for:</i>	
Outstanding Bank Transfer	(80,277)
Outstanding Checks	(260,922)
Deposits in Transit	258,768
Drawer Cash	702
<i>Total Adjustments</i>	(81,729)
<i>Total Treasury Balance</i>	27,347,241
Less: Positive Cash Fund Balances	
General	4,772,771
Prisoner Transport	5,177
Police Pension	24,117
Fire Pension	37,537
Police & Fire 1%	259,244
Permissive Tax	33,575
Computer	54,163
Park	62,477
DUI	216,065
Street	139,936
State Highway	83,981
Food Service	22,497
Trailer Park	2,252
Swimming Pool	28,134
Community Development	183,964
FEMA	6,087
Special Projects	35,355
Legal Research	26,498
Police CPT	16,291
Impounding/Towing Fees	59,729
Cemetery	22,713
Seizure	6,541
Probation	222,499
Law Enforcement	2,552
Drug Law Enforcement	6,376

(continued)

City of Niles, Trumbull County
 Report on the Termination of the City of Niles
 Financial Planning and Supervision Commission

Schedule II

Treasury Balances
 Ohio Revised Code Section 118.03(A)(6)
 As of December 31, 2018 (continued)

	Amounts at December 31, 2018
COPS	\$14,563
General Obligation Bond	1,000
Debt Retirement (Sewer)	58,224
Capital Projects	1,085,358
Fire Truck Replacement	110,000
Water	898,025
Light	13,670,305
Sewer	3,249,541
Endowment Principal	85,902
Unclaimed Monies	32,748
Fire Loss Claims	47,402
Payroll Clearing	41,314
Motor Fuel	6,781
Hospital Self Insurance	553,871
Utility Trust	1,161,676
Total Positive Balances	27,347,241
Treasury Deficiency	\$0

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(6) of the Revised Code as of December 31, 2018. The treasury balance less the positive fund cash balances as of December 31, 2018, did not exceed one-sixth of the treasury receipts for the year.

Section 3 - Financial Plan Objectives

We obtained a copy of the financial plan of the City and determined whether the objectives of the plan have been met. Those objectives identified in the financial plan include the following:

- 1) Eliminate the fiscal emergency conditions which were determined by the Auditor of State, pursuant to Section 118.04 of the Revised Code;
- 2) The City will conform to statutes with respect to tax budgets and appropriation measures.
- 3) The City will establish monthly expenditures and encumbrances pursuant to division (B)(2) of Section 118.07 of the Ohio Revised Code.
- 4) The amount and purpose of any issue of debt obligations will not exceed debt limits supported by appropriate certification by the City Auditor and the County Auditor.
- 5) The City will prepare a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State; and

City of Niles, Trumbull County
Report on the Termination of the City of Niles
Financial Planning and Supervision Commission

- 6) The City will address and implement Auditor of State comments from the Report of Accounting Methods.

All objectives of the financial plan have been met.

Section 4 - Financial Forecast

Financial forecasting is an important management tool to assist the City in making sound financial decisions for avoiding a fiscal crisis in the future. A five-year forecast is required under Section 118.27(A)(3) of the Revised Code. After examining the financial forecast, the Auditor of State rendered a non-adverse report. The financial forecast is contained in Appendix A.

DISCLAIMER

Because the preceding procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported herein.

APPENDIX A

**City of Niles
Trumbull County**

Financial Forecast

For the Years Ending December 31, 2019 through December 31, 2023

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City of Niles, Ohio

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OHIO AUDITOR OF STATE KEITH FABER



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

Based upon the requirement set forth in section 118.27(A)(3)(d) of the Ohio Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the accompanying forecasted statements of revenues, expenditures, expenses, and changes in fund balance of the various funds of the City of Niles, for the five years ending December 31, 2023. These statements are presented on the budget basis of accounting used by the City of Niles rather than on generally accepted accounting principles. The City of Niles's management is responsible for the forecast. Our responsibility is to determine whether the City has met the criteria that allows for the fiscal emergency to be terminated.

Based on our examination of the accompanying forecast, there is nothing in the forecast nor has anything come to our attention that indicates the fiscal emergency should not be terminated. However, some assumptions inevitably will not materialize and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast and the variations may be material.

This report is intended solely for the use of the City of Niles and the Financial Planning and Supervision Commission of Niles and should not be used for any other purpose. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

January 30, 2019

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370
www.ohioauditor.gov

City of Niles - Trumbull County
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2016, Through 2018, Actual
and Ending December 31, 2019, Through 2023, Forecasted
General Fund

	2016 Actual	2017 Actual	2018 Actual	2019 Forecasted
Revenues				
Property and Other Local Taxes	\$467,000	\$470,000	\$489,000	\$513,000
Municipal Income Taxes	7,135,000	8,411,000	9,105,000	8,800,000
Hotel/Motel Tax	104,000	135,000	158,000	150,000
Excise Tax	876,000	851,000	875,000	875,000
Intergovernmental	382,000	349,000	354,000	340,000
Interest	17,000	39,000	219,000	200,000
Licenses and Permits	656,000	538,000	636,000	577,000
Fines and Forfeitures	406,000	485,000	582,000	530,000
Charges for Services	317,000	282,000	99,000	0
Special Assessments	18,000	18,000	17,000	17,000
Rentals and Royalties	7,000	189,000	20,000	17,000
Other	65,000	170,000	178,000	70,000
Total Revenues	10,450,000	11,937,000	12,732,000	12,089,000
Expenditures				
Current:				
General Government				
Council				
Personal Services	37,000	29,000	30,000	33,000
Fringe Benefits	7,000	5,000	6,000	6,000
Contractual Services	3,000	5,000	7,000	8,000
Total Council	47,000	39,000	43,000	47,000
Mayor				
Personal Services	65,000	50,000	49,000	58,000
Fringe Benefits	24,000	20,000	21,000	31,000
Contractual Services	1,000	2,000	2,000	3,000
Materials and Supplies	1,000	1,000	1,000	1,000
Total Mayor	91,000	73,000	73,000	93,000
City Auditor				
Personal Services	98,000	93,000	101,000	155,000
Fringe Benefits	57,000	47,000	47,000	90,000
Contractual Services	3,000	2,000	2,000	7,000
Materials and Supplies	3,000	5,000	4,000	10,000
Capital Outlay	13,000	10,000	2,000	42,000
Total City Auditor	174,000	157,000	156,000	304,000
City Treasurer				
Personal Services	11,000	8,000	17,000	22,000
Fringe Benefits	6,000	4,000	13,000	17,000
Contractual Services	2,000	1,000	9,000	19,000
Materials and Supplies	1,000	2,000	2,000	2,000
Capital Outlay	0	0	0	1,000
Total City Treasurer	\$20,000	\$15,000	\$41,000	\$61,000

2020 Forecasted	2021 Forecasted	2022 Forecasted	2023 Forecasted
\$513,000	\$533,000	\$533,000	\$533,000
8,800,000	8,800,000	8,800,000	8,800,000
150,000	150,000	150,000	150,000
875,000	875,000	875,000	875,000
340,000	340,000	340,000	340,000
200,000	200,000	200,000	200,000
577,000	577,000	577,000	577,000
530,000	530,000	530,000	530,000
0	0	0	0
17,000	17,000	17,000	17,000
17,000	17,000	17,000	17,000
70,000	70,000	70,000	70,000
<u>12,089,000</u>	<u>12,109,000</u>	<u>12,109,000</u>	<u>12,109,000</u>
33,000	33,000	33,000	33,000
6,000	6,000	7,000	7,000
8,000	8,000	8,000	8,000
<u>47,000</u>	<u>47,000</u>	<u>48,000</u>	<u>48,000</u>
58,000	58,000	58,000	58,000
32,000	33,000	34,000	35,000
3,000	3,000	3,000	3,000
1,000	1,000	1,000	1,000
<u>94,000</u>	<u>95,000</u>	<u>96,000</u>	<u>97,000</u>
155,000	155,000	155,000	155,000
93,000	95,000	98,000	101,000
7,000	7,000	7,000	7,000
10,000	10,000	10,000	10,000
42,000	42,000	42,000	42,000
<u>307,000</u>	<u>309,000</u>	<u>312,000</u>	<u>315,000</u>
22,000	22,000	22,000	22,000
18,000	18,000	19,000	19,000
19,000	19,000	19,000	19,000
2,000	2,000	2,000	2,000
1,000	1,000	1,000	1,000
<u>\$62,000</u>	<u>\$62,000</u>	<u>\$63,000</u>	<u>\$63,000</u>

(continued)

City of Niles - Trumbull County
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2016, Through 2018, Actual
and Ending December 31, 2019, Through 2023, Forecasted
General Fund (continued)

	2016 Actual	2017 Actual	2018 Actual	2019 Forecasted
Law Director				
Personal Services	\$60,000	\$52,000	\$62,000	\$67,000
Fringe Benefits	17,000	15,000	19,000	21,000
Contractual Services	8,000	10,000	10,000	17,000
Materials and Supplies	1,000	1,000	1,000	3,000
Capital Outlay	0	1,000	2,000	0
Miscellaneous	3,000	2,000	0	3,000
Total Law Director	<u>89,000</u>	<u>81,000</u>	<u>94,000</u>	<u>111,000</u>
Municipal Court				
Personal Services	304,000	324,000	318,000	346,000
Fringe Benefits	183,000	204,000	173,000	177,000
Contractual Services	29,000	29,000	38,000	38,000
Materials and Supplies	6,000	9,000	13,000	13,000
Capital Outlay	1,000	1,000	0	2,000
Total Municipal Court	<u>523,000</u>	<u>567,000</u>	<u>542,000</u>	<u>576,000</u>
Civil Service Commission				
Personal Services	8,000	8,000	8,000	8,000
Fringe Benefits	2,000	2,000	2,000	2,000
Contractual Services	4,000	4,000	3,000	8,000
Total Civil Service Commission	<u>14,000</u>	<u>14,000</u>	<u>13,000</u>	<u>18,000</u>
Service Director				
Personal Services	36,000	16,000	9,000	11,000
Fringe Benefits	11,000	8,000	5,000	6,000
Contractual Services	1,000	1,000	1,000	1,000
Total Service Director	<u>48,000</u>	<u>25,000</u>	<u>15,000</u>	<u>18,000</u>
City Tax				
Personal Services	90,000	128,000	44,000	0
Fringe Benefits	81,000	88,000	5,000	0
Contractual Services	15,000	20,000	2,000	0
Materials and Supplies	2,000	1,000	0	0
Miscellaneous	9,000	63,000	0	0
Total City Tax	<u>197,000</u>	<u>300,000</u>	<u>51,000</u>	<u>0</u>
Miscellaneous				
Fringe Benefits	1,000	1,000	1,000	2,000
Contractual Services	158,000	142,000	359,000	445,000
Capital Outlay	44,000	46,000	48,000	206,000
Miscellaneous	127,000	134,000	96,000	119,000
Total Miscellaneous	<u>\$330,000</u>	<u>\$323,000</u>	<u>\$504,000</u>	<u>\$772,000</u>

2020 Forecasted	2021 Forecasted	2022 Forecasted	2023 Forecasted
\$67,000	\$67,000	\$67,000	\$67,000
22,000	22,000	23,000	24,000
17,000	17,000	17,000	17,000
3,000	3,000	3,000	3,000
0	0	0	0
3,000	3,000	3,000	3,000
<u>112,000</u>	<u>112,000</u>	<u>113,000</u>	<u>114,000</u>
346,000	346,000	346,000	346,000
182,000	188,000	193,000	199,000
38,000	38,000	38,000	38,000
13,000	13,000	13,000	13,000
2,000	2,000	2,000	2,000
<u>581,000</u>	<u>587,000</u>	<u>592,000</u>	<u>598,000</u>
8,000	8,000	8,000	8,000
2,000	2,000	2,000	2,000
8,000	8,000	8,000	8,000
<u>18,000</u>	<u>18,000</u>	<u>18,000</u>	<u>18,000</u>
11,000	11,000	11,000	11,000
6,000	6,000	7,000	7,000
1,000	1,000	1,000	1,000
<u>18,000</u>	<u>18,000</u>	<u>19,000</u>	<u>19,000</u>
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
2,000	2,000	2,000	2,000
445,000	445,000	445,000	445,000
206,000	206,000	206,000	206,000
119,000	119,000	119,000	119,000
<u>\$772,000</u>	<u>\$772,000</u>	<u>\$772,000</u>	<u>\$772,000</u>

(continued)

City of Niles - Trumbull County
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2016, Through 2018, Actual
and Ending December 31, 2019, Through 2023, Forecasted
General Fund (continued)

	2016 <u>Actual</u>	2017 <u>Actual</u>	2018 <u>Actual</u>	2019 <u>Forecasted</u>
Total General Government	<u>\$1,533,000</u>	<u>\$1,594,000</u>	<u>\$1,532,000</u>	<u>\$2,000,000</u>
Security of Persons and Property				
Safety Service Complex				
Personal Services	183,000	207,000	201,000	222,000
Fringe Benefits	105,000	109,000	112,000	134,000
Contractual Services	12,000	17,000	17,000	31,000
Materials and Supplies	3,000	1,000	0	1,000
Capital Outlay	<u>0</u>	<u>2,000</u>	<u>0</u>	<u>0</u>
Total Safety Service Complex	<u>303,000</u>	<u>336,000</u>	<u>330,000</u>	<u>388,000</u>
Safety Director				
Personal Services	6,000	10,000	18,000	18,000
Fringe Benefits	<u>2,000</u>	<u>1,000</u>	<u>3,000</u>	<u>3,000</u>
Total Safety Director	<u>8,000</u>	<u>11,000</u>	<u>21,000</u>	<u>21,000</u>
Total Security of Persons and Property	<u>311,000</u>	<u>347,000</u>	<u>351,000</u>	<u>409,000</u>
Community Environment				
Planning Commission				
Contractual Services	<u>1,000</u>	<u>1,000</u>	<u>0</u>	<u>1,000</u>
Building and Zoning				
Personal Services	122,000	130,000	161,000	160,000
Fringe Benefits	80,000	56,000	68,000	69,000
Contractual Services	40,000	59,000	42,000	75,000
Materials and Supplies	4,000	6,000	7,000	9,000
Capital Outlay	0	0	2,000	18,000
Miscellaneous	<u>6,000</u>	<u>4,000</u>	<u>5,000</u>	<u>6,000</u>
Total Building and Zoning	<u>252,000</u>	<u>255,000</u>	<u>285,000</u>	<u>337,000</u>
Total Community Environment	<u>253,000</u>	<u>256,000</u>	<u>285,000</u>	<u>338,000</u>
Leisure Time Activities				
Historical House				
Contractual Services	<u>4,000</u>	<u>4,000</u>	<u>5,000</u>	<u>6,000</u>
Senior Center				
Contractual Services	3,000	2,000	3,000	4,000
Materials and Supplies	1,000	0	0	0
Capital Outlay	<u>0</u>	<u>3,000</u>	<u>0</u>	<u>7,000</u>
Total Senior Center	<u>\$4,000</u>	<u>\$5,000</u>	<u>\$3,000</u>	<u>\$11,000</u>

2020 Forecasted	2021 Forecasted	2022 Forecasted	2023 Forecasted
\$2,011,000	\$2,020,000	\$2,033,000	\$2,044,000
222,000	222,000	222,000	222,000
138,000	142,000	146,000	151,000
31,000	31,000	31,000	31,000
1,000	1,000	1,000	1,000
0	0	0	0
392,000	396,000	400,000	405,000
18,000	18,000	18,000	18,000
3,000	3,000	3,000	3,000
21,000	21,000	21,000	21,000
413,000	417,000	421,000	426,000
1,000	1,000	1,000	1,000
160,000	160,000	160,000	160,000
71,000	73,000	75,000	78,000
75,000	75,000	75,000	75,000
9,000	9,000	9,000	9,000
18,000	18,000	18,000	18,000
6,000	6,000	6,000	6,000
339,000	341,000	343,000	346,000
340,000	342,000	344,000	347,000
6,000	6,000	6,000	6,000
4,000	4,000	4,000	4,000
0	0	0	0
7,000	7,000	7,000	7,000
\$11,000	\$11,000	\$11,000	\$11,000

(continued)

City of Niles - Trumbull County
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2016, Through 2018, Actual
and Ending December 31, 2019, Through 2023, Forecasted
General Fund (continued)

	2016 Actual	2017 Actual	2018 Actual	2019 Forecasted
Wellness Center				
Personal Services	\$29,000	\$5,000	\$5,000	\$0
Fringe Benefits	5,000	2,000	2,000	0
Contractual Services	190,000	170,000	39,000	0
Materials and Supplies	21,000	20,000	17,000	0
Capital Outlay	1,000	1,000	0	0
Total Wellness Center	<u>246,000</u>	<u>198,000</u>	<u>63,000</u>	<u>0</u>
Total Leisure Time Activities	<u>254,000</u>	<u>207,000</u>	<u>71,000</u>	<u>17,000</u>
Transportation				
Engineering				
Personal Services	23,000	0	0	0
Fringe Benefits	17,000	0	0	0
Contractual Services	11,000	17,000	19,000	28,000
Materials and Supplies	1,000	0	0	2,000
Total Transportation	<u>52,000</u>	<u>17,000</u>	<u>19,000</u>	<u>30,000</u>
Debt Service				
Principal Retirement	135,000	135,000	130,000	139,000
Interest and Fiscal Charges	88,000	82,000	67,000	58,000
Total Debt Service	<u>223,000</u>	<u>217,000</u>	<u>197,000</u>	<u>197,000</u>
<i>Total Expenditures</i>	<u>2,626,000</u>	<u>2,638,000</u>	<u>2,455,000</u>	<u>2,991,000</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>7,824,000</u>	<u>9,299,000</u>	<u>10,277,000</u>	<u>9,098,000</u>
Other Financing Sources (Uses)				
Advances In	15,000	0	60,000	160,000
Advances Out	0	(29,000)	0	0
Transfers Out	<u>(7,689,000)</u>	<u>(7,403,000)</u>	<u>(7,865,000)</u>	<u>(8,625,000)</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(7,674,000)</u>	<u>(7,432,000)</u>	<u>(7,805,000)</u>	<u>(8,465,000)</u>
<i>Changes in Fund Balance</i>	150,000	1,867,000	2,472,000	633,000
<i>Fund Balance Beginning of Year</i>	<u>248,000</u>	<u>398,000</u>	<u>2,265,000</u>	<u>4,737,000</u>
<i>Fund Balance End of Year</i>	<u>\$398,000</u>	<u>\$2,265,000</u>	<u>\$4,737,000</u>	<u>\$5,370,000</u>

2020 Forecasted	2021 Forecasted	2022 Forecasted	2023 Forecasted
\$0	\$0	\$0	\$0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
17,000	17,000	17,000	17,000
0	0	0	0
0	0	0	0
28,000	28,000	28,000	28,000
2,000	2,000	2,000	2,000
30,000	30,000	30,000	30,000
144,000	150,000	156,000	163,000
53,000	47,000	41,000	34,000
197,000	197,000	197,000	197,000
3,008,000	3,023,000	3,042,000	3,061,000
9,081,000	9,086,000	9,067,000	9,048,000
160,000	160,000	160,000	160,000
0	0	0	0
(8,586,000)	(8,787,000)	(8,790,000)	(8,793,000)
(8,426,000)	(8,627,000)	(8,630,000)	(8,633,000)
655,000	459,000	437,000	415,000
5,370,000	6,025,000	6,484,000	6,921,000
\$6,025,000	\$6,484,000	\$6,921,000	\$7,336,000

City of Niles - Trumbull County
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2016, Through 2018, Actual
and Ending December 31, 2019, Through 2023, Forecasted
Prisoner Transport Fund

	2016 Actual	2017 Actual	2018 Actual	2019 Forecasted
Revenues				
Fines and Forfeitures	\$1,000	\$1,000	\$1,000	\$1,000
Expenditures	0	0	0	0
<i>Changes in Fund Balance</i>	1,000	1,000	1,000	1,000
<i>Fund Balance Beginning of Year</i>	2,000	3,000	4,000	5,000
<i>Fund Balance End of Year</i>	<u>\$3,000</u>	<u>\$4,000</u>	<u>\$5,000</u>	<u>\$6,000</u>

<u>2020</u> <u>Forecasted</u>	<u>2021</u> <u>Forecasted</u>	<u>2022</u> <u>Forecasted</u>	<u>2023</u> <u>Forecasted</u>
\$1,000	\$1,000	\$1,000	\$1,000
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
1,000	1,000	1,000	1,000
<u>6,000</u>	<u>7,000</u>	<u>8,000</u>	<u>9,000</u>
<u>\$7,000</u>	<u>\$8,000</u>	<u>\$9,000</u>	<u>\$10,000</u>

City of Niles - Trumbull County
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2016, Through 2018, Actual
and Ending December 31, 2019, Through 2023, Forecasted
Fire Pension Fund

	2016 Actual	2017 Actual	2018 Actual	2019 Forecasted
Revenues				
Property and Other Local Taxes	\$64,000	\$65,000	\$68,000	\$77,000
Intergovernmental	10,000	10,000	10,000	10,000
Total Revenues	<u>74,000</u>	<u>75,000</u>	<u>78,000</u>	<u>87,000</u>
Expenditures				
Current:				
Security of Persons and Property				
Fringe Benefits	464,000	454,000	456,000	466,000
Miscellaneous	1,000	2,000	2,000	3,000
Total Expenditures	<u>465,000</u>	<u>456,000</u>	<u>458,000</u>	<u>469,000</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(391,000)	(381,000)	(380,000)	(382,000)
Other Financing Sources				
Transfers In	390,000	386,000	413,000	382,000
<i>Changes in Fund Balance</i>	(1,000)	5,000	33,000	0
<i>Fund Balance Beginning of Year</i>	<u>1,000</u>	<u>0</u>	<u>5,000</u>	<u>38,000</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$5,000</u></u>	<u><u>\$38,000</u></u>	<u><u>\$38,000</u></u>

<u>2020</u> <u>Forecasted</u>	<u>2021</u> <u>Forecasted</u>	<u>2022</u> <u>Forecasted</u>	<u>2023</u> <u>Forecasted</u>
\$77,000	\$80,000	\$80,000	\$80,000
10,000	10,000	10,000	10,000
<u>87,000</u>	<u>90,000</u>	<u>90,000</u>	<u>90,000</u>
482,000	498,000	498,000	498,000
3,000	3,000	3,000	3,000
<u>485,000</u>	<u>501,000</u>	<u>501,000</u>	<u>501,000</u>
(398,000)	(411,000)	(411,000)	(411,000)
<u>370,000</u>	<u>411,000</u>	<u>411,000</u>	<u>411,000</u>
(28,000)	0	0	0
<u>38,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
<u>\$10,000</u>	<u>\$10,000</u>	<u>\$10,000</u>	<u>\$10,000</u>

City of Niles - Trumbull County
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2016, Through 2018, Actual
and Ending December 31, 2019, Through 2023, Forecasted
Permissive Tax Fund

	2016 <u>Actual</u>	2017 <u>Actual</u>	2018 <u>Actual</u>	2019 <u>Forecasted</u>
Revenues				
Intergovernmental	<u>\$90,000</u>	<u>\$89,000</u>	<u>\$94,000</u>	<u>\$271,000</u>
Expenditures				
Current:				
Transportation				
Capital Outlay	102,000	23,000	63,000	50,000
Debt Service - Truck Lease Payment	<u>0</u>	<u>39,000</u>	<u>39,000</u>	<u>60,000</u>
<i>Total Expenditures</i>	<u>102,000</u>	<u>62,000</u>	<u>102,000</u>	<u>110,000</u>
<i>Changes in Fund Balance</i>	(12,000)	27,000	(8,000)	161,000
<i>Fund Balance Beginning of Year</i>	<u>27,000</u>	<u>15,000</u>	<u>42,000</u>	<u>34,000</u>
<i>Fund Balance End of Year</i>	<u><u>\$15,000</u></u>	<u><u>\$42,000</u></u>	<u><u>\$34,000</u></u>	<u><u>\$195,000</u></u>

<u>2020</u> <u>Forecasted</u>	<u>2021</u> <u>Forecasted</u>	<u>2022</u> <u>Forecasted</u>	<u>2023</u> <u>Forecasted</u>
<u>\$271,000</u>	<u>\$271,000</u>	<u>\$271,000</u>	<u>\$271,000</u>
50,000	230,000	230,000	230,000
<u>60,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>110,000</u>	<u>230,000</u>	<u>230,000</u>	<u>230,000</u>
161,000	41,000	41,000	41,000
<u>195,000</u>	<u>356,000</u>	<u>397,000</u>	<u>438,000</u>
<u>\$356,000</u>	<u>\$397,000</u>	<u>\$438,000</u>	<u>\$479,000</u>

City of Niles - Trumbull County
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2016, Through 2018, Actual
and Ending December 31, 2019, Through 2023, Forecasted
Park Fund

	2016 Actual	2017 Actual	2018 Actual	2019 Forecasted
Revenues				
Property and Other Local Taxes	\$105,000	\$236,000	\$240,000	\$253,000
Intergovernmental	14,000	14,000	18,000	71,000
Charges for Services	5,000	7,000	221,000	272,000
Other	12,000	2,000	9,000	1,000
Total Revenues	136,000	259,000	488,000	597,000
Expenditures				
Current:				
Leisure Time Activities				
Personal Services	168,000	168,000	164,000	202,000
Fringe Benefits	122,000	103,000	95,000	86,000
Contractual Services	9,000	8,000	153,000	229,000
Materials and Supplies	5,000	4,000	21,000	38,000
Capital Outlay	19,000	3,000	19,000	114,000
Miscellaneous	2,000	5,000	7,000	77,000
Debt Service:				
Principal Retirement	0	0	140,000	145,000
Interest and Fiscal Charges	0	0	77,000	72,000
Total Expenditures	325,000	291,000	676,000	963,000
<i>Excess of Revenues Over (Under) Expenditures</i>	(189,000)	(32,000)	(188,000)	(366,000)
Other Financing Sources				
Transfers In	180,000	40,000	232,000	327,000
<i>Changes in Fund Balance</i>	(9,000)	8,000	44,000	(39,000)
<i>Fund Balance Beginning of Year</i>	9,000	0	8,000	52,000
<i>Fund Balance End of Year</i>	\$0	\$8,000	\$52,000	\$13,000

<u>2020</u> <u>Forecasted</u>	<u>2021</u> <u>Forecasted</u>	<u>2022</u> <u>Forecasted</u>	<u>2023</u> <u>Forecasted</u>
\$253,000	\$263,000	\$263,000	\$263,000
15,000	15,000	15,000	15,000
272,000	272,000	272,000	272,000
<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
<u>541,000</u>	<u>551,000</u>	<u>551,000</u>	<u>551,000</u>
202,000	202,000	202,000	202,000
89,000	91,000	94,000	97,000
229,000	229,000	229,000	229,000
38,000	38,000	38,000	38,000
114,000	114,000	114,000	114,000
10,000	10,000	10,000	10,000
150,000	150,000	155,000	165,000
<u>67,000</u>	<u>67,000</u>	<u>62,000</u>	<u>52,000</u>
<u>899,000</u>	<u>901,000</u>	<u>904,000</u>	<u>907,000</u>
(358,000)	(350,000)	(353,000)	(356,000)
<u>347,000</u>	<u>350,000</u>	<u>353,000</u>	<u>356,000</u>
(11,000)	0	0	0
<u>13,000</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>
<u>\$2,000</u>	<u>\$2,000</u>	<u>\$2,000</u>	<u>\$2,000</u>

City of Niles - Trumbull County
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2016, Through 2018, Actual
and Ending December 31, 2019, Through 2023, Forecasted
Capital Projects Fund

	2016 <u>Actual</u>	2017 <u>Actual</u>	2018 <u>Actual</u>	2019 <u>Forecasted</u>
Revenues				
Intergovernmental	\$682,000	\$391,000	\$194,000	\$661,000
Expenditures				
Current:				
Capital Projects				
Capital Outlay	<u>700,000</u>	<u>628,000</u>	<u>770,000</u>	<u>2,118,000</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(18,000)</u>	<u>(237,000)</u>	<u>(576,000)</u>	<u>(1,457,000)</u>
Other Financing Sources (Uses)				
Proceeds of General Obligation Bonds	0	1,600,000	0	0
Transfers In	<u>25,000</u>	<u>91,000</u>	<u>200,000</u>	<u>400,000</u>
<i>Total Other Financing Sources (Uses)</i>	<u>25,000</u>	<u>1,691,000</u>	<u>200,000</u>	<u>400,000</u>
<i>Changes in Fund Balance</i>	7,000	1,454,000	(376,000)	(1,057,000)
<i>Fund Balance Beginning of Year</i>	<u>0</u>	<u>7,000</u>	<u>1,461,000</u>	<u>1,085,000</u>
<i>Fund Balance End of Year</i>	<u><u>\$7,000</u></u>	<u><u>\$1,461,000</u></u>	<u><u>\$1,085,000</u></u>	<u><u>\$28,000</u></u>

<u>2020</u> <u>Forecasted</u>	<u>2021</u> <u>Forecasted</u>	<u>2022</u> <u>Forecasted</u>	<u>2023</u> <u>Forecasted</u>
\$725,000	\$725,000	\$725,000	\$725,000
<u>961,000</u>	<u>961,000</u>	<u>961,000</u>	<u>961,000</u>
<u>(236,000)</u>	<u>(236,000)</u>	<u>(236,000)</u>	<u>(236,000)</u>
0	0	0	0
<u>216,000</u>	<u>236,000</u>	<u>236,000</u>	<u>236,000</u>
<u>216,000</u>	<u>236,000</u>	<u>236,000</u>	<u>236,000</u>
(20,000)	0	0	0
<u>28,000</u>	<u>8,000</u>	<u>8,000</u>	<u>8,000</u>
<u>\$8,000</u>	<u>\$8,000</u>	<u>\$8,000</u>	<u>\$8,000</u>

City of Niles - Trumbull County
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2016, Through 2018, Actual
and Ending December 31, 2019, Through 2023, Forecasted
Water Fund

	2016 <u>Actual</u>	2017 <u>Actual</u>	2018 <u>Actual</u>	2019 <u>Forecasted</u>
Revenues				
Charges for Services	\$6,618,000	\$7,213,000	\$7,686,000	\$8,600,000
Refunds and Reimbursements	12,000	24,000	48,000	28,000
Other	3,000	2,000	2,000	2,000
Total Revenues	<u>6,633,000</u>	<u>7,239,000</u>	<u>7,736,000</u>	<u>8,630,000</u>
Expenditures				
Current:				
Personal Services	776,000	776,000	737,000	735,000
Fringe Benefits	469,000	444,000	380,000	415,000
Contractual Services	4,338,000	4,643,000	4,923,000	5,281,000
Materials and Supplies	47,000	45,000	77,000	56,000
Capital Outlay	128,000	221,000	490,000	804,000
Miscellaneous	19,000	10,000	14,000	19,000
Debt Service:				
Principal Retirement	45,000	45,000	50,000	50,000
Water Tower Maintenance Service Agreement	0	0	384,000	384,000
Interest and Fiscal Charges	30,000	28,000	26,000	22,000
Total Expenditures	<u>5,852,000</u>	<u>6,212,000</u>	<u>7,081,000</u>	<u>7,766,000</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>781,000</u>	<u>1,027,000</u>	<u>655,000</u>	<u>864,000</u>
Other Financing Sources (Uses)				
Advances Out	(22,000)	0	0	(160,000)
Transfers In	61,000	0	0	0
Total Other Financing Sources (Uses)	<u>39,000</u>	<u>0</u>	<u>0</u>	<u>(160,000)</u>
<i>Changes in Fund Balance</i>	820,000	1,027,000	655,000	704,000
<i>Fund Balance (Deficit) Beginning of Year</i>	<u>(1,610,000)</u>	<u>(790,000)</u>	<u>237,000</u>	<u>892,000</u>
<i>Fund Balance (Deficit) End of Year</i>	<u><u>(\$790,000)</u></u>	<u><u>\$237,000</u></u>	<u><u>\$892,000</u></u>	<u><u>\$1,596,000</u></u>

<u>2020</u> <u>Forecasted</u>	<u>2021</u> <u>Forecasted</u>	<u>2022</u> <u>Forecasted</u>	<u>2023</u> <u>Forecasted</u>
\$8,600,000	\$8,600,000	\$8,600,000	\$8,600,000
28,000	28,000	28,000	28,000
2,000	2,000	2,000	2,000
<u>8,630,000</u>	<u>8,630,000</u>	<u>8,630,000</u>	<u>8,630,000</u>
735,000	735,000	735,000	735,000
427,000	440,000	453,000	467,000
5,281,000	5,281,000	5,281,000	5,281,000
56,000	56,000	56,000	56,000
804,000	804,000	804,000	804,000
19,000	19,000	19,000	19,000
50,000	55,000	55,000	55,000
384,000	384,000	384,000	358,000
20,000	20,000	20,000	20,000
<u>7,776,000</u>	<u>7,794,000</u>	<u>7,807,000</u>	<u>7,795,000</u>
<u>854,000</u>	<u>836,000</u>	<u>823,000</u>	<u>835,000</u>
(160,000)	(160,000)	(160,000)	(160,000)
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>(160,000)</u>	<u>(160,000)</u>	<u>(160,000)</u>	<u>(160,000)</u>
694,000	676,000	663,000	675,000
<u>1,596,000</u>	<u>2,290,000</u>	<u>2,966,000</u>	<u>3,629,000</u>
<u>\$2,290,000</u>	<u>\$2,966,000</u>	<u>\$3,629,000</u>	<u>\$4,304,000</u>

City of Niles - Trumbull County
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2016, Through 2018, Actual
and Ending December 31, 2019, Through 2023, Forecasted
Motor Fuel Fund

	2016 <u>Actual</u>	2017 <u>Actual</u>	2018 <u>Actual</u>	2019 <u>Forecasted</u>
Revenues				
Charges for Services	<u>\$161,000</u>	<u>\$178,000</u>	<u>\$259,000</u>	<u>\$270,000</u>
Expenditures				
Current:				
Capital Projects				
Materials and Supplies	157,000	184,000	254,000	250,000
Miscellaneous	<u>1,000</u>	<u>2,000</u>	<u>3,000</u>	<u>5,000</u>
<i>Total Expenditures</i>	<u>158,000</u>	<u>186,000</u>	<u>257,000</u>	<u>255,000</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	3,000	(8,000)	2,000	15,000
Other Financing Sources (Uses)				
Transfers In	<u>10,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Changes in Fund Balance</i>	13,000	(8,000)	2,000	15,000
<i>Fund Balance Beginning of Year</i>	<u>0</u>	<u>13,000</u>	<u>5,000</u>	<u>7,000</u>
<i>Fund Balance End of Year</i>	<u><u>\$13,000</u></u>	<u><u>\$5,000</u></u>	<u><u>\$7,000</u></u>	<u><u>\$22,000</u></u>

<u>2020</u> <u>Forecasted</u>	<u>2021</u> <u>Forecasted</u>	<u>2022</u> <u>Forecasted</u>	<u>2023</u> <u>Forecasted</u>
<u>\$240,000</u>	<u>\$255,000</u>	<u>\$255,000</u>	<u>\$255,000</u>
250,000	250,000	250,000	250,000
<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>
<u>255,000</u>	<u>255,000</u>	<u>255,000</u>	<u>255,000</u>
(15,000)	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(15,000)	0	0	0
<u>22,000</u>	<u>7,000</u>	<u>7,000</u>	<u>7,000</u>
<u>\$7,000</u>	<u>\$7,000</u>	<u>\$7,000</u>	<u>\$7,000</u>

City of Niles, Trumbull County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2019, through 2023

Note 1 – The City

The City of Niles (the “City”) is located in Northeast Ohio in Trumbull County. The City is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Operating as a statutory city, Niles must comply with all State laws regulating City government. The decision making process is directed by an elected City Council (Council) and Mayor. Legislative authority is vested in a seven-member Council. Three members are elected at large and four members are elected by wards for two year staggered terms. A council president, who presides at all meetings of the legislative authority, but has no vote except in case of a tie, is elected at large for a two year term. The Mayor is the chief executive and administrative officer who is elected for a four-year term.

On October 7, 2014, the Auditor of State’s office declared the City of Niles to be in a state of fiscal emergency in accordance with Section 118.03, Ohio Revised Code. The declaration resulted in the establishment of a Financial Planning and Supervision Commission. The Commission is composed of the Mayor of the City, Council President, three individuals whose residency or principal place of business is within the City, and a designee from both the State Treasurer’s office and the Office of Budget and Management. The City had 120 days after the first meeting of the Commission to approve a financial recovery plan. Once the plan was adopted, the City’s discretion was limited in that all financial activity of the City must be in accordance with the plan.

The City of Niles provides general governmental services including police and fire protection, street maintenance and repairs, building inspection, sewer, water and electric. The operation of each of these activities is directly controlled by the City Council through the budgetary process. The administration includes the Mayor, City Auditor, City Treasurer, Police Chief, Fire Chief, Safety Services Director and Service Director.

Note 2 – Nature of Presentation

This financial forecast presents, to the best of the City’s knowledge and belief, the expected revenues, expenditures, and changes in fund balances for the forecast period. Accordingly, the forecast reflects the City’s judgment, as of January 30, 2019, the date of the forecast, the expected conditions and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecast. There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

The forecast presents the funds that are significant to the operations of the City. These funds include the general fund, prisoner transport fund, fire pension fund, permissive tax fund, park fund, capital projects fund, water fund and motor fuel fund.

Note 3 – Summary of Significant Accounting Policies

A. Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts, disbursements, and encumbrances, which is consistent with the budget basis of accounting (non-GAAP) used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the City is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

City of Niles, Trumbull County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2019, through 2023

B. Fund Accounting

The City maintains its accounting records in accordance with the principles of “fund” accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity that stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Funds

General Fund – The General Fund is the operating fund of the City and is used to account for and report all financial resources, except those required to be accounted for and reported in another fund. The General Fund balance is available to the City for any purpose provided it is disbursed or transferred in accordance with Ohio law.

Special Revenue Funds – Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to disbursement for specified purposes, other than for debt service or capital projects.

Debt Service Funds – Debt service funds are used to account for and report resources that are restricted, committed, or assigned to disbursement for principal, interest, and related costs.

Capital Projects Funds – Capital projects funds are used to account for and report resources that are restricted, committed, or assigned for the acquisition or construction of major capital facilities and other capital assets (other than those financed by the enterprise funds).

Permanent Funds – Permanent funds account for and report financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the City or its residents.

Proprietary Funds

Enterprise Funds – Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

Internal Service Funds – Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis.

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.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of the budgetary documents within an established timetable. The major documents prepared are the certificate of estimated resources and the appropriations ordinance, both of which are prepared on the budgetary basis of

City of Niles, Trumbull County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2019, through 2023

accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

Estimated Resources – On or about September 1, the County Budget Commission issues an official certificate of estimated resources to the City, which states the projected receipts of each fund. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. Prior to December 31, the City must revise its budget so that total contemplated expenditures from any funds during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations – A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year if the annual appropriation for the full year is not ready for approval by City Council. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire year. By March 31, an annual appropriation ordinance must be legally enacted by the City Council. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Encumbrances – The City uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve a portion of the applicable appropriation.

D. Property, Plant and Equipment

Capital assets acquired or constructed for general governmental services are recorded as expenditures. Depreciation is not recorded for these capital assets as the purpose of the financial statements for the governmental services is to report the expenditure of resources, not costs.

Note 4 – General Revenue Assumptions – All Funds

A. Property Taxes

Property tax revenues consist of real property, public utility real and personal property. The City may request advances from the Trumbull County Auditor as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the City are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenues.

State law allows for certain reductions in the form of rollbacks and homestead exemptions for residential real estate taxes. The State reimburses the City for all revenue lost due to these exemptions. The amount of the reimbursement is presented in the account “intergovernmental revenue”.

All property tax revenues are based on property valuations and levy rates. The County is required to reappraise property every six years and update the valuations every three years between the reappraisals. The last reappraisal was completed in 2017 for taxes collected in 2018. The next triennial update will take place in 2020 for taxes collected in 2021 with the next reappraisal scheduled for 2023. The City’s assessed values upon which property tax receipts were based for the last four years are as follows:

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Class of Property	2015	2016	2017	2018
Real Property:				
Residential and Agriculture	\$162,213,370	\$162,251,040	\$162,456,230	\$168,430,490
Commercial and Industrial	85,638,990	86,438,860	86,553,000	92,525,890
Public Utility:				
Tangible Personal Property	1,651,200	2,124,540	1,794,090	1,380,360
Total Assessed Value	<u>\$249,503,560</u>	<u>\$250,814,440</u>	<u>\$250,803,320</u>	<u>\$262,336,740</u>

The property tax revenues are generated from inside and voted millage receipted into the general fund, police pension fund, fire pension fund and park fund.

The levies being collected by fund, the year approved, and the full tax rate are as follows:

Fund	Tax Levies	Year Approved/ Renewed	First Calendar Year of Collection	Last Calendar Year of Collection	Full Tax Rate (Per \$1,000 of Assessed Valuation)
General Fund	Inside Ten Mill Limitation (Unvoted)	n/a	n/a	n/a	\$1.90
Police Pension Fund	Inside Ten Mill Limitation (Unvoted)	n/a	n/a	n/a	0.30
Fire Pension Fund	Inside Ten Mill Limitation (Unvoted)	n/a	n/a	n/a	0.30
Park Fund	Current Expense	2016	2017	2021	1.00
Total Tax Rate					<u>\$3.50</u>

Public utility real taxes are collected and settled by the County with real estate taxes and are recorded as general property taxes.

B. Municipal Income Taxes

Effective July 1, 2016, the City levied and collected an income tax of 2.0 percent on substantially all income earned within the City as well as on incomes of residents earned outside the City, allowing a credit of 100 percent of the tax paid to another municipality, not to exceed the City's current tax rate. This is an increase from the 1.5 percent previously collected. The City's income tax ordinance requires half of the income tax revenues to be used to finance the police and fire departments. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City quarterly. Corporations and other individual taxpayers are also required to pay their estimated taxes at least quarterly and file a final return annually. Any income tax ordinance must be approved by a majority vote at a City election prior to the ordinance becoming effective.

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C. Intergovernmental Revenues

State law grants tax relief in the form of a 10 percent reduction in residential real property tax bills. In addition, a 2.5 percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the City for the loss of real property taxes caused by the homestead and rollback tax relief programs.

Note 5 – Specific Fund Revenue Assumptions

A. General Fund

Property And Other Local Taxes – Real property taxes are forecasted to increase slightly beginning in 2019 based on the County Auditor certification of taxes for 2019 and to remain stagnant for 2020. Trumbull County will have a triennial update in 2020 for collection year 2021 and the City is forecasting a 4 percent increase in collections. The City is then holding that collection at a constant amount for the remainder of the forecast.

Municipal Income Taxes – Income taxes have been forecasted based on information provided by the City Treasurer in conjunction with the Regional Income Tax Agency (RITA). Income tax revenue is anticipated to decrease in 2019 due to one-time collections made in 2018 from the self-reporting of companies that had not previously paid income tax and from the closing of the Lordstown General Motors plant which has workers living in the City. The City is holding collections at the 2019 level for the remainder of the forecast.

Hotel/Motel Taxes – This tax is an occupancy tax specifically for the use of hotel/motel rooms within City limits. The City is anticipating the revenue generated to be close to the revenue collected for 2018 for the forecast period.

Excise Tax – This is a kilowatt-hour tax with rates tiered and varied according to consumption and specific users of electricity. This revenue is projected to remain consistent throughout the forecast period.

Intergovernmental Revenue – Intergovernmental revenues include local government monies, property tax allocations for rollback, homestead and tangible property tax loss reimbursements, grants and reimbursements for the school resource officer. The local government funds are distributed monthly by the State to the County and by the County Auditor to the City. The property tax allocations for rollback, homestead, and tangible personal property are received from the State and are based on information provided by the County Auditor. Reimbursements for the school resource officer are made by the Niles City School District.

The City attempts to secure grant funding each year. In 2018, the City received grants totaling \$14,000. This has been removed from the forecast years since it is undetermined what grants the City may be awarded. The other items making up the intergovernmental revenue during 2019 through 2023 is expected to remain relatively consistent with 2018 amounts.

Interest – In 2018, the City switched bank accounts to take advantage of additional cash balances. Sweep accounts were opened and the City realized an increase in interest revenue of \$180,000 from the prior year. The City is conservatively forecasting interest revenue of \$200,000 per year for the forecast period.

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Licenses and Permits – Licenses and permits receipts represent liquor and beer permits, building permits and inspections, amusement permits, solicitation permits, fire inspection fees and cable franchise fees. Amounts collected for the various permits, inspections and fees remain approximately the same annually. Cable franchise fees are 3 percent of gross receipts collected by the cable provider. The City is forecasting a decrease in 2019 for a conservative estimate in anticipated building and zoning permits. No increase is anticipated in these revenues over the forecast period.

Fines and Forfeitures - Fines and forfeitures represent revenues received from court fines. The City conservatively reduced collections in 2019 with no increase anticipated in this revenue item throughout the forecast period.

Charges for Services – Charges for services represent revenues received from the City owned Wellness Center. The Wellness Center operations were moved to the Park fund during 2018 and will remain in the Park fund for the forecast period.

Special Assessments – Special assessments represent charges against property owners to pay costs of improvements or services that benefit the property. For the City, the charges include costs for demolition and weed control and are anticipated to remain at 2018 collection levels for the forecast period.

Rentals and Royalties – Rentals and royalties represent natural gas royalties on gas production located on City owned property. This revenue is projected to remain consistent throughout the forecast period.

Other – Other revenues consist mainly of various refunds and reimbursements which are projected to remain consistent throughout the forecast period. The City is forecasting a decrease in other revenue for 2019 from a large Bureau of Workers' Compensation refund that was collected in 2018 and not anticipated in 2019.

B. Prisoner Transport Fund

Fines and Forfeitures – This fund now receives minimal funding in the form of fees attached to the transportation of prisoners. The Municipal Judge has been subsidizing all of the funding for prisoner transport utilizing a special projects fund.

C. Fire Pension Fund

Property And Other Local Taxes – Real property taxes are forecasted to increase based on the County Auditor certification of taxes for 2019 and to remain stagnant for 2020. Trumbull County will have a triennial update in 2020 for collection year 2021 and the City is forecasting a 4 percent increase in collections. The City is then holding that collection at a constant amount for the remainder of the forecast.

Intergovernmental Revenue – Intergovernmental revenues include property tax allocations for rollback, homestead and tangible property tax loss reimbursements. The property tax allocations for rollback, homestead, and tangible personal property are received from the State and are based on information provided by the County Auditor. Homestead and Rollback revenues have been forecasted to remain consistent throughout the forecast period based on amounts received during 2018.

Transfers In – Transfers in represent monies transferred from the general fund to cover fire pension payments.

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D. Permissive Tax Fund

Intergovernmental Revenue – Intergovernmental revenues include monies collected specific to the annual registration of vehicle license plates within City limits. In 2019, the City will begin collecting a fee that was increased from \$5 annually to \$15 annually.

E. Park Fund

Property And Other Local Taxes – Real property taxes are forecasted to increase based on the County Auditor certification of taxes for 2019 and to remain stagnant for 2020. Trumbull County will have a triennial update in 2020 for collection year 2021 and the City is forecasting a 4 percent increase in collections. The City is then holding that collection at a constant amount for the remainder of the forecast.

Intergovernmental Revenue – Intergovernmental revenues include property tax allocations for rollback, homestead and tangible property tax loss reimbursements and grants. The property tax allocations for rollback, homestead, and tangible personal property are received from the State and are based on information provided by the County Auditor. Homestead and Rollback revenues have been forecasted to remain consistent throughout the forecast period based on amounts received during 2018. 2019 intergovernmental revenues contain a Waddell Park improvement grant that is not anticipated in the forecast years 2020-2023.

Charges for Services – Charges for services include the monies collected for use of the City owned Wellness Center and athletic fees specific to park use. The City is anticipating an increase in charges for services revenue in 2019 from having a full year of collections in the park fund. The City is then holding that collection at a constant amount for the remainder of the forecast.

Other – Other revenue presented consists of various items that are minimal in nature and the forecast amount is anticipated to remain minimal.

Transfers In – Transfers in represent monies transferred from the general fund to cover remaining park expenditures.

F. Capital Projects Fund

Intergovernmental Revenue – Intergovernmental revenues include anticipated Federal and Ohio Public Works Commission (OPWC) grant funding awards that the City Engineer is looking to secure. Starting in year 2020, the City Engineer is looking to secure \$500,000 in Federal grants and \$225,000 in OPWC grants on an annual basis for capital projects.

Transfers In – Transfers in represent monies transferred from the general fund to cover capital projects excess costs.

G. Water Fund

Charges for Services – Charges for services represents revenue generated from the consumers of City owned and distributed water. The increase in 2019 is directly related to an increase in the water rates as directed by City Council that is to generate a specific dollar amount that is needed for debt payments, the water tower maintenance agreement and for capital items.

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Refunds and Reimbursements – refunds and reimbursements are made up of insurance refunds and Bureau of Workers’ Compensation refunds. The City is forecasting an amount based on the history of collections.

Other – Other revenue presented consists of various items that are minimal in nature and the forecast amount is anticipated to remain consistent based on the history of collections.

H. Motor Fuel Fund

Charges for Services – Charges for services consist of charge backs to the various City funds and departments that use City owned motor fuel based upon usage. The City forecast for the charge backs is based upon anticipated usage of total fuel.

Note 6 – Expenditure Assumptions – All Funds

A. Personal Services

Personal services include the salaries paid to the employees and elected officials of the City. The City’s employees are paid on a bi-weekly basis. The Mayor, City Auditor, City Treasurer and Law Director are paid on a semi-monthly basis. The City Council is paid monthly. City Council, by ordinance, sets the salary or hourly rates and other forms of compensation, such as paid leave.

The City has labor agreements with the American Federation of State, County, and Municipal Employees-Ohio Council 8-Local 506, the International Association of Fire Fighters-Local 320, the Ohio Patrolmen’s Benevolent Association-Rank Unit, the Fraternal Order of Police-Ohio Labor Council, Inc-Patrolmen, and the Ohio Patrolmen’s Benevolent Association-Dispatchers. All of the agreements expired on December 31, 2018. The City is currently negotiating with all unions. All bargaining unit employees are paid longevity based on years of service.

No increases are forecasted for elected officials. Each September, the City prepares a detailed time study analysis. Based upon the results of the time study analysis, the proceeding year’s salaries are adjusted causing shifts in both the salaries and the benefits lines across funds and departments. Each 1 percent increase in salaries for union and non-union employees would cost the City approximately \$11,000 in salaries and \$2,000 in benefits for the general fund and \$82,000 in salaries and \$15,000 in benefits in the form of transfers out of the general fund to the funds with operations that are subsidized by the general fund.

Staffing is anticipated to remain the same throughout the forecast period except as follows: the City plans on hiring a Human Resource Director in 2019. This Director will be a part of the City Auditor department and the costs have been included in the current year appropriations.

The City is currently operating the Fire Department with 6 firemen hired under the SAFER grant award, in addition to the normal staffing levels. This grant is set to expire in June of 2020. The City is planning on reapplying for the SAFER grant. Should the City not be re-awarded the grant, the City would reduce their authorized strength ordinance from 33 to 30, eliminating 3 firemen and keeping 3 of those hired under the SAFER grant. The costs of keeping the 3 firemen currently funded by the SAFER grant have been included as additional transfers out of the general fund to the Ohio police and fire 1% fund for the salaries and to the fire pension fund for the benefits.

During 2019, one court employee is retiring and during 2020, one auditor employee is retiring. The City will replace these employees and new hires have been included in the forecast. No additional employees are expected to retire within the remaining forecast period.

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B. Fringe Benefits

Fringe benefits include employer contributions to the State pension system, workers' compensation, Medicare, vacation, sick leave, personal days and medical, prescription, life, vision and dental health coverage.

All employees and/or elected officials, except police and fire, participate in the Ohio Public Employees Retirement System (OPERS). OPERS provides basic retirement, disability and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. Employees are required to contribute 10 percent (the maximum) of their annual salary and the City is required to contribute 14 percent (the maximum) of their annual salary. In accordance with negotiated agreements, the City picks up 100 percent of the employee's current 10 percent share of the OPERS pension.

Police and fire employees participate in the Ohio Police and Fire Retirement System (OP&F). OP&F provides basic retirement, disability, 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. Employees are required to contribute 12.25 percent (the maximum) of their annual salary and the City is required to contribute 19.5 percent for police and 24 percent for fire (the maximum) of their annual salary. Per negotiated agreements specific to the Ohio Patrolmen's Benevolent Association-Rank Unit, and effective as of January 1, 2010, the City shall pay 100 percent of the current employee pension contribution by increasing the bargaining Unit's wages equal to the current employee pension contribution. Per negotiated agreements specific to the Fraternal Order of Police-Ohio Labor Council, Inc.-Patrolmen, the City agrees to pick-up 100 percent of the statutorily required contribution to the OP&F Pension Fund.

Workers' compensation coverage is provided by the State of Ohio. The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. Also affecting the premium classification are the specific job classifications and the City's claim experience. For 2019, the City is paying a premium that is approximately 18 percent less than 2018. The City has forecasted a slight increase in future years of the forecast.

All employees, except elected officials, are entitled to between one to eight weeks of vacation leave depending on hire date and length of service. Employees earn sick leave at a rate of 4.6 hours for every eighty hours worked.

The City provides vision, dental, prescription drug and hospital/medical benefits to its employees through Medical Mutual of Ohio, serving as the third party administrator. The City anticipates the premiums for benefits to increase approximately 3 percent each year. The City charges premiums for benefits to the same fund and department as the individual's compensation.

C. Contractual Services

Contractual services include property and liability insurance, utility charges (telephone, internet, natural gas, and garbage), postage, advertising, legal fees, auditor and treasurer fees, accounting and auditing services, RITA collection fees, demolition of blight program, staffing of non-City workers at the Wellness Center and the purchase of water for sale. The City has worked to constrain spending in as many areas as possible over the last several years and plans to continue to do so in the future. RITA collects a 3 percent fee on all gross income taxes collected and distributed. The building and zoning department is contracting out the demolition of structures deemed as blight. The City is forecasting an increase in the costs of purchasing water for sale to the newly opened Lordstown Energy Center.

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D. Materials and Supplies

Materials and supplies expenditures include office supplies, operating supplies (chemicals, salt, and gasoline), and repair and maintenance costs. The City has worked to constrain spending in many of these categories and looks to replenish supplies on an as needed basis with no increases projected.

E. Capital Outlay

During the forecast period, the City anticipates having significant capital outlay expenditures. The City put together a 5-year capital plan which contains \$3,535,000 in projects that are budgeted over the life of the plan on an annual basis. In addition to these amounts, the City Engineer is looking to secure Federal and OPWC grant funding for additional capital projects not currently in the capital plan. Due to the state of the City’s finances while in fiscal emergency, City Council reduced the majority of capital expenditures to an emergency level only. The City is now looking to make substantial and much needed improvements and replacements throughout the City including the demolition of the water building along with the construction of a new multi-use facility, replacing and upgrading the police cars, the purchase of a new fire truck, fire hydrant replacements, Wellness Center turf replacement, 16-year maintenance and upkeep of all three water towers, water and sewer line repairs and maintenance, upgraded IT technology, the installation of upgraded water meters, new street trucks and various other equipment related items.

F. Miscellaneous

Miscellaneous expenditures for the miscellaneous general department represent various items to include county auditor fees, election fees, bank service charges and State examiner fees. The City is utilizing a three year average of expenditures for the forecast period.

Note 7 – Transfers and Advances – General Fund

The City expects to transfer the following amounts from the general fund during the forecast period:

Transfer to:	Year				
	2019	2020	2021	2022	2023
Police Pension	\$405,000	\$405,000	\$405,000	\$405,000	\$405,000
Fire Pension	382,000	370,000	411,000	411,000	411,000
Police and Fire 1%	6,870,000	7,007,000	7,144,000	7,144,000	7,144,000
Park	327,000	347,000	350,000	353,000	356,000
Cemetery	161,000	161,000	161,000	161,000	161,000
Capital Projects	400,000	216,000	236,000	236,000	236,000
Fire Truck Replacement	80,000	80,000	80,000	80,000	80,000
	<u>\$8,625,000</u>	<u>\$8,586,000</u>	<u>\$8,787,000</u>	<u>\$8,790,000</u>	<u>\$8,793,000</u>

The transfers to the police pension, fire pension, park and cemetery funds are for subsidizing operations over and above the revenue generated by those funds. The transfer to the police and fire 1% fund is for the portion of income tax specifically collected for police and fire along with subsidizing the operations of the fund. The transfers to the capital projects and the fire truck replacement funds are for capital needs.

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Note 8 – Other Funds

The City has numerous other funds that account for resources that are restricted for specific purposes. These funds are anticipated to have sufficient resources to meet their obligations during the forecasted period.

Note 9 – Contingencies

A. Litigation

The City is party to legal proceedings. The City management is of the opinion that the ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

B. Grants

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

OHIO AUDITOR OF STATE KEITH FABER



CITY OF NILES

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 11, 2019**