



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CITY OF NILES
TRUMBULL COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Members of Council:

We have audited the accompanying general-purpose financial statements of the City of Niles, Trumbull County, (the City) as of and for the years ended December 31, 1998 and 1997, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

As discussed in Note 3, for the year ended December 31, 1997, the City has changed its basis of accounting from a cash basis to the modified accrual basis of accounting for its governmental and agency fund types and to the accrual basis for its proprietary funds. This change required that certain adjustments be recorded to the January 1, 1997, fund balances/retained earnings as previously reported to reflect the prior year's effect of adopting these new accounting principles.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Niles, Trumbull County, as of December 31, 1998 and 1997, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the years then ended in conformity with generally accepted accounting principles.

As described in Note 3 to the financial statements, the City changed its method of accounting for its deferred compensation program during 1998 to comply with the provisions of Statement No. 32 of the Governmental Accounting Standards Board.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2000 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts.

Jim Petro
Auditor of State

October 16, 2000

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City of Niles, Ohio
Combined Balance Sheet
All Fund Types and Account Groups
December 31, 1998

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$7,137,361	\$1,775,609	\$215,993	\$225,029
Cash and Cash Equivalents in Segregated Accounts				
Cash and Cash Equivalents with Fiscal Agents			49,275	
Receivables:				
Taxes	1,136,542	313,209		
Accounts	17,578	10,390		
Special Assessments			52,392	
Intergovernmental	109,187	49,193		
Investment in Joint Venture				
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents				
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
Other Debits				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds				
Amount Available in Debt Service Fund for Retirement of Special Assessment Bonds				
Amount to be Provided from General Government Resources				
Total Assets and Other Debits	\$8,400,668	\$2,148,401	\$317,660	\$225,029

Proprietary Fund Type		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$15,262,204	\$273,483	\$52,804			\$24,942,483
		42,218			42,218
					49,275
					1,449,751
281,352					309,320
					52,392
					158,380
524,704					524,704
546,339					546,339
7,235,105			6,563,971		13,799,076
				1,103	1,103
				33,897	33,897
				1,273,836	1,273,836
<u>\$23,849,704</u>	<u>\$273,483</u>	<u>\$95,022</u>	<u>\$6,563,971</u>	<u>\$1,308,836</u>	<u>\$43,182,774</u>

City of Niles, Ohio
Combined Balance Sheet
All Fund Types and Account Groups (continued)
December 31, 1998

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities,				
Fund Equity and Other Credits				
Liabilities				
Accounts Payable	\$14,834	\$1,224		
Contracts Payable				
Accrued Wages and Benefits	14,339	17,220		
Compensated Absences Payable	2,369	5,312		
Intergovernmental Payable	75,752	170,809		
Deferred Revenue	542,143	313,209	52,392	
Deposits Held and Due to Others				
Matured Bonds Payable			40,000	
Matured Interest Payable			9,275	
Claims Payable				
Payable from Restricted Assets:				
Customer Deposits				
OWDA Loans Payable				
Police and Fire Pension Liability				
OPWC Loans Payable				
General Obligation Bonds Payable				
Special Assessment Debt with Governmental Commitment				
Total Liabilities	649,437	507,774	101,667	
Fund Equity and Other Credits				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved for Encumbrances	34,399	35,209		22,937
Reserved for Debt Service:				
Principal			35,000	
Interest			11,179	
Reserved for Endowments				
Unreserved, Undesignated	7,716,832	1,605,418	169,814	202,092
Total Fund Equity and Other Credits	7,751,231	1,640,627	215,993	225,029
Total Liabilities, Fund Equity and Other Credits	\$8,400,668	\$2,148,401	\$317,660	\$225,029

See accompanying notes to the general purpose financial statements

Proprietary Fund Type		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$25,120					\$41,178
1,051,070					1,051,070
71,393					102,952
278,122				659,270	945,073
305,571				134,235	686,367
					907,744
		42,218			42,218
					40,000
					9,275
	66,183				66,183
546,339					546,339
5,859,684					5,859,684
				480,331	480,331
562,666					562,666
				1,103	1,103
				33,897	33,897
<u>8,699,965</u>	<u>66,183</u>	<u>42,218</u>		<u>1,308,836</u>	<u>11,376,080</u>
			6,563,971		6,563,971
170,000					170,000
14,979,739	207,300				15,187,039
					92,545
					35,000
					11,179
		21,556			21,556
		31,248			9,725,404
<u>15,149,739</u>	<u>207,300</u>	<u>52,804</u>	<u>6,563,971</u>		<u>31,806,694</u>
<u>\$23,849,704</u>	<u>\$273,483</u>	<u>\$95,022</u>	<u>\$6,563,971</u>	<u>\$1,308,836</u>	<u>\$43,182,774</u>

City of Niles, Ohio
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Year Ended December 31, 1998

	Governmental			Fund Types		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects		
Revenues						
Property and Other Taxes	\$554,108	\$290,336				\$844,444
Municipal Income Tax	5,161,068					5,161,068
Charges for Services	595,111	179,147				774,258
Licenses, Permits and Fees	238,558	53,505				292,063
Fines and Forfeitures	259,103	96,881				355,984
Intergovernmental	1,214,449	975,794		68,392		2,258,635
Special Assessments			15,175			15,175
Interest	1,213,738	48,759				1,262,497
Rentals	18,260					18,260
Other	29,408	30,457	5,105			64,970
Total Revenues	9,283,803	1,674,879	20,280	68,392		11,047,354
Expenditures						
Current:						
General Government	1,613,884	132,124				1,746,008
Security of Persons and Property	179,003	4,750,603				4,929,606
Public Health and Welfare	216,781	3,929				220,710
Transportation	205,998	626,374				832,372
Community Environment	173,720	145,864				319,584
Leisure Time Activities	6,328	364,157				370,485
Capital Outlay				644,209		644,209
Debt Service:						
Principal Retirement		5,446	109,000			114,446
Interest and Fiscal Charges		20,588	16,936			37,524
Total Expenditures	2,395,714	6,049,085	125,936	644,209		9,214,944
Excess of Revenues Over (Under) Expenditures	6,888,089	(4,374,206)	(105,656)	(575,817)		1,832,410
Other Financing Sources (Uses)						
Operating Transfers In		3,635,000		750,000		4,385,000
Operating Transfers Out	(4,385,000)					(4,385,000)
Total Other Financing Sources (Uses)	(4,385,000)	3,635,000		750,000		
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	2,503,089	(739,206)	(105,656)	174,183		1,832,410
Fund Balances Beginning of Year	5,248,142	2,379,833	321,649	50,846		8,000,470
Fund Balances End of Year	\$7,751,231	\$1,640,627	\$215,993	\$225,029		\$9,832,880

See accompanying notes to the general purpose financial statements

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City of Niles, Ohio
*Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types
For The Year Ended December 31, 1998*

	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues			
Property and Other Taxes	\$545,995	\$554,108	\$8,113
Municipal Income Tax	3,688,000	5,132,736	1,444,736
Charges for Services	480,000	578,518	98,518
Licenses, Permits and Fees	201,000	238,558	37,558
Fines and Forfeitures	160,000	258,472	98,472
Intergovernmental	996,000	1,235,347	239,347
Special Assessments			
Interest	500,000	1,213,738	713,738
Rentals	10,000	18,260	8,260
Other	50,000	29,054	(20,946)
<i>Total Revenues</i>	<u>6,630,995</u>	<u>9,258,791</u>	<u>2,627,796</u>
Expenditures			
Current:			
General Government	1,732,803	1,554,249	178,554
Security of Persons and Property	309,797	210,946	98,851
Public Health and Welfare	236,979	219,227	17,752
Transportation	278,649	207,461	71,188
Community Environment	195,224	166,001	29,223
Leisure Time Activities	8,149	6,328	1,821
Capital Outlay			
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
<i>Total Expenditures</i>	<u>2,761,601</u>	<u>2,364,212</u>	<u>397,389</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>3,869,394</u>	<u>6,894,579</u>	<u>3,025,185</u>
Other Financing Sources (Uses)			
Operating Transfers In			
Operating Transfers Out		(4,385,000)	(4,385,000)
<i>Total Other Financing Sources (Uses)</i>		<u>(4,385,000)</u>	<u>(4,385,000)</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	3,869,394	2,509,579	(1,359,815)
<i>Fund Balances (Deficit) Beginning of Year</i>	4,497,490	4,497,490	
Prior Year Encumbrances Appropriated	85,071	85,071	
<i>Fund Balances End of Year</i>	<u>\$8,451,955</u>	<u>\$7,092,140</u>	<u>(\$1,359,815)</u>

Special Revenue Funds			Debt Service Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$376,402	\$290,336	(\$86,066)			
160,882	179,147	18,265			
56,832	52,833	(3,999)			
73,895	87,163	13,268			
1,362,327	963,660	(398,667)			
48,759	48,759		15,000	15,175	175
30,646	30,457	(189)	6,000	5,105	(895)
<u>2,109,743</u>	<u>1,652,355</u>	<u>(457,388)</u>	<u>21,000</u>	<u>20,280</u>	<u>(720)</u>
141,597	129,596	12,001			
5,233,221	4,728,549	504,672			
15,600	4,798	10,802			
737,557	574,348	163,209			
213,036	159,928	53,108			
378,123	360,618	17,505			
			110,000	109,000	1,000
			20,700	16,936	3,764
<u>6,719,134</u>	<u>5,957,837</u>	<u>761,297</u>	<u>130,700</u>	<u>125,936</u>	<u>4,764</u>
<u>(4,609,391)</u>	<u>(4,305,482)</u>	<u>303,909</u>	<u>(109,700)</u>	<u>(105,656)</u>	<u>4,044</u>
4,610,000	3,635,000	(975,000)			
<u>4,610,000</u>	<u>3,635,000</u>	<u>(975,000)</u>			
609	(670,482)	(671,091)	(109,700)	(105,656)	4,044
2,044,047	2,044,047		321,649	321,649	
365,611	365,611				
<u>\$2,410,267</u>	<u>\$1,739,176</u>	<u>(\$671,091)</u>	<u>\$211,949</u>	<u>\$215,993</u>	<u>\$4,044</u>

(continued)

City of Niles, Ohio
*Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types and Similar Trust Fund (continued)
For The Year Ended December 31, 1998*

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property and Other Taxes			
Municipal Income Tax			
Charges for Services			
Licenses, Permits and Fees			
Fines and Forfeitures			
Intergovernmental		68,392	68,392
Special Assessments			
Interest			
Rentals			
Other			
<i>Total Revenues</i>		68,392	68,392
Expenditures			
Current:			
General Government			
Security of Persons and Property			
Public Health and Welfare			
Transportation			
Community Environment			
Leisure Time Activities			
Capital Outlay	881,514	863,029	18,485
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
<i>Total Expenditures</i>	881,514	863,029	18,485
<i>Excess of Revenues Over (Under) Expenditures</i>	(881,514)	(794,637)	86,877
Other Financing Sources (Uses)			
Operating Transfers In	700,000	750,000	50,000
Operating Transfers Out			
<i>Total Other Financing Sources (Uses)</i>	700,000	750,000	50,000
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(181,514)	(44,637)	136,877
<i>Fund Balances (Deficit) Beginning of Year</i>	(63,285)	(63,285)	
Prior Year Encumbrances Appropriated	310,014	310,014	
<i>Fund Balances End of Year</i>	\$65,215	\$202,092	\$136,877

See accompanying notes to the general purpose financial statements

Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$922,397	\$844,444	(\$77,953)
3,688,000	5,132,736	1,444,736
640,882	757,665	116,783
257,832	291,391	33,559
233,895	345,635	111,740
2,358,327	2,267,399	(90,928)
15,000	15,175	175
548,759	1,262,497	713,738
10,000	18,260	8,260
86,646	64,616	(22,030)
<u>8,761,738</u>	<u>10,999,818</u>	<u>2,238,080</u>
1,874,400	1,683,845	190,555
5,543,018	4,939,495	603,523
252,579	224,025	28,554
1,016,206	781,809	234,397
408,260	325,929	82,331
386,272	366,946	19,326
881,514	863,029	18,485
110,000	109,000	1,000
20,700	16,936	3,764
<u>10,492,949</u>	<u>9,311,014</u>	<u>1,181,935</u>
<u>(1,731,211)</u>	<u>1,688,804</u>	<u>3,420,015</u>
5,310,000	4,385,000	(925,000)
<u>5,310,000</u>	<u>(4,385,000)</u>	<u>(4,385,000)</u>
<u>5,310,000</u>	<u>5,310,000</u>	<u>(5,310,000)</u>
3,578,789	1,688,804	(1,889,985)
6,799,901	6,799,901	
760,696	760,696	
<u>\$11,139,386</u>	<u>\$9,249,401</u>	<u>(\$1,889,985)</u>

City of Niles, Ohio
*Combined Statement of Revenues, Expenses
and Changes in Fund Equity
All Proprietary Fund Types and Similar Trust Fund
For the Year Ended December 31, 1998*

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Operating Revenues				
Charges for Services	\$24,594,920	\$1,023,752		\$25,618,672
Interest			2,123	2,123
<i>Total Operating Revenues</i>	<u>24,594,920</u>	<u>1,023,752</u>	<u>2,123</u>	<u>25,620,795</u>
Operating Expenses				
Personal Services	3,697,758			3,697,758
Contractual Services	16,928,309	165,987	52	17,094,348
Claims		876,949		876,949
Materials and Supplies	629,814			629,814
Depreciation	408,634			408,634
<i>Total Operating Expenses</i>	<u>21,664,515</u>	<u>1,042,936</u>	<u>52</u>	<u>22,707,503</u>
<i>Operating Income (Loss)</i>	<u>2,930,405</u>	<u>(19,184)</u>	<u>2,071</u>	<u>2,913,292</u>
Non-Operating Expenses				
Interest and Fiscal Charges	(513,277)			(513,277)
Equity Loss in Joint Venture	(23,956)			(23,956)
Other Non-Operating Expenses	(41,114)			(41,114)
<i>Total Non-Operating Expenses</i>	<u>(578,347)</u>			<u>(578,347)</u>
<i>Net Income (Loss)</i>	2,352,058	(19,184)	2,071	2,334,945
<i>Retained Earnings/Fund Balance Beginning of Year</i>	<u>12,627,681</u>	<u>226,484</u>	<u>50,733</u>	<u>12,904,898</u>
<i>Retained Earnings/Fund Balance End of Year</i>	14,979,739	207,300	52,804	15,239,843
Contributed Capital Beginning/End of Year	<u>170,000</u>			<u>170,000</u>
Total Fund Equity End of Year	<u>\$15,149,739</u>	<u>\$207,300</u>	<u>\$52,804</u>	<u>\$15,409,843</u>

See accompanying notes to the general purpose financial statements.

City of Niles, Ohio
*Combined Statement of Revenues, Expenses and
 Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual
 All Proprietary Fund Types and Similar Trust Fund
 For The Year Ended December 31, 1998*

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Charges for Services	\$22,850,000	\$24,519,432	\$1,669,432
Interest			
<i>Total Revenues</i>	<u>22,850,000</u>	<u>24,519,432</u>	<u>1,669,432</u>
Expenses			
Current:			
Personal Services	4,207,266	3,611,558	595,708
Contractual Services	18,941,541	17,952,064	989,477
Claims			
Materials and Supplies	689,563	629,139	60,424
Capital Outlay	1,299,949	726,633	573,316
Other Non-Operating Expenses	46,999	41,114	5,885
Debt Service:			
Principal Retirement	335,648	335,648	
Interest and Fiscal Charges	509,696	509,696	
<i>Total Expenses</i>	<u>26,030,662</u>	<u>23,805,852</u>	<u>2,224,810</u>
<i>Excess of Revenues Over (Under) Expenses</i>	(3,180,662)	713,580	3,894,242
<i>Fund Equity (Deficit) Beginning of Year</i>	13,345,508	13,345,508	
<i>Prior Year Encumbrances Appropriated</i>	<u>855,925</u>	<u>855,925</u>	
<i>Fund Equity (Deficit) End of Year</i>	<u>\$11,020,771</u>	<u>\$14,915,013</u>	<u>\$3,894,242</u>

(continued)

City of Niles, Ohio
*Combined Statement of Revenues, Expenses and
Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual
All Proprietary Fund Types and Similar Trust Fund (continued)
For The Year Ended December 31, 1998*

	Internal Service Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Charges for Services	\$1,165,000	\$1,023,752	(\$141,248)
Interest			
<i>Total Revenues</i>	<u>1,165,000</u>	<u>1,023,752</u>	<u>(141,248)</u>
Expenses			
Current:			
Personal Services			
Contractual Services	165,987	165,987	
Claims	1,274,494	1,117,758	156,736
Materials and Supplies			
Capital Outlay			
Other Non-Operating Expenses			
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
<i>Total Expenses</i>	<u>1,440,481</u>	<u>1,283,745</u>	<u>156,736</u>
<i>Excess of Revenues Over (Under) Expenses</i>	(275,481)	(259,993)	15,488
<i>Fund Equity (Deficit) Beginning of Year</i>	(14,030)	(14,030)	
<i>Prior Year Encumbrances Appropriated</i>	<u>277,506</u>	<u>277,506</u>	
<i>Fund Equity (Deficit) End of Year</i>	<u><u>(\$12,005)</u></u>	<u><u>\$3,483</u></u>	<u><u>\$15,488</u></u>

See accompanying notes to the general purpose financial statements

Nonexpendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
			\$24,015,000	\$25,543,184	\$1,528,184
2,000	2,123	123	2,000	2,123	123
2,000	2,123	123	24,017,000	25,545,307	1,528,307
			4,207,266	3,611,558	595,708
20,000	52	19,948	19,127,528	18,118,103	1,009,425
			1,274,494	1,117,758	156,736
			689,563	629,139	60,424
			1,299,949	726,633	573,316
			46,999	41,114	5,885
			335,648	335,648	
			509,696	509,696	
20,000	52	19,948	27,491,143	25,089,649	2,401,494
(18,000)	2,071	20,071	(3,474,143)	455,658	3,929,801
50,733	50,733		13,382,211	13,382,211	
			1,133,431	1,133,431	
<u>\$32,733</u>	<u>\$52,804</u>	<u>\$20,071</u>	<u>\$11,041,499</u>	<u>\$14,971,300</u>	<u>\$3,929,801</u>

City of Niles, Ohio
Combined Statement of Cash Flows
All Proprietary Fund Type and Similar Trust Fund
For the Year Ended December 31, 1998

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
<i>Increase (Decrease) In Cash and Cash Equivalents</i>				
<i>Cash Flows from Operating Activities</i>				
Cash Received from Quasi-External Transactions with Other Funds		\$1,023,752		\$1,023,752
Cash Payments Received from Customers	24,519,432			24,519,432
Cash Payments to Suppliers for Good and Services	(899,363)			(899,363)
Cash Payments for Claims		(847,758)		(847,758)
Cash Payments for Employee Services and Benefits	(3,569,658)			(3,569,658)
Cash Payments for Contractual Services	(17,403,839)	(165,987)	(52)	(17,569,878)
Other Cash Payments	(41,114)			(41,114)
<i>Net Cash Provided By (Used for) Operating Activities</i>	<u>2,605,458</u>	<u>10,007</u>	<u>(52)</u>	<u>2,615,413</u>
<i>Cash Flows from Capital and Related Financing Activities</i>				
Principal Payments - OPWC Loans	(110,815)			(110,815)
Principal Payments - OWDA Loans	(316,892)			(316,892)
Interest Payments - OWDA	(528,451)			(528,451)
Fixed Assets Additions	(42,190)			(42,190)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(998,348)</u>			<u>(998,348)</u>
<i>Cash Flows from Investing Activities</i>				
Interest on Investments			2,123	2,123
<i>Net Increase in Cash and Cash Equivalents</i>	1,607,110	10,007	2,071	1,619,188
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>14,201,433</u>	<u>263,476</u>	<u>50,733</u>	<u>14,515,642</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$15,808,543</u>	<u>\$273,483</u>	<u>\$52,804</u>	<u>\$16,134,830</u>

(continued)

City of Niles, Ohio
Combined Statement of Cash Flows
Proprietary Fund Type and Similar Trust Fund (continued)
For the Year Ended December 31, 1998

	Proprietary Fund Type		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities				
Operating Income (Loss)	\$2,930,405	(\$19,184)	\$2,071	\$2,913,292
<i>Adjustments:</i>				
Depreciation	408,634			408,634
Interest			(2,123)	(2,123)
<i>Change in Assets and Liabilities:</i>				
Increase in Accounts Receivable:	(75,488)			(75,488)
Increase/(Decrease) in Liabilities:				
Accounts Payable	61,146			61,146
Contracts Payable	(1,072,410)			(1,072,410)
Accrued Wages and Benefits	11,224			11,224
Compensated Absences Payable	75,131			75,131
Intergovernmental Payable	262,139			262,139
Customer Deposits	4,677			4,677
Claims Payable		29,191		29,191
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>\$2,605,458</u>	<u>\$10,007</u>	<u>(\$52)</u>	<u>\$2,615,413</u>

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

Trust and Agency	\$95,022
Less: Agency Funds	<u>42,218</u>
Nonexpendable Trust Fund	<u>\$52,804</u>

See accompanying notes to the general purpose financial statements

City of Niles, Ohio
Combined Balance Sheet
All Fund Types and Account Groups
December 31, 1997

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
Assets				
Equity in Pooled Cash and Cash and Cash Equivalents	\$4,582,563	\$2,409,658	\$321,649	\$246,729
Cash and Cash Equivalents in Segregated Accounts				
Cash and Cash Equivalents with Fiscal Agents			18,228	
Receivables:				
Taxes	1,128,255	315,933		
Accounts	593			
Special Assessments	14,966		67,484	
Intergovernmental Receivable	115,119	37,059		
Investment in Joint Venture				
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents				
Funds on Deposit with Deferred Compensation Boards				
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
Other Debits				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds				
Amount Available in Debt Service Fund for Retirement of Special Assessment Bonds				
Amount to be Provided from General Government Resources				
 <i>Total Assets and Other Debits</i>	\$5,841,496	\$2,762,650	\$407,361	\$246,729

The accompanying notes are an integral part of the general purpose financial statements

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$13,687,472	\$263,476	\$50,733			\$21,562,280
		43,757			43,757
					18,228
					1,444,188
205,864					206,457
					82,450
					152,178
524,704					524,704
513,961					513,961
		2,297,908			2,297,908
6,640,687			5,684,426		12,325,113
				101,386	101,386
				42,614	42,614
				1,336,000	1,336,000
<u>\$21,572,688</u>	<u>\$263,476</u>	<u>\$2,392,398</u>	<u>\$5,684,426</u>	<u>\$1,480,000</u>	<u>\$40,651,224</u>

City of Niles, Ohio
Combined Balance Sheet
All Fund Types and Account Groups (continued)
December 31, 1997

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities, Fund Equity and Other Credits				
Liabilities				
Accounts Payable	\$1,131	\$663		
Contracts Payable				195,883
Accrued Wages and Benefits	10,584	15,497		
Compensated Absences Payable	1,297	4,303		
Police and Fire Pension Liability				
Intergovernmental Payable	17,561	46,421		
Deferred Revenue	562,781	315,933	67,484	
Deposits Held and Due to Others				
Matured Bonds Payable			15,000	
Matured Interest Payable			3,228	
Claims Payable				
OPWC Loans Payable				
Payable from Restricted Assets:				
Customer Deposits				
OWDA Loans Payable				
Deferred Compensation Payable				
General Obligation Bonds Payable				
Special Assessment Debt with Governmental Commitment				
<i>Total Liabilities</i>	593,354	382,817	85,712	195,883
Fund Equity and Other Credits				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved				
Fund Balance:				
Reserved for Encumbrances	83,620	364,858		114,131
Reserved for Debt Service:				
Principal			144,000	
Interest			27,650	
Unreserved, Undesignated (Deficit)	5,164,522	2,014,975	149,999	(63,285)
<i>Total Fund Equity and Other Credits</i>	5,248,142	2,379,833	321,649	50,846
<i>Total Liabilities, Fund Equity and Other Credits</i>	\$5,841,496	\$2,762,650	\$407,361	\$246,729

The accompanying notes are an integral part of the general purpose financial statements

Proprietary Fund Type		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$39,013					\$40,807
1,072,410					1,268,293
60,169					86,250
288,108				651,946	945,654
				485,777	485,777
43,348				198,277	305,607
					946,198
		43,757			43,757
					15,000
					3,228
	36,992				36,992
618,933					618,933
513,961					513,961
6,139,065					6,139,065
		2,297,908			2,297,908
				101,386	101,386
				42,614	42,614
<u>8,775,007</u>	<u>36,992</u>	<u>2,341,665</u>		<u>1,480,000</u>	<u>13,891,430</u>
			5,684,426		5,684,426
170,000					170,000
12,627,681	226,484				12,854,165
					562,609
					144,000
					27,650
		50,733			7,316,944
<u>12,797,681</u>	<u>226,484</u>	<u>50,733</u>	<u>5,684,426</u>		<u>26,759,794</u>
<u>\$21,572,688</u>	<u>\$263,476</u>	<u>\$2,392,398</u>	<u>\$5,684,426</u>	<u>\$1,480,000</u>	<u>\$40,651,224</u>

City of Niles, Ohio
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For The Year Ended December 31, 1997

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
Revenues				
Income Taxes	\$4,960,502			\$4,960,502
Property and Other Taxes	383,687	280,701	132,913	797,301
Special Assessments			15,719	15,719
Charges for Services	504,934	136,352		641,286
Licenses, Permits and Fees	240,980			240,980
Fines and Forfeitures	235,936	132,585		368,521
Intergovernmental	726,543	859,540	14,785	1,631,260
Interest	1,057,916	34,983		1,092,899
Rentals and Royalties	17,952			17,952
Other	45,060	27,490	5,767	78,317
Total Revenues	8,173,510	1,471,651	169,184	9,844,737
Expenditures				
Current:				
General Government	1,174,375	128,651		1,303,026
Security of Persons and Property	147,492	4,804,368		4,951,860
Public Health and Welfare	214,822	2,520		217,342
Transportation	225,267	473,569		698,836
Community Environment	182,139	90,964		273,103
Leisure Time Activities	6,090	303,694		309,784
Capital Outlay				625,556
Debt Service:				
Principal Retirement		5,222	109,000	114,222
Interest and Fiscal Charges		20,812	20,335	41,147
Total Expenditures	1,950,185	5,829,800	129,335	8,534,876
Excess of Revenues Over (Under) Expenditures	6,223,325	(4,358,149)	39,849	(595,164)
Other Financing Sources (Uses)				
Operating Transfers In		5,879,512		6,229,512
Operating Transfers Out	(6,229,512)			(6,229,512)
Total Other Financing Sources (Uses)	(6,229,512)	5,879,512		350,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(6,187)	1,521,363	39,849	(245,164)
Fund Balances Beginning of Year (Restated Note 3)	5,254,329	858,470	281,800	296,010
Fund Balances End of Year	\$5,248,142	\$2,379,833	\$321,649	\$50,846

The accompanying notes are an integral part of the general purpose financial statements

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City of Niles, Ohio
*Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types
For The Year Ended December 31, 1997*

	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues			
Income Tax	\$4,900,000	\$4,942,058	\$42,058
Property and Other Taxes	353,882	383,687	29,805
Special Assessments			
Charges for Services	400,000	504,934	104,934
Licenses, Permits and Fees	165,000	240,980	75,980
Fines and Forfeitures	155,000	235,936	80,936
Intergovernmental	571,290	695,173	123,883
Interest	625,588	1,057,916	432,328
Rentals and Royalties	17,200	17,957	757
Other	32,000	45,060	13,060
<i>Total Revenues</i>	<u>7,219,960</u>	<u>8,123,701</u>	<u>903,741</u>
Expenditures			
Current:			
General Government	1,380,041	1,246,474	133,567
Security of Persons and Property	228,621	180,203	48,418
Public Health and Welfare	228,713	215,177	13,536
Transportation	286,343	230,564	55,779
Community Environment	200,422	184,111	16,311
Leisure Time Activities	8,200	6,189	2,011
Capital Outlay			
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
<i>Total Expenditures</i>	<u>2,332,340</u>	<u>2,062,718</u>	<u>269,622</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>4,887,620</u>	<u>6,060,983</u>	<u>1,173,363</u>
Other Financing Sources (Uses)			
Operating Transfers In			
Operating Transfers Out	(5,356,712)	(6,229,512)	(872,800)
<i>Total Other Financing Sources (Uses)</i>	<u>(5,356,712)</u>	<u>(6,229,512)</u>	<u>(872,800)</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(469,092)	(168,529)	300,563
<i>Fund Balances Beginning of Year</i>	4,617,236	4,617,236	
Prior Year Encumbrances Appropriated	48,783	48,783	
<i>Fund Balances End of Year</i>	<u>\$4,196,927</u>	<u>\$4,497,490</u>	<u>\$300,563</u>

The accompanying notes are an integral part of the general purpose financial statements

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
169,268	280,701	111,433	134,106	132,913	(1,193)
136,368	136,352	(16)	18,000	15,719	(2,281)
96,000	132,585	36,585			
887,457	859,831	(27,626)	14,901	14,785	(116)
20,113	34,983	14,870			
12,100	27,490	15,390	5,000	5,767	767
1,321,306	1,471,942	150,636	172,007	169,184	(2,823)
148,089	131,404	16,685			
5,591,509	5,101,543	489,966			
18,520	7,347	11,173			
789,801	622,231	167,570			
98,200	98,000	200			
340,365	324,280	16,085			
			109,000	109,000	
			21,642	20,335	1,307
6,986,484	6,284,805	701,679	130,642	129,335	1,307
(5,665,178)	(4,812,863)	852,315	41,365	39,849	(1,516)
5,759,512	5,879,512	120,000			
5,759,512	5,879,512	120,000			
94,334	1,066,649	972,315	41,365	39,849	(1,516)
889,002	889,002		281,800	281,800	
88,396	88,396				
\$1,071,732	\$2,044,047	\$972,315	\$323,165	\$321,649	(\$1,516)

City of Niles, Ohio
*Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types (continued)
For The Year Ended December 31, 1997*

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Income Tax			
Property and Other Taxes			
Special Assessments			
Charges for Services			
Licenses, Permits and Fees			
Fines and Forfeitures			
Intergovernmental	340,954	30,392	(310,562)
Interest			
Rentals and Royalties			
Other			
<i>Total Revenues</i>	340,954	30,392	(310,562)
Expenditures			
Current:			
General Government			
Security of Persons and Property			
Public Health and Welfare			
Transportation			
Community Environment			
Leisure Time Activities			
Capital Outlay	809,425	767,366	42,059
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
<i>Total Expenditures</i>	809,425	767,366	42,059
<i>Excess of Revenues Over (Under) Expenditures</i>	(468,471)	(736,974)	(268,503)
Other Financing Sources (Uses)			
Operating Transfers In	350,000	350,000	
Operating Transfers Out			
<i>Total Other Financing Sources (Uses)</i>	350,000	350,000	
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(118,471)	(386,974)	(268,503)
<i>Fund Balances Beginning of Year</i>	200,096	200,096	
Prior Year Encumbrances Appropriated	123,593	123,593	
<i>Fund Balances End of Year</i>	\$205,218	(\$63,285)	(\$268,503)

The accompanying notes are an integral part of the general purpose financial statements

Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$4,900,000	\$4,942,058	\$42,058
657,256	797,301	140,045
18,000	15,719	(2,281)
536,368	641,286	104,918
165,000	240,980	75,980
251,000	368,521	117,521
1,814,602	1,600,181	(214,421)
645,701	1,092,899	447,198
17,200	17,957	757
49,867	78,317	28,450
<u>9,054,994</u>	<u>9,795,219</u>	<u>740,225</u>
1,528,130	1,377,878	150,252
5,820,130	5,281,746	538,384
247,233	222,524	24,709
1,076,144	852,795	223,349
298,622	282,111	16,511
348,565	330,469	18,096
809,425	767,366	42,059
109,000	109,000	
21,642	20,335	1,307
<u>10,258,891</u>	<u>9,244,224</u>	<u>1,014,667</u>
<u>(1,203,897)</u>	<u>550,995</u>	<u>1,754,892</u>
6,109,512	6,229,512	120,000
<u>(5,356,712)</u>	<u>(6,229,512)</u>	<u>(872,800)</u>
<u>752,800</u>		<u>(752,800)</u>
(451,864)	550,995	1,002,859
5,988,134	5,988,134	
260,772	260,772	
<u>\$5,797,042</u>	<u>\$6,799,901</u>	<u>\$1,002,859</u>

City of Niles, Ohio
*Combined Statement of Revenues,
Expenses and Changes in Fund Equity
Proprietary Fund Types and Similar Trust Fund
For The Year Ended December 31, 1997*

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Non- Expendable Trust	
Operating Revenues				
Charges for Services	\$23,447,478	\$977,454		\$24,424,932
Investment Income			2,032	\$2,032
<i>Total Operating Revenues</i>	<u>23,447,478</u>	<u>977,454</u>	<u>2,032</u>	<u>\$24,426,964</u>
Operating Expenses				
Personal Services	3,469,692			3,469,692
Contractual Services	15,920,168	107,947	284	16,028,399
Materials and Supplies	978,899			978,899
Claims		812,941		812,941
Depreciation	450,394			450,394
Other	21,959			21,959
<i>Total Operating Expenses</i>	<u>20,841,112</u>	<u>920,888</u>	<u>284</u>	<u>21,762,284</u>
<i>Operating Income</i>	<u>2,606,366</u>	<u>56,566</u>	<u>1,748</u>	<u>2,664,680</u>
Non-Operating Revenues/Expenses				
Equity in Gain of Joint Venture	64,052			64,052
Interest and Fiscal Charges	(530,205)			(530,205)
<i>Total Non-Operating Expenses</i>	<u>(466,153)</u>			<u>(466,153)</u>
<i>Net Income</i>	2,140,213	56,566	1,748	2,198,527
Retained Earnings/Fund Balance				
<i>Beginning of Year - Restated Note 3</i>	<u>10,487,468</u>	<u>169,918</u>	<u>48,985</u>	<u>10,706,371</u>
<i>Retained Earnings/Fund Balance End of Year</i>	12,627,681	226,484	50,733	12,904,898
Contributed Capital Beginning and End of Year	<u>170,000</u>			<u>170,000</u>
<i>Total Fund Equity End of Year</i>	<u><u>12,797,681</u></u>	<u><u>226,484</u></u>	<u><u>50,733</u></u>	<u><u>13,074,898</u></u>

The accompanying notes are an integral part of the general purpose financial statements

City of Niles, Ohio
*Combined Statement of Revenues, Expenses and
Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual
All Proprietary Fund Types and Similar Trust Fund
For The Year Ended December 31, 1997*

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Charges for Services	\$21,800,000	\$23,577,420	\$1,777,420
Interest			
<i>Total Revenues</i>	<u>21,800,000</u>	<u>23,577,420</u>	<u>1,777,420</u>
Expenses			
Current:			
Personal Services	3,838,505	3,520,822	317,683
Contractual Services	17,401,410	16,812,692	588,718
Materials and Supplies	2,187,697	1,016,318	1,171,379
Claims and Judgments			
Debt Service:			
Principal Retirement	296,721	296,721	
Interest and Fiscal Charges	530,205	530,205	
<i>Total Expenses</i>	<u>24,254,538</u>	<u>22,176,758</u>	<u>2,077,780</u>
<i>Excess of Revenues Over (Under) Expenses</i>	(2,454,538)	1,400,662	3,855,200
Non-Operating Expenses			
Other Non-Operating Expenses	(32,070)	(21,959)	10,111
<i>Total Non-Operating Expenses</i>	<u>(32,070)</u>	<u>(21,959)</u>	<u>10,111</u>
<i>Excess of Revenues Under Expenses and Operating Transfers</i>	(2,486,608)	1,378,703	3,865,311
<i>Fund Equity Beginning of Year</i>	11,424,803	11,424,803	
Prior Year Encumbrances Appropriated	542,002	542,002	
<i>Fund Equity End of Year</i>	<u><u>\$9,480,197</u></u>	<u><u>\$13,345,508</u></u>	<u><u>\$3,865,311</u></u>

City of Niles, Ohio
*Combined Statement of Revenues, Expenses and
 Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual
 All Proprietary Fund Types and Similar Trust Fund (continued)
 For The Year Ended December 31, 1997*

	Internal Service Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues			
Charges for Services	\$1,150,000	\$977,454	(\$172,546)
Interest			
<i>Total Revenues</i>	<u>1,150,000</u>	<u>977,454</u>	<u>(172,546)</u>
Expenses			
Current:			
Personal Services			
Contractual Services	107,947	107,947	
Materials and Supplies			
Claims and Judgments	1,157,098	1,157,098	
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
<i>Total Expenses</i>	<u>1,265,045</u>	<u>1,265,045</u>	
Excess of Revenues Over (Under) Expenses	(115,045)	(287,591)	(172,546)
Other Non-Operating Expenses			
Total Non-Operating Expenses			
Excess of Revenues Over (Under) Expenses and Operating Transfers	(115,045)	(287,591)	(172,546)
Fund Equity Beginning of Year	173,561	173,561	
Prior Year Encumbrances Appropriated	<u>100,000</u>	<u>100,000</u>	
Fund Equity End of Year	<u><u>\$158,516</u></u>	<u><u>(\$14,030)</u></u>	<u><u>(\$172,546)</u></u>

The accompanying notes are an intergral part of the general purpose financial statements.

Nonexpendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
			\$22,950,000	\$24,554,874	\$1,604,874
2,000	2,032	32	2,000	2,032	32
2,000	2,032	32	22,952,000	24,556,906	1,604,906
			3,838,505	3,520,822	317,683
20,000	284	19,716	17,529,357	16,920,923	608,434
			2,187,697	1,016,318	1,171,379
			1,157,098	1,157,098	
			296,721	296,721	
			530,205	530,205	
20,000	284	19,716	25,539,583	23,442,087	2,097,496
(18,000)	1,748	19,748	(2,587,583)	1,114,819	3,702,402
			(32,070)	(21,959)	10,111
			(32,070)	(21,959)	10,111
(18,000)	1,748	19,748	(2,619,653)	1,092,860	3,712,513
48,985	48,985		11,647,349	11,647,349	
			642,002	642,002	
<u>\$30,985</u>	<u>\$50,733</u>	<u>\$19,748</u>	<u>\$9,669,698</u>	<u>\$13,382,211</u>	<u>\$3,712,513</u>

City of Niles, Ohio
Combined Statement of Cash Flows
All Proprietary Fund Types and Similar Trust Fund
For The Year Ended December 31, 1997

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
<i>Increase (Decrease) in Cash and Cash Equivalents</i>				
Cash Flows from Operating Activities				
Cash Received from Quasi-External Transactions with Other Funds		\$977,454		\$977,454
Cash Received from Customers	23,577,420			23,577,420
Cash Payments for Employee Services and Benefits	(3,403,907)			(3,403,907)
Cash Payments to Suppliers for Goods and Services	(978,280)			(978,280)
Cash Payments for Contractual Services	(16,037,182)	(107,947)	(284)	(16,145,413)
Deferred Compensation Payment to Agency Fund	(74,538)			(74,538)
Other Cash Payments	(21,959)			(21,959)
Cash Payments for Claims		(879,592)		(879,592)
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>3,061,554</u>	<u>(10,085)</u>	<u>(284)</u>	<u>3,051,185</u>
Cash Flows from Capital and Related Financing Activities				
Principal Payments - OPWC Loans	(37,849)			(37,849)
Principal Payments - OWDA Loans	(258,872)			(258,872)
Interest Payments - OWDA Loans	(530,205)			(530,205)
<i>Net Cash Used in Capital and Related Financing Activities</i>	<u>(826,926)</u>			<u>(826,926)</u>
Cash Flows from Investing Activities				
Interest on Investments			2,032	2,032
<i>Net Cash Provided by Investing Activities</i>			<u>2,032</u>	<u>2,032</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	2,234,628	(10,085)	1,748	2,226,291
Cash and Cash Equivalents Beginning of Year	11,966,805	273,561	48,985	12,289,351
<i>Cash and Cash Equivalents End of Year</i>	<u>\$14,201,433</u>	<u>\$263,476</u>	<u>\$50,733</u>	<u>\$14,515,642</u>

The accompanying notes are an integral part of the general purpose financial statements

City of Niles, Ohio
Combined Statement of Cash Flows
All Proprietary Fund Types and Similar Trust Fund (continued)
For The Year Ended December 31, 1997

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating Income	\$2,606,366	\$56,566	\$1,748	\$2,664,680
<i>Adjustments:</i>				
Depreciation	450,394			450,394
Interest			(2,032)	(2,032)
<i>Change in Assets and Liabilities:</i>				
Increase in Accounts Receivable	(7,578)			(7,578)
<i>Increase/(Decrease) in Liabilities:</i>				
Accounts Payable	30,435			30,435
Contracts Payable	(31,779)			(31,779)
Accrued Wages and Benefits	7,094			7,094
Compensated Absences Payable	46,237			46,237
Intergovernmental Payable	(66,584)			(66,584)
Claims Payable		(66,651)		(66,651)
Customer Deposits	26,969			26,969
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>\$3,061,554</u>	<u>(\$10,085)</u>	<u>(\$284)</u>	<u>\$3,051,469</u>
Reconciliation of Cash and Cash Equivalents to the Balance Sheet:				
Trust and Agency Funds	\$94,490			
Less: Agency Funds	<u>43,757</u>			
Nonexpendable Trust Fund	<u>\$50,733</u>			

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**CITY OF NILES
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

1. DESCRIPTION OF THE CITY AND REPORTING ENTITY

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

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

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

The City is associated with two jointly governed organizations and one joint venture. They are the Eastgate Development and Transportation Agency, the Emergency Management Agency, and the Ohio Municipal Electric Generation Agency Joint Venture (JV5), respectively. These are discussed in notes 16 and 17 to the combined financial statements.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation - Fund Accounting

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

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

**CITY OF NILES
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

1. Governmental Fund Types:

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

General Fund

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

Special Revenue Funds

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

Debt Service Funds

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

Capital Projects Funds

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

2. Proprietary Fund Types:

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

Enterprise Funds

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

**CITY OF NILES
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Internal Service Fund

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

3. Fiduciary Fund Types:

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

Nonexpendable Trust Fund

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

Agency Funds

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

4. Account Groups:

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

General Fixed Assets Account Group

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

General Long-Term Obligations Account Group

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

B. Measurement Focus and Basis of Accounting

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

**CITY OF NILES
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

The City reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Current and delinquent property taxes measurable as of December 31, 1998, whose availability is indeterminate and which are not intended to finance current period obligations, have been recorded as a receivable and deferred revenue. Levied special assessments are measurable, and have been recorded as a receivable. Since all assessments are due outside of the available period, the entire amount has been deferred.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types and the nonexpendable trust fund. Revenues are recognized when they are earned and become measurable and expenses are recognized when they are incurred, if measurable.

C. Budgetary Process

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

**CITY OF NILES
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Tax Budget

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

2. Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 1998 and 1997.

3. Appropriations

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

4. Encumbrances

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

**CITY OF NILES
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Lapsing of Appropriations

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

F. Cash and Cash Equivalents

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

The City of Niles has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during 1998 and 1997. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 1998.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 1998 and 1997 amounted to \$1,213,738 and \$1,057,916, respectively.

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

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

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

G. Inventory

Inventories of governmental funds are stated at cost while the inventory of the proprietary funds is stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the proprietary fund type when used. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental fund which indicates that it does not constitute available spendable resources even though it is a component of net current assets. Since the inventory balance at December 31, 1998 and December 31, 1997 were not significant, an amount was not reported on the combined balance sheet.

**CITY OF NILES
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Investment in Joint Venture

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

I. Restricted Assets

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

J. Fixed Assets

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

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

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

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

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

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

Interest is capitalized on proprietary fund assets acquired with tax exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. For 1998 and 1997, interest costs incurred on construction projects in the proprietary funds were not material.

**CITY OF NILES
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Accrued and Long-Term Obligations

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

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

L. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at December 31 by those employees who are currently eligible to receive termination payments and by those employees for whom it is probable they will become eligible to receive termination benefits in the future. The amount is based on the sick leave accumulated and employee's wage rates at December 31, taking into consideration any limits specified in the City's termination policy.

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

M. Fund Equity

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

N. Interfund Transactions

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

**CITY OF NILES
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

O. Estimates

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

P. Total Columns on General Purpose Financial Statements

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

3. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF PRIOR YEAR'S FUND EQUITY

For the year ended December 31, 1997, the City has presented for the first time financial statements by fund type and account group in accordance with generally accepted accounting principles.

In conjunction with this presentation, the City has changed its basis of accounting from a cash basis to the modified accrual basis of accounting for its governmental and agency fund types and to the accrual basis for its proprietary funds. This change required that certain adjustments be recorded to the January 1, 1997, fund balances/retained earnings as previously reported to reflect the prior year's effect of adopting these new accounting principles.

The restatements to the opening fund balances/retained earnings are as follows:

Fund Type/Fund	Previously Stated Balance at 12/31/96	Adjustment	Restated Balance at 1/1/97
Governmental Funds:			
General	\$4,585,317	\$669,012	\$5,254,329
Special Revenue	964,780	(106,310)	858,470
Debt Service	241,835	39,965	281,800
Capital Projects	323,689	(27,679)	296,010
Special Assessment	98,189	(98,189)	
Proprietary Funds:			
Enterprise	11,921,197	(1,433,729)	10,487,468
Internal Service	278,912	(108,994)	169,918
Fiduciary Funds:			
Expendable Trust	75,352	(75,352)	
Nonexpendable Trust	48,985		48,985
Agency	55,624	(55,624)	

**CITY OF NILES
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

(Continued)

3. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF PRIOR YEAR'S FUND EQUITY

The City has also implemented GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" for its deferred compensation plan through the State of Ohio Deferred Compensation Board. On September 1, 1998, the State of Ohio Deferred Compensation Board created a trust for the assets of the plan for which the City has no fiduciary responsibility. Therefore, the balance of the deferred compensation plan is no longer presented as part of the City's financial statements.

4. BUDGETARY BASIS OF ACCOUNTING

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

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

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

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis, for the year ended December 31, 1998.

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
GAAP Basis	\$2,503,089	(\$739,206)	(\$105,656)	\$174,183
Net Adjustment for Revenue Accruals	(25,012)	(22,524)		
Net Adjustment for Expenditure Accruals	76,723	127,681		(195,883)
Encumbrances	<u>(45,221)</u>	<u>(36,433)</u>		<u>(22,937)</u>
Budget Basis	<u>\$2,509,579</u>	<u>(\$670,482)</u>	<u>(\$105,656)</u>	<u>(\$44,637)</u>

**CITY OF NILES
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

(Continued)

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Income (Loss)/Excess of Revenues Over (Under) Expenses Proprietary Fund Type and Similar Trust Fund			
	Enterprise	Internal Service	Nonexpendable Trust Fund
GAAP Basis	\$2,352,058	(\$19,184)	\$2,071
Net Adjustment for Revenue Accruals	(75,488)		
Net Adjustment for Expense Accruals	(897,800)	29,191	
Capital Outlay	(726,633)		
Depreciation	408,634		
Encumbrances	(347,191)	(270,000)	
Budget Basis	\$713,580	(\$259,993)	\$2,071

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis, for the year ended December 31, 1997.

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$6,187)	\$1,521,363	\$39,849	(\$245,164)
Net Adjustment for Revenue Accruals	(49,809)	291		
Net Adjustment for Expenditure Accruals	(27,460)	(115,428)		942,152
Principal Retirement		5,222		
Interest and Fiscal Charges		20,812		
Encumbrances	(85,073)	(365,611)		(310,014)
Budget Basis	(\$168,529)	\$1,066,649	\$39,849	\$386,974

Net Loss/Excess of Revenues Over (Under) Expenses Proprietary Fund Types and Similar Trust Fund			
	Enterprise	Internal Service	Nonexpendable Trust
GAAP Basis	\$2,140,213	\$56,566	\$1,748
Net Adjustment for Revenue Accruals	(65,890)		
Net Adjustment for Expense Accruals	(507,329)	(66,651)	
Principal Retirement	(296,721)		
Depreciation	450,394		
Encumbrances	(341,964)	(277,506)	
Budget Basis	\$1,378,703	(\$287,591)	\$1,748

**CITY OF NILES
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

(Continued)

5. ACCOUNTABILITY AND COMPLIANCE

Fund Deficits

The following funds had deficit fund balances/retained earnings as of December 31, 1998:

Special Revenue Funds:	
Police Pension	\$9,945
Fire Pension	18,143
Enterprise Fund:	
Sewer Fund	853,006

The special revenue funds' deficit balances resulted from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

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

At December 31, 1997 the Sewer Fund had a deficit balance of \$1,552,567. The deficit resulted from the conversion to generally accepted accounting principles. Management is analyzing the Sewer Fund operations to determine appropriate steps to eliminate the deficit.

Legal Compliance

Contrary to Section 5705.36, Ohio Revised Code, the City had estimated receipts greater than actual receipts in the Police and Fire fund and the Self Insurance fund at December 31, 1998 and in the Capital Project and Self Insurance fund at December 31, 1997.

Contrary to section 5705.39, Ohio Revised Code, the Capital Project fund and Self Insurance fund had total appropriations in excess of the amount certified as available by the budget commission at December 31, 1998.

6. DEPOSITS AND INVESTMENTS

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

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

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

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

**CITY OF NILES
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

(Continued)

6. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

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

Deposits - At December 31, 1998, the carrying amount of the City's deposits was \$2,839,075 and the bank balance was \$3,000,522. Of the bank balance:

1. \$236,124 was covered by federal depository insurance.

**CITY OF NILES
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

(Continued)

6. DEPOSITS AND INVESTMENTS (Continued)

2. \$2,764,398 was uncollateralized and uninsured as defined by the GASB. Although the securities were held by the pledging financial institutions trust department or agent in the City's name and all State statutory requirements for the investment of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

Investments

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

	Carrying Amount	Fair Value
STAROhio	\$22,741,240	\$22,741,240

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

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$25,580,315	
Investments: STAROhio	(22,741,240)	22,741,240
GASB Statement 3	\$2,839,075	\$22,741,240

Deposits - At December 31, 1997, the carrying amount of the City's deposits was \$2,418,981 and the bank balance was \$2,827,691. Of the bank balance:

1. \$571,812 was covered by federal depository insurance.
2. \$2,255,879 was uncollateralized and uninsured as defined by the GASB. Although the securities were held by the pledging financial institutions trust department or agent in the City's name and all State statutory requirements for the investment of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

**CITY OF NILES
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

(Continued)

6. DEPOSITS AND INVESTMENTS (Continued)

Investments

Investments are classified under the guidelines of GASB Statement No. 3 into three categories. Category 1 includes investments that are insured or registered or are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent but not in the City's name.

STAR Ohio and Deferred Compensation are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Carrying Amount	Fair Value
STAR Ohio	\$19,719,245	\$19,719,245
Deferred Compensation	2,297,908	2,297,908
Total Investments	\$22,017,153	\$22,017,153

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

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$22,138,226	\$2,297,908
Investments:		
STAR Ohio	(19,719,245)	19,719,245
GASB Statement 3	\$2,418,981	\$22,017,153

7. TAXES

A. Property Tax

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Property tax revenue received during 1998 for real and public property taxes represents collections of 1997 taxes. Property tax payments received during 1998 for tangible personal property (other than public utility property) is for 1998 taxes.

1998 real property taxes are levied after October 1, 1998, on the assessed value as of January 1, 1998, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 1998 real property taxes are collected in and intended to finance 1999 operations.

**CITY OF NILES
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

(Continued)

7. TAXES - (Continued)

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 1998 public utility property taxes became a lien December 31, 1997, are levied after October 1, 1998, and are collected in 1999 with real property taxes.

1998 Tangible personal property taxes are levied after October 1, 1997, on the value as of December 31, 1997. Collections are made in 1998. Tangible personal property assessments are 25 percent of true value.

The full tax rate for all City operations for the year ended December 31, 1998, was \$3.50 per 1,000 of assessed value. The assessed values of real and tangible personal property upon which 1998 property tax receipts were based are as follows:

Real Property	\$199,553,800
Tangible Personal Property	44,018,064
Public Utility Property	8,333,830
Total Valuation	<u><u>\$251,905,694</u></u>

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

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Niles. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 1998. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 1998 operations. The receivable is offset by deferred revenue.

B. Income Tax

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

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

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

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

**CITY OF NILES
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

(Continued)

8. RECEIVABLES

Receivables at December 31, 1998, primarily consisted of taxes, accounts (billings for user charged services, including unbilled utility services), special assessments, intergovernmental receivables arising from grants, entitlements and shared revenues. All receivables are considered fully collectible.

A summary of the principal items of intergovernmental receivables follows:

	Amount
General Fund:	
Estate Tax	\$64,100
Local Government	30,455
Liquor Permit Fees	7,868
Gasoline Tax	6,764
Total General Fund	109,187
Special Revenue Funds:	
Street Construction, Maintenance	39,375
State Highway	3,192
Permissive Tax	6,626
Total Special Revenue Funds	49,193
Total	\$158,380

Receivables at December 31, 1997, primarily consisted of taxes, accounts (billings for user charged services including unbilled utility services), intergovernmental receivables arising from grants, entitlements and shared revenues and special assessments. All receivables are considered fully collectible.

A summary of the principal items of intergovernmental receivables follows:

	Amount
General Fund:	\$115,119
Special Revenue Funds:	
Street Construction, Maintenance and Repair	27,874
State Highway	2,260
Permissive Tax	6,925
Total Special Revenue Funds	37,059
Total	\$152,178

**CITY OF NILES
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

(Continued)

9. CONTINGENCIES

A. Grants

The City receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 1998.

B. Litigation

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

10. FIXED ASSETS

A summary of the enterprise funds' property, plant and equipment at December 31, 1998, follows:

Land	\$668,004
Buildings	2,966,878
Equipment and Vehicles	1,953,548
Sewer Lines	5,314,013
Water Lines	1,698,246
Electric Lines	<u>9,360,551</u>
Total	<u>21,961,240</u>
 Less: Accumulated Depreciation	 <u>(14,726,135)</u>
 Net Fixed Assets	 <u><u>\$7,235,105</u></u>

A summary of changes in general fixed assets follows:

	Balance		Balance
	<u>January 1, 1998</u>	<u>Additions</u>	<u>Deletions</u>
			<u>December 31, 1998</u>
Land and Improvements	\$1,414,303		\$1,414,303
Buildings and Improvements	2,523,681		2,523,681
Equipment and Machinery	<u>1,746,442</u>	<u>879,545</u>	<u>2,625,987</u>
Total	<u><u>\$5,684,426</u></u>	<u><u>\$879,545</u></u>	<u><u>\$6,563,971</u></u>
		<u><u>\$0</u></u>	

**CITY OF NILES
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

(Continued)

10. FIXED ASSETS (Continued)

A summary of the enterprise funds' property, plant and equipment at December 31, 1997, follows:

Land	\$391,585
Buildings	2,966,878
Equipment and Vehicles	1,226,915
Sewer Lines	5,314,013
Water Lines	1,698,246
Electric Lines	9,360,551
Total	<u>20,958,188</u>
Less: Accumulated Depreciation	<u>(14,317,501)</u>
Net Fixed Assets	<u><u>\$6,640,687</u></u>

A summary of changes in general fixed assets follows:

	Balance January 1, <u>1997</u>	<u>Additions</u>	<u>Deductions</u>	Balance December 31, <u>1997</u>
Land	\$1,414,303			\$1,414,303
Buildings	2,523,681			2,523,681
Equipment and Vehicles	1,047,620	698,822		1,746,442
Total	<u>\$4,985,604</u>	<u>\$698,822</u>	<u>\$0</u>	<u>\$5,684,426</u>

11. LONG-TERM OBLIGATIONS

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

	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Date of Maturity</u>
Enterprise Funds			
Ohio Public Works Commission Loan: Sanitary Sewer Moratorium	No Interest	\$752,249	1/1/14
Ohio Water Development Authority Water Tower	6.61%	863,856	1/1/04
Wastewater Treatment Plant	8.48%	6,850,820	1/1/13
General Long Term Obligations			
General Obligation Bonds:			
Safety Service Complex	5.38%	2,000,000	12/1/98
Various Purpose	7.22%	5,355	12/1/02
Special Assessment Bond:			
Various Purpose	7.22%	\$164,645	12/1/02

**CITY OF NILES
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

(Continued)

11. LONG-TERM OBLIGATIONS (Continued)

Changes in the long-term obligations of the City during 1998 were as follows:

	<u>Outstanding 12/31/97</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 12/31/98</u>
Enterprise Fund Obligations:				
<i>Ohio Public Works Commission Loan</i>				
1994 Sanitary Sewer Moratorium	\$618,933		(\$56,267)	\$562,666
<i>Ohio Water Development Authority Loans</i>				
1994 Water Tower	582,726		(82,268)	500,458
1983 Wastewater Treatment Plant	<u>5,556,339</u>		<u>(197,113)</u>	<u>5,359,226</u>
<i>Total Enterprise Fund Obligations</i>	<u>6,757,998</u>		<u>(335,648)</u>	<u>6,422,350</u>
General Long Term Obligations:				
General Obligation Bonds				
1977 Safety Service Complex	100,000		(100,000)	
1983 Various Purpose	<u>1,386</u>		<u>(283)</u>	<u>1,103</u>
<i>Total General Obligation Bonds</i>	<u>101,386</u>		<u>(100,283)</u>	<u>1,103</u>
1983 Special Assessment Bond	42,614		(8,717)	33,897
Police and Fire Pension Liability	485,777		(5,446)	480,331
Compensated Absences	651,946	7,324		659,270
Intergovernmental Payable	<u>198,277</u>	<u>134,235</u>	<u>(198,277)</u>	<u>134,235</u>
<i>Total General Long-Term Obligations</i>	<u>1,378,614</u>	<u>141,559</u>	<u>(212,440)</u>	<u>1,307,733</u>
<i>Total All Types</i>	<u>\$8,237,998</u>	<u>\$141,559</u>	<u>(\$648,371)</u>	<u>\$7,731,186</u>

General Obligation and Special Assessment Bonds On October 1, 1977, the City of Niles issued \$2,000,000 in voted general obligation bonds for the purpose of constructing a safety service complex. On January 2, 1983, the City also issued \$5,355 in voted general obligation bonds and \$164,645 in voted special assessment bonds for various purposes. The safety service complex bonds were issued for a twenty year period with final maturity at December 31, 1998. Both various purpose bonds were issued for a twenty year period with final maturity at December 1, 2002. General obligations bonds will be paid from the general bond retirement debt service fund from property taxes. Special assessment bonds will be paid from the proceeds of special assessments levied against benefitted property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City. Sufficient funds have been reserved to meet all future principal and interest debt service requirements. The remaining fund balance cannot be transferred to another fund until the debt is paid.

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

**CITY OF NILES
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

(Continued)

11. LONG-TERM OBLIGATIONS (Continued)

The City's overall legal debt margin was \$14,070,806 December 31, 1998. Principal and interest requirements to retire long-term obligations outstanding at December 31, 1998, are as follows:

	Ohio Public Works Commission Loans	Ohio Water Development Authority Loan	General Obligation Bonds	Special Assessment Bond	Police and Fire Pension Liability
1999	\$37,511	\$789,077	\$427	\$13,123	\$26,034
2000	37,511	789,077	390	11,990	26,034
2001	37,511	789,077	353	10,857	26,034
2002	37,511	789,077	284	8,755	26,034
2003	37,511	789,077			26,034
2004-2008	187,555	3,401,966			130,170
2009-2013	187,555	3,007,308			130,170
2014-2018	18,757				130,170
2019-2023					130,170
2024-2028					130,170
2029-2033					130,170
2034-2035					37,883
Totals	<u>\$581,422</u>	<u>\$10,354,659</u>	<u>\$1,454</u>	<u>\$44,725</u>	<u>\$949,073</u>

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

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

Year	Certificates of Beneficial	City of Niles Amount
1999	2,860,000	304,018
2000	2,985,000	317,306
2001	3,130,000	332,719
2002	3,280,000	348,664
2003	3,445,000	366,204
2004-2008	20,080,000	2,134,505
2009-2013	26,100,000	2,774,431
2014-2018	34,065,000	3,621,111
2019-2023	44,375,000	4,717,063
2024	10,355,000	1,100,737
Total	<u>\$150,675,000</u>	<u>\$16,016,758</u>

**CITY OF NILES
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

(Continued)

12. DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System (PERS)

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

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the City is required to contribute 9.35 percent. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contribution to PERS for the years ended December 31, 1998, 1997, and 1996 were \$366,381, \$342,989, and \$330,420 and respectively. The full amount has been contributed for 1997 and 1996, 84.03 percent has been contributed for 1998 with the remainder being reported as a liability within the general long-term obligations account group.

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

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

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 13 percent for police and 17.5 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the Fund for police and firefighters were \$180,803 and \$212,873 for the year ended December 31, 1998 \$102,753 and \$91,525 for 1997 and \$94,764 and \$90,209 for 1996. The full amount has been contributed for 1997 and 1996 75.2 percent and 77.06 percent, respectively, have been contributed for 1998 with the remainder being reported as a liability within the general long-term obligations account group.

In addition to the current contribution, the City pays installments on the accrued liability incurred when the State of Ohio established the Statewide pension system for police and firefighters in 1967. As of December 31, 1998, the unfunded liability of the City was \$480,331, payable in semiannual payments through the year 2035. This is an accounting liability of the City which will not vary. The liability is reported in the general long-term obligation account group.

C. Social Security System

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

**CITY OF NILES
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

(Continued)

13. POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement System

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 1998 employer contribution rate was 13.55 percent of covered payroll; 4.2 percent was the portion that was used to fund health care. For 1997, the percent used to fund healthcare was 5.11 percent.

Benefits are funded on a pay-as-you-go basis. OPEB are financed through employer contributions and investment earnings. The contributions allocated to retiree health care and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely. During 1998, OPEB expenditures made by PERS were \$440,596,663. As of December 31, 1998, the unaudited estimated net assets available for future OPEB payments were \$9,447,325,318. At December 31, 1998, the total number of benefit recipients eligible for OPEB through PERS was 115,579. The City's actual contributions for 1998 which were used to fund OPEB were 164,577.

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

B. Police and Firemen's Disability and Pension Fund

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

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

The City's actual contributions for 1998 that were used to fund postemployment benefits were \$90,402 for police and \$79,067 for fire. The Fund's total health care expenses for the year ending December 31, 1997 (the latest information available) was \$76,459,832. The number of participants eligible to receive health care benefits as of December 31, 1998 was 11,239 for police and 9,025 for firefighters.

**CITY OF NILES
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

(Continued)

14. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 1998, the City contracted with several companies for various types of insurance as follows:

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

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

The City has elected to provide medical benefits through a self insured program. The maintenance of these benefits are accounted for in the Self-Insurance Internal Service fund. An excess coverage insurance (stop loss) policy covers annual claims in excess of \$50,000 per individual and \$1,000,000 for the City as a whole. Incurred but not reported claims of \$66,183 have been accrued as a liability based on a review of January, 1998 billings provided by the City Auditor's office.

The claims liability of \$66,183 reported in the internal service fund at December 31, 1998, is based on requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claims adjustment expenses. Changes in the funds's claims liability for 1997 and 1998 were:

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

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

**CITY OF NILES
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

(Continued)

15. SEGMENT INFORMATION

The City's enterprise funds accounts for the provision of water, light and sewer services. The table below reflects, in a summarized format, the more significant data relating to the enterprise funds of the City of Niles as of and for the year ended December 31, 1998:

	Water Fund	Light Fund	Sewer Fund	Total
Operating Revenues	\$3,413,456	\$18,534,692	\$2,646,772	\$24,594,920
Operating Expenses				
Before Depreciation	3,575,765	16,696,813	1,259,722	21,532,300
Depreciation	44,741	240,221	123,672	408,634
Operating Income (Loss)	(4,322)	1,671,349	1,263,378	2,930,405
Net Income (Loss)	(60,535)	1,640,884	771,709	2,352,058
Net Working Capital	292,302	10,961,330	3,361,474	14,615,106
Total Assets	1,673,946	16,907,248	5,268,510	23,849,704
Long-Term Liabilities	541,786	166,127	5,992,559	6,700,472
Fixed Asset Additions	20,100	444,270	262,263	726,633
Total Equity	870,007	15,132,738	(853,006)	15,149,739
Encumbrances	27,775	305,528	13,888	347,191

The City's enterprise funds account for the provision of sewer and water services. The table below reflects, in a summarized format, the more significant data relating to the enterprise funds of the City of Niles as of and for the year ended December 31, 1997:

	Water Fund	Light Fund	Sewer Fund	Total
Operating Revenues	\$3,048,172	\$17,820,083	\$2,579,223	\$23,447,478
Operating Expenses				
Before Depreciation	3,058,607	15,496,946	1,835,165	20,390,718
Depreciation Expense	148,630		301,764	450,394
Operating Income (Loss)	(208,509)	2,241,474	573,401	2,606,366
Net Working Capital	660,155	9,770,294	2,772,651	13,203,100
Total Assets	1,941,542	14,885,155	4,745,991	21,572,688
Long-Term Liabilities	634,150		6,411,956	7,046,106
Total Equity	895,838	13,309,588	(1,407,745)	12,797,681
Encumbrances	143,625	82,071	116,268	341,964

16. JOINTLY GOVERNED ORGANIZATIONS

A. Eastgate Development and Transportation Agency

The Eastgate Development and Transportation Agency (EDATA) is a jointly governed organization committed to foster cooperative regional efforts in the planning, programming and implementation of public sector activities. EDATA has forty-eight participating members. These include representatives from Trumbull County, Mahoning County, township trustees, participating cities and villages. The operation of EDATA is controlled by a general policy board which consists of a representative from each member. Funding comes from each of the participants. For 1998, the City contributed \$3,405 to the Eastgate Development and Transportation Agency.

**CITY OF NILES
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

(Continued)

16. JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. Emergency Management Agency

The Emergency Management Agency is a jointly governed organization among the thirty-four subdivisions located within Trumbull County. The eight members of the advisory board are appointed by the thirty-four member subdivisions. The degree of control exercised by any participating government is limited to its representation on the Board. The Agency adopts its own budget, authorizes expenditures and hires and fires its own staff. In 1998, the City contributed \$3,380 to the Emergency Management Agency.

17. JOINT VENTURE

A. Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5)

The City is a participant with forty-two other subdivisions within the State of Ohio, in a joint venture to construct a hydroelectric plant and associated transmission facilities in West Virginia (on the Ohio River at Belleville Locks and Dam) and receive electricity from its operation. The Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5) was created for that purpose. On dissolution of the joint venture, the net assets of JV5 will be shared by the participants on a percentage basis. The JV5 is managed by AMP-Ohio, who acts as the joint venture's agent. The participants are obligated by the agreement to remit, on a monthly basis, those costs incurred by using electricity generated by the joint venture and a portion of the \$150,675,000 Certificates of Beneficial Interest debt that was issued to construct the fixed asset. In accordance with the joint venture agreement, the City remitted \$2,226,581 to the joint venture for 1998. The City's net investment and its share of the operating results of JV5 are reported in the City's electric enterprise fund. The City equity interest in JV5 was \$546,339 at December 31, 1998. Financial information can be obtained from AMP-Ohio, 601 Dempsey Road, Westerville, Ohio 43081, or from the City's utility department.

18. SUBSEQUENT EVENTS

A. Electric Deregulation

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

B. Debt Issues

On July 20, 1999, the City issued \$2,000,000 Water System Improvement bond anticipation notes at an interest rate of 4.15% per year, maturing on July 20, 2000.



STATE OF OHIO
OFFICE OF THE AUDITOR

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

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

To the Members of Council:

We have audited the financial statements of the City of Niles, Trumbull County, (the City), as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated October 16, 2000, which included explanatory paragraphs for the City changing its basis of accounting from a cash basis to the modified accrual basis of accounting for its governmental and agency fund types and to the accrual basis for its proprietary funds and for the City's change in its method of accounting for its deferred compensation program during 1998 to comply with the provisions of Statement No. 32 of the Governmental Accounting Standards Board. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether the City's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1998-21178-001 and 1998-21178-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated October 16, 2000.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated October 16, 2000.

This report is intended for the information and use of the Members of Council and management and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

October 16, 2000

**CITY OF NILES
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 1998 AND 1997**

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

Finding Number	1998-21178--001
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Ohio Revised Code § 5705.36, requires the City to obtain a reduced amended certificate of estimated resources when it is known that estimated receipts will exceed actual receipts.

The following funds within the City had estimated receipts greater than actual receipts at **December 31, 1998**:

<u>Fund/Number:</u>	<u>Estimated Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
Police & Fire - 17	4,000,000	3,000,000	(1,000,000)
Self Insurance - 72	1,165,000	1,023,752	(141,248)

The following funds within the City had estimated receipts greater than actual receipts at **December 31, 1997**:

<u>Fund/Number:</u>	<u>Estimated Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
Capital -Project - 46	690,954	380,392	(310,562)
Self Insurance - 72	1,150,000	977,454	(172,546)

We recommend that the City obtain a reduced amended certificate of estimated resources from the County Auditor when it is known that estimated receipts will exceed actual receipts, in compliance with this revised code section.

Finding Number	1998-21178--002
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Ohio Revised Code § 5705.39, prohibits a political subdivision or taxing unit from making a fund appropriation in excess of the estimated revenue available for expenditure from that fund.

The following funds were found to have appropriations in excess of the amount certified as available by the budget commission at **December 31, 1998**:

<u>Fund/Number:</u>	<u>Certified Resources</u>	<u>Total Appropriation</u>	<u>Variance</u>
Capital Project - 46	700,000	881,514	(181,514)
Self Insurance - 72	1,165,000	1,440,481	(275,481)

This condition can cause the City to expend monies that are not available for expenditure. We recommend that the City request an increased amended certificate from the County Auditor, when it is known that monies are available, to comply with this revised code section.



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CITY OF NILES
TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 7, 2000**