

**CITY OF NILES
TRUMBULL COUNTY, OHIO**

Basic Financial Statements
(Audited)

For the Year Ended
December 31, 2018



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

We have reviewed the *Independent Auditor's Report* of the City of Niles, Trumbull County, prepared by Julian & Grube, Inc., for the audit period January 1, 2018 through December 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

September 6, 2019

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**CITY OF NILES
TRUMBULL COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

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

To the Members of Council and Mayor:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Niles, Trumbull County, Ohio, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City of Niles' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Niles, Trumbull County, Ohio, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General fund and Police and Fire Tax fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 22 to the financial statements, during 2018, the City of Niles adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

As discussed in Note 22 to the financial statements, the City of Niles' net position at December 31, 2017 has been restated related to capital assets and materials and supplies inventory. We did not modify our opinion regarding this matter.

As discussed in Note 23 to the financial statements, on October 7, 2014, the Auditor of State declared the City of Niles to be in a state of fiscal emergency. As further discussed in Note 25, the City of Niles was released from fiscal emergency on March 11, 2019. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2019, on our consideration of the City of Niles' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Niles' internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
June 20, 2019

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City of Niles
Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

The discussion and analysis of the City of Niles' financial performance provides an overall review of the City's financial activities for the year ended December 31, 2018. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers are encouraged to consider information presented here in conjunction with the additional information contained in the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Financial highlights for 2018 are as follows:

- The City's overall financial position improved in 2018. Governmental activities net position increased due mainly to an increase in cash and cash equivalents attributable to higher income tax collections. Business-type activities net position increased due to an increase business-type net capital assets as well as to an increase in cash and cash equivalents attributable to higher charges for services revenues.
- The City implemented GASB 75, which established standards for measuring and recognizing other postemployment benefit (OPEB) liabilities, deferred outflows/inflows of resources and expense/expenditure. The implementation of this GASB resulted in a significant change to the financial statements for the City.
- The City hired a capital asset management company to perform a complete valuation of the City's assets in 2018. This valuation resulted in a significant change to the financial statements for the City. Current year capital asset additions included all asset categories other than land.
- Long-term debt obligations increased due to the increase in OWDA loans and an increase in the net OPEB liability. The increase was partially offset by a decrease in the net pension liability and the continued pay-down of debt.

Using this Annual Financial Report

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

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

Reporting on the City as a Whole

Statement of Net Position and the Statement of Activities

The Statement of Net Position presents information, excluding fiduciary funds, on all the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, in evaluating the overall position of the City, non-financial factors such as the City's tax base, change in tax laws and the

City of Niles
Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

condition of capital assets should also be considered. Both the Statement of Net Position and the Statement of Activities use the accrual basis of accounting that is similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

Reporting on the Most Significant Funds of the City

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

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

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

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

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

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

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

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

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

The City as a Whole

The Statement of Net Position provides an overall view of the City. Table 1 shows a summary of the City's net position for 2018 as they compare to 2017.

City of Niles
Management's Discussion and Analysis
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Unaudited

(Table 1)						
<i>Net Position</i>						
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current and Other Assets	\$14,247,551	\$10,155,258	\$25,368,166	\$23,142,655	\$39,615,717	\$33,297,913
Noncurrent Assets:						
Net Pension Asset	4,727	0	10,521	0	15,248	0
Capital Assets, Net	23,452,964	22,724,825	59,557,489	55,256,833	83,010,453	77,981,658
<i>Total Assets</i>	<u>37,705,242</u>	<u>32,880,083</u>	<u>84,936,176</u>	<u>78,399,488</u>	<u>122,641,418</u>	<u>111,279,571</u>
Deferred Outflows of Resources						
Pension	2,031,682	3,344,825	1,039,173	2,898,051	3,070,855	6,242,876
OPEB	1,178,306	38,833	214,875	39,895	1,393,181	78,728
<i>Total Deferred Outflows of Resources</i>	<u>3,209,988</u>	<u>3,383,658</u>	<u>1,254,048</u>	<u>2,937,946</u>	<u>4,464,036</u>	<u>6,321,604</u>
Liabilities						
Current Liabilities	927,711	916,377	1,525,434	1,286,052	2,453,145	2,202,429
Long-term Liabilities						
Due within One Year	1,125,097	1,146,252	396,445	346,285	1,521,542	1,492,537
Due in More than One Year						
Net Pension Liability	13,720,209	15,220,132	4,323,086	6,436,085	18,043,295	21,656,217
Net OPEB Liability	12,165,304	10,461,384	2,876,522	2,720,093	15,041,826	13,181,477
Other Amounts	4,514,604	4,932,000	38,477,364	35,414,505	42,991,968	40,346,505
<i>Total Liabilities</i>	<u>32,452,925</u>	<u>32,676,145</u>	<u>47,598,851</u>	<u>46,203,020</u>	<u>80,051,776</u>	<u>78,879,165</u>
Deferred Inflows of Resources						
Property Taxes	841,068	839,826	0	0	841,068	839,826
Pension	1,326,495	583,284	1,159,696	145,953	2,486,191	729,237
OPEB	363,087	0	244,458	0	607,545	0
<i>Total Deferred Inflows of Resources</i>	<u>2,530,650</u>	<u>1,423,110</u>	<u>1,404,154</u>	<u>145,953</u>	<u>3,934,804</u>	<u>1,569,063</u>
Net Position						
Net Investment in Capital Assets	20,157,014	19,827,864	22,862,540	21,863,701	43,019,554	41,691,565
Restricted for:						
Capital Projects	458,856	14,082	0	0	458,856	14,082
Other Purposes	2,550,020	1,582,360	0	0	2,550,020	1,582,360
Unrestricted (Deficit)	<u>(17,234,235)</u>	<u>(19,259,820)</u>	<u>14,324,679</u>	<u>13,124,760</u>	<u>(2,909,556)</u>	<u>(6,135,060)</u>
<i>Total Net Position</i>	<u>\$5,931,655</u>	<u>\$2,164,486</u>	<u>\$37,187,219</u>	<u>\$34,988,461</u>	<u>\$43,118,874</u>	<u>\$37,152,947</u>

The net pension liability (NPL) is one of the largest single liabilities reported by the City at December 31, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions— an Amendment of GASB Statement 27." For 2018, the City adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting the net pension asset and deferred outflows related to pension and OPEB.

City of Niles
Management's Discussion and Analysis
For the Year Ended December 31, 2018
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Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability (asset) and the net OPEB liability to equal the City's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract, but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

In accordance with GASB 68 and GASB 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability (asset) and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

City of Niles
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As a result of implementing GASB 75, the City is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating governmental net position by (\$10,422,551) at December 31, 2017 and restating business-type net position by (\$2,680,198) at December 31, 2017.

Governmental activities current and other assets increased over the prior year due mainly to an increase in cash and cash equivalents attributable to higher income tax collections and charges for services program revenues. Capital assets increased due to current year additions of land improvements, building and improvements, equipment, vehicles and infrastructure. The slight decrease in long-term liabilities can be attributed to decreases in general obligation bonds payable and the net pension liability, which was offset by an increase in the net OPEB liability.

Net position of business-type activities increased from the prior year. Current and other assets increased due to an increase in cash and cash equivalents attributable to higher charges for services revenues. The increase in capital assets is attributable to current year additions of construction in progress, equipment, vehicles and infrastructure. Long-term liabilities increased due to an increase in OWDA loans payable and the net OPEB liability, which was offset by a decrease in the net pension liability and current year debt payments.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for the current year. Table 2 shows total revenues, expenses and changes in net position for the fiscal years 2018 and 2017.

(Table 2)

Changes in Net Position

	Governmental Activities		Business Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Program Revenues						
Charges for Services and Assessments	\$2,200,575	\$1,790,827	\$39,708,340	\$38,771,957	\$41,908,915	\$40,562,784
Operating Grants	2,057,694	1,618,390	0	0	2,057,694	1,618,390
Capital Grants	193,966	391,028	0	0	193,966	391,028
<i>Total Program Revenues</i>	<u>4,452,235</u>	<u>3,800,245</u>	<u>39,708,340</u>	<u>38,771,957</u>	<u>44,160,575</u>	<u>42,572,202</u>
General Revenues						
Property Taxes	851,266	881,828	0	0	851,266	881,828
Income Taxes	10,359,931	8,289,056	0	0	10,359,931	8,289,056
Grants and Entitlements	403,373	342,306	0	0	403,373	342,306
Unrestricted Contributions	0	5,305	0	0	0	5,305
Excise Taxes	874,385	850,699	0	0	874,385	850,699
Hotel Taxes	156,238	144,685	0	0	156,238	144,685
Interest	254,460	44,879	0	0	254,460	44,879
Other	136,183	19,193	399,902	239,475	536,085	258,668
<i>Total General Revenues</i>	<u>13,035,836</u>	<u>10,577,951</u>	<u>399,902</u>	<u>239,475</u>	<u>13,435,738</u>	<u>10,817,426</u>
<i>Total Revenues</i>	<u>\$17,488,071</u>	<u>\$14,378,196</u>	<u>\$40,108,242</u>	<u>\$39,011,432</u>	<u>\$57,596,313</u>	<u>\$53,389,628</u>

City of Niles
Management's Discussion and Analysis
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(Table 2)
Changes in Net Position (continued)

	Governmental Activities		Business Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Program Expenses						
General Government	\$1,590,279	\$1,848,701	\$0	\$0	\$1,590,279	\$1,848,701
General Government - External Portion	50,785	34,715	0	0	50,785	34,715
Security of Persons and Property	9,296,953	8,974,646	0	0	9,296,953	8,974,646
Public Health and Welfare	228,080	255,337	0	0	228,080	255,337
Leisure Time Activities	749,734	620,373	0	0	749,734	620,373
Community Environment	700,136	815,478	0	0	700,136	815,478
Transportation	934,788	1,213,242	0	0	934,788	1,213,242
Interest and Fiscal Charges	160,514	116,213	0	0	160,514	116,213
Water	0	0	6,930,931	6,324,084	6,930,931	6,324,084
Sewer	0	0	3,242,202	2,462,108	3,242,202	2,462,108
Electric	0	0	27,735,484	27,286,162	27,735,484	27,286,162
Para-Transit	0	0	10,500	10,500	10,500	10,500
<i>Total Program Expenses</i>	<u>13,711,269</u>	<u>13,878,705</u>	<u>37,919,117</u>	<u>36,082,854</u>	<u>51,630,386</u>	<u>49,961,559</u>
Transfers	(9,633)	(10,500)	9,633	10,500	0	0
<i>Change in Net Position</i>	<u>3,767,169</u>	<u>488,991</u>	<u>2,198,758</u>	<u>2,939,078</u>	<u>5,965,927</u>	<u>3,428,069</u>
<i>Net Position Beginning of Year</i>	<u>2,164,486</u>	<u>N/A</u>	<u>34,988,461</u>	<u>N/A</u>	<u>37,152,947</u>	<u>N/A</u>
<i>Net Position End of Year</i>	<u>\$5,931,655</u>	<u>\$2,164,486</u>	<u>\$37,187,219</u>	<u>\$34,988,461</u>	<u>\$43,118,874</u>	<u>\$37,152,947</u>

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$78,728 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned and adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report an OPEB expense of \$1,178,867. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

	Governmental Activities	Business-type Activities	Total
Total 2018 program expenses under GASB 75	\$13,711,269	\$37,919,117	\$51,630,386
OPEB expense under GASB 75	(949,767)	(229,100)	(1,178,867)
2018 contractually required contribution	22,233	3,193	25,426
Adjusted 2018 program expenses	<u>12,783,735</u>	<u>37,693,210</u>	<u>50,476,945</u>
Total 2017 program expenses under GASB 45	<u>13,878,705</u>	<u>36,082,854</u>	<u>49,961,559</u>
Increase (Decrease) in program expenses not related to OPEB	<u>(\$1,094,970)</u>	<u>\$1,610,356</u>	<u>\$515,386</u>

Governmental Activities

Governmental program revenues increased in 2018 due to increases in charges for services and operating grants. Income taxes and interest revenue increased greatly from 2017, too. The increases in these revenue sources are a result of the City's administration making great efforts to increase revenue from all sources to

City of Niles
Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

aid the City's recovery from fiscal emergency status. Some of these measures include increased fees and fines charged by the City, increasing the income tax rate, switching from an internal income tax department to using Regional Income Tax Agency (RITA) and changing the City's bank account structure to generate more interest revenue. The City continues to seek out additional sources of revenue. Total program expenses not related to OPEB decreased as the City continues to enact cost cutting measures as it works towards financial stability.

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

General government expenses decreased due to careful spending. Security of persons and property and leisure time activities increased due to the additional expenses related to the net OPEB liability. Community environment expenses decreased due to a decrease in costs related to community development projects.

Business-Type Activities

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

The City's Funds

Information about the City's governmental funds begins with the balance sheet. The funds are accounted for using the modified accrual method of accounting. The general fund concluded the year with an increase in fund balance due mainly to increases in almost all revenue sources as result of the administration's effort mentioned previously coupled with a decrease in program expenditures. The police and fire tax fund had an increase in fund balance due to an increase in income taxes.

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. The water fund's net position increased due to higher charges for services revenue despite an increase in expenses from 2017. The sewer fund's net position increased due to an increase in charges for services revenue and an increase in capital assets due to the continued work on the wastewater treatment plant upgrades. The electric fund had an increase in net position due to an increase in charges for services revenue and an increase in capital assets primarily due to current year infrastructure additions.

General Fund Budgeting Highlights

Budgeting for the operations of the City is done as prescribed by Ohio Revised Code. Essentially the budget is the City's appropriations, which is restricted by the amounts of the anticipated revenues certified by the County Budget Commission in accordance with Ohio Revised Code. In 2018, actual revenues for the general fund were greater than final estimated revenues due in large part to higher income taxes, interest and fines and forfeitures revenues collected than expected. The City actively seeks out additional sources of funding to maintain services. Actual expenditures were less than final appropriations due to management's effort to control costs and ensure economic stability going forward.

City of Niles
Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

Capital Assets and Long-Term Obligations

Capital Assets

Total capital assets for the governmental activities, net of accumulated depreciation increased from the prior year as the City made a substantial investment through additions to all categories other than land. Substantial additions were especially made to land improvements and infrastructure.

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

Long-Term Obligations

During 2018, the City's long-term obligations outstanding increased due to increases in OWDA loans payable, compensated absences and the net OPEB liability. This increase was partially offset by the continued pay down of debt and a decrease in the net pension liability.

The City's overall debt margin was \$23,787,503 and the unvoted legal debt margin was \$10,655,787 at December 31, 2018. For more information about the City's long-term obligations, see Note 11 to the basic financial statements.

Current Financial Issues

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

Contacting the City of Niles's Financial Management

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

Basic Financial Statements

City of Niles, Ohio
Statement of Net Position
December 31, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$8,182,254	\$17,876,095	\$26,058,349
Cash and Cash Equivalents:			
In Segregated Accounts	158,423	0	158,423
Materials and Supplies Inventory	94,613	924,551	1,019,164
Prepaid Items	32,865	21,125	53,990
Accounts Receivable	113,190	3,127,233	3,240,423
Internal Balances	613,408	(613,408)	0
Intergovernmental Receivable	766,750	3,572	770,322
Income Taxes Receivable	3,043,878	0	3,043,878
Property Taxes Receivable	1,011,678	0	1,011,678
Special Assessments Receivable	188,324	0	188,324
Loans Receivable	42,168	0	42,168
Investment in Joint Venture	0	1,079,319	1,079,319
Regulatory Asset	0	1,788,003	1,788,003
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	0	1,161,676	1,161,676
Net Pension Asset	4,727	10,521	15,248
Nondepreciable Capital Assets	4,052,957	34,019,569	38,072,526
Depreciable Capital Assets, Net	19,400,007	25,537,920	44,937,927
<i>Total Assets</i>	<u>37,705,242</u>	<u>84,936,176</u>	<u>122,641,418</u>
Deferred Outflows of Resources			
Pension	2,031,682	1,039,173	3,070,855
OPEB	1,178,306	214,875	1,393,181
<i>Total Deferred Outflows of Resources</i>	<u>3,209,988</u>	<u>1,254,048</u>	<u>4,464,036</u>
Liabilities			
Accounts Payable	26,025	53,053	79,078
Accrued Wages	165,093	61,375	226,468
Contracts Payable	61,011	162,474	223,485
Intergovernmental Payable	131,825	79,093	210,918
Payable from Restricted Assets:			
Deposits Held and Due to Others	0	1,161,676	1,161,676
Unearned Revenue	166,007	0	166,007
Accrued Interest Payable	15,774	7,763	23,537
Claims Payable	361,976	0	361,976
Long-Term Liabilities:			
Due Within One Year	1,125,097	396,445	1,521,542
Due In More Than One Year:			
Net Pension Liability (See Note 14)	13,720,209	4,323,086	18,043,295
Net OPEB Liability (See Note 15)	12,165,304	2,876,522	15,041,826
Other Amounts	4,514,604	38,477,364	42,991,968
<i>Total Liabilities</i>	<u>32,452,925</u>	<u>47,598,851</u>	<u>80,051,776</u>
Deferred Inflows of Resources			
Property Taxes	841,068	0	841,068
Pension	1,326,495	1,159,696	2,486,191
OPEB	363,087	244,458	607,545
<i>Total Deferred Inflows of Resources</i>	<u>2,530,650</u>	<u>1,404,154</u>	<u>3,934,804</u>
Net Position			
Net Investment in Capital Assets	20,157,014	22,862,540	43,019,554
Restricted for:			
Capital Projects	458,856	0	458,856
Other Purposes	2,550,020	0	2,550,020
Unrestricted (Deficit)	(17,234,235)	14,324,679	(2,909,556)
<i>Total Net Position</i>	<u>\$5,931,655</u>	<u>\$37,187,219</u>	<u>\$43,118,874</u>

See accompanying notes to the basic financial statements

City of Niles, Ohio
Statement of Activities
For the Year Ended December 31, 2018

	Program Revenues			
	Expenses	Charges for Services and Assessments	Operating Grants	Capital Grants
Primary Government				
Governmental Activities:				
General Government	\$1,590,279	\$1,040,731	\$171,801	\$0
General Government - External Portion	50,785	50,124	0	0
Security of Persons and Property	9,296,953	557,260	365,193	0
Public Health and Welfare	228,080	100,775	0	0
Leisure Time Activities	749,734	273,933	17,735	0
Community Environment	700,136	165,824	546,930	0
Transportation	934,788	11,928	956,035	193,966
Interest and Fiscal Charges	160,514	0	0	0
<i>Total Governmental Activities</i>	13,711,269	2,200,575	2,057,694	193,966
Business-Type Activities:				
Water	6,930,931	7,552,309	0	0
Sewer	3,242,202	3,532,719	0	0
Electric	27,735,484	28,622,445	0	0
Para-Transit	10,500	867	0	0
<i>Total Business-Type Activities</i>	37,919,117	39,708,340	0	0
<i>Total - Primary Government</i>	<u>\$51,630,386</u>	<u>\$41,908,915</u>	<u>\$2,057,694</u>	<u>\$193,966</u>

General Revenues

Property Taxes Levied for:

General Purposes
Police and Fire
Park

Income Taxes Levied for:

General Purposes
Police and Fire

Grants and Entitlements not Restricted
to Specific Programs

Excise Taxes

Hotel Taxes

Interest

Other

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position Beginning of Year - Restated - (See Note 22)

Net Position End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
(\$377,747)	\$0	(\$377,747)
(661)	0	(661)
(8,374,500)	0	(8,374,500)
(127,305)	0	(127,305)
(458,066)	0	(458,066)
12,618	0	12,618
227,141	0	227,141
(160,514)	0	(160,514)
(9,259,034)	0	(9,259,034)
0	621,378	621,378
0	290,517	290,517
0	886,961	886,961
0	(9,633)	(9,633)
0	1,789,223	1,789,223
(9,259,034)	1,789,223	(7,469,811)
481,969	0	481,969
134,044	0	134,044
235,253	0	235,253
5,197,082	0	5,197,082
5,162,849	0	5,162,849
403,373	0	403,373
874,385	0	874,385
156,238	0	156,238
254,460	0	254,460
136,183	399,902	536,085
13,035,836	399,902	13,435,738
(9,633)	9,633	0
13,026,203	409,535	13,435,738
3,767,169	2,198,758	5,965,927
2,164,486	34,988,461	37,152,947
<u>\$5,931,655</u>	<u>\$37,187,219</u>	<u>\$43,118,874</u>

City of Niles, Ohio
Balance Sheet
Governmental Funds
December 31, 2018

	General	Police and Fire Tax	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$4,779,312	\$259,244	\$2,550,298	\$7,588,854
Cash and Cash Equivalents In Segregated Accounts	0	0	158,423	158,423
Materials and Supplies Inventory	3,240	54,131	24,764	82,135
Accounts Receivable	73,647	0	17,698	91,345
Interfund Receivable	30,032	0	0	30,032
Intergovernmental Receivable	190,305	2,856	570,636	763,797
Prepaid Items	5,435	22,224	5,206	32,865
Income Taxes Receivable	1,532,972	1,510,906	0	3,043,878
Property Taxes Receivable	557,308	0	454,370	1,011,678
Loans Receivable	959,775	0	42,168	1,001,943
Special Assessments Receivable	188,324	0	0	188,324
Restricted Assets: Equity in Pooled Cash and Cash Equivalents	32,748	0	0	32,748
<i>Total Assets</i>	<u>\$8,353,098</u>	<u>\$1,849,361</u>	<u>\$3,823,563</u>	<u>\$14,026,022</u>
Liabilities				
Accounts Payable	\$1,898	\$7,296	\$12,312	\$21,506
Accrued Wages	13,242	140,693	11,158	165,093
Contracts Payable	15,523	0	45,488	61,011
Intergovernmental Payable	18,626	2,793	110,406	131,825
Unearned Revenue	166,007	0	0	166,007
Interfund Payable	0	0	30,032	30,032
<i>Total Liabilities</i>	<u>215,296</u>	<u>150,782</u>	<u>209,396</u>	<u>575,474</u>
Deferred Inflows of Resources				
Property Taxes	460,833	0	380,235	841,068
Unavailable Revenue	1,594,357	1,111,309	549,659	3,255,325
<i>Total Deferred Inflows of Resources</i>	<u>2,055,190</u>	<u>1,111,309</u>	<u>929,894</u>	<u>4,096,393</u>
Fund Balances				
Nonspendable	1,001,198	76,355	29,970	1,107,523
Restricted	0	510,915	2,579,753	3,090,668
Committed	0	0	110,000	110,000
Assigned	67,824	0	0	67,824
Unassigned (Deficit)	5,013,590	0	(35,450)	4,978,140
<i>Total Fund Balances</i>	<u>6,082,612</u>	<u>587,270</u>	<u>2,684,273</u>	<u>9,354,155</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$8,353,098</u>	<u>\$1,849,361</u>	<u>\$3,823,563</u>	<u>\$14,026,022</u>

See accompanying notes to the basic financial statements

City of Niles, Ohio
*Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2018*

Total Governmental Fund Balances	\$9,354,155
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	23,452,964
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.	
Delinquent Property Taxes	170,610
Hotel Taxes	1,399
Income Taxes	2,238,849
Intergovernmental	594,502
Special Assessments	188,324
Cable Franchise Fees	58,143
Rentals	3,498
<hr/>	
Total	3,255,325
Internal service funds are used by management to charge the costs of insurance and materials and supplies to individual funds. The assets and liabilities of the internal service funds are included as part of governmental activities in the statement of net position.	
Net Position	231,433
Internal Balances	(346,367)
<hr/>	
Total	(114,934)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(15,774)
The net pension asset, net pension liability and net OPEB liability are not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.	
Net Pension Asset	4,727
Deferred Outflows - Pension	2,031,682
Deferred Inflows - Pension	(1,326,495)
Net Pension Liability	(13,720,209)
Deferred Outflows - OPEB	1,178,306
Deferred Inflows - OPEB	(363,087)
Net OPEB Liability	(12,165,304)
<hr/>	
Total	(24,360,380)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
General Obligation Bonds	(3,807,136)
Police and Fire Pension	(305,928)
Capital Leases Payable	(164,266)
Compensated Absences	(1,299,377)
Special Termination Benefits Payable	(62,994)
<hr/>	
Total	(5,639,701)
<hr/>	
<i>Net Position of Governmental Activities</i>	<u><u>\$5,931,655</u></u>

See accompanying notes to the basic financial statements

City of Niles, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2018

	General	Police and Fire Tax	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$488,588	\$0	\$375,430	\$864,018
Income Taxes	4,666,562	4,606,073	0	9,272,635
Special Assessments	16,996	0	0	16,996
Excise Taxes	874,385	0	0	874,385
Hotel Taxes	165,177	0	0	165,177
Intergovernmental	403,608	0	2,157,132	2,560,740
Interest	250,804	0	3,656	254,460
Fees, Licenses and Permits	366,174	0	0	366,174
Fines and Forfeitures	592,860	0	293,136	885,996
Rentals	21,132	0	8,376	29,508
Charges for Services	79,238	0	510,507	589,745
Cable Franchise Fees	227,109	0	0	227,109
Other	63,278	0	76,637	139,915
<i>Total Revenues</i>	<u>8,215,911</u>	<u>4,606,073</u>	<u>3,424,874</u>	<u>16,246,858</u>
Expenditures				
Current:				
General Government	1,459,325	0	247,314	1,706,639
Security of Persons and Property	318,699	6,160,780	1,472,079	7,951,558
Public Health and Welfare	0	0	210,316	210,316
Leisure Time Activities	56,353	0	444,751	501,104
Community Environment	265,581	0	418,836	684,417
Transportation	18,637	0	885,041	903,678
Capital Outlay	0	0	773,977	773,977
Debt Service:				
Principal Retirement	142,318	12,628	244,217	399,163
Interest and Fiscal Charges	67,394	13,406	83,554	164,354
<i>Total Expenditures</i>	<u>2,328,307</u>	<u>6,186,814</u>	<u>4,780,085</u>	<u>13,295,206</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>5,887,604</u>	<u>(1,580,741)</u>	<u>(1,355,211)</u>	<u>2,951,652</u>
Other Financing Sources (Uses)				
Transfers In	0	1,921,935	1,420,000	3,341,935
Transfers Out	(3,351,568)	0	0	(3,351,568)
<i>Total Other Financing Sources (Uses)</i>	<u>(3,351,568)</u>	<u>1,921,935</u>	<u>1,420,000</u>	<u>(9,633)</u>
<i>Net Change in Fund Balances</i>	2,536,036	341,194	64,789	2,942,019
<i>Fund Balances Beginning of Year</i>	<u>3,546,576</u>	<u>246,076</u>	<u>2,619,484</u>	<u>6,412,136</u>
<i>Fund Balances End of Year</i>	<u>\$6,082,612</u>	<u>\$587,270</u>	<u>\$2,684,273</u>	<u>\$9,354,155</u>

See accompanying notes to the basic financial statements

City of Niles, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2018*

Net Change in Fund Balances - Total Governmental Funds \$2,942,019

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

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

Capital Asset Additions	1,913,910
Current Year Depreciation	(1,185,771)

Total 728,139

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

Delinquent Property Taxes	(12,752)
Hotel Taxes	(8,939)
Income Taxes	1,087,296
Intergovernmental	94,293
Special Assessments	(24,835)
Cable Franchise Fees	58,143
Rentals	1,615
Other	(3,732)

Total 1,191,089

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

Change in Net Position	(89,218)
Internal Balances	33,306

Total (55,912)

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

Pension	1,105,204
OPEB	22,233

Total 1,127,437

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liabilities are reported as pension/OPEB expense in the statement of activities.

Pension	(1,656,908)
OPEB	(949,767)

Total (2,606,675)

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

399,163

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

Accrued Interest on Bonds	2,521
Amortization of Premium	1,319

Total 3,840

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

Compensated Absences	24,069
Special Termination Benefits Payable	14,000

Total 38,069

Change in Net Position of Governmental Activities

\$3,767,169

See accompanying notes to the basic financial statements

City of Niles, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$492,984	\$498,331	\$488,588	(\$9,743)
Income Taxes	4,216,913	4,311,602	4,591,569	279,967
Special Assessments	14,839	15,000	16,996	1,996
Excise Taxes	865,612	875,000	874,385	(615)
Hotel Taxes	126,627	128,000	155,828	27,828
Intergovernmental	380,593	384,690	401,154	16,464
Interest	38,670	39,089	219,470	180,381
Fees, Licenses and Permits	312,164	315,550	366,374	50,824
Fines and Forfeitures	460,011	465,000	581,542	116,542
Rentals	16,818	17,000	19,873	2,873
Charges for Services	97,850	98,911	98,911	0
Cable Franchise Fees	197,854	200,000	228,373	28,373
Other	67,185	67,947	49,502	(18,445)
<i>Total Revenues</i>	<u>7,288,120</u>	<u>7,416,120</u>	<u>8,092,565</u>	<u>676,445</u>
Expenditures				
Current:				
General Government	1,724,433	2,018,579	1,520,817	497,762
Security of Persons and Property	409,481	409,771	323,190	86,581
Leisure Time Activities	480,673	63,790	59,560	4,230
Community Environment	307,418	318,509	282,001	36,508
Transportation	38,500	38,500	19,016	19,484
Debt Service:				
Principal Retirement	142,318	142,318	142,318	0
Interest and Fiscal Charges	67,435	67,435	67,394	41
<i>Total Expenditures</i>	<u>3,170,258</u>	<u>3,058,902</u>	<u>2,414,296</u>	<u>644,606</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>4,117,862</u>	<u>4,357,218</u>	<u>5,678,269</u>	<u>1,321,051</u>
Other Financing Sources (Uses)				
Advances In	0	0	59,410	59,410
Transfers Out	(3,346,602)	(3,838,935)	(3,351,568)	487,367
<i>Total Other Financing Sources (Uses)</i>	<u>(3,346,602)</u>	<u>(3,838,935)</u>	<u>(3,292,158)</u>	<u>546,777</u>
<i>Net Change in Fund Balance</i>	771,260	518,283	2,386,111	1,867,828
<i>Fund Balance Beginning of Year</i>	2,186,468	2,186,468	2,186,468	0
Prior Year Encumbrances Appropriated	78,602	78,602	78,602	0
<i>Fund Balance End of Year</i>	<u>\$3,036,330</u>	<u>\$2,783,353</u>	<u>\$4,651,181</u>	<u>\$1,867,828</u>

See accompanying notes to the basic financial statements

City of Niles, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Police and Fire Tax Fund
For the Year Ended December 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Income Taxes	\$4,769,156	\$4,769,156	\$4,513,398	(\$255,758)
Expenditures				
Current:				
Security of Persons and Property	6,647,719	6,659,662	6,286,754	372,908
Debt Service:				
Principal Retirement	12,628	12,628	12,628	0
Interest and Fiscal Charges	13,406	13,406	13,406	0
<i>Total Expenditures</i>	<u>6,673,753</u>	<u>6,685,696</u>	<u>6,312,788</u>	<u>372,908</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,904,597)	(1,916,540)	(1,799,390)	117,150
Other Financing Sources (Uses)				
Transfers In	<u>2,030,844</u>	<u>2,030,844</u>	<u>1,921,935</u>	<u>(108,909)</u>
<i>Net Change in Fund Balance</i>	126,247	114,304	122,545	8,241
<i>Fund Balance Beginning of Year</i>	18,324	18,324	18,324	0
Prior Year Encumbrances Appropriated	<u>47,895</u>	<u>47,895</u>	<u>47,895</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$192,466</u>	<u>\$180,523</u>	<u>\$188,764</u>	<u>\$8,241</u>

See accompanying notes to the basic financial statements

City of Niles, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2018

	Enterprise				Internal Service
	Water	Sewer	Electric	Total	
Assets					
<i>Current Assets:</i>					
Equity in Pooled Cash and Cash Equivalents	\$898,025	\$3,307,765	\$13,670,305	\$17,876,095	\$560,652
Materials and Supplies Inventory	119,865	31,161	773,525	924,551	12,478
<i>Receivables:</i>					
Intergovernmental	1,267	618	1,687	3,572	2,953
Accounts	541,439	321,742	2,264,052	3,127,233	21,845
Prepaid Items	3,639	5,239	12,247	21,125	0
Total Current Assets	1,564,235	3,666,525	16,721,816	21,952,576	597,928
<i>Noncurrent Assets:</i>					
Investment in Joint Venture	0	0	1,079,319	1,079,319	0
Regulatory Asset	0	0	1,788,003	1,788,003	0
<i>Restricted Assets:</i>					
Equity in Pooled Cash and Cash Equivalents	370,150	309,813	481,713	1,161,676	0
Net Pension Asset	2,135	2,592	5,794	10,521	0
<i>Capital Assets:</i>					
Nondepreciable Capital Assets	68,654	33,767,455	183,460	34,019,569	0
Depreciable Capital Assets, Net	1,546,480	10,752,522	13,238,918	25,537,920	0
Total Noncurrent Assets	1,987,419	44,832,382	16,777,207	63,597,008	0
Total Assets	3,551,654	48,498,907	33,499,023	85,549,584	597,928
Deferred Outflows of Resources					
Pension	211,333	258,215	569,625	1,039,173	0
OPEB	43,598	52,940	118,337	214,875	0
Total Deferred Outflows of Resources	254,931	311,155	687,962	1,254,048	0
Liabilities					
<i>Current Liabilities:</i>					
Accounts Payable	2,870	45,929	4,254	53,053	4,519
Accrued Wages	10,344	16,185	34,846	61,375	0
Contracts Payable	15,383	131,708	15,383	162,474	0
Intergovernmental Payable	13,529	21,275	44,289	79,093	0
<i>Payable from Restricted Assets:</i>					
Deposits Held and Due to Others	370,150	309,813	481,713	1,161,676	0
Compensated Absences Payable	27,551	21,369	157,525	206,445	0
Accrued Interest Payable	2,043	5,720	0	7,763	0
Internal Loans Payable	159,962	0	0	159,962	0
General Obligation Bonds Payable	50,000	140,000	0	190,000	0
Claims Payable	0	0	0	0	361,976
Total Current Liabilities	651,832	691,999	738,010	2,081,841	366,495
<i>Long-Term Liabilities (net of current portion):</i>					
Compensated Absences Payable	18,415	59,818	83,842	162,075	0
Internal Loans Payable	799,813	0	0	799,813	0
General Obligation Bonds Payable	755,853	2,121,484	0	2,877,337	0
OWDA Loans Payable	0	33,649,949	0	33,649,949	0
Stranded Cost Liability	0	0	1,788,003	1,788,003	0
Net Pension Liability	877,148	1,065,108	2,380,830	4,323,086	0
Net OPEB Liability	583,642	708,709	1,584,171	2,876,522	0
Total Long-Term Liabilities	3,034,871	37,605,068	5,836,846	46,476,785	0
Total Liabilities	3,686,703	38,297,067	6,574,856	48,558,626	366,495
Deferred Inflows of Resources					
Pension	235,302	285,722	638,672	1,159,696	0
OPEB	49,600	60,229	134,629	244,458	0
Total Deferred Inflows of Resources	284,902	345,951	773,301	1,404,154	0
Net Position					
Net Investment in Capital Assets	815,134	8,625,028	13,422,378	22,862,540	0
Unrestricted (Deficit)	(980,154)	1,542,016	13,416,450	13,978,312	231,433
Total Net Position	(\$165,020)	\$10,167,044	\$26,838,828	\$36,840,852	\$231,433

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

346,367

Net position of business-type activities

\$37,187,219

See accompanying notes to the basic financial statements

City of Niles, Ohio
*Statement of Revenues,
Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2018*

	Enterprise				Total	Internal Service
	Water	Sewer	Electric	Nonmajor Enterprise Funds		
Operating Revenues						
Charges for Services	\$7,552,309	\$3,532,719	\$28,622,445	\$867	\$39,708,340	\$3,182,405
Other	63,423	47,762	288,717	0	399,902	0
<i>Total Operating Revenues</i>	<u>7,615,732</u>	<u>3,580,481</u>	<u>28,911,162</u>	<u>867</u>	<u>40,108,242</u>	<u>3,182,405</u>
Operating Expenses						
Personal Services	1,288,153	1,786,238	3,757,966	0	6,832,357	0
Materials and Supplies	181,403	115,841	549,666	0	846,910	0
Contractual Services	5,345,463	737,372	21,828,652	10,500	27,921,987	245,001
Depreciation	70,230	499,656	1,108,412	0	1,678,298	0
Claims	0	0	0	0	0	3,023,661
Other	13,997	13,576	33,571	0	61,144	2,961
<i>Total Operating Expenses</i>	<u>6,899,246</u>	<u>3,152,683</u>	<u>27,278,267</u>	<u>10,500</u>	<u>37,340,696</u>	<u>3,271,623</u>
<i>Operating Income (Loss)</i>	<u>716,486</u>	<u>427,798</u>	<u>1,632,895</u>	<u>(9,633)</u>	<u>2,767,546</u>	<u>(89,218)</u>
Non-Operating Revenues (Expenses)						
Interest and Fiscal Charges	(25,894)	(72,312)	0	0	(98,206)	0
Loss on Investment in Joint Venture	0	0	(446,909)	0	(446,909)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(25,894)</u>	<u>(72,312)</u>	<u>(446,909)</u>	<u>0</u>	<u>(545,115)</u>	<u>0</u>
<i>Income (Loss) before Transfers</i>	<u>690,592</u>	<u>355,486</u>	<u>1,185,986</u>	<u>(9,633)</u>	<u>2,222,431</u>	<u>(89,218)</u>
Transfers In	0	0	0	9,633	9,633	0
<i>Change in Net Position</i>	<u>690,592</u>	<u>355,486</u>	<u>1,185,986</u>	<u>0</u>	<u>2,232,064</u>	<u>(89,218)</u>
<i>Net Position Beginning of Year - Restated (See Note 22)</i>	<u>(855,612)</u>	<u>9,811,558</u>	<u>25,652,842</u>	<u>0</u>		<u>320,651</u>
<i>Net Position End of Year</i>	<u>(\$165,020)</u>	<u>\$10,167,044</u>	<u>\$26,838,828</u>	<u>\$0</u>		<u>\$231,433</u>
Some amounts reported for business-type activities in the statement of activities are different because a portion of the net revenue of the internal service funds reduces expenses in the business-type activities.					(33,306)	
Change in net position of business-type activities					<u>\$2,198,758</u>	

See accompanying notes to the basic financial statements

City of Niles, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2018

	Enterprise					Internal Service
	Water	Sewer	Electric	Nonmajor Enterprise Funds	Total	
Increase (Decrease) in Cash and Cash Equivalents						
Cash Flows from Operating Activities						
Cash Received from Customers	\$7,732,968	\$3,598,270	\$28,706,308	\$867	\$40,038,413	\$3,176,883
Other Cash Receipts	51,513	35,536	290,988	0	378,037	0
Cash Payments to Employees for Services	(912,441)	(1,163,039)	(2,651,944)	0	(4,727,424)	0
Cash Payments for Goods and Services	(5,509,141)	(747,433)	(22,371,856)	(10,500)	(28,638,930)	(253,863)
Cash Payments for Claims	0	0	0	0	0	(3,030,917)
Cash Payments for Interfund Services Provided	(204,851)	(364,598)	(608,602)	0	(1,178,051)	0
Other Cash Payments	(13,690)	(13,423)	(33,060)	0	(60,173)	(2,961)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>1,144,358</u>	<u>1,345,313</u>	<u>3,331,834</u>	<u>(9,633)</u>	<u>5,811,872</u>	<u>(110,858)</u>
Cash Flows from Noncapital and Related Financing Activities						
Transfers In	0	0	0	9,633	9,633	0
Cash Flows from Capital and Related Financing Activities						
OWDA Loans Issued	0	3,486,817	0	0	3,486,817	0
Principal Paid on General Obligation Bonds	(50,000)	(135,000)	0	0	(185,000)	0
Interest Paid on General Obligation Bonds	(26,513)	(74,038)	0	0	(100,551)	0
Payments for Capital Acquisitions	(364,698)	(3,522,790)	(2,091,466)	0	(5,978,954)	0
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(441,211)</u>	<u>(245,011)</u>	<u>(2,091,466)</u>	<u>0</u>	<u>(2,777,688)</u>	<u>0</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	703,147	1,100,302	1,240,368	0	3,043,817	(110,858)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>565,028</u>	<u>2,517,276</u>	<u>12,911,650</u>	<u>0</u>	<u>15,993,954</u>	<u>671,510</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$1,268,175</u>	<u>\$3,617,578</u>	<u>\$14,152,018</u>	<u>\$0</u>	<u>\$19,037,771</u>	<u>\$560,652</u>

(continued)

City of Niles, Ohio
Statement of Cash Flows
Proprietary Funds (continued)
For the Year Ended December 31, 2018

	Enterprise					Internal Service
	Water	Sewer	Electric	Nonmajor Enterprise Funds	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities						
Operating Income (Loss)	\$716,486	\$427,798	\$1,632,895	(\$9,633)	\$2,767,546	(\$89,218)
Adjustments:						
Depreciation	70,230	499,656	1,108,412	0	1,678,298	0
<i>(Increase) Decrease in Assets:</i>						
Accounts Receivable	120,612	13,814	22,655	0	157,081	(6,183)
Intergovernmental Receivable	810	(13)	622	0	1,419	661
Materials and Supplies Inventory	0	0	0	0	0	(12,478)
Prepaid Items	(3,639)	(5,239)	(12,247)	0	(21,125)	0
Net Pension Asset	(498)	(606)	(1,355)	0	(2,459)	0
(Increase) Decrease in Deferred Outflows - Pension	253,516	317,392	664,241	0	1,235,149	0
(Increase) Decrease in Deferred Outflows - OPEB	27,982	33,977	75,950	0	137,909	0
<i>Increase (Decrease) in Liabilities:</i>						
Accounts Payable	2,342	36,429	(8,921)	0	29,850	3,616
Accrued Wages	(802)	3,219	3,397	0	5,814	0
Contracts Payable	15,383	69,351	15,383	0	100,117	0
Intergovernmental Payable	(4,385)	1,537	(31)	0	(2,879)	0
Deposits Held and Due to Others	46,809	38,906	61,170	0	146,885	0
Matured Compensated Absences Payable	0	0	(39,789)	0	(39,789)	0
Compensated Absences Payable	(20,222)	6,555	27,314	0	13,647	0
Claims Payable	0	0	0	0	0	(7,256)
Net Pension Liability	19,077	23,166	51,780	0	94,023	0
Net OPEB Liability	31,650	38,434	85,909	0	155,993	0
Increase (Decrease) in Deferred Inflows - Pension	(117,197)	(142,311)	(318,104)	0	(577,612)	0
Increase (Decrease) in Deferred Inflows - OPEB	(13,796)	(16,752)	(37,447)	0	(67,995)	0
Total Adjustments	427,872	917,515	1,698,939	0	3,044,326	(21,640)
Net Cash Provided by (Used for) Operating Activities	\$1,144,358	\$1,345,313	\$3,331,834	(\$9,633)	\$5,811,872	(\$110,858)

See accompanying notes to the basic financial statements

City of Niles
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2018

	Private Purpose Trust	
	Endowment	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$85,902	\$53,525
Liabilities		
Undistributed Monies	0	\$41,314
Deposits Held and Due to Others	0	12,211
<i>Total Liabilities</i>	0	\$53,525
Net Position		
Held in Trust for Scholarships	\$85,902	

See accompanying notes to the basic financial statements

City of Niles
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended December 31, 2018

	<u>Private Purpose Trust</u>
Additions	\$0
Deductions	
Benefits	<u>35</u>
<i>Change in Net Position</i>	(35)
<i>Net Position Beginning of Year</i>	<u>85,937</u>
<i>Net Position End of Year</i>	<u><u>\$85,902</u></u>

See accompanying notes to the basic financial statements

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Note 1 - Description of the City and Reporting Entity

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

On October 7, 2014, the Auditor of State's office declared the City of Niles to be in a state of fiscal emergency in accordance with Section 118.03, Ohio Revised Code. The declaration resulted in the establishment of a Financial Planning and Supervision Commission. The Commission is composed of the Mayor of the City, Council President, three financial consultants from various corporations and/or organizations within the City and two representatives from the State of Ohio. The City had 120 days after the first meeting of the Commission to approve a financial recovery plan. Once the plan was adopted, the City's discretion was limited in that all financial activity of the City must be in accordance with the plan. See Notes 23 and 25 for more information on the City's fiscal emergency status.

Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Niles, this includes the agencies and departments that provide the following services: police and fire protection, street maintenance and repairs, building inspection, sewer, water and electric.

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

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

Note 2 - Summary of Significant Accounting Policies

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

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Basis of Presentation

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

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

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

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

Fund Accounting

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

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

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

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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

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

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

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

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

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

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

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

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

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

Measurement Focus

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

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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

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

Basis of Accounting

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

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

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

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

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Notes 14 and 15.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City unavailable revenue includes delinquent property taxes, income taxes, hotel taxes, special assessments, cable franchise fees, rentals and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 19. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 14 and 15)

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

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

Pensions/Other Postemployment Benefits (OPEB)

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

Budgetary Process

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

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

funds pursuant to Ohio Revised Code Section 5705.38(C). Budgetary modifications may only be made by ordinance of the City Council at the legal level of control. The City Auditor has been authorized to allocate appropriations within expenditure categories as appropriated by Council. Budgetary statements are presented beyond the legal level of control for informational purposes only.

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

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

Cash and Cash Equivalents

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

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

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue is distributed to the general fund, certain special revenue funds, debt service funds and certain capital projects funds. Interest revenue credited to the general fund during 2018 amounted to \$250,804, which includes \$206,306 assigned from other City funds.

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

Investment in Joint Venture

The investment in the joint venture is reported using the equity method of accounting. The amounts included in the statements relating to the joint venture are as of December 31, 2018.

Restricted Assets

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

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Inventory

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

Capital Assets

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

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

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

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land Improvements	20-40 years	N/A
Buildings and Improvements	25-50 years	25-50 years
Machinery and Equipment	N/A	7-30 years
Equipment	7-30 years	N/A
Vehicles	10 years	10 years
Infrastructure	20-50 years	25-50 years

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

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Interfund Balances

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims, compensated absences and net pension liability that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and long-term loans are recognized as a liability on the governmental fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

Fund Balance

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

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

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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

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

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

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

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

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

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Bond Premiums

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

Operating Revenues and Expenses

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

Internal Activity

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

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

Net Position

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

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

Estimates

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

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Note 3 - Budgetary Basis of Accounting

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

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

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

Net Change in Fund Balances		
	General	Police and Fire Tax
GAAP Basis	\$2,536,036	\$341,194
Net Adjustment for Revenue Accruals	(95,405)	(92,675)
Perspective Difference:		
Unclaimed Monies	(7,791)	0
Beginning Unrecorded Cash	15,859	0
Ending Unrecorded Cash	(36,009)	0
Net Adjustment for Expenditure Accruals	(408)	(55,494)
Advances In	59,410	0
Adjustments for Encumbrances	(85,581)	(70,480)
Budget Basis	\$2,386,111	\$122,545

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Note 4 – Fund Balances

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

Fund Balances	General	Police and Fire Tax	Other Governmental Funds	Total
<u>Nonspendable:</u>				
Unclaimed Monies	\$32,748	\$0	\$0	\$32,748
Prepays	5,435	22,224	5,206	32,865
Inventory	3,240	54,131	24,764	82,135
Long-term Loans	959,775	0	0	959,775
<i>Total Nonspendable</i>	<u>1,001,198</u>	<u>76,355</u>	<u>29,970</u>	<u>1,107,523</u>
<u>Restricted for:</u>				
Police and Fire Protection	0	510,915	561,578	1,072,493
Park and Community Activities	0	0	205,902	205,902
Debt Service Retirement	0	0	1,000	1,000
Street Maintenance	0	0	317,517	317,517
Health and Welfare	0	0	52,884	52,884
Municipal Court	0	0	123,009	123,009
Revolving Loan	0	0	200,591	200,591
Capital Improvements	0	0	1,117,272	1,117,272
<i>Total Restricted</i>	<u>0</u>	<u>510,915</u>	<u>2,579,753</u>	<u>3,090,668</u>
<u>Committed to:</u>				
Capital Improvements	0	0	110,000	110,000
<u>Assigned to:</u>				
Purchases on Order:				
General Government	47,828	0	0	47,828
Security of Persons and Property	2,366	0	0	2,366
Community Environment	15,855	0	0	15,855
Leisure Time Activities	1,396	0	0	1,396
Transportation	379	0	0	379
<i>Total Assigned</i>	<u>67,824</u>	<u>0</u>	<u>0</u>	<u>67,824</u>
Unassigned (Deficit)	5,013,590	0	(35,450)	4,978,140
Total Fund Balances	<u><u>\$6,082,612</u></u>	<u><u>\$587,270</u></u>	<u><u>\$2,684,273</u></u>	<u><u>\$9,354,155</u></u>

Note 5 - Deposits and Investments

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

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

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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

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

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

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

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

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

Deposits

Custodial Credit Risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in possession of an outside party. At December 31, 2018, \$914,947 of the City's total bank balance of \$27,428,969 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution. At year end, \$12,044 of the City's bank balance of \$27,428,969 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. One of the City's financial institutions participates in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of 75 percent resulting in the uninsured and uncollateralized balance.

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

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

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

Note 6 - Receivables

Receivables at December 31, 2018, consisted primarily of municipal income taxes, property taxes, intergovernmental receivables arising from entitlements and shared revenues, special assessments and accounts (billings for utility service).

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2018 for real and public utility property taxes represents collections of 2017 taxes.

2018 real property taxes were levied after October 1, 2018, on the assessed value as of January 1, 2018, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2018 real property taxes are collected in and intended to finance 2019.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2018 public utility property taxes which became a lien December 31, 2017, are levied after October 1, 2018, and are collected in 2019 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2018, was \$3.50 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2018 property tax receipts were based are as follows:

	<u>Assessed Value</u>
Real Estate	
Residential/Agricultural	\$168,430,490
Commercial Industrial/PU	92,122,900
Public Utility Property	<u>2,080,920</u>
Total Assessed Value	<u><u>\$262,634,310</u></u>

The Trumbull County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2018, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2018 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

Income Tax

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

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the Regional Income Tax Agency (RITA) either monthly or quarterly. Beginning in 2018, companies also have the option of filing net profit tax returns directly with the State of Ohio, Department of Taxation. 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.

Intergovernmental Receivables

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

	<u>Amounts</u>
Governmental:	
Gasoline Tax and Cents per Gallon	\$321,255
Permissive Motor Vehicle License Tax	111,117
Cents per Gallon	103,530
Motor Vehicle License Registration	72,611
City of Niles Municipal Court	65,154
Homestead and Rollback	49,271
Grants	29,695
Bureau of Workers' Compensation	6,158
State of Ohio Distributions	3,607
Trumbull County	1,399
Total Governmental Funds	<u>\$763,797</u>

At December 31, 2018 the City had intergovernmental receivables of \$1,267, \$618 and \$1,687 in the water, sewer and electric enterprise funds, respectively, for charges to the Mahoning Valley Sanitary District and refunds from the Bureau of Workers' Compensation as well as \$2,953 in the internal service funds for amounts received from Weathersfield Township for motor fuel costs.

Note 7 - Contingencies

Grants

The City received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2018.

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Litigation

Several claims and lawsuits are pending against the City. In the opinion of management, any such claims and lawsuits will not have a material adverse effect on the overall financial position of the City at December 31, 2018.

Note 8 - Other Employee Benefits

Compensated Absences

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

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

Health and Life Insurance

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

Retirement Incentive

The City Council offers employees participation in a Retirement Incentive program. Participation was open to employees who have a minimum of ten years of continuous employment with the City and who are eligible to retire under the rules and regulations of the respective pension system. This incentive shall consist of one week salary, at retirement, for each year of completed service with the City. This incentive will be spread over one year. The remaining retirement incentive will be paid out in 2019, 2020 and 2021.

Note 9 - Risk Management

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

City of Niles, Ohio
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For the Year Ended December 31, 2018

Type of Coverage	Coverage	Deductible
<i>General Liability:</i>		
Each Occurrence	\$2,000,000	None
Employee Benefits Liability	1,000,000	\$1,000
Injunctive Relief	50,000	None
Sewer Backup Pollution Liability	1,000,000	None
Underground Storage Tank Pollution	55,000	None
Blanket Building	53,691,135	2,500
Blanket Personal Property	30,940,582	2,500
Earthquake/Flood	2,000,000	25,000
Boiler/Machinery	84,631,717	2,500
Cyber Liability	2,000,000	1,000
Inland Marine	1,051,095	1,000
<i>Auto Liability and Physical Damage</i>		
Each Occurrence	2,000,000	None
Uninsured Motorists	1,000,000	None
<i>Law Enforcement Liability</i>		
Each Occurrence	2,000,000	1,000
<i>Wrongful Acts Coverage</i>		
Each Occurrence	2,000,000	1,000

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

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

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

The claims liability of \$361,976 as estimated by the third party administrator and reported in the health insurance internal service fund at December 31, 2018, is based on the requirements of GASB Statement No. 30 which requires a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The estimate was not affected by incremental claims adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the funds claims liability amount in 2017 and 2018 were as follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2017	\$803,242	\$2,424,489	\$2,858,499	\$369,232
2018	369,232	3,023,661	3,030,917	361,976

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

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Note 10 - Capital Assets

Capital asset activity for the year ended December 31, 2018, was as follows:

	Restated Balance 12/31/17	Additions	Deletions	Balance 12/31/18
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$1,702,114	\$0	\$0	\$1,702,114
Rights of Way	2,350,843	0	0	2,350,843
<i>Total Capital Assets, not being depreciated</i>	<u>4,052,957</u>	<u>0</u>	<u>0</u>	<u>4,052,957</u>
<i>Capital Assets, being depreciated:</i>				
Land Improvements	4,920,673	379,529	0	5,300,202
Buildings and Improvements	13,939,604	440,368	0	14,379,972
Equipment	1,114,856	171,644	0	1,286,500
Vehicles	3,733,272	235,720	0	3,968,992
Infrastructure	10,142,965	686,649	0	10,829,614
<i>Total Capital Assets, being depreciated</i>	<u>33,851,370</u>	<u>1,913,910</u>	<u>0</u>	<u>35,765,280</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(2,659,638)	(190,666)	0	(2,850,304)
Buildings and Improvements	(4,418,692)	(302,780)	0	(4,721,472)
Equipment	(872,138)	(74,270)	0	(946,408)
Vehicles	(2,246,247)	(233,548)	0	(2,479,795)
Infrastructure	(4,982,787)	(384,507)	0	(5,367,294)
<i>Total Accumulated Depreciation</i>	<u>(15,179,502)</u>	<u>(1,185,771) *</u>	<u>0</u>	<u>(16,365,273)</u>
Total Capital Assets being depreciated, net	<u>18,671,868</u>	<u>728,139</u>	<u>0</u>	<u>19,400,007</u>
Governmental Activities Capital Assets, Net	<u>\$22,724,825</u>	<u>\$728,139</u>	<u>\$0</u>	<u>\$23,452,964</u>

* Depreciation expense was charged to governmental functions as follows:

General Government	\$99,242
Security of Persons and Property	233,598
Public Health and Welfare	6,396
Transportation	598,131
Leisure Time Activities	248,404
Total Depreciation Expense	<u>\$1,185,771</u>

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

	Restated Balance 12/31/17	Additions	Deletions	Balance 12/31/18
Business-type Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$369,620	\$0	\$0	\$369,620
Construction in Progress	30,163,132	3,486,817	0	33,649,949
<i>Total Capital Assets, not being depreciated</i>	<u>30,532,752</u>	<u>3,486,817</u>	<u>0</u>	<u>34,019,569</u>
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	11,778,582	0	0	11,778,582
Machinery and Equipment	16,265,851	496,379	0	16,762,230
Vehicles	2,312,359	253,252	0	2,565,611
Infrastructure	35,387,641	1,742,506	0	37,130,147
<i>Total Capital Assets, being depreciated</i>	<u>65,744,433</u>	<u>2,492,137</u>	<u>0</u>	<u>68,236,570</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(7,201,443)	(222,207)	0	(7,423,650)
Machinery and Equipment	(9,515,020)	(532,737)	0	(10,047,757)
Vehicles	(1,276,261)	(159,631)	0	(1,435,892)
Infrastructure	(23,027,628)	(763,723)	0	(23,791,351)
<i>Total Accumulated Depreciation</i>	<u>(41,020,352)</u>	<u>(1,678,298) *</u>	<u>0</u>	<u>(42,698,650)</u>
Total Capital Assets being depreciated, net	<u>24,724,081</u>	<u>813,839</u>	<u>0</u>	<u>25,537,920</u>
Business-type Activities Capital Assets, Net	<u>\$55,256,833</u>	<u>\$4,300,656</u>	<u>\$0</u>	<u>\$59,557,489</u>

* Depreciation expense was charged to enterprise funds as follows:

Water	\$70,230
Sewer	499,656
Electric	<u>1,108,412</u>
Total Depreciation Expense	<u><u>\$1,678,298</u></u>

Note 11 - Long-Term Obligations

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

	Original Issue Date	Interest Rate	Original Issue Amount	Date of Maturity
Governmental Activities:				
<i>General Obligation Bonds</i>				
Various Purpose Improvement Bonds	2011	0.70 to 4.50 %	\$3,245,000	December 1, 2031
Various Purpose Improvement Bonds II	2017	3.996	1,600,000	November 1, 2027

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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

A schedule of changes in bonds and other long-term obligations of the City during 2018 follows:

	<u>Amounts Outstanding 12/31/17</u>	<u>Additions</u>	<u>Reductions</u>	<u>Amounts Outstanding 12/31/18</u>	<u>Amounts Due in One Year</u>
<i>Governmental Activities:</i>					
<i>General Obligation Bonds:</i>					
Various Purpose Improvement Bonds	\$2,460,000	\$0	(\$140,000)	\$2,320,000	\$145,000
Unamortized Premium	18,355	0	(1,319)	17,036	0
Total Various Purpose Improvement Bonds	<u>2,478,355</u>	<u>0</u>	<u>(141,319)</u>	<u>2,337,036</u>	<u>145,000</u>
Various Purpose Improvement Bonds II	1,600,000	0	(129,900)	1,470,100	138,700
<i>Total General Obligation Bonds</i>	<u>4,078,355</u>	<u>0</u>	<u>(271,219)</u>	<u>3,807,136</u>	<u>283,700</u>
<i>Other Long-Term Obligations:</i>					
Net Pension Liability:					
OPERS	2,891,576	0	(949,320)	1,942,256	0
OP&F	12,328,556	0	(550,603)	11,777,953	0
<i>Total Net Pension Liability</i>	<u>15,220,132</u>	<u>0</u>	<u>(1,499,923)</u>	<u>13,720,209</u>	<u>0</u>
Net OPEB Liability:					
OPERS	1,222,071	70,279	0	1,292,350	0
OP&F	9,239,313	1,633,641	0	10,872,954	0
<i>Total Net OPEB Liability</i>	<u>10,461,384</u>	<u>1,703,920</u>	<u>0</u>	<u>12,165,304</u>	<u>0</u>
Police and Fire Pension Liability	318,556	0	(12,628)	305,928	13,170
Capital Lease	280,901	0	(116,635)	164,266	81,055
Special Termination Benefits	76,994	34,362	(48,362)	62,994	33,672
Compensated Absences	1,323,446	1,381,057	(1,405,126)	1,299,377	713,500
<i>Total Other Long-Term Obligations</i>	<u>27,681,413</u>	<u>3,119,339</u>	<u>(3,082,674)</u>	<u>27,718,078</u>	<u>841,397</u>
<i>Total Governmental Long-Term Liabilities</i>	<u>\$31,759,768</u>	<u>\$3,119,339</u>	<u>(\$3,353,893)</u>	<u>\$31,525,214</u>	<u>\$1,125,097</u>

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

	Amounts Outstanding 12/31/17	Additions	Reductions	Amounts Outstanding 12/31/18	Amounts Due in One Year
<i>Business-Type Activities:</i>					
<i>General Obligation Bonds:</i>					
Various Purpose Improvement Bonds - Water	\$850,000	\$0	(\$50,000)	\$800,000	\$50,000
Unamortized Premium	6,306	0	(453)	5,853	0
Various Purpose Improvement Bonds - Sewer	2,380,000	0	(135,000)	2,245,000	140,000
Unamortized Premium	17,760	0	(1,276)	16,484	0
<i>Total General Obligation Bonds</i>	<u>3,254,066</u>	<u>0</u>	<u>(186,729)</u>	<u>3,067,337</u>	<u>190,000</u>
<i>OWDA Loan:</i>					
Wastewater Treatment Plant Upgrades	<u>30,163,132</u>	<u>3,486,817</u>	<u>0</u>	<u>33,649,949</u>	<u>0</u>
<i>Other Long-term Obligations:</i>					
<i>Net Pension Liability OPERS:</i>					
Water	1,305,872	0	(428,724)	877,148	0
Sewer	1,585,702	0	(520,594)	1,065,108	0
Electric	3,544,511	0	(1,163,681)	2,380,830	0
<i>Total Net Pension Liability</i>	<u>6,436,085</u>	<u>0</u>	<u>(2,112,999)</u>	<u>4,323,086</u>	<u>0</u>
<i>Net OPEB Liability OPERS:</i>					
Water	551,903	31,739	0	583,642	0
Sewer	670,168	38,541	0	708,709	0
Electric	1,498,022	86,149	0	1,584,171	0
<i>Total Net OPEB Liability</i>	<u>2,720,093</u>	<u>156,429</u>	<u>0</u>	<u>2,876,522</u>	<u>0</u>
Potential Stranded Cost Liability	1,988,719	0	(200,716)	1,788,003	0
Compensated Absences	354,873	473,513	(459,866)	368,520	206,445
<i>Total Other Long-term Obligations</i>	<u>11,499,770</u>	<u>629,942</u>	<u>(2,773,581)</u>	<u>9,356,131</u>	<u>206,445</u>
<i>Total Business-Type Long-Term Liabilities</i>	<u>\$44,916,968</u>	<u>\$4,116,759</u>	<u>(\$2,960,310)</u>	<u>\$46,073,417</u>	<u>\$396,445</u>

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

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

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

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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

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

The City has entered into contractual agreements for construction loans from the Ohio Water Development Authority (OWDA). Under the terms of this agreement, OWDA will reimburse, advance or directly pay the construction costs of the approved projects. OWDA will capitalize administrative costs and construction interest and then add them to the total amounts of the final loans. The loan will not have an accurate payment schedule until finalized, and therefore the loan has not been included in the schedule of future debt service requirements. Until a final repayment schedule is available, the City will pay based on estimates when required. The balance of the wastewater treatment plant upgrade loan is \$33,649,949 at December 31, 2018.

The City has recorded a long-term obligation for the potential stranded cost liability in the electric fund. A debt schedule for the duration of the liability was unavailable at December 31, 2018 (See Note 21 for more detail on the AMPGS Project).

Compensated absences will be paid from the general fund, the police and fire tax, park, street and cemetery special revenue funds, and the water, sewer and electric enterprise funds which are the funds from which the employees' salaries are paid. There is no repayment schedule for the net pension/OPEB liabilities. However, employer pension/OPEB contributions are made from the following funds: general fund, the police and fire tax, park, street and cemetery special revenue funds, and the water, sewer and electric enterprise funds. For additional information related to the net pension/OPEB liabilities see Notes 14 and 15. The OWDA loan will be paid with charges for services revenue in the sewer enterprise fund. The police and fire pension liability represents police and fire pension obligations that will be paid from taxes received in the police and fire tax fund. Capital lease obligations are paid from the fund that maintains custody of the related assets. Capital leases are paid from the general fund and the permissive tax, street and state highway special revenue funds.

The City's overall debt margin was \$23,787,503 and the unvoted legal debt margin was \$10,655,787 at December 31, 2018. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2018, are as follows:

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

	Governmental Activities			
	General Obligation Bonds		Police and Fire Pension Liability	
	Principal	Interest	Principal	Interest
2019	\$283,700	\$147,070	\$13,170	\$12,863
2020	294,200	137,555	13,737	12,298
2021	300,200	127,003	14,326	11,708
2022	311,200	116,055	14,941	11,092
2023	327,500	104,471	15,583	10,451
2024-2028	1,628,300	322,739	88,551	41,621
2029-2033	645,000	58,089	109,272	20,898
2034-2035	0	0	36,348	1,531
Total	\$3,790,100	\$1,012,982	\$305,928	\$122,462

	Business-Type Activities	
	General Obligation Bonds	
	Principal	Interest
2019	\$190,000	\$116,660
2020	195,000	111,436
2021	205,000	105,585
2022	205,000	99,026
2023	210,000	92,157
2024-2028	1,200,000	334,592
2029-2031	840,000	75,373
Total	\$3,045,000	\$934,829

Note 12 - Capital Leases

The City entered into lease agreements for lighting improvements and a truck lease. The City's lease obligations meet the criteria of a capital lease and have been recorded on the government-wide statements. The original amounts capitalized for the capital leases and the book value as of December 31, 2018 follows:

	Amounts
Asset:	
Buildings and Improvements	\$228,681
Vehicles	405,555
Less: Accumulated Depreciation	(286,626)
Current Book Value	\$347,610

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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

<u>Year Ending December 31,</u>	
2019	\$85,425
2020	<u>85,425</u>
Total	170,850
Less: Amount representing Interest	<u>(6,584)</u>
Present Value of Minimum Lease	<u><u>\$164,266</u></u>

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

Note 13 – Loan Transactions

On July 7, 2004, the general fund paid \$1,599,623 (\$1,400,000 in principal and \$199,623 in interest) to retire a note of the water fund, while the water fund paid \$165,000 of principal on this note. The water fund intended to repay the general fund the entire \$1,599,623 over an eleven year period beginning in July 2005. The City did not follow this repayment schedule due to financial constraints in the water fund. The repayment will begin again during 2019. On the fund financial statements, the receivable balance in the general fund at December 31, 2018 is \$959,775 and a corresponding payable is recorded in the water fund. On the government-wide financial statements the amounts are considered a part of the internal balance between the governmental and the business-type activities.

The following is a schedule of repayment:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$137,935	\$22,027	\$159,962
2020	141,383	18,580	159,963
2021	144,918	15,044	159,962
2022	148,541	11,421	159,962
2023	152,254	7,709	159,963
2024	<u>156,061</u>	<u>3,902</u>	<u>159,963</u>
Total	<u><u>\$881,092</u></u>	<u><u>\$78,683</u></u>	<u><u>\$959,775</u></u>

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Note 14 – Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability (Asset)/Net OPEB Liability

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

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan’s unfunded benefits is presented as a *net pension asset* or a long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 15 for the required OPEB disclosures.

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan.

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

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

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

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

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

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

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

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

	State and Local
2018 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
 2018 Actual Contribution Rates	
Employer:	
Pension **	14.0 %
Post-employment Health Care Benefits **	0.0
Total Employer	14.0 %
Employee	10.0 %

* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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

For 2018, the City's contractually required contribution was \$724,419 for the traditional plan, \$4,670 for the combined plan and \$11,566 for the member-directed plan. Of these amounts, \$108,850 is reported as an intergovernmental payable for the traditional plan, \$706 for the combined plan, and \$1,736 for the member-directed plan.

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

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

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

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

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

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

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

City of Niles, Ohio
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Funding Policy – The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>Police</u>	<u>Firefighters</u>
2018 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2018 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50</u>	<u>0.50</u>
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$879,187 for 2018. Of this amount, \$91,339 is reported as an intergovernmental payable.

In addition to current contributions, the City pays installments on a specific liability the City incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2018, the specific liability of the City was \$305,928, payable in semi-annual payments through the year 2035.

Pension Liabilities (Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability (asset) for OPERS was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2017, and was determined by rolling forward the total pension liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net pension liability (asset) was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense of the City's defined benefit pension plans:

	<u>OPERS Traditional Plan</u>	<u>OPERS Combined Plan</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the Net Pension Liability/Asset:				
Current Measurement Date	0.03993700%	0.01120100%	0.19190300%	
Prior Measurement Date	<u>0.04107600%</u>	<u>0.00144700%</u>	<u>0.19464400%</u>	
Change in Proportionate Share	<u>-0.00113900%</u>	<u>0.00975400%</u>	<u>-0.00274100%</u>	
Proportionate Share of the:				
Net Pension Liability	\$6,265,342	\$0	\$11,777,953	\$18,043,295
Net Pension Asset	0	15,248	0	15,248
Pension Expense	1,601,654	(4,901)	1,312,328	2,909,081

City of Niles, Ohio
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2018 pension expense for the member-directed defined contribution plan was \$11,566.

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources:

	OPERS <u>Traditional Plan</u>	OPERS <u>Combined Plan</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources				
Differences between expected and actual experience	\$6,398	\$0	\$178,739	\$185,137
Changes of assumptions	748,751	1,332	513,228	1,263,311
Changes in proportion and differences between City contributions and proportionate share of contributions	14,131	0	0	14,131
City contributions subsequent to the measurement date	<u>724,419</u>	<u>4,670</u>	<u>879,187</u>	<u>1,608,276</u>
Total Deferred Outflows of Resources	<u>\$1,493,699</u>	<u>\$6,002</u>	<u>\$1,571,154</u>	<u>\$3,070,855</u>
Deferred Inflows of Resources				
Differences between expected and actual experience	\$123,470	\$4,542	\$21,307	\$149,319
Net difference between projected and actual earnings on pension plan investments	1,345,086	2,406	407,427	1,754,919
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>230,598</u>	<u>4,731</u>	<u>346,624</u>	<u>581,953</u>
Total Deferred Inflows of Resources	<u>\$1,699,154</u>	<u>\$11,679</u>	<u>\$775,358</u>	<u>\$2,486,191</u>

\$1,608,276 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability or increase to the net pension asset in 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS <u>Traditional Plan</u>	OPERS <u>Combined Plan</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:				
2019	\$409,391	(\$1,333)	\$206,735	\$614,793
2020	(194,244)	(1,398)	99,619	(96,023)
2021	(592,306)	(1,938)	(322,378)	(916,622)
2022	(552,715)	(1,881)	(198,309)	(752,905)
2023	0	(1,037)	105,418	104,381
Thereafter	<u>0</u>	<u>(2,760)</u>	<u>25,524</u>	<u>22,764</u>
Total	<u>(\$929,874)</u>	<u>(\$10,347)</u>	<u>(\$83,391)</u>	<u>(\$1,023,612)</u>

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2017, are presented below.

	OPERS Traditional Plan	OPERS Combined Plan
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.15 percent, simple
Investment Rate of Return	7.5 percent	7.5 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

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

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first

City of Niles, Ohio
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of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 16.82 percent for 2017.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other investments	18.00	5.26
Total	100.00 %	5.66 %

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability (asset)			
OPERS Traditional Plan	\$11,125,649	\$6,265,342	\$2,213,309
OPERS Combined Plan	(8,289)	(15,248)	(20,050)

Changes between Measurement Date and Report Date

In October 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 7.5 percent to 7.2 percent. This change will be effective for the 2018 valuation. The exact amount of the impact to the City's net pension liability is not known.

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Actuarial Assumptions – OP&F

OP&F’s total pension liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2017, compared with January 1, 2016, are presented below.

	January 1, 2017	January 1, 2016
Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.25 percent
Projected Salary Increases	3.75 percent to 10.5 percent	4.25 percent to 11 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent	Inflation rate of 3.25 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.6 percent simple for increased based on the lesser of the increase in CPI and 3 percent

For the January 1, 2017, valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

For the January 1, 2017, valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

City of Niles, Ohio
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For the January 1, 2016 valuation, rates of death were based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed for the five year period ended December 31, 2016, the prior experience study was completed December 31, 2011.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2017, are summarized below:

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

Note: Assumptions are geometric.

* levered 2x

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

Discount Rate For 2017, the total pension liability was calculated using the discount rate of 8.00 percent. The discount rate used for 2016 was 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.00 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

City of Niles, Ohio
Notes to the Basic Financial Statements
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Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00 percent), or one percentage point higher (9.00 percent) than the current rate.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$16,327,332	\$11,777,953	\$8,067,519

Note 15 – Postemployment Benefits

See Note 14 for a description of the net OPEB liability.

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

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

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

City of Niles, Ohio
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Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$4,627 for 2018. Of this amount, \$694 is reported as an intergovernmental payable.

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

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 75.

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

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

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

OP&F maintains funds for health care in two separate accounts. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2018, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contractually required contribution to OP&F was \$20,799 for 2018. Of this amount, \$2,157 is reported as an intergovernmental payable.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2017, and was determined by rolling forward the total OPEB liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OP&F</u>	
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.0383900%	0.1919030%	
Prior Measurement Date	<u>0.0390300%</u>	<u>0.1946440%</u>	
Change in Proportionate Share	<u>-0.0006400%</u>	<u>-0.0027410%</u>	
Proportionate Share of the Net OPEB Liability	\$4,168,872	\$10,872,954	<u>Total</u>
OPEB Expense	\$332,028	\$846,839	\$1,178,867

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At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$3,248	\$0	\$3,248
Changes of assumptions	303,538	1,060,969	1,364,507
City contributions subsequent to the measurement date	<u>4,627</u>	<u>20,799</u>	<u>25,426</u>
Total Deferred Outflows of Resources	<u><u>\$311,413</u></u>	<u><u>\$1,081,768</u></u>	<u><u>\$1,393,181</u></u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$54,839	\$54,839
Net difference between projected and actual earnings on OPEB plan investments	310,553	71,571	382,124
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>43,734</u>	<u>126,848</u>	<u>170,582</u>
Total Deferred Inflows of Resources	<u><u>\$354,287</u></u>	<u><u>\$253,258</u></u>	<u><u>\$607,545</u></u>

\$25,426 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
2019	\$48,128	\$110,657	\$158,785
2020	48,128	110,657	158,785
2021	(66,118)	110,657	44,539
2022	(77,639)	110,657	33,018
2023	0	128,550	128,550
Thereafter	<u>0</u>	<u>236,533</u>	<u>236,533</u>
Total	<u><u>(\$47,501)</u></u>	<u><u>\$807,711</u></u>	<u><u>\$760,210</u></u>

Actuarial Assumptions - OPERS

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

City of Niles, Ohio
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Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.85 percent
Prior Measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

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

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2 percent for 2017.

City of Niles, Ohio
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The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	100.00 %	4.98 %

Discount Rate A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
City's proportionate share of the net OPEB liability	\$5,538,525	\$4,168,872	\$3,060,835

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Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$3,988,721	\$4,168,872	\$4,354,962

Changes between Measurement Date and Report Date

In October 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 6.5 percent to 6.0 percent. This change will be effective for the 2018 valuation. The exact amount of the impact to the City’s net OPEB liability is not known.

Actuarial Assumptions – OP&F

OP&F’s total OPEB liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee’s entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

City of Niles, Ohio
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Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single discount rate:	
Current measurement date	3.24 percent
Prior measurement date	3.79 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

The most recent experience study was completed for the five year period ended December 31, 2016, the prior experience study was completed December 31, 2011.

The OP&F health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 14.

Discount Rate The total OPEB liability was calculated using the discount rate of 3.24 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of

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3.16 percent at December 31, 2017 and 3.71 percent at December 31, 2016, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.24 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2025. The long-term expected rate of return on health care investments was applied to projected costs through 2025, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 3.24 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.24 percent), or one percentage point higher (4.24 percent) than the current rate.

	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
City's proportionate share of the net OPEB liability	\$13,591,325	\$10,872,954	\$8,781,270

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Net OPEB liability is sensitive to changes in the health care cost trend rate. The trend rate is the annual rate at which the cost of covered medical services is assumed to increase from the current year to the next year. Beginning in 2017, the per-capita costs are assumed to change by the following percentages each year:

	Non-Medicare	Non-AARP	AARP	Rx Drug	Medicare Part B
Year					
2017	-0.47%	-2.50%	4.50%	-0.47%	5.20%
2018	7.00%	7.00%	4.50%	7.00%	5.10%
2019	6.50%	6.50%	4.50%	6.50%	5.00%
2020	6.00%	6.00%	4.50%	6.00%	5.00%
2021	5.50%	5.50%	4.50%	5.50%	5.00%
2022	5.00%	5.00%	4.50%	5.00%	5.00%
2023 and Later	4.50%	4.50%	4.50%	4.50%	5.00%

To illustrate the potential impact, the following table presents the net OPEB liability calculated using the current healthcare cost trend current rates as outlined in the table above, a one percent decrease in the trend rates and a one percent increase in the trend rates.

	1% Decrease	Current Rates	1% Increase
City's proportionate share of the net OPEB liability	\$8,446,307	\$10,872,954	\$14,143,256

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Changes between Measurement Date and Report Date

In March 2018, the OP&F Board of Trustees approved the implementation date and framework for a new health care model. Beginning January 1, 2019, the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. The impact to the City's NOL is not known.

Note 16 - Jointly Governed Organizations

Eastgate Regional Council of Governments

The Eastgate Regional Council of Governments (ERCG) is a jointly governed organization that is committed to fostering cooperative regional efforts in the planning, programming and implementation of public sector activities. ERCG has forty-eight participating members. These include representatives from Trumbull County and Mahoning County, township trustees and officials from participating cities and villages. The operation of ERCG is controlled by a general policy board which consists of a representative from each participant. Each member's degree of control is limited to its representation on the board. Funding comes from each of the participants. For 2018, the City contributed \$15,057 to the Eastgate Regional Council of Governments. For more information contact John R. Getchey, executive director, at 5121 Mahoning Avenue, Youngstown, Ohio 44515.

Emergency Management Agency

The Emergency Management Agency is a jointly governed organization among the thirty-four subdivisions located within Trumbull County that was created to ensure that the State, and the citizens residing in it, are prepared to respond to an emergency or disaster and to lead mitigation efforts against the effect of future disasters. The eight members of the advisory board are appointed by the thirty-four member subdivisions. The degree of control exercised by any participating government is limited to its representation on the Board. The Agency adopts its own budget, authorizes expenditures and hires and fires its own staff. Funding comes from each of the participants. For 2018, the City contributed \$4,046 to the Emergency Management Agency. For more information contact Linda Beil, director, at 1453 Youngstown Kingsville Road, Vienna, Ohio 44473.

Note 17 – Joint Ventures

Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5)

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

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

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Also pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110 percent of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2018 the City has met their debt coverage obligation.

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

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

The City's net investment and its share of operating results of OMEGA JV5 are reported in the City's electric fund (an enterprise fund). The City's net investment to date in OMEGA JV5 was \$317,612 at December 31, 2018. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

Ohio Municipal Electric Generation Agency Joint Venture 2 (JV2)

The City is a Financing Participant and an Owner Participant with percentages of liability and ownership of 14.65 percent and 11.49 percent, respectively, and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective Project shares, ownership of which is held in trust for such Purchaser Participants.

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Pursuant to the OMEGA JV2 Agreement (Agreement), the participants jointly undertook as either Financing Participants or Non-Financing Participants and as either Owner Participants or Purchaser Participants, the acquisition, construction, and equipping of OMEGA JV2, including such portions of OMEGA JV2 as have been acquired, constructed or equipped by AMP and to pay or incur the costs of the same in accordance with the Agreement.

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Distributive Generation Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. Under the terms of the Agreement, each Financing Participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110 percent of the sum of OMEGA JV2 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2018 the City has met their debt coverage obligation.

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participants' entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP, which acts as the joint venture's agent. During 2001, AMP issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. On January 3, 2011, AMP redeemed all of the \$31,110,000 OMEGA JV2 Project Distributive Generation Bonds then outstanding by borrowing on AMP's revolving credit facility. As such, the remaining outstanding bond principal of the OMEGA JV2 indebtedness was reduced to zero, with the remaining principal balance now residing on the AMP credit facility. As of December 31, 2018, the outstanding debt was retired in full leaving the City with no portion outstanding. The City's net investment and its share of operating results of OMEGA JV2 are reported in the City's electric fund (an enterprise fund). The City's net investment in OMEGA JV2 was \$761,707 at December 31, 2018. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

Ohio Municipal Electric Generation Agency Joint Venture 1 (JV1)

The City is a participant in the Ohio Municipal Electric Generation Agency Joint Venture 1 (OMEGA JV1). OMEGA JV1 was organized by 21 subdivisions of the State of Ohio (the participants) on April 1, 1992, pursuant to a joint venture agreement (the agreement) under the Ohio Constitution and Section 715.02 of the Ohio Revised Code. Its purpose is to provide a source of supplemental capacity to the participants. The participants are members of American Municipal Power-Ohio, Inc. (AMP-Ohio) Northeast Area Service Group. The participants are charged fees for the costs required to administer the joint venture and maintain the jointly owned electric plant. OMEGA JV1 purchased its electric generating facilities known as the Engle turbines designed for a total capacity of nine megawatts. These facilities are located in Cuyahoga Falls, Ohio. The City's net investment and its share of the operating results of OMEGA JV1 are reported in the City's electric enterprise fund. The City's did not have an equity interest in OMEGA JV1 at December 31, 2018.

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Note 18 - Interfund Transfers and Balances

Transfers

Transfers made during the year ended December 31, 2018 were as follows:

Transfers To	Transfers From General
Major Funds	
Police and Fire Tax	\$1,921,935
Other Governmental Funds	
Police Pension	375,000
Fire Pension	413,000
Park	232,000
Cemetery	120,000
Capital Projects	200,000
Fire Truck Replacement	80,000
<i>Total Other Governmental Funds</i>	1,420,000
Enterprise Fund	
Para-Transit	9,633
<i>Total Transfers</i>	\$3,351,568

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

Balances

Interfund receivables and payables are due to the timing of the receipts of monies (grant and property taxes) by the nonmajor funds. All interfund balances will be repaid within one year. Interfund balances at December 31, 2018, consist of interfund receivable/payables between the general fund and the cemetery and BRT cleanup special revenue funds in the amount of \$30,000 and \$32, respectively.

Note 19 – Significant Commitments

Contractual Commitments

As of December 31, 2018, the City had the following contract balances for various projects:

Time Clock Upgrade	\$9,396
McKees Lane Sewer Engineering Fees	70,561
Safety Service Complex HVAC Replacement	5,500
Safety Service Complex Architectural Fees	26,061

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Encumbrances

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

Governmental		Business-Type	
General	\$85,581	Water	\$411,432
Police and Fire Tax	70,480	Sewer	567,972
Other Governmental funds	324,114	Electric	726,896
Total	\$480,175	Motor Fuel	6,781
		Hospital Self Insurance	155,641
		Total	\$1,868,722

Remaining commitment amounts were encumbered at year end.

Note 20 - Tax Abatement Disclosures

As of December 31, 2018, the City provides tax abatements through Enterprise Zones (Ezone). This program relates to the abatement of property taxes.

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

The City has entered an agreement to abate property taxes through this program. During 2018, the City's property tax revenues were reduced as a result of these agreements as follows:

Tax Abatement Program	City Taxes Abated
Ezone	\$191

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Note 21 – American Municipal Power Generating Station Project

The City is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The City's share was 40,656 kilowatts of a total 771,281 kilowatts, giving the City a 5.27 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed impaired and participants were obligated to pay costs already incurred. In prior years, the payment of these costs was not considered probable due to AMP's pursuit of legal action to void them. As a result of a March 31, 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The City's estimated share at March 31, 2014 of the impaired costs is \$7,042,699. The City received a credit of \$2,365,778 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$1,838,662 related to the AMPGS costs deemed to have future benefit for the project participants, leaving a net impaired cost estimate of \$2,838,259. Because payment is now probable and reasonably estimable, the City is reporting a payable to AMP in its business-type activities and in its electric enterprise fund for these impaired costs. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the City's liability. These amounts will be recorded as they become estimable. The City made payments in 2018 totaling \$200,716, leaving a net impaired cost estimate of \$1,788,003 at December 31, 2018.

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

Restatement of Net Position

During 2018, the City performed a complete physical inventory of materials and supplies and hired an appraisal company perform a complete valuation of the City's capital asset information. The inventory and evaluation resulted in a change to the City's beginning balance which had an effect on beginning net position.

Change in Accounting Principle

For fiscal year 2018, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*.

For 2018, the City also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2017-1*. These changes were incorporated in the City's 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the City's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. These changes were incorporated in the City's 2018 financial statements; however, there was no effect on beginning net position.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement and the restatements for inventory and capital assets had the following effect on net position as reported December 31, 2017:

	Governmental Activities	Business - Type Activities
Net Position December 31, 2017	\$12,129,983	\$22,932,904
Adjustments:		
Capital Assets	457,054	13,811,204
Materials and Supplies Inventory	0	924,551
Net OPEB Liability	(10,461,384)	(2,720,093)
Deferred Outflow - Payments Subsequent to Measurement Date	38,833	39,895
Restated Net Position December 31, 2017	\$2,164,486	\$34,988,461

	Enterprise				Internal Service
	Water	Sewer	Electric	Total	
Net Position December 31, 2017	\$659,785	\$4,875,256	\$17,018,190	\$22,553,231	\$320,651
Adjustments:					
Capital Assets	(1,091,454)	5,565,480	9,337,178	13,811,204	0
Materials and Supplies Inventory	119,865	31,161	773,525	924,551	0
Net OPEB Liability	(551,903)	(670,168)	(1,498,022)	(2,720,093)	0
Deferred Outflow - Payments Subsequent to Measurement Date	8,095	9,829	21,971	39,895	0
Restated Net Position December 31, 2017	(\$855,612)	\$9,811,558	\$25,652,842	\$34,608,788	\$320,651

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

379,673
\$34,988,461

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Note 23 – Fiscal Emergency

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

Note 24 – Accountability

The following funds had deficit fund balances as of December 31, 2018:

<i>Special Revenue Funds</i>		<i>Enterprise Fund</i>	
Police Pension	\$19,456	Water	\$165,020
Fire Pension	11,100		
Cemetery	2,142		
BRT Clean-up	2,752		

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

Note 25 – Subsequent Event

On March 11, 2019, the City of Niles was released from fiscal emergency. As of this date, the City no longer met the fiscal emergency conditions set forth in Section 118.03 of the Revised Code. As such, the existence of the Financial Planning and Supervision Commission of the City of Niles and its role in the operations of the City has been terminated.

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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Required Supplementary Information

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

	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.03993700%	0.04107600%	0.04291300%	0.04551600%	0.04551600%
City's Proportionate Share of the Net Pension Liability	\$6,265,342	\$9,327,661	\$7,433,073	\$5,489,738	\$5,365,742
City's Covered Payroll	\$9,045,831	\$8,808,467	\$8,756,908	\$9,581,542	\$9,888,108
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	69.26%	105.89%	84.88%	57.29%	54.26%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%	86.45%	86.36%

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

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

See accompanying notes to the required supplementary information.

City of Niles, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the
Net Pension Asset
Ohio Public Employees Retirement System - Combined Plan
2018 (1)

	<u>2018</u>
City's Proportion of the Net Pension Asset	0.01120100%
City's Proportionate Share of the Net Pension Asset	\$15,248
City's Covered Payroll	\$45,877
City's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	-33.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset	137.28%

(1) Amounts for the combined plan are not presented prior to 2018 as the City's participation in this plan was considered immaterial in previous years.

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

See accompanying notes to the required supplementary information.

City of Niles, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the
Net OPEB Liability
Ohio Public Employees Retirement System - OPEB Plan
Last Two Years (1)

	2018	2017
City's Proportion of the Net OPEB Liability	0.0383900%	0.0390300%
City's Proportionate Share of the Net OPEB Liability	\$4,168,872	\$3,942,164
City's Covered Payroll	\$9,206,533	\$9,186,600
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	45.28%	42.91%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.04%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information.

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

	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.19190300%	0.19464400%	0.19577300%	0.20257260%	0.20257260%
City's Proportionate Share of the Net Pension Liability	\$11,777,953	\$12,328,556	\$12,594,242	\$10,494,105	\$9,865,921
City's Covered Payroll	\$4,181,757	\$4,407,335	\$4,012,821	\$4,175,907	\$4,475,133
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	281.65%	279.73%	313.85%	251.30%	220.46%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.91%	68.36%	66.77%	71.71%	73.00%

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

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

See accompanying notes to the required supplementary information.

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

	2018	2017
City's Proportion of the Net OPEB Liability	0.1919030%	0.1946440%
City's Proportionate Share of the Net OPEB Liability	\$10,872,954	\$9,239,313
City's Covered Payroll	\$4,181,757	\$4,407,335
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	260.01%	209.63%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	14.13%	15.96%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information.

City of Niles, Ohio
Required Supplementary Information
Schedule of the City's Contributions
Ohio Public Employees Retirement System
Last Ten Years

	2018	2017	2016	2015
Net Pension Liability - Traditional Plan				
Contractually Required Contribution	\$724,419	\$1,175,958	\$1,057,016	\$1,050,829
Contributions in Relation to the Contractually Required Contribution	<u>(724,419)</u>	<u>(1,175,958)</u>	<u>(1,057,016)</u>	<u>(1,050,829)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$5,174,421	\$9,045,831	\$8,808,467	\$8,756,908
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>13.00%</u>	<u>12.00%</u>	<u>12.00%</u>
Net Pension Liability - Combined Plan (1)				
Contractually Required Contribution	\$4,670	\$5,964	\$675	\$0
Contributions in Relation to the Contractually Required Contribution	<u>(4,670)</u>	<u>(5,964)</u>	<u>(675)</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$33,357	\$45,877	\$5,625	\$0
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>13.00%</u>	<u>12.00%</u>	<u>N/A</u>
Net OPEB Liability - OPEB Plan (2)				
Contractually Required Contribution	\$4,627	\$95,510	\$185,299	
Contributions in Relation to the Contractually Required Contribution	<u>(4,627)</u>	<u>(95,510)</u>	<u>(185,299)</u>	
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	
City Covered Payroll (3)	\$5,323,453	\$9,206,533	\$9,186,600	
OPEB Contributions as a Percentage of Covered Payroll	<u>0.09%</u>	<u>1.04%</u>	<u>2.02%</u>	

(1) Information prior to 2013 is not available for the combined plans.

(2) Information prior to 2016 is not available for the OPEB plan.

(3) The OPEB plan includes the members from the traditional plan, the combined plan and the member directed plan. The member directed pension plan is a defined contribution pension plan; therefore, the pension side is not included above.

See accompanying notes to the required supplementary information.

2014	2013	2012	2011	2010	2009
\$1,149,785	\$1,285,454	\$589,644	\$619,581	\$556,005	\$875,179
<u>(1,149,785)</u>	<u>(1,285,454)</u>	<u>(589,644)</u>	<u>(619,581)</u>	<u>(556,005)</u>	<u>(875,179)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$9,581,542	\$9,888,108	\$5,896,440	\$6,195,810	\$6,233,240	\$10,764,809
<u>12.00%</u>	<u>13.00%</u>	<u>10.00%</u>	<u>10.00%</u>	<u>8.92%</u>	<u>8.13%</u>
\$331	\$0				
<u>(331)</u>	<u>0</u>				
<u>\$0</u>	<u>\$0</u>				
\$2,758	\$0				
<u>12.00%</u>	<u>N/A</u>				

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

	2018	2017	2016	2015
Net Pension Liability				
Contractually Required Contribution	\$879,187	\$884,710	\$925,263	\$845,498
Contributions in Relation to the Contractually Required Contribution	<u>(879,187)</u>	<u>(884,710)</u>	<u>(925,263)</u>	<u>(845,498)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (1)	\$4,159,847	\$4,181,757	\$4,407,335	\$4,012,821
Pension Contributions as a Percentage of Covered Payroll	<u>21.14%</u>	<u>21.16%</u>	<u>20.99%</u>	<u>21.07%</u>
Net OPEB Liability				
Contractually Required Contribution	\$20,799	\$20,909	\$21,848	\$20,064
Contributions in Relation to the Contractually Required Contribution	<u>(20,799)</u>	<u>(20,909)</u>	<u>(21,848)</u>	<u>(20,064)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>
Total Contributions as a Percentage of Covered Payroll	<u>21.64%</u>	<u>21.66%</u>	<u>21.49%</u>	<u>21.57%</u>

(1) The City's Covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information.

2014	2013	2012	2011	2010	2009
\$883,080	\$802,295	\$700,954	\$763,950	\$916,438	\$866,569
<u>(883,080)</u>	<u>(802,295)</u>	<u>(700,954)</u>	<u>(763,950)</u>	<u>(916,438)</u>	<u>(866,569)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$4,175,907	\$4,475,133	\$4,798,908	\$5,280,346	\$6,299,694	\$5,922,782
<u>21.15%</u>	<u>17.93%</u>	<u>14.61%</u>	<u>14.47%</u>	<u>14.55%</u>	<u>14.63%</u>
\$20,880	\$161,850	\$323,926	\$356,423	\$425,230	\$399,787
<u>(20,880)</u>	<u>(161,850)</u>	<u>(323,926)</u>	<u>(356,423)</u>	<u>(425,230)</u>	<u>(399,787)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.50%</u>	<u>3.62%</u>	<u>6.75%</u>	<u>6.75%</u>	<u>6.75%</u>	<u>6.75%</u>
<u>21.65%</u>	<u>21.55%</u>	<u>21.36%</u>	<u>21.22%</u>	<u>21.30%</u>	<u>21.38%</u>

City of Niles
Notes to the Required Supplementary Information
For the Year Ended December 31, 2018

Changes in Assumptions – OPERS Pension

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

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

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

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

City of Niles
Notes to the Required Supplementary Information
For the Year Ended December 31, 2018

Changes in Assumptions – OP&F Pension

Amounts reported for 2018 incorporate changes in assumptions used by OP&F in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2017 and prior are presented below:

	2018	2017 and Prior
Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.25 percent
Projected Salary Increases	3.75 percent to 10.5 percent	4.25 percent to 11 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent	Inflation rate of 3.25 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.6 percent simple for increased based on the lesser of the increase in CPI and 3 percent

Amounts reported for 2018 use valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

Amounts reported for 2018 use valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

Amounts reported for 2017 and prior use valuation, rates of death were based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

City of Niles
Notes to the Required Supplementary Information
For the Year Ended December 31, 2018

Changes in Assumptions – OPERS OPEB

For 2018, the single discount rate changed from 4.23 percent to 3.85 percent.

Changes in Assumptions – OP&F OPEB

For 2018, the single discount rate changed from 3.79 percent to 3.24 percent.

SUPPLEMENTARY INFORMATION

CITY OF NILES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(A) CASH DISBURSEMENTS
U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PASSED THROUGH THE OHIO DEPARTMENT OF DEVELOPMENT			
(C) Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	A-F-17-2CW-1	\$ 59,845
(C) Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	A-F-16-2CW-1	60,615
Total Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii			120,460
HOME Investment Partnerships Program	14.239	A-C-17-2CW-2	325,271
Total U.S. Department of Housing and Urban Development			445,731
U. S. DEPARTMENT OF HOMELAND SECURITY PASSED THROUGH THE			
N/A Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	N/A	338,066
Total U.S. Department of Homeland Security			338,066
Total Federal Financial Assistance			\$ 783,797

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

- (A) This schedule includes the federal award activity of the City of Niles under programs of the federal government for the year ended December 31, 2018 and is prepared in accordance with the cash basis of accounting. The information on this schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City of Niles, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Niles.
- (B) CFR Section 200.414 of the Uniform Guidance allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. The City has not elected to use the 10% de minimis indirect cost rate.
- (C) The City has established a revolving loan program to provide low-interest loans to businesses that are creating jobs and meet the other program requirements. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Expenditures of Federal Awards (the Schedule). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule. At December 31, 2018, the City had \$42,168 in loans outstanding under this program. The City did not issue any loans during the year ended December 31, 2018 and received \$4,840 in loans repaid.



Julian & Grube, Inc.
Serving Ohio Local Governments

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

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

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

To the Members of Council and Mayor:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Niles, Trumbull County, Ohio, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City of Niles' basic financial statements and have issued our report thereon dated June 20, 2019, wherein we noted as discussed in Note 22, the City of Niles adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Furthermore, we noted as discussed in Note 22, net position at December 31, 2017 has been restated related to capital assets and materials and supplies inventory. Furthermore, we noted as discussed in Note 23, the Auditor of State declared the City of Niles to be in a state of fiscal emergency on October 7, 2014; however, the City of Niles was released from fiscal emergency on March 11, 2019, as discussed in Note 25.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the City of Niles' financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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



Julian & Grube, Inc.
June 20, 2019



Julian & Grube, Inc.
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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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

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

To the Members of Council and Mayor:

Report on Compliance for the Major Federal Program

We have audited the City of Niles' compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the City of Niles' major federal program for the year ended December 31, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the City of Niles' major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the City of Niles complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2018.

Report on Internal Control Over Compliance

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

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

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

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



Julian & Grube, Inc.
June 20, 2019

**CITY OF NILES
TRUMBULL COUNTY, OHIO**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2018**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under 2 CFR §200.516(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	HOME Investment Partnerships Program (CFDA #14.239)
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$750,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee under 2 CFR § 200.520?</i>	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

**CITY OF NILES
TRUMBULL COUNTY, OHIO**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR § 200.511(b)
DECEMBER 31, 2018**

Finding Number	Year Initially Occurred	Finding Summary	Status	Additional Information
2017-001	2000	<u>Material Weakness/Noncompliance - Capital Asset Listing</u> - Ohio Administrative Code (OAC) Section 117-2-02(D) states that all local public offices may maintain accounting records in a manual or computerized format. Such records should include capital asset records. No such records existed.	Corrective Action Taken and Finding is Fully Corrected	N/A

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OHIO AUDITOR OF STATE
KEITH FABER



CITY OF NILES

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 19, 2019**