

OHIO AUDITOR OF STATE
KEITH FABER



**City of Niles
Trumbull County, Ohio**

**General Purpose External Financial Statements
For the Year Ended December 31, 2019**

City of Niles, Ohio
Basic Financial Statements
For the Year Ended December 31, 2019
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OHIO AUDITOR OF STATE KEITH FABER



City of Niles
34 West State Street
Niles, Ohio 44446


Accountant's Compilation Report

Management is responsible for the accompanying basic financial statements of the City of Niles as of and for the year ended December 31, 2019, in accordance with accounting principles generally accepted in the United States of America. We have performed compilation engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the accompanying financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Management's Discussion and Analysis is supplementary information required by the Governmental Accounting Standards Board and was prepared by management. We did not compile, review or audit the information nor do we express an opinion, a conclusion, nor provide any assurance on the information.

The Schedules of the City's Proportionate Share of Net Pension Asset/Liability, the Schedules of the City's Proportionate Share of the Net OPEB Liability and the Schedules of the City's Contributions are not part of the basic financial statements but the Governmental Accounting Standards Board requires their presentation to supplement the basic financial statement. We have compiled these schedules without audit or review and, accordingly, we do not express an opinion, a conclusion, nor provide any assurance on this information.

KEITH FABER
Auditor of State



David B. Thompson
Chief of Local Government Services

June 29, 2020

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City of Niles
Management's Discussion and Analysis
For the Year Ended December 31, 2019
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, 2019. 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 2019 are as follows:

- The City was terminated from fiscal emergency on March 11, 2019. The City's recovery was due to cost cutting measures which continue to be a priority. The City carefully monitors revenues for any significant changes.
- The City's overall financial position improved in 2019. 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 decreased due to increases in the net pension liability and the net OPEB liability offset by an increase in business-type net capital assets and an increase in cash and cash equivalents attributable to higher charges for services revenues.
- The City of Niles utilized the services of the Regional Income Tax Agency (R.I.T.A.) during 2019. R.I.T.A. has administered and collected the City's income taxes since January 1, 2018. As a result, income tax cash basis collections are remaining consistent with the prior year, due in part to accelerated collections of delinquencies, collecting from prior non-filers and enforcing payment of quarterly estimated taxes by individuals.
- The City implemented GASB Statement No. 84 during the year establishing specific criteria for identifying activities that should be reported as fiduciary.
- Governmental long-term debt obligations decreased due to the decrease the net OPEB liability. The decrease was partially offset by an increase in the net pension liability and the continued pay-down of debt. Business-type long-term liabilities increased from the prior year due to increases in the net pension and OPEB liabilities. These increases were partially offset by current year debt payments.

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.

City of Niles
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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 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.

City of Niles
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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.

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 custodial 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 2019 as they compare to 2018.

City of Niles
Management's Discussion and Analysis
For the Year Ended December 31, 2019
Unaudited

| (Table 1) <i>Net Position</i> | | | | | | |
|---|-------------------------|--------------------|--------------------------|---------------------|---------------------|---------------------|
| | Governmental Activities | | Business-Type Activities | | Total | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Assets | | | | | | |
| Current and Other Assets | \$17,928,642 | \$14,247,551 | \$25,682,154 | \$25,368,166 | \$43,610,796 | \$39,615,717 |
| Noncurrent Assets: | | | | | | |
| Net Pension Asset | 2,704 | 4,727 | 6,017 | 10,521 | 8,721 | 15,248 |
| Capital Assets, Net | 23,888,857 | 23,452,964 | 59,948,436 | 59,557,489 | 83,837,293 | 83,010,453 |
| <i>Total Assets</i> | <i>41,820,203</i> | <i>37,705,242</i> | <i>85,636,607</i> | <i>84,936,176</i> | <i>127,456,810</i> | <i>122,641,418</i> |
| Deferred Outflows of Resources | | | | | | |
| Pension | 4,757,150 | 2,031,682 | 2,172,450 | 1,039,173 | 6,929,600 | 3,070,855 |
| OPEB | 1,063,270 | 1,178,306 | 261,978 | 214,875 | 1,325,248 | 1,393,181 |
| <i>Total Deferred Outflows of Resources</i> | <i>5,820,420</i> | <i>3,209,988</i> | <i>2,434,428</i> | <i>1,254,048</i> | <i>8,254,848</i> | <i>4,464,036</i> |
| Liabilities | | | | | | |
| Current Liabilities | 1,238,886 | 927,711 | 1,743,181 | 1,525,434 | 2,982,067 | 2,453,145 |
| Long-term Liabilities | | | | | | |
| Due within One Year | 1,244,001 | 1,125,097 | 2,108,829 | 396,445 | 3,352,830 | 1,521,542 |
| Due in More than One Year | | | | | | |
| Net Pension Liability | 18,246,473 | 13,720,209 | 7,238,198 | 4,323,086 | 25,484,671 | 18,043,295 |
| Net OPEB Liability | 3,155,933 | 12,165,304 | 3,301,072 | 2,876,522 | 6,457,005 | 15,041,826 |
| Other Amounts | 4,086,828 | 4,514,604 | 36,359,293 | 38,477,364 | 40,446,121 | 42,991,968 |
| <i>Total Liabilities</i> | <i>27,972,121</i> | <i>32,452,925</i> | <i>50,750,573</i> | <i>47,598,851</i> | <i>78,722,694</i> | <i>80,051,776</i> |
| Deferred Inflows of Resources | | | | | | |
| Property Taxes | 841,475 | 841,068 | 0 | 0 | 841,475 | 841,068 |
| Pension | 791,035 | 1,326,495 | 274,010 | 1,159,696 | 1,065,045 | 2,486,191 |
| OPEB | 1,030,415 | 363,087 | 109,880 | 244,458 | 1,140,295 | 607,545 |
| <i>Total Deferred Inflows of Resources</i> | <i>2,662,925</i> | <i>2,530,650</i> | <i>383,890</i> | <i>1,404,154</i> | <i>3,046,815</i> | <i>3,934,804</i> |
| Net Position | | | | | | |
| Net Investment in Capital Assets | 20,299,246 | 20,157,014 | 23,531,180 | 22,862,540 | 43,830,426 | 43,019,554 |
| Restricted for: | | | | | | |
| Capital Projects | 607,540 | 458,856 | 0 | 0 | 607,540 | 458,856 |
| Other Purposes | 3,039,047 | 2,550,020 | 0 | 0 | 3,039,047 | 2,550,020 |
| Unrestricted (Deficit) | (6,940,256) | (17,234,235) | 13,405,392 | 14,324,679 | 6,465,136 | (2,909,556) |
| <i>Total Net Position</i> | <i>\$17,005,577</i> | <i>\$5,931,655</i> | <i>\$36,936,572</i> | <i>\$37,187,219</i> | <i>\$53,942,149</i> | <i>\$43,118,874</i> |

The net pension liability (NPL) is one of the largest single liabilities reported by the City at December 31, 2019. 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 receive 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.

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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.

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

Net position of business-type activities decreased from the prior year. Current and other assets increased due to an increase in cash and cash equivalents despite an increase in expenses. The increase in capital assets is attributable to current year additions of construction in progress, equipment and vehicles. Long-term liabilities increased due to an increase in net pension liability and the net OPEB liability, which was offset by 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 2019 and 2018.

(Table 2)
Changes in Net Position

| | Governmental Activities | | Business Type Activities | | Total | |
|--------------------------------------|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Program Revenues | | | | | | |
| Charges for Services and Assessments | \$1,981,307 | \$2,200,575 | \$39,448,479 | \$39,708,340 | \$41,429,786 | \$41,908,915 |
| Operating Grants | 2,710,894 | 2,057,694 | 0 | 0 | 2,710,894 | 2,057,694 |
| Capital Grants | 534,520 | 193,966 | 0 | 0 | 534,520 | 193,966 |
| <i>Total Program Revenues</i> | <u>5,226,721</u> | <u>4,452,235</u> | <u>39,448,479</u> | <u>39,708,340</u> | <u>44,675,200</u> | <u>44,160,575</u> |
| General Revenues | | | | | | |
| Property Taxes | 870,242 | 851,266 | 0 | 0 | 870,242 | 851,266 |
| Income Taxes | 10,162,446 | 10,359,931 | 0 | 0 | 10,162,446 | 10,359,931 |
| Grants and Entitlements | 478,803 | 403,373 | 0 | 0 | 478,803 | 403,373 |
| Excise Taxes | 809,298 | 874,385 | 0 | 0 | 809,298 | 874,385 |
| Hotel Taxes | 149,131 | 156,238 | 0 | 0 | 149,131 | 156,238 |
| Interest | 488,218 | 254,460 | 0 | 0 | 488,218 | 254,460 |
| Gain on Sale of Capital Assets | 4,577 | 0 | 25,300 | 0 | 29,877 | 0 |
| Other | 219,418 | 136,183 | 271,015 | 399,902 | 490,433 | 536,085 |
| <i>Total General Revenues</i> | <u>13,182,133</u> | <u>13,035,836</u> | <u>296,315</u> | <u>399,902</u> | <u>13,478,448</u> | <u>13,435,738</u> |
| <i>Total Revenues</i> | <u>\$18,408,854</u> | <u>\$17,488,071</u> | <u>\$39,744,794</u> | <u>\$40,108,242</u> | <u>\$58,153,648</u> | <u>\$57,596,313</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 | |
|---------------------------------------|----------------------------|---------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Program Expenses | | | | | | |
| General Government | \$1,709,962 | \$1,590,279 | \$0 | \$0 | \$1,709,962 | \$1,590,279 |
| General Government - External Portion | 49,258 | 50,785 | 0 | 0 | 49,258 | 50,785 |
| Security of Persons and Property | 1,181,240 | 9,296,953 | 0 | 0 | 1,181,240 | 9,296,953 |
| Public Health and Welfare | 261,781 | 228,080 | 0 | 0 | 261,781 | 228,080 |
| Leisure Time Activities | 1,029,034 | 749,734 | 0 | 0 | 1,029,034 | 749,734 |
| Community Environment | 1,369,982 | 700,136 | 0 | 0 | 1,369,982 | 700,136 |
| Transportation | 1,579,960 | 934,788 | 0 | 0 | 1,579,960 | 934,788 |
| Interest and Fiscal Charges | 144,082 | 160,514 | 0 | 0 | 144,082 | 160,514 |
| Water | 0 | 0 | 7,675,387 | 6,930,931 | 7,675,387 | 6,930,931 |
| Sewer | 0 | 0 | 3,768,757 | 3,242,202 | 3,768,757 | 3,242,202 |
| Electric | 0 | 0 | 28,551,297 | 27,735,484 | 28,551,297 | 27,735,484 |
| Para-Transit | 0 | 0 | 9,633 | 10,500 | 9,633 | 10,500 |
| <i>Total Program Expenses</i> | <u>7,325,299</u> | <u>13,711,269</u> | <u>40,005,074</u> | <u>37,919,117</u> | <u>47,330,373</u> | <u>51,630,386</u> |
| Transfers | (9,633) | (9,633) | 9,633 | 9,633 | 0 | 0 |
| <i>Change in Net Position</i> | <u>11,073,922</u> | <u>3,767,169</u> | <u>(250,647)</u> | <u>2,198,758</u> | <u>10,823,275</u> | <u>5,965,927</u> |
| <i>Net Position Beginning 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> |
| <i>Net Position End of Year</i> | <u><u>\$17,005,577</u></u> | <u><u>\$5,931,655</u></u> | <u><u>\$36,936,572</u></u> | <u><u>\$37,187,219</u></u> | <u><u>\$53,942,149</u></u> | <u><u>\$43,118,874</u></u> |

For 2019, OP&F recognized a change in benefit terms for their OPEB plan. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements. This new model replaced the self-insured health care plan used in prior years. These changes contributed to OPEB expense decreasing from \$846,839 in 2018 to a negative OPEB expense of (\$8,314,299) for 2019.

Governmental Activities

Governmental program revenues increased in 2019 due to increases in operating and capital grants. Interest revenue increased greatly from the prior year and income taxes remained consistent with 2018 levels. The increases in these revenue sources are a result of the City's administration making great efforts to increase revenue from all sources. 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. These efforts, along with cost cutting measures, led to the City's release from fiscal emergency in 2019.

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, leisure time activities and transportation expenses increased due to additional expenses related to the net pension liability. Security of persons and property expenses were greatly affected in 2019 from OP&F switching to a stipend reimbursement in their healthcare funding, resulting in negative expenses. Community environment expenses increased due to additional community development projects in 2019.

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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 income tax and interest revenues coupled with a decrease in program expenditures. The police and fire tax fund fund balance remained relatively consistent with the prior year. There was an increase in income taxes, which was offset by an increase in program expenditures.

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 2018. 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 a decrease in net position due to a decrease in charges for services revenue and a slight increase in operating expenses.

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 2019, 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.

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 construction in progress, vehicles 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 and vehicles. See Note 10 to the basic financial statements for additional information on capital assets.

Long-Term Obligations

During 2019, the City's long-term obligations outstanding decreased due to a decrease in the net OPEB liability and the continued paydown of debt. These were partially offset by increases in compensated absences and the net pension liability.

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The City's overall debt margin was \$23,934,748 and the unvoted legal debt margin was \$10,868,011 at December 31, 2019. 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. In 2019, the City was released from fiscal emergency due to management seeking out additional revenue sources and taking cost cutting measures. The City is looking to continue these measures going forward to ensure the City's financial stability for the future.

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.

City of Niles, Ohio
Statement of Net Position
December 31, 2019

| | Primary Government | | |
|---|----------------------------|-----------------------------|---------------------|
| | Governmental Activities | Business-Type Activities | Total |
| Assets | | | |
| Equity in Pooled Cash and Cash Equivalents | \$11,627,762 | \$18,801,320 | \$30,429,082 |
| Cash and Cash Equivalents: | | | |
| In Segregated Accounts | 217,521 | 0 | 217,521 |
| Materials and Supplies Inventory | 140,331 | 1,018,390 | 1,158,721 |
| Prepaid Items | 34,170 | 21,891 | 56,061 |
| Accounts Receivable | 50,247 | 2,554,625 | 2,604,872 |
| Internal Balances | 312,572 | (312,572) | 0 |
| Intergovernmental Receivable | 963,648 | 1,188 | 964,836 |
| Income Taxes Receivable | 3,333,547 | 0 | 3,333,547 |
| Property Taxes Receivable | 1,025,799 | 0 | 1,025,799 |
| Special Assessments Receivable | 180,877 | 0 | 180,877 |
| Loans Receivable | 42,168 | 0 | 42,168 |
| Investment in Joint Venture | 0 | 685,152 | 685,152 |
| Regulatory Asset | 0 | 1,587,767 | 1,587,767 |
| Restricted Assets: | | | |
| Equity in Pooled Cash and Cash Equivalents | 0 | 1,324,393 | 1,324,393 |
| Net Pension Asset | 2,704 | 6,017 | 8,721 |
| Nondepreciable Capital Assets | 4,755,616 | 35,591,001 | 40,346,617 |
| Depreciable Capital Assets, Net | 19,133,241 | 24,357,435 | 43,490,676 |
| <i>Total Assets</i> | <u>41,820,203</u> | <u>85,636,607</u> | <u>127,456,810</u> |
| Deferred Outflows of Resources | | | |
| Pension | 4,757,150 | 2,172,450 | 6,929,600 |
| OPEB | 1,063,270 | 261,978 | 1,325,248 |
| <i>Total Deferred Outflows of Resources</i> | <u>5,820,420</u> | <u>2,434,428</u> | <u>8,254,848</u> |
| Liabilities | | | |
| Accounts Payable | 166,546 | 108,082 | 274,628 |
| Accrued Wages | 190,494 | 83,792 | 274,286 |
| Contracts Payable | 104,681 | 0 | 104,681 |
| Retainage Payable | 38,071 | 0 | 38,071 |
| Intergovernmental Payable | 209,340 | 95,612 | 304,952 |
| Payable from Restricted Assets: | | | |
| Deposits Held and Due to Others | 0 | 1,324,393 | 1,324,393 |
| Unearned Revenue | 162,584 | 0 | 162,584 |
| Accrued Interest Payable | 14,654 | 131,302 | 145,956 |
| Claims Payable | 352,516 | 0 | 352,516 |
| Long-Term Liabilities: | | | |
| Due Within One Year | 1,244,001 | 2,108,829 | 3,352,830 |
| Due In More Than One Year: | | | |
| Net Pension Liability (See Note 14) | 18,246,473 | 7,238,198 | 25,484,671 |
| Net OPEB Liability (See Note 15) | 3,155,933 | 3,301,072 | 6,457,005 |
| Other Amounts | 4,086,828 | 36,359,293 | 40,446,121 |
| <i>Total Liabilities</i> | <u>27,972,121</u> | <u>50,750,573</u> | <u>78,722,694</u> |
| Deferred Inflows of Resources | | | |
| Property Taxes | 841,475 | 0 | 841,475 |
| Pension | 791,035 | 274,010 | 1,065,045 |
| OPEB | 1,030,415 | 109,880 | 1,140,295 |
| <i>Total Deferred Inflows of Resources</i> | <u>2,662,925</u> | <u>383,890</u> | <u>3,046,815</u> |
| Net Position | | | |
| Net Investment in Capital Assets | 20,299,246 | 23,531,180 | 43,830,426 |
| Restricted for: | | | |
| Capital Projects | 607,540 | 0 | 607,540 |
| Other Purposes | 3,039,047 | 0 | 3,039,047 |
| Unrestricted (Deficit) | (6,940,256) | 13,405,392 | 6,465,136 |
| <i>Total Net Position</i> | <u>\$17,005,577</u> | <u>\$36,936,572</u> | <u>\$53,942,149</u> |

See accompanying notes to the basic financial statements

City of Niles, Ohio
Statement of Activities
For the Year Ended December 31, 2019

| | Program Revenues | | | |
|---|----------------------------|--|---------------------------|-------------------------|
| | Expenses | Charges for Services and Assessments | Operating Grants | Capital Grants |
| Primary Government | | | | |
| Governmental Activities: | | | | |
| General Government | \$1,709,962 | \$879,146 | \$0 | \$0 |
| General Government - External Portion | 49,258 | 49,258 | 0 | 0 |
| Security of Persons and Property | 1,181,240 | 476,463 | 434,026 | 0 |
| Public Health and Welfare | 261,781 | 118,800 | 0 | 0 |
| Leisure Time Activities | 1,029,034 | 281,763 | 53,271 | 0 |
| Community Environment | 1,369,982 | 165,618 | 863,828 | 0 |
| Transportation | 1,579,960 | 10,259 | 1,359,769 | 534,520 |
| Interest and Fiscal Charges | 144,082 | 0 | 0 | 0 |
| <i>Total Governmental Activities</i> | <u>7,325,299</u> | <u>1,981,307</u> | <u>2,710,894</u> | <u>534,520</u> |
| Business-Type Activities: | | | | |
| Water | 7,675,387 | 8,519,357 | 0 | 0 |
| Sewer | 3,768,757 | 4,248,374 | 0 | 0 |
| Electric | 28,551,297 | 26,680,748 | 0 | 0 |
| Para-Transit | 9,633 | 0 | 0 | 0 |
| <i>Total Business-Type Activities</i> | <u>40,005,074</u> | <u>39,448,479</u> | <u>0</u> | <u>0</u> |
| <i>Total - Primary Government</i> | <u><u>\$47,330,373</u></u> | <u><u>\$41,429,786</u></u> | <u><u>\$2,710,894</u></u> | <u><u>\$534,520</u></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 | | | | |
| Gain on Sale of Capital Assets | | | | |
| Other | | | | |
| <i>Total General Revenues</i> | | | | |
| Transfers | | | | |
| <i>Total General Revenues and Transfers</i> | | | | |
| Change in Net Position | | | | |
| <i>Net Position Beginning of Year</i> | | | | |
| <i>Net Position End of Year</i> | | | | |

See accompanying notes to the basic financial statements

| Net (Expense) Revenue and Changes in Net Position | | |
|---|-----------------------------|--------------|
| Primary Government | | |
| Governmental Activities | Business-Type Activities | Total |
| (\$830,816) | \$0 | (\$830,816) |
| 0 | 0 | 0 |
| (270,751) | 0 | (270,751) |
| (142,981) | 0 | (142,981) |
| (694,000) | 0 | (694,000) |
| (340,536) | 0 | (340,536) |
| 324,588 | 0 | 324,588 |
| (144,082) | 0 | (144,082) |
| (2,098,578) | 0 | (2,098,578) |
| 0 | 843,970 | 843,970 |
| 0 | 479,617 | 479,617 |
| 0 | (1,870,549) | (1,870,549) |
| 0 | (9,633) | (9,633) |
| 0 | (556,595) | (556,595) |
| (2,098,578) | (556,595) | (2,655,173) |
| 491,747 | 0 | 491,747 |
| 136,056 | 0 | 136,056 |
| 242,439 | 0 | 242,439 |
| 5,164,393 | 0 | 5,164,393 |
| 4,998,053 | 0 | 4,998,053 |
| 478,803 | 0 | 478,803 |
| 809,298 | 0 | 809,298 |
| 149,131 | 0 | 149,131 |
| 488,218 | 0 | 488,218 |
| 4,577 | 25,300 | 29,877 |
| 219,418 | 271,015 | 490,433 |
| 13,182,133 | 296,315 | 13,478,448 |
| (9,633) | 9,633 | 0 |
| 13,172,500 | 305,948 | 13,478,448 |
| 11,073,922 | (250,647) | 10,823,275 |
| 5,931,655 | 37,187,219 | 43,118,874 |
| \$17,005,577 | \$36,936,572 | \$53,942,149 |

City of Niles, Ohio
Balance Sheet
Governmental Funds
December 31, 2019

| | General | Police and Fire Tax | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|------------------------|--------------------------------|--------------------------------|
| Assets | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$7,853,072 | \$311,595 | \$2,525,368 | \$10,690,035 |
| Cash and Cash Equivalents | | | | |
| In Segregated Accounts | 39,631 | 0 | 177,890 | 217,521 |
| Materials and Supplies Inventory | 9,406 | 47,792 | 51,478 | 108,676 |
| Accounts Receivable | 22,415 | 0 | 6,193 | 28,608 |
| Interfund Receivable | 60,032 | 0 | 0 | 60,032 |
| Intergovernmental Receivable | 191,075 | 0 | 769,002 | 960,077 |
| Prepaid Items | 5,632 | 23,144 | 5,394 | 34,170 |
| Income Taxes Receivable | 1,690,552 | 1,642,995 | 0 | 3,333,547 |
| Property Taxes Receivable | 565,207 | 0 | 460,592 | 1,025,799 |
| Loans Receivable | 799,813 | 0 | 42,168 | 841,981 |
| Special Assessments Receivable | 180,877 | 0 | 0 | 180,877 |
| Restricted Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | 40,171 | 0 | 0 | 40,171 |
| Total Assets | \$11,457,883 | \$2,025,526 | \$4,038,085 | \$17,521,494 |
| Liabilities | | | | |
| Accounts Payable | \$144,827 | \$4,875 | \$10,494 | \$160,196 |
| Accrued Wages | 18,814 | 154,280 | 17,400 | 190,494 |
| Contracts Payable | 0 | 0 | 104,681 | 104,681 |
| Retainage Payable | 0 | 0 | 38,071 | 38,071 |
| Intergovernmental Payable | 27,803 | 3,389 | 178,148 | 209,340 |
| Unearned Revenue | 162,584 | 0 | 0 | 162,584 |
| Interfund Payable | 0 | 0 | 60,032 | 60,032 |
| Total Liabilities | 354,028 | 162,544 | 408,826 | 925,398 |
| Deferred Inflows of Resources | | | | |
| Property Taxes | 461,033 | 0 | 380,442 | 841,475 |
| Unavailable Revenue | 1,718,190 | 1,246,163 | 696,279 | 3,660,632 |
| Total Deferred Inflows of Resources | 2,179,223 | 1,246,163 | 1,076,721 | 4,502,107 |
| Fund Balances | | | | |
| Nonspendable | 855,022 | 70,936 | 56,872 | 982,830 |
| Restricted | 0 | 545,883 | 2,275,372 | 2,821,255 |
| Committed | 0 | 0 | 290,000 | 290,000 |
| Assigned | 1,476,319 | 0 | 0 | 1,476,319 |
| Unassigned (Deficit) | 6,593,291 | 0 | (69,706) | 6,523,585 |
| Total Fund Balances | 8,924,632 | 616,819 | 2,552,538 | 12,093,989 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$11,457,883 | \$2,025,526 | \$4,038,085 | \$17,521,494 |

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, 2019*

| | | |
|---|--------------|----------------------------|
| Total Governmental Fund Balances | | \$12,093,989 |
| <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. | | 23,888,857 |
| 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 | 184,324 | |
| Income Taxes | 2,513,425 | |
| Intergovernmental | 780,270 | |
| Special Assessments | 180,877 | |
| Rentals | 1,736 | |
| | | |
| Total | | 3,660,632 |
| 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 | 595,555 | |
| Internal Balances | (487,241) | |
| | | |
| Total | | 108,314 |
| In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. | | (14,654) |
| 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 | 2,704 | |
| Deferred Outflows - Pension | 4,757,150 | |
| Deferred Inflows - Pension | (791,035) | |
| Net Pension Liability | (18,246,473) | |
| Deferred Outflows - OPEB | 1,063,270 | |
| Deferred Inflows - OPEB | (1,030,415) | |
| Net OPEB Liability | (3,155,933) | |
| | | |
| Total | | (17,400,732) |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. | | |
| General Obligation Bonds | (3,522,117) | |
| Police and Fire Pension | (292,758) | |
| Capital Leases Payable | (83,211) | |
| Compensated Absences | (1,403,420) | |
| Special Termination Benefits Payable | (29,323) | |
| | | |
| Total | | (5,330,829) |
| <i>Net Position of Governmental Activities</i> | | <u><u>\$17,005,577</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, 2019

| | General | Police and Fire Tax | Other Governmental Funds | Total Governmental Funds |
|---|---------------------------|-------------------------|--------------------------------|--------------------------------|
| Revenues | | | | |
| Property Taxes | \$484,048 | \$0 | \$372,480 | \$856,528 |
| Income Taxes | 5,024,671 | 4,863,199 | 0 | 9,887,870 |
| Special Assessments | 13,135 | 0 | 0 | 13,135 |
| Excise Taxes | 809,298 | 0 | 0 | 809,298 |
| Hotel Taxes | 150,530 | 0 | 0 | 150,530 |
| Intergovernmental | 433,600 | 0 | 3,104,849 | 3,538,449 |
| Interest | 483,241 | 0 | 4,977 | 488,218 |
| Fees, Licenses and Permits | 352,362 | 0 | 0 | 352,362 |
| Fines and Forfeitures | 572,287 | 0 | 302,301 | 874,588 |
| Rentals | 18,155 | 0 | 7,890 | 26,045 |
| Charges for Services | 0 | 0 | 496,609 | 496,609 |
| Cable Franchise Fees | 236,662 | 0 | 0 | 236,662 |
| Other | 81,942 | 0 | 137,476 | 219,418 |
| <i>Total Revenues</i> | <u>8,659,931</u> | <u>4,863,199</u> | <u>4,426,582</u> | <u>17,949,712</u> |
| Expenditures | | | | |
| Current: | | | | |
| General Government | 1,399,833 | 0 | 78,378 | 1,478,211 |
| Security of Persons and Property | 334,480 | 6,495,616 | 1,638,856 | 8,468,952 |
| Public Health and Welfare | 0 | 0 | 224,276 | 224,276 |
| Leisure Time Activities | 35,047 | 0 | 666,943 | 701,990 |
| Community Environment | 330,964 | 0 | 1,015,813 | 1,346,777 |
| Transportation | 19,306 | 0 | 871,300 | 890,606 |
| Capital Outlay | 0 | 0 | 1,597,953 | 1,597,953 |
| Debt Service: | | | | |
| Principal Retirement | 138,700 | 13,170 | 226,055 | 377,925 |
| Interest and Fiscal Charges | 58,138 | 12,863 | 75,520 | 146,521 |
| <i>Total Expenditures</i> | <u>2,316,468</u> | <u>6,521,649</u> | <u>6,395,094</u> | <u>15,233,211</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>6,343,463</u> | <u>(1,658,450)</u> | <u>(1,968,512)</u> | <u>2,716,501</u> |
| Other Financing Sources (Uses) | | | | |
| Sale of Capital Assets | 32,966 | 0 | 0 | 32,966 |
| Transfers In | 0 | 1,687,999 | 1,836,777 | 3,524,776 |
| Transfers Out | (3,534,409) | 0 | 0 | (3,534,409) |
| <i>Total Other Financing Sources (Uses)</i> | <u>(3,501,443)</u> | <u>1,687,999</u> | <u>1,836,777</u> | <u>23,333</u> |
| <i>Net Change in Fund Balances</i> | <u>2,842,020</u> | <u>29,549</u> | <u>(131,735)</u> | <u>2,739,834</u> |
| <i>Fund Balances Beginning of Year</i> | <u>6,082,612</u> | <u>587,270</u> | <u>2,684,273</u> | <u>9,354,155</u> |
| <i>Fund Balances End of Year</i> | <u><u>\$8,924,632</u></u> | <u><u>\$616,819</u></u> | <u><u>\$2,552,538</u></u> | <u><u>\$12,093,989</u></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, 2019*

| | |
|---|--------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$2,739,834 |
|---|--------------------|

*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 | 1,633,209 | |
| Current Year Depreciation | (1,168,927) | |
| | | |
| Total | | 464,282 |

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.

(28,389)

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

| | | |
|---------------------------|----------|---------|
| Delinquent Property Taxes | 13,714 | |
| Hotel Taxes | (1,399) | |
| Income Taxes | 274,576 | |
| Intergovernmental | 185,768 | |
| Special Assessments | (7,447) | |
| Cable Franchise Fees | (58,143) | |
| Rentals | (1,762) | |
| | | |
| Total | | 405,307 |

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 | (140,874) | |
| Internal Balances | 364,122 | |
| | | |
| Total | | 223,248 |

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

| | | |
|---------|-----------|-----------|
| Pension | 1,169,632 | |
| OPEB | 23,213 | |
| | | |
| Total | | 1,192,845 |

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 | (2,436,991) | |
| OPEB | 8,203,794 | |
| | | |
| Total | | 5,766,803 |

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

377,925

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 | 1,120 | |
| Amortization of Premium | 1,319 | |
| | | |
| Total | | 2,439 |

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 | (104,043) | |
| Special Termination Benefits Payable | 33,671 | |
| | | |
| Total | | (70,372) |

Change in Net Position of Governmental Activities

\$11,073,922

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, 2019

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|---|--------------------|--------------------|--------------------|---|
| | Original | Final | Actual | |
| Revenues | | | | |
| Property Taxes | \$481,148 | \$498,330 | \$484,048 | (\$14,282) |
| Income Taxes | 3,838,204 | 4,149,036 | 5,006,813 | 857,777 |
| Special Assessments | 16,414 | 17,000 | 13,135 | (3,865) |
| Excise Taxes | 844,831 | 875,000 | 809,298 | (65,702) |
| Hotel Taxes | 130,345 | 135,000 | 148,740 | 13,740 |
| Intergovernmental | 378,052 | 391,553 | 429,543 | 37,990 |
| Interest | 408,273 | 422,065 | 498,825 | 76,760 |
| Fees, Licenses and Permits | 306,070 | 317,000 | 347,155 | 30,155 |
| Fines and Forfeitures | 511,726 | 530,000 | 579,201 | 49,201 |
| Rentals | 16,414 | 17,000 | 18,528 | 1,528 |
| Cable Franchise Fees | 193,104 | 200,000 | 236,662 | 36,662 |
| Other | 220,832 | 224,969 | 208,045 | (16,924) |
| <i>Total Revenues</i> | <u>7,345,413</u> | <u>7,776,953</u> | <u>8,779,993</u> | <u>1,003,040</u> |
| Expenditures | | | | |
| Current: | | | | |
| General Government | 1,795,108 | 2,119,886 | 1,463,765 | 656,121 |
| Security of Persons and Property | 408,708 | 412,354 | 335,534 | 76,820 |
| Leisure Time Activities | 17,300 | 45,105 | 38,150 | 6,955 |
| Community Environment | 337,906 | 391,583 | 346,570 | 45,013 |
| Transportation | 30,500 | 30,500 | 21,103 | 9,397 |
| Debt Service: | | | | |
| Principal Retirement | 138,700 | 138,700 | 138,700 | 0 |
| Interest and Fiscal Charges | 59,300 | 59,300 | 58,138 | 1,162 |
| <i>Total Expenditures</i> | <u>2,787,522</u> | <u>3,197,428</u> | <u>2,401,960</u> | <u>795,468</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>4,557,891</u> | <u>4,579,525</u> | <u>6,378,033</u> | <u>1,798,508</u> |
| Other Financing Sources (Uses) | | | | |
| Sale of Capital Assets | 32,966 | 32,966 | 32,966 | 0 |
| Advances Out | (30,000) | (30,000) | (30,000) | 0 |
| Transfers Out | (3,927,036) | (3,956,354) | (3,534,409) | 421,945 |
| <i>Total Other Financing Sources (Uses)</i> | <u>(3,924,070)</u> | <u>(3,953,388)</u> | <u>(3,531,443)</u> | <u>421,945</u> |
| <i>Net Change in Fund Balance</i> | <u>633,821</u> | <u>626,137</u> | <u>2,846,590</u> | <u>2,220,453</u> |
| <i>Fund Balance Beginning of Year</i> | <u>4,651,181</u> | <u>4,651,181</u> | <u>4,651,181</u> | <u>0</u> |
| <i>Prior Year Encumbrances Appropriated</i> | <u>85,581</u> | <u>85,581</u> | <u>85,581</u> | <u>0</u> |
| <i>Fund Balance End of Year</i> | <u>\$5,370,583</u> | <u>\$5,362,899</u> | <u>\$7,583,352</u> | <u>\$2,220,453</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, 2019

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|---|------------------|------------------|------------------|---|
| | Original | Final | Actual | |
| Revenues | | | | |
| Income Taxes | \$4,865,964 | \$4,865,964 | \$4,865,964 | \$0 |
| Expenditures | | | | |
| Current: | | | | |
| Security of Persons and Property | 6,813,116 | 7,063,509 | 6,629,512 | 433,997 |
| Debt Service: | | | | |
| Principal Retirement | 13,170 | 13,170 | 13,170 | 0 |
| Interest and Fiscal Charges | 12,863 | 12,863 | 12,863 | 0 |
| <i>Total Expenditures</i> | <u>6,839,149</u> | <u>7,089,542</u> | <u>6,655,545</u> | <u>433,997</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | (1,973,185) | (2,223,578) | (1,789,581) | 433,997 |
| Other Financing Sources (Uses) | | | | |
| Transfers In | <u>1,939,036</u> | <u>2,039,036</u> | <u>1,687,999</u> | <u>(351,037)</u> |
| <i>Net Change in Fund Balance</i> | (34,149) | (184,542) | (101,582) | 82,960 |
| <i>Fund Balance Beginning of Year</i> | 188,764 | 188,764 | 188,764 | 0 |
| Prior Year Encumbrances Appropriated | <u>70,480</u> | <u>70,480</u> | <u>70,480</u> | <u>0</u> |
| <i>Fund Balance End of Year</i> | <u>\$225,095</u> | <u>\$74,702</u> | <u>\$157,662</u> | <u>\$82,960</u> |

See accompanying notes to the basic financial statements

City of Niles, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2019

| | Enterprise | | | | Internal Service |
|--|------------------|---------------------|---------------------|---------------------|------------------|
| | Water | Sewer | Electric | Total | |
| Assets | | | | | |
| <i>Current Assets:</i> | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$1,891,813 | \$2,725,888 | \$14,183,619 | \$18,801,320 | \$897,556 |
| Materials and Supplies Inventory | 118,184 | 37,373 | 862,833 | 1,018,390 | 31,655 |
| Receivables: | | | | | |
| Intergovernmental | 1,188 | 0 | 0 | 1,188 | 3,571 |
| Accounts | 483,394 | 385,689 | 1,685,542 | 2,554,625 | 21,639 |
| Prepaid Items | 3,771 | 5,429 | 12,691 | 21,891 | 0 |
| <i>Total Current Assets</i> | <u>2,498,350</u> | <u>3,154,379</u> | <u>16,744,685</u> | <u>22,397,414</u> | <u>954,421</u> |
| <i>Noncurrent Assets:</i> | | | | | |
| Investment in Joint Venture | 0 | 0 | 685,152 | 685,152 | 0 |
| Regulatory Asset | 0 | 0 | 1,587,767 | 1,587,767 | 0 |
| Restricted Assets: | | | | | |
| Equity in Pooled Cash and Cash Equivalents | 422,109 | 353,178 | 549,106 | 1,324,393 | 0 |
| Net Pension Asset | 1,220 | 1,483 | 3,314 | 6,017 | |
| Capital Assets: | | | | | |
| Nondepreciable Capital Assets | 68,654 | 35,338,887 | 183,460 | 35,591,001 | 0 |
| Depreciable Capital Assets, Net | 1,504,338 | 10,278,580 | 12,574,517 | 24,357,435 | 0 |
| <i>Total Noncurrent Assets</i> | <u>1,996,321</u> | <u>45,972,128</u> | <u>15,583,316</u> | <u>63,551,765</u> | <u>0</u> |
| <i>Total Assets</i> | <u>4,494,671</u> | <u>49,126,507</u> | <u>32,328,001</u> | <u>85,949,179</u> | <u>954,421</u> |
| Deferred Outflows of Resources | | | | | |
| Pension | 440,787 | 535,241 | 1,196,422 | 2,172,450 | 0 |
| OPEB | 53,156 | 64,544 | 144,278 | 261,978 | 0 |
| <i>Total Deferred Outflows of Resources</i> | <u>493,943</u> | <u>599,785</u> | <u>1,340,700</u> | <u>2,434,428</u> | <u>0</u> |
| Liabilities | | | | | |
| <i>Current Liabilities:</i> | | | | | |
| Accounts Payable | 8,569 | 24,223 | 75,290 | 108,082 | 6,350 |
| Accrued Wages | 17,627 | 22,382 | 43,783 | 83,792 | 0 |
| Intergovernmental Payable | 16,974 | 30,515 | 48,123 | 95,612 | 0 |
| Payable from Restricted Assets: | | | | | |
| Deposits Held and Due to Others | 422,109 | 353,178 | 549,106 | 1,324,393 | 0 |
| Compensated Absences Payable | 24,411 | 58,187 | 159,973 | 242,571 | 0 |
| Accrued Interest Payable | 1,959 | 129,343 | 0 | 131,302 | 0 |
| Internal Loans Payable | 159,963 | 0 | 0 | 159,963 | 0 |
| General Obligation Bonds Payable | 50,000 | 145,000 | 0 | 195,000 | 0 |
| OWDA Loans Payable | 0 | 1,671,258 | 0 | 1,671,258 | 0 |
| Claims Payable | 0 | 0 | 0 | 0 | 352,516 |
| <i>Total Current Liabilities</i> | <u>701,612</u> | <u>2,434,086</u> | <u>876,275</u> | <u>4,011,973</u> | <u>358,866</u> |
| <i>Long-Term Liabilities (net of current portion):</i> | | | | | |
| Compensated Absences Payable | 19,775 | 86,665 | 93,480 | 199,920 | 0 |
| Internal Loans Payable | 639,850 | 0 | 0 | 639,850 | 0 |
| General Obligation Bonds Payable | 705,400 | 1,975,208 | 0 | 2,680,608 | 0 |
| OWDA Loans Payable | 0 | 31,890,998 | 0 | 31,890,998 | 0 |
| Stranded Cost Liability | 0 | 0 | 1,587,767 | 1,587,767 | 0 |
| Net Pension Liability | 1,468,620 | 1,783,324 | 3,986,254 | 7,238,198 | 0 |
| Net OPEB Liability | 669,783 | 813,307 | 1,817,982 | 3,301,072 | 0 |
| <i>Total Long-Term Liabilities</i> | <u>3,503,428</u> | <u>36,549,502</u> | <u>7,485,483</u> | <u>47,538,413</u> | <u>0</u> |
| <i>Total Liabilities</i> | <u>4,205,040</u> | <u>38,983,588</u> | <u>8,361,758</u> | <u>51,550,386</u> | <u>358,866</u> |
| Deferred Inflows of Resources | | | | | |
| Pension | 55,598 | 67,509 | 150,903 | 274,010 | 0 |
| OPEB | 22,294 | 27,072 | 60,514 | 109,880 | 0 |
| <i>Total Deferred Inflows of Resources</i> | <u>77,892</u> | <u>94,581</u> | <u>211,417</u> | <u>383,890</u> | <u>0</u> |
| Net Position | | | | | |
| Net Investment in Capital Assets | 822,992 | 9,950,211 | 12,757,977 | 23,531,180 | 0 |
| Unrestricted (Deficit) | (117,310) | 697,912 | 12,337,549 | 12,918,151 | 595,555 |
| <i>Total Net Position</i> | <u>\$705,682</u> | <u>\$10,648,123</u> | <u>\$25,095,526</u> | <u>\$36,449,331</u> | <u>\$595,555</u> |

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:

487,241

Net position of business-type activities

\$36,936,572

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, 2019*

| | Enterprise | | | | | Internal Service |
|--|------------------|---------------------|---------------------|---------------------------|--------------------|------------------|
| | Water | Sewer | Electric | Nonmajor Enterprise Funds | Total | |
| Operating Revenues | | | | | | |
| Charges for Services | \$8,519,357 | \$4,248,374 | \$26,680,748 | \$0 | \$39,448,479 | \$3,439,773 |
| Other | 53,817 | 38,821 | 178,377 | 0 | 271,015 | 0 |
| <i>Total Operating Revenues</i> | <u>8,573,174</u> | <u>4,287,195</u> | <u>26,859,125</u> | <u>0</u> | <u>39,719,494</u> | <u>3,439,773</u> |
| Operating Expenses | | | | | | |
| Personal Services | 1,370,182 | 2,009,323 | 3,846,133 | 0 | 7,225,638 | 0 |
| Materials and Supplies | 188,875 | 91,143 | 399,011 | 0 | 679,029 | 238,456 |
| Contractual Services | 6,035,880 | 736,648 | 22,841,419 | 9,633 | 29,623,580 | 16,882 |
| Depreciation | 70,230 | 499,658 | 1,105,466 | 0 | 1,675,354 | 0 |
| Claims | 0 | 0 | 0 | 0 | 0 | 2,815,928 |
| Other | 13,291 | 23,046 | 39,456 | 0 | 75,793 | 4,385 |
| <i>Total Operating Expenses</i> | <u>7,678,458</u> | <u>3,359,818</u> | <u>28,231,485</u> | <u>9,633</u> | <u>39,279,394</u> | <u>3,075,651</u> |
| <i>Operating Income (Loss)</i> | <u>894,716</u> | <u>927,377</u> | <u>(1,372,360)</u> | <u>(9,633)</u> | <u>440,100</u> | <u>364,122</u> |
| Non-Operating Revenues (Expenses) | | | | | | |
| Interest and Fiscal Charges | (24,014) | (448,373) | 0 | 0 | (472,387) | 0 |
| Loss on Investment in Joint Venture | 0 | 0 | (394,167) | 0 | (394,167) | 0 |
| Gain on Sale of Capital Assets | 0 | 2,075 | 23,225 | 0 | 25,300 | 0 |
| <i>Total Non-Operating Revenues (Expenses)</i> | <u>(24,014)</u> | <u>(446,298)</u> | <u>(370,942)</u> | <u>0</u> | <u>(841,254)</u> | <u>0</u> |
| <i>Income (Loss) before Transfers</i> | <u>870,702</u> | <u>481,079</u> | <u>(1,743,302)</u> | <u>(9,633)</u> | <u>(401,154)</u> | <u>364,122</u> |
| Transfers In | 0 | 0 | 0 | 9,633 | 9,633 | 0 |
| <i>Change in Net Position</i> | <u>870,702</u> | <u>481,079</u> | <u>(1,743,302)</u> | <u>0</u> | <u>(391,521)</u> | <u>364,122</u> |
| <i>Net Position Beginning of Year</i> | <u>(165,020)</u> | <u>10,167,044</u> | <u>26,838,828</u> | <u>0</u> | | <u>231,433</u> |
| <i>Net Position End of Year</i> | <u>\$705,682</u> | <u>\$10,648,123</u> | <u>\$25,095,526</u> | <u>\$0</u> | | <u>\$595,555</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. | | | | | <u>140,874</u> | |
| Change in net position of business-type activities | | | | | <u>(\$250,647)</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, 2019

| | 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 | \$8,616,478 | \$4,214,961 | \$27,326,843 | \$0 | \$40,158,282 | \$3,439,361 |
| Other Cash Receipts | 66,261 | 51,652 | 178,185 | 0 | 296,098 | 0 |
| Cash Payments to Employees for Services | (923,210) | (1,322,366) | (2,625,456) | 0 | (4,871,032) | 0 |
| Cash Payments for Goods and Services | (6,209,393) | (969,355) | (23,212,506) | (9,633) | (30,400,887) | (272,870) |
| Cash Payments for Claims | 0 | 0 | 0 | 0 | 0 | (2,825,388) |
| Cash Payments for Interfund Services Provided | (228,761) | (342,256) | (630,147) | 0 | (1,201,164) | 0 |
| Other Cash Payments | (13,598) | (23,199) | (39,967) | 0 | (76,764) | (4,199) |
| <i>Net Cash Provided by (Used for) Operating Activities</i> | <u>1,307,777</u> | <u>1,609,437</u> | <u>996,952</u> | <u>(9,633)</u> | <u>3,904,533</u> | <u>336,904</u> |
| Cash Flows from Noncapital and Related Financing Activities | | | | | | |
| Transfers In | <u>0</u> | <u>0</u> | <u>0</u> | <u>9,633</u> | <u>9,633</u> | <u>0</u> |
| Cash Flows from Capital and Related Financing Activities | | | | | | |
| Proceeds from Sale of Capital Assets | 0 | 2,075 | 23,225 | 0 | 25,300 | 0 |
| OWDA Loans Issued | 0 | 1,571,432 | 0 | 0 | 1,571,432 | 0 |
| Principal Paid on Internal Loans | (137,935) | 0 | 0 | 0 | (137,935) | 0 |
| Interest Paid on Internal Loans | (22,065) | 0 | 0 | 0 | (22,065) | 0 |
| Principal Paid on General Obligation Bonds | (50,000) | (140,000) | 0 | 0 | (190,000) | 0 |
| Interest Paid on General Obligation Bonds | (24,513) | (69,225) | 0 | 0 | (93,738) | 0 |
| Principal Paid on OWDA Loans | 0 | (1,659,125) | 0 | 0 | (1,659,125) | 0 |
| Interest Paid on OWDA Loans | 0 | (256,801) | 0 | 0 | (256,801) | 0 |
| Payments for Capital Acquisitions | (28,088) | (1,597,148) | (441,065) | 0 | (2,066,301) | 0 |
| <i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i> | <u>(262,601)</u> | <u>(2,148,792)</u> | <u>(417,840)</u> | <u>0</u> | <u>(2,829,233)</u> | <u>0</u> |
| <i>Net Increase (Decrease) in Cash and Cash Equivalents</i> | <u>1,045,176</u> | <u>(539,355)</u> | <u>579,112</u> | <u>0</u> | <u>1,084,933</u> | <u>336,904</u> |
| <i>Cash and Cash Equivalents Beginning of Year</i> | <u>1,268,746</u> | <u>3,618,421</u> | <u>14,153,613</u> | <u>0</u> | <u>19,040,780</u> | <u>560,652</u> |
| <i>Cash and Cash Equivalents End of Year</i> | <u><u>\$2,313,922</u></u> | <u><u>\$3,079,066</u></u> | <u><u>\$14,732,725</u></u> | <u><u>\$0</u></u> | <u><u>\$20,125,713</u></u> | <u><u>\$897,556</u></u> |

(continued)

City of Niles, Ohio
Statement of Cash Flows
Proprietary Funds (continued)
For the Year Ended December 31, 2019

| | 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) | \$894,716 | \$927,377 | (\$1,372,360) | (\$9,633) | \$440,100 | \$364,122 |
| Adjustments: | | | | | | |
| Depreciation | 70,230 | 499,658 | 1,105,466 | 0 | 1,675,354 | 0 |
| <i>(Increase) Decrease in Assets:</i> | | | | | | |
| Accounts Receivable | 58,045 | (63,947) | 578,510 | 0 | 572,608 | 206 |
| Intergovernmental Receivable | 79 | 618 | 1,687 | 0 | 2,384 | (618) |
| Materials and Supplies Inventory | 1,681 | (6,212) | (89,308) | 0 | (93,839) | (19,177) |
| Prepaid Items | (132) | (190) | (444) | 0 | (766) | 0 |
| Net Pension Asset | (367) | (446) | (996) | 0 | (1,809) | 0 |
| (Increase) Decrease in Deferred Outflows - Pension | 312,866 | 381,506 | 845,215 | 0 | 1,539,587 | 0 |
| (Increase) Decrease in Deferred Outflows - OPEB | 35,311 | 42,879 | 95,844 | 0 | 174,034 | 0 |
| <i>Increase (Decrease) in Liabilities:</i> | | | | | | |
| Accounts Payable | 5,699 | (21,706) | 71,036 | 0 | 55,029 | 1,831 |
| Accrued Wages | 7,283 | 6,197 | 8,937 | 0 | 22,417 | 0 |
| Contracts Payable | (15,383) | (131,708) | (15,383) | 0 | (162,474) | 0 |
| Intergovernmental Payable | 2,874 | 8,397 | 2,239 | 0 | 13,510 | 0 |
| Deposits Held and Due to Others | 51,959 | 43,365 | 67,393 | 0 | 162,717 | 0 |
| Compensated Absences Payable | (1,780) | 63,665 | 12,086 | 0 | 73,971 | 0 |
| Claims Payable | 0 | 0 | 0 | 0 | 0 | (9,460) |
| Net Pension Liability | (1,592) | (1,936) | (4,325) | 0 | (7,853) | 0 |
| Net OPEB Liability | 36,688 | 44,550 | 99,586 | 0 | 180,824 | 0 |
| Increase (Decrease) in Deferred Inflows - Pension | (127,678) | (155,038) | (346,556) | 0 | (629,272) | 0 |
| Increase (Decrease) in Deferred Inflows - OPEB | (22,722) | (27,592) | (61,675) | 0 | (111,989) | 0 |
| <i>Total Adjustments</i> | <u>413,061</u> | <u>682,060</u> | <u>2,369,312</u> | <u>0</u> | <u>3,464,433</u> | <u>(27,218)</u> |
| <i>Net Cash Provided by (Used for) Operating Activities</i> | <u>\$1,307,777</u> | <u>\$1,609,437</u> | <u>\$996,952</u> | <u>(\$9,633)</u> | <u>\$3,904,533</u> | <u>\$336,904</u> |

See accompanying notes to the basic financial statements

City of Niles, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2019

| | Private Purpose Trust | Custodial Fund |
|--|--------------------------|-------------------|
| | Endowment | Court |
| Assets | | |
| Equity in Pooled Cash and Cash Equivalents | \$85,867 | \$0 |
| Cash and Cash Equivalents in Segregated Accounts | 0 | 11,531 |
| <i>Total Assets</i> | 85,867 | 11,531 |
| Liabilities | | |
| Accounts Payable | 0 | 1,633 |
| Intergovernmental Payable | 0 | 9,898 |
| <i>Total Liabilities</i> | 0 | 11,531 |
| Net Position | | |
| Held in Trust for Endowment | \$85,867 | \$0 |

See accompanying notes to the basic financial statements

City of Niles, Ohio
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
December 31, 2019

| | Private Purpose Trust | Custodial Fund |
|--|--------------------------|-------------------|
| | Endowment | Court |
| Additions | | |
| Fines and Forfeitures for Other Governments | \$0 | \$599,450 |
| Fines and Forfeitures for Others | 0 | 351,370 |
| <i>Total Additions</i> | 0 | 950,820 |
| Deductions | | |
| Fines and Forfeitures Distributions to Other Governments | 0 | 600,885 |
| Fines and Forfeitures Distributions to Others | 0 | 349,935 |
| Contractual Services | 35 | 0 |
| <i>Total Deductions</i> | 35 | 950,820 |
| <i>Net Increase (Decrease) in Fiduciary Net Position</i> | (35) | 0 |
| <i>Net Position Beginning of Year</i> | 85,902 | 0 |
| <i>Net Position End of Year</i> | \$85,867 | \$0 |

See accompanying notes to the basic financial statements

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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 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.

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 three jointly governed organizations and two joint ventures. They are the Regional Income Tax Agency, Eastgate Regional Council of Governments, the Emergency Management Agency, the Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5) and the Ohio Municipal Electric Generation Agency Joint Venture 2 (JV2), 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.

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.

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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.

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.

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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 custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics. The City's only trust fund is a private-purpose trust which accounts for an endowment. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The City's custodial funds are used to account 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.

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

City of Niles, Ohio
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For the Year Ended December 31, 2019

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 and fiduciary 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. In fiduciary funds, a liability to the beneficiaries of fiduciary activity is recognized when an event has occurred that compels the government to disburse fiduciary resources. Fiduciary fund liabilities other than those to beneficiaries are recognized using the economic resources measurement focus.

For the proprietary funds, 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.

Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from private purpose trust and the custodial fund.

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
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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, 2019, but which were levied to finance fiscal year 2020 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 17. 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 custodial 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, 2019

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 2019 amounted to \$483,241, which includes \$361,880 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, 2019.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2019, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

City of Niles, Ohio
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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.

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 | Business-Type Activities |
|----------------------------|----------------------------|-----------------------------|
| | Estimated Lives | 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, 2019

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, 2019

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. City Council also assigned fund balance to cover a gap between estimated revenues and appropriations in 2020's budget.

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, 2019

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, 2019

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 out 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

| | <u>General</u> | <u>Police and Fire Tax</u> |
|---|---------------------------|--------------------------------|
| GAAP Basis | \$2,842,020 | \$29,549 |
| Net Adjustment for Revenue Accruals | 133,928 | 2,765 |
| Perspective Difference: | | |
| Unclaimed Monies | (7,423) | 0 |
| Beginning Unrecorded Cash | 36,009 | 0 |
| Ending Unrecorded Cash | (42,452) | 0 |
| Net Adjustment for Expenditure Accruals | 126,380 | 19,890 |
| Advances Out | (30,000) | 0 |
| Adjustments for Encumbrances | <u>(211,872)</u> | <u>(153,786)</u> |
| Budget Basis | <u><u>\$2,846,590</u></u> | <u><u>(\$101,582)</u></u> |

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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 | \$40,171 | \$0 | \$0 | \$40,171 |
| Prepays | 5,632 | 23,144 | 5,394 | 34,170 |
| Inventory | 9,406 | 47,792 | 51,478 | 108,676 |
| Long-term Loans | 799,813 | 0 | 0 | 799,813 |
| <u>Total Nonspendable</u> | <u>855,022</u> | <u>70,936</u> | <u>56,872</u> | <u>982,830</u> |
| <u>Restricted for:</u> | | | | |
| Police and Fire Protection | 0 | 545,883 | 619,673 | 1,165,556 |
| Park and Community Activities | 0 | 0 | 95,487 | 95,487 |
| Debt Service Retirement | 0 | 0 | 1,000 | 1,000 |
| Street Maintenance | 0 | 0 | 543,226 | 543,226 |
| Health and Welfare | 0 | 0 | 52,884 | 52,884 |
| Municipal Court | 0 | 0 | 154,971 | 154,971 |
| Revolving Loan | 0 | 0 | 200,591 | 200,591 |
| Capital Improvements | 0 | 0 | 607,540 | 607,540 |
| <u>Total Restricted</u> | <u>0</u> | <u>545,883</u> | <u>2,275,372</u> | <u>2,821,255</u> |
| <u>Committed to:</u> | | | | |
| Capital Improvements | 0 | 0 | 290,000 | 290,000 |
| <u>Assigned to:</u> | | | | |
| 2020 Operations | 1,272,590 | 0 | 0 | 1,272,590 |
| Purchases on Order: | | | | |
| General Government | 179,936 | 0 | 0 | 179,936 |
| Security of Persons and Property | 3,523 | 0 | 0 | 3,523 |
| Community Environment | 14,926 | 0 | 0 | 14,926 |
| Leisure Time Activities | 3,547 | 0 | 0 | 3,547 |
| Transportation | 1,797 | 0 | 0 | 1,797 |
| <u>Total Assigned</u> | <u>1,476,319</u> | <u>0</u> | <u>0</u> | <u>1,476,319</u> |
| Unassigned (Deficit) | 6,593,291 | 0 | (69,706) | 6,523,585 |
| <u>Total Fund Balances</u> | <u>\$8,924,632</u> | <u>\$616,819</u> | <u>\$2,552,538</u> | <u>\$12,093,989</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
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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.

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.

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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 year end, \$12,689 of the City's bank balance of \$31,947,665 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 50 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, 2019, consisted primarily of municipal income taxes, property taxes, intergovernmental receivables arising from entitlements and shared revenues, special assessments and accounts (billings for utility service).

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.

City of Niles, Ohio
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Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2019 for real and public utility property taxes represents collections of 2018 taxes.

2019 real property taxes were levied after October 1, 2019, on the assessed value as of January 1, 2019, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2019 real property taxes are collected in and intended to finance 2020.

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. 2019 public utility property taxes which became a lien December 31, 2018, are levied after October 1, 2019, and are collected in 2020 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2019, was \$3.50 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2019 property tax receipts were based are as follows:

| | <u>Assessed Value</u> |
|--------------------------|-----------------------------|
| Real Estate | |
| Residential/Agricultural | \$167,473,500 |
| Commercial Industrial/PU | 92,466,280 |
| Public Utility Property | <u>1,394,960</u> |
| Total Assessed Value | <u><u>\$261,334,740</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, 2019, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2019 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.

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

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

The Regional Income Tax Agency administers and collects income taxes for the City. Payments are remitted monthly net of collection fees of approximately 1.39 percent. 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. 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 | \$490,351 |
| State and Local Government Funds | 155,942 |
| Permissive Motor Vehicle License Tax | 152,301 |
| Motor Vehicle License Registration | 70,867 |
| Homestead and Rollback | 48,531 |
| Safer Grant | 38,614 |
| Trumbull County | 1,270 |
| Bureau of Workers' Compensation | 1,246 |
| State of Ohio Indigent Drivers Fund | 708 |
| State and Federal Refunds | <u>247</u> |
| Total Governmental Funds | <u><u>\$960,077</u></u> |

At December 31, 2019 the City had intergovernmental receivables of \$1,188 in the water for charges to the Mahoning Valley Sanitary District as well as \$3,571 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, 2019.

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, 2019.

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 8 - 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:

| 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 | Included | None |
| Sewer Backup Pollution Liability | 1,000,000 | None |
| Underground Storage Tank Pollution | 55,000 | None |
| Blanket Building | 76,998,247 | 2,500 |
| Blanket Personal Property | 30,440,562 | 2,500 |
| Earthquake/Flood | 2,000,000 | 25,000 |
| Boiler/Machinery | 107,438,809 | 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 \$352,516 as estimated by the third party administrator and reported in the health insurance internal service fund at December 31, 2019, 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.

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Changes in the funds claims liability amount in 2018 and 2019 were as follows:

| | Balance at Beginning of Year | Current Year Claims | Claim Payments | Balance at End of Year |
|------|---------------------------------|------------------------|-------------------|---------------------------|
| 2018 | \$369,232 | \$3,023,661 | \$3,030,917 | \$361,976 |
| 2019 | 361,976 | 2,815,928 | 2,825,388 | 352,516 |

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.

Note 9 - 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 2020 and 2021.

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 10 - Capital Assets

Capital asset activity for the year ended December 31, 2019, was as follows:

| | Balance 12/31/18 | Additions | Deletions | Balance 12/31/19 |
|--|----------------------------|-------------------------|--------------------------|----------------------------|
| 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 |
| Construction in Progress | 0 | 702,659 | 0 | 702,659 |
| <i>Total Capital Assets, not being depreciated</i> | <u>4,052,957</u> | <u>702,659</u> | <u>0</u> | <u>4,755,616</u> |
| <i>Capital Assets, being depreciated:</i> | | | | |
| Land Improvements | 5,300,202 | 19,793 | 0 | 5,319,995 |
| Buildings and Improvements | 14,379,972 | 28,436 | 0 | 14,408,408 |
| Equipment | 1,286,500 | 29,598 | (11,999) | 1,304,099 |
| Vehicles | 3,968,992 | 249,937 | (159,004) | 4,059,925 |
| Infrastructure | 10,829,614 | 602,786 | 0 | 11,432,400 |
| <i>Total Capital Assets, being depreciated</i> | <u>35,765,280</u> | <u>930,550</u> | <u>(171,003)</u> | <u>36,524,827</u> |
| <i>Less Accumulated Depreciation:</i> | | | | |
| Land Improvements | (2,850,304) | (188,811) | 0 | (3,039,115) |
| Buildings and Improvements | (4,721,472) | (302,780) | 0 | (5,024,252) |
| Equipment | (946,408) | (69,597) | 11,999 | (1,004,006) |
| Vehicles | (2,479,795) | (227,166) | 130,615 | (2,576,346) |
| Infrastructure | (5,367,294) | (380,573) | 0 | (5,747,867) |
| <i>Total Accumulated Depreciation</i> | <u>(16,365,273)</u> | <u>(1,168,927) *</u> | <u>142,614</u> | <u>(17,391,586)</u> |
| Total Capital Assets being depreciated, net | <u>19,400,007</u> | <u>(238,377)</u> | <u>(28,389)</u> | <u>19,133,241</u> |
| Governmental Activities Capital Assets, Net | <u><u>\$23,452,964</u></u> | <u><u>\$464,282</u></u> | <u><u>(\$28,389)</u></u> | <u><u>\$23,888,857</u></u> |

* Depreciation expense was charged to governmental functions as follows:

| | |
|----------------------------------|---------------------------|
| General Government | \$96,958 |
| Security of Persons and Property | 224,827 |
| Public Health and Welfare | 6,396 |
| Transportation | 592,341 |
| Leisure Time Activities | 248,405 |
| Total Depreciation Expense | <u><u>\$1,168,927</u></u> |

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

| | Balance 12/31/18 | Additions | Deletions | Balance 12/31/19 |
|--|---------------------|----------------------|------------------|---------------------|
| Business-type Activities | | | | |
| <i>Capital Assets, not being depreciated:</i> | | | | |
| Land | \$369,620 | \$0 | \$0 | \$369,620 |
| Construction in Progress | 33,649,949 | 1,571,432 | 0 | 35,221,381 |
| <i>Total Capital Assets, not being depreciated</i> | <u>34,019,569</u> | <u>1,571,432</u> | <u>0</u> | <u>35,591,001</u> |
| <i>Capital Assets, being depreciated:</i> | | | | |
| Buildings and Improvements | 11,778,582 | 0 | 0 | 11,778,582 |
| Machinery and Equipment | 16,762,230 | 138,822 | 0 | 16,901,052 |
| Vehicles | 2,565,611 | 356,047 | (380,560) | 2,541,098 |
| Infrastructure | 37,130,147 | 0 | 0 | 37,130,147 |
| <i>Total Capital Assets, being depreciated</i> | <u>68,236,570</u> | <u>494,869</u> | <u>(380,560)</u> | <u>68,350,879</u> |
| <i>Less Accumulated Depreciation:</i> | | | | |
| Buildings and Improvements | (7,423,650) | (222,208) | 0 | (7,645,858) |
| Machinery and Equipment | (10,047,757) | (532,738) | 0 | (10,580,495) |
| Vehicles | (1,435,892) | (156,684) | 380,560 | (1,212,016) |
| Infrastructure | (23,791,351) | (763,724) | 0 | (24,555,075) |
| <i>Total Accumulated Depreciation</i> | <u>(42,698,650)</u> | <u>(1,675,354) *</u> | <u>380,560</u> | <u>(43,993,444)</u> |
| Total Capital Assets being depreciated, net | <u>25,537,920</u> | <u>(1,180,485)</u> | <u>0</u> | <u>24,357,435</u> |
| Business-type Activities Capital Assets, Net | <u>\$59,557,489</u> | <u>\$390,947</u> | <u>\$0</u> | <u>\$59,948,436</u> |

* Depreciation expense was charged to enterprise funds as follows:

| | |
|----------------------------|--------------------|
| Water | \$70,230 |
| Sewer | 499,658 |
| Electric | <u>1,105,466</u> |
| Total Depreciation Expense | <u>\$1,675,354</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, 2019

| | <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 from Direct Borrowings:</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 12/31/18</u> | <u>Additions</u> | <u>Reductions</u> | <u>Amounts Outstanding 12/31/19</u> | <u>Amounts Due in One Year</u> |
|---|---|--------------------|-----------------------|---|--|
| <i>Governmental Activities:</i> | | | | | |
| <i>General Obligation Bonds:</i> | | | | | |
| Various Purpose Improvement Bonds | \$2,320,000 | \$0 | (\$145,000) | \$2,175,000 | \$150,000 |
| Unamortized Premium | 17,036 | 0 | (1,319) | 15,717 | 0 |
| Total Various Purpose Improvement Bonds | 2,337,036 | 0 | (146,319) | 2,190,717 | 150,000 |
| Various Purpose Improvement Bonds II | 1,470,100 | 0 | (138,700) | 1,331,400 | 144,200 |
| <i>Total General Obligation Bonds</i> | <u>3,807,136</u> | <u>0</u> | <u>(285,019)</u> | <u>3,522,117</u> | <u>294,200</u> |
| <i>Other Long-Term Obligations:</i> | | | | | |
| <i>Net Pension Liability:</i> | | | | | |
| OPERS | 1,942,256 | 1,309,688 | 0 | 3,251,944 | 0 |
| OP&F | 11,777,953 | 3,216,576 | 0 | 14,994,529 | 0 |
| <i>Total Net Pension Liability</i> | <u>13,720,209</u> | <u>4,526,264</u> | <u>0</u> | <u>18,246,473</u> | <u>0</u> |
| <i>Net OPEB Liability:</i> | | | | | |
| OPERS | 1,292,350 | 190,740 | 0 | 1,483,090 | 0 |
| OP&F | 10,872,954 | 0 | (9,200,111) | 1,672,843 | 0 |
| <i>Total Net OPEB Liability</i> | <u>12,165,304</u> | <u>190,740</u> | <u>(9,200,111)</u> | <u>3,155,933</u> | <u>0</u> |
| Police and Fire Pension Liability | 305,928 | 0 | (13,170) | 292,758 | 13,737 |
| Capital Lease | 164,266 | 0 | (81,055) | 83,211 | 83,211 |
| Special Termination Benefits | 62,994 | 0 | (33,671) | 29,323 | 22,594 |
| Compensated Absences | 1,299,377 | 1,392,562 | (1,288,519) | 1,403,420 | 830,259 |
| <i>Total Other Long-Term Obligations</i> | <u>27,718,078</u> | <u>6,109,566</u> | <u>(10,616,526)</u> | <u>23,211,118</u> | <u>949,801</u> |
| <i>Total Governmental Long-Term Liabilities</i> | <u>\$31,525,214</u> | <u>\$6,109,566</u> | <u>(\$10,901,545)</u> | <u>\$26,733,235</u> | <u>\$1,244,001</u> |

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

| | Amounts Outstanding 12/31/18 | Additions | Reductions | Amounts Outstanding 12/31/19 | Amounts Due in One Year |
|--|------------------------------------|--------------------|----------------------|------------------------------------|-------------------------------|
| <i>Business-Type Activities:</i> | | | | | |
| <i>General Obligation Bonds:</i> | | | | | |
| Various Purpose Improvement Bonds - Water | \$800,000 | \$0 | (\$50,000) | \$750,000 | \$50,000 |
| Unamortized Premium | 5,853 | 0 | (453) | 5,400 | 0 |
| Various Purpose Improvement Bonds - Sewer | 2,245,000 | 0 | (140,000) | 2,105,000 | 145,000 |
| Unamortized Premium | 16,484 | 0 | (1,276) | 15,208 | 0 |
| <i>Total General Obligation Bonds</i> | <u>3,067,337</u> | <u>0</u> | <u>(191,729)</u> | <u>2,875,608</u> | <u>195,000</u> |
| <i>OWDA Loan from Direct Borrowings:</i> | | | | | |
| Wastewater Treatment Plant Upgrades | 33,649,949 | 1,571,432 | (1,659,125) | 33,562,256 | 1,671,258 |
| <i>Other Long-term Obligations:</i> | | | | | |
| <i>Net Pension Liability OPERS:</i> | | | | | |
| Water | 877,148 | 591,472 | 0 | 1,468,620 | 0 |
| Sewer | 1,065,108 | 718,216 | 0 | 1,783,324 | 0 |
| Electric | 2,380,830 | 1,605,424 | 0 | 3,986,254 | 0 |
| <i>Total Net Pension Liability</i> | <u>4,323,086</u> | <u>2,915,112</u> | <u>0</u> | <u>7,238,198</u> | <u>0</u> |
| <i>Net OPEB Liability OPERS:</i> | | | | | |
| Water | 583,642 | 86,141 | 0 | 669,783 | 0 |
| Sewer | 708,709 | 104,598 | 0 | 813,307 | 0 |
| Electric | 1,584,171 | 233,811 | 0 | 1,817,982 | 0 |
| <i>Total Net OPEB Liability</i> | <u>2,876,522</u> | <u>424,550</u> | <u>0</u> | <u>3,301,072</u> | <u>0</u> |
| Potential Stranded Cost Liability | 1,788,003 | 0 | (200,236) | 1,587,767 | 0 |
| Compensated Absences | 368,520 | 481,519 | (407,548) | 442,491 | 242,571 |
| <i>Total Other Long-term Obligations</i> | <u>9,356,131</u> | <u>3,821,181</u> | <u>(607,784)</u> | <u>12,569,528</u> | <u>242,571</u> |
| <i>Total Business-Type Long-Term Liabilities</i> | <u>\$46,073,417</u> | <u>\$5,392,613</u> | <u>(\$2,458,638)</u> | <u>\$49,007,392</u> | <u>\$2,108,829</u> |

General obligation bonds will be paid from the taxes receipted 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, 2019

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 \$33,562,256 at December 31, 2019.

The City's outstanding OWDA loan from direct borrowings of \$33,562,256 related to business-type activities contain provisions that in an event of default (1) the amount of such default shall bear interest at the default rate from the due date until the date of payment, (2) if any of the charges have not been paid within 30 days, in addition to the interest calculated at the default rate, a late charge of 1 percent on the amount of each default shall be paid to the OWDA, and (3) for each additional 30 days during which the charges remain unpaid, the City shall continue to pay an additional late charge of 1 percent on the amount of the default until such charges are paid.

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, 2019 (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.

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

The City's overall debt margin was \$23,934,748 and the unvoted legal debt margin was \$10,868,011 at December 31, 2019. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2019, are as follows:

| | Governmental Activities | | | |
|-----------|--------------------------|------------------|-----------------------------------|------------------|
| | General Obligation Bonds | | Police and Fire Pension Liability | |
| | Principal | Interest | Principal | Interest |
| 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 | 336,000 | 92,122 | 16,253 | 9,782 |
| 2025-2029 | 1,497,300 | 258,996 | 92,354 | 37,817 |
| 2030-2034 | 440,000 | 29,710 | 113,966 | 16,205 |
| 2035 | 0 | 0 | 11,598 | 246 |
| Total | <u>\$3,506,400</u> | <u>\$865,912</u> | <u>\$292,758</u> | <u>\$109,599</u> |

| | Business-Type Activities | |
|-----------|--------------------------|------------------|
| | General Obligation Bonds | |
| | Principal | Interest |
| 2020 | \$195,000 | \$111,436 |
| 2021 | 205,000 | 105,585 |
| 2022 | 205,000 | 99,026 |
| 2023 | 210,000 | 92,157 |
| 2024 | 225,000 | 84,725 |
| 2025-2029 | 1,245,000 | 286,820 |
| 2030-2031 | 570,000 | 38,420 |
| Total | <u>\$2,855,000</u> | <u>\$818,169</u> |

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, 2019 follows:

| | Amounts |
|--------------------------------|------------------|
| Asset: | |
| Vehicles | \$405,555 |
| Less: Accumulated Depreciation | (283,889) |
| Current Book Value | <u>\$121,666</u> |

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As of December 31, 2019, the remaining principal and interest payments on the capital lease were \$83,211 and \$2,214, respectively.

Capital lease payments have been reclassified and reflected as debt service in the fund financial statement for 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 began again during 2019. On the fund financial statements, the receivable balance in the general fund at December 31, 2019 is \$799,813 and a corresponding payable is recorded in the water fund. On the government-wide financial statements the amounts are considered a part of the internal balance between the governmental and the business-type activities.

The following is a schedule of repayment:

| Year Ending December 31, | Principal | Interest | Total |
|-----------------------------|------------------|-----------------|------------------|
| 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 | 156,061 | 3,902 | 159,963 |
| Total | <u>\$743,157</u> | <u>\$56,656</u> | <u>\$799,813</u> |

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.

City of Niles, Ohio
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The net pension/OPEB liabilities (asset) represent the City's proportionate share of each pension/OPEB plans' collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plans' fiduciary net position. The net pension/OPEB liabilities (asset) calculations are 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 (ORC) limits the City's obligation for these liabilities 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 assume the liabilities are 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 liabilities (asset). Resulting adjustments to the net pension/OPEB liabilities (asset) would be effective when the changes are legally enforceable. The ORC 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.

Plan Description – Ohio Public Employees Retirement System

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 (COLA) to members of the traditional and combined plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code (ORC). 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.

City of Niles, Ohio
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Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members in the traditional 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' annual financial report referenced previously 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 |

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

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

When a traditional plan benefit recipient has received benefits for 12 months, current law provides for a COLA. 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 COLA on the defined benefit portion of their pension benefit. For those retiring prior to January 7, 2013, current law provides for a 3 percent COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that 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 annuitization of the benefit

City of Niles, Ohio
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(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 ORC provides statutory authority for member and employer contributions as follows:

| | State and Local |
|--|--------------------|
| 2019 Statutory Maximum Contribution Rates | |
| Employer | 14.0 % |
| Employee * | 10.0 % |
| 2019 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.

For 2019, the City's contractually required contribution was \$798,556 for the traditional plan, \$6,007 for the combined plan and \$15,689 for the member-directed plan. Of these amounts, \$81,743 is reported as an intergovernmental payable for the traditional plan, \$613 for the combined plan, and \$1,604 for the member-directed plan.

Plan Description – Ohio Police & Fire Pension Fund

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 (COLA), 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 (ORC). 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.

City of Niles, Ohio
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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's annual financial report referenced previously for additional information, including requirements for Deferred Retirement Option Plan (DROP) 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 COLA. 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, will receive a COLA equal to either 3 percent or the percent increase, if any, in the Consumer Price Index over the 13 month period ending on September 30th of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013, is equal to 3 percent of their base pension or disability benefit.

Funding Policy – The ORC provides statutory authority for member and employer contributions as follows:

| | <u>Police</u> | <u>Firefighters</u> |
|--|----------------|---------------------|
| 2019 Statutory Maximum Contribution Rates | | |
| Employer | 19.50 % | 24.00 % |
| Employee | 12.25 % | 12.25 % |
| 2019 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 % |

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Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$920,218 for 2019. Of this amount, \$110,640 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, 2019, the specific liability of the City was \$292,758 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, 2018, 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, 2018, and was determined by rolling forward the total pension liability as of January 1, 2018, to December 31, 2018. 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:

| | OPERS Traditional Plan | OPERS Combined Plan | OP&F | |
|--|---------------------------|------------------------|--------------------|--------------|
| Proportion of the Net Pension Liability/Asset: | | | | |
| Current Measurement Date | 0.0383020% | 0.0077990% | 0.1836970% | |
| Prior Measurement Date | 0.0399370% | 0.0112010% | 0.1919030% | |
| Change in Proportionate Share | <u>-0.0016350%</u> | <u>-0.0034020%</u> | <u>-0.0082060%</u> | |
| Proportionate Share of the: | | | | Total |
| Net Pension Liability | \$10,490,142 | \$0 | \$14,994,529 | \$25,484,671 |
| Net Pension Asset | 0 | (8,721) | 0 | (8,721) |
| Pension Expense | 2,071,247 | 2,141 | 1,819,405 | 3,892,793 |

2019 pension expense for the member-directed defined contribution plan was \$11,208. The aggregate pension expense for all pension plans was \$3,904,001 for 2019.

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At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources:

| | OPERS Traditional Plan | OPERS Combined Plan | OP&F | Total |
|---|---------------------------|------------------------|--------------------|--------------------|
| Deferred Outflows of Resources | | | | |
| Differences between expected and actual experience | \$484 | \$0 | \$616,065 | \$616,549 |
| Changes of assumptions | 913,193 | 1,948 | 397,525 | 1,312,666 |
| Net difference between projected and actual earnings on pension plan investments | 1,423,806 | 1,879 | 1,847,313 | 3,272,998 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 0 | 2,606 | 0 | 2,606 |
| City contributions subsequent to the measurement date | 798,556 | 6,007 | 920,218 | 1,724,781 |
| Total Deferred Outflows of Resources | <u>\$3,136,039</u> | <u>\$12,440</u> | <u>\$3,781,121</u> | <u>\$6,929,600</u> |
| Deferred Inflows of Resources | | | | |
| Differences between expected and actual experience | \$137,741 | \$3,562 | \$14,001 | \$155,304 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 251,644 | 4,162 | 653,935 | 909,741 |
| Total Deferred Inflows of Resources | <u>\$389,385</u> | <u>\$7,724</u> | <u>\$667,936</u> | <u>\$1,065,045</u> |

\$1,724,781 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 2020. 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 Traditional Plan | OPERS Combined Plan | OP&F | Total |
|--------------------------|------------------------------|---------------------------|--------------------|--------------------|
| Year Ending December 31: | | | | |
| 2020 | \$782,856 | \$47 | \$711,169 | \$1,494,072 |
| 2021 | 370,979 | (331) | 307,217 | 677,865 |
| 2022 | 132,088 | (291) | 427,866 | 559,663 |
| 2023 | 662,175 | 296 | 719,433 | 1,381,904 |
| 2024 | 0 | (473) | 27,282 | 26,809 |
| Thereafter | 0 | (539) | 0 | (539) |
| Total | <u>\$1,948,098</u> | <u>(\$1,291)</u> | <u>\$2,192,967</u> | <u>\$4,139,774</u> |

City of Niles, Ohio
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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, 2018, 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, 2018, are presented as follows:

| | 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 | 7.2 percent | 7.2 percent |
| Actuarial Cost Method | Individual Entry Age | Individual Entry Age |

In October of 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 7.5 percent to 7.2 percent. This change was effective beginning with the 2018 valuation.

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 previously 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.

City of Niles, Ohio
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During 2018, 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 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 a loss of 2.94 percent for 2018.

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 following table displays the Board-approved asset allocation policy for 2018 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 % | 2.79 % |
| Domestic Equities | 19.00 | 6.21 |
| Real Estate | 10.00 | 4.90 |
| Private Equity | 10.00 | 10.81 |
| International Equities | 20.00 | 7.83 |
| Other investments | 18.00 | 5.50 |
| Total | 100.00 % | 5.95 % |

Discount Rate For 2018, the discount rate used to measure the total pension liability was 7.2 percent for the traditional plan and the combined plan. For 2017, 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 for the traditional pension plan, combined plan and member-directed plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability (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 7.2 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 (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

City of Niles, Ohio
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| | 1% Decrease (6.20%) | Discount Rate (7.20%) | 1% Increase (8.20%) |
|---|------------------------|--------------------------|------------------------|
| City's proportionate share of the net pension liability (asset): | | | |
| OPERS Traditional Plan | \$15,496,989 | \$10,490,142 | \$6,329,406 |
| OPERS Combined Plan | (2,886) | (8,721) | (12,946) |

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2018, is based on the results of an actuarial valuation date of January 1, 2018, 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, 2018, are presented as follows:

| | |
|----------------------------|--|
| Valuation Date | January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018 |
| 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 |
| Cost of Living Adjustments | 3.00 percent simple; 2.2 percent simple for increases 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 Buck 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 |

City of Niles, Ohio
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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 Buck 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 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, 2018, are summarized as follows:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|------------------------------|----------------------|---|
| Cash and Cash Equivalents | 0.00 % | 0.80 % |
| Domestic Equity | 16.00 | 5.50 |
| Non-US Equity | 16.00 | 5.90 |
| Private Markets | 8.00 | 8.40 |
| Core Fixed Income * | 23.00 | 2.60 |
| High Yield Fixed Income | 7.00 | 4.80 |
| Private Credit | 5.00 | 7.50 |
| U.S. Inflation Linked Bonds* | 17.00 | 2.30 |
| Master Limited Partnerships | 8.00 | 6.40 |
| Real Assets | 8.00 | 7.00 |
| Private Real Estate | 12.00 | 6.10 |
| Total | 120.00 % | |

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 previously disclosed, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate The total pension liability was calculated using the discount rate of 8.00 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 See accountants' compilation report

City of Niles, Ohio
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statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return of 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.

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 | \$19,709,275 | \$14,994,529 | \$11,054,678 |

Note 15 - Defined Benefit OPEB Plans

See Note 14 for a description of the net OPEB liability

Plan Description – Ohio Public Employees Retirement System

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 with a minimum age of 60, or generally 30 years of qualifying service at any age. 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 No. 75. See OPERS' annual financial report referenced later for additional information.

The Ohio Revised Code (ORC) 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 ORC.

City of Niles, Ohio
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Disclosures for the health care plan are presented separately in the OPERS' annual 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.

Funding Policy – The ORC provides the statutory authority allowing 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. Beginning in 2018, health care was no longer being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, 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 ORC. 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. As recommended by OPERS' actuary, beginning January 1, 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan. 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 2019 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 \$4,483 for 2019. Of this amount, \$458 is reported as an intergovernmental payable.

Plan Description – Ohio Police & Fire Pension Fund

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 health care 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. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

A retiree is eligible for the OP&F health care stipend unless they have access to any other group coverage including employer and retirement coverage. The eligibility of spouses and dependent children could increase the stipend amount. If the spouse or dependents have access to any other group coverage including employer or retirement coverage, they are not eligible for stipend support from OP&F. Even if an OP&F member or their dependents are not eligible for a stipend, they can use the services of the third-party administrator to select and enroll in a plan. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

The Ohio Revised Code (ORC) 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 ORC.

City of Niles, Ohio
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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.

Funding Policy – The ORC 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.

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2019, 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.

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 \$21,824 for 2019. Of this amount, \$2,621 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, 2017, rolled forward to the measurement date of December 31, 2018, 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, 2018, and was determined by rolling forward the total OPEB liability as of January 1, 2018, to December 31, 2018. 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:

| | OPERS | OP&F | |
|---|--------------------|--------------------|---------------|
| Proportion of the Net OPEB Liability: | | | |
| Current Measurement Date | 0.0366950% | 0.1836970% | |
| Prior Measurement Date | 0.0383900% | 0.1919030% | |
| Change in Proportionate Share | <u>-0.0016950%</u> | <u>-0.0082060%</u> | |
| | | | <u>Total</u> |
| Proportionate Share of the Net OPEB Liability | \$4,784,162 | \$1,672,843 | \$6,457,005 |
| OPEB Expense | \$356,468 | (\$8,314,299) | (\$7,957,831) |

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At December 31, 2019, 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 | \$1,620 | \$0 | \$1,620 |
| Changes of assumptions | 154,247 | 867,121 | 1,021,368 |
| Net difference between projected and actual earnings on OPEB plan investments | 219,326 | 56,627 | 275,953 |
| City contributions subsequent to the measurement date | <u>4,483</u> | <u>21,824</u> | <u>26,307</u> |
| Total Deferred Outflows of Resources | <u><u>\$379,676</u></u> | <u><u>\$945,572</u></u> | <u><u>\$1,325,248</u></u> |
| Deferred Inflows of Resources | | | |
| Differences between expected and actual experience | \$12,981 | \$44,819 | \$57,800 |
| Changes of assumptions | 0 | 463,122 | 463,122 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | <u>146,264</u> | <u>473,109</u> | <u>619,373</u> |
| Total Deferred Inflows of Resources | <u><u>\$159,245</u></u> | <u><u>\$981,050</u></u> | <u><u>\$1,140,295</u></u> |

\$26,307 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 2020. 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> |
|--------------------------|-------------------------|--------------------------|-------------------------|
| 2020 | \$89,776 | (\$4,487) | \$85,289 |
| 2021 | (18,588) | (4,487) | (23,075) |
| 2022 | 34,270 | (4,487) | 29,783 |
| 2023 | 110,490 | 12,641 | 123,131 |
| 2024 | 0 | (14,361) | (14,361) |
| Thereafter | <u>0</u> | <u>(42,121)</u> | <u>(42,121)</u> |
| Total | <u><u>\$215,948</u></u> | <u><u>(\$57,302)</u></u> | <u><u>\$158,646</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.

Projections of health care costs 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 coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members.

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The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. 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 | 3.96 percent |
| Prior Measurement date | 3.85 percent |
| Investment Rate of Return | 6.00 percent |
| Municipal Bond Rate: | |
| Current measurement date | 3.71 percent |
| Prior Measurement date | 3.31 percent |
| Health Care Cost Trend Rate: | |
| Current measurement date | 10.0 percent, initial 3.25 percent, ultimate in 2029 |
| Prior Measurement date | 7.25 percent, initial 3.25 percent, ultimate in 2028 |
| Actuarial Cost Method | Individual Entry Age Normal |

In October of 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 6.5 percent to 6.0 percent. This change was effective for the 2018 valuation.

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 previously 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 2018, 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-

City of Niles, Ohio
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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 was a loss of 5.6 percent for 2018.

The allocation of investment assets within 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 following table displays the Board-approved asset allocation policy for 2018 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 % | 2.42 % |
| Domestic Equities | 21.00 | 6.21 |
| Real Estate Investment Trust | 6.00 | 5.98 |
| International Equities | 22.00 | 7.83 |
| Other investments | 17.00 | 5.57 |
| Total | 100.00 % | 5.16 % |

Discount Rate A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. 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 6.00 percent and a municipal bond rate of 3.71 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 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, 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 3.96 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 (2.96 percent) or one-percentage-point higher (4.96 percent) than the current rate:

| | 1% Decrease (2.96%) | Current Discount Rate (3.96%) | 1% Increase (4.96%) |
|---|------------------------|-------------------------------------|------------------------|
| City's proportionate share of the net OPEB liability | \$6,120,726 | \$4,784,162 | \$3,721,240 |

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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 2019 is 10.00 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 actuary's 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 | \$4,598,617 | \$4,784,162 | \$4,997,859 |

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2018, is based on the results of an actuarial valuation date of January 1, 2018, 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 the value 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.

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Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented as follows:

| | |
|----------------------------|--|
| Valuation Date | January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018 |
| 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 | 4.66 percent |
| Prior measurement date | 3.24 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 Buck 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 Buck 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 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.

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Discount Rate For 2019, the total OPEB liability was calculated using the discount rate of 4.66 percent. For 2018, 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 of 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 4.13 percent at December 31, 2018 and 3.16 percent at December 31, 2017, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 4.66 percent for 2018 and 3.24 percent for 2017. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2031. The long-term expected rate of return on health care investments was applied to projected costs through 2031, 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 4.66 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 (3.66 percent), or one percentage point higher (5.66 percent) than the current rate.

| | 1% Decrease (3.66%) | Current Discount Rate (4.66%) | 1% Increase (5.66%) |
|---|------------------------|-------------------------------------|------------------------|
| City's proportionate share of the net OPEB liability | \$2,037,979 | \$1,672,843 | \$1,366,342 |

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate The total OPEB liability is based on a medical benefit that is a flat dollar amount; therefore, it is unaffected by a health care cost trend rate. An increase or decrease in the trend rate would have no effect on the total OPEB liability.

Note 16 - Jointly Governed Organizations

Regional Income Tax Agency

The Regional Income Tax Agency (RITA) is a regional council of governments formed to establish a central collection facility for the purpose of administering the income tax laws of the members and for the purpose of collection income taxes on behalf of each member. RITA currently has approximately 350 members in the council of governments. Each member has one representative to the council of governments and is entitled to one vote on items under consideration. RITA is administered by a nine-member board of trustees elected by the members of the council of governments. The board exercises total control over RITA's operation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the council. For 2019, the City paid RITA \$136,189 for income tax collection services.

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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 2019, the City contributed \$7,128 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 2019, 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.

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, 2019 the City has met their debt coverage obligation.

City of Niles, Ohio
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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, 2019. 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. 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

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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, 2019 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 \$367,540 at December 31, 2019. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

Note 18 - Interfund Transfers and Balances

Transfers

Transfers made during the year ended December 31, 2019 were as follows:

| Transfers To | Transfers From General |
|---------------------------------------|---------------------------|
| Major Funds | |
| Police and Fire Tax | \$1,687,999 |
| Other Governmental Funds | |
| Police Pension | 360,000 |
| Fire Pension | 360,000 |
| Park | 355,000 |
| Cemetery | 85,000 |
| Capital Projects | 496,777 |
| Fire Truck Replacement | 80,000 |
| Police Capital Improvements | 50,000 |
| Park Capital Improvements | 50,000 |
| <i>Total Other Governmental Funds</i> | <u>1,836,777</u> |
| Enterprise Fund | |
| Para-Transit | 9,633 |
| <i>Total Transfers</i> | <u><u>\$3,534,409</u></u> |

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

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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, 2019, consist of interfund receivable/payables between the general fund and the FEMA, cemetery and BRT cleanup special revenue funds in the amounts of \$30,000, \$30,000 and \$32, respectively.

Note 19 – Significant Commitments

Contractual Commitments

As of December 31, 2019, the City had the following contract balances for various projects:

| | |
|---------------------------------|-----------|
| Safety Service Building Repairs | \$264,841 |
| McKees Lane Sewer Construction | 318,518 |

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 | \$211,872 | Water | \$466,444 |
| Police and Fire Tax | 153,786 | Sewer | 364,719 |
| Other Governmental funds | 910,007 | Electric | 484,761 |
| Total | <u>\$1,275,665</u> | Motor Fuel | 16,761 |
| | | Hospital Self Insurance | 411,534 |
| | | Total | <u>\$1,744,219</u> |

Remaining commitment amounts were encumbered at year end.

Note 20 – Accountability

The following funds had deficit fund balances as of December 31, 2019:

| | |
|-------------------------------------|----------|
| <i>Special Revenue Funds</i> | |
| Police Pension | \$48,653 |
| Fire Pension | 9,102 |
| Cemetery | 11,163 |
| BRT Clean-up | 32 |

The 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.

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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 2019 totaling \$200,236, leaving a net impaired cost estimate of \$1,587,767 at December 31, 2019.

Note 22 – Change in Accounting Principle

The Governmental Accounting Standards Board (GASB) recently issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The City evaluated implementing these certain GASB pronouncements based on the guidance in GASB 95.

For 2019, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, and related guidance from (GASB) Implementation Guide No. 2019-2, *Fiduciary Activities*.

For 2019, the City also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2018-1*. These changes were incorporated in the City's 2019 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 84 established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the City will no longer be reporting agency funds. The City reviewed its agency funds and certain funds will be reported in the new fiduciary fund classification of custodial funds, while other funds have been reclassified as governmental funds. GASB Statement 84 was incorporated into the City's 2019 financial statements; however, these changes had no effect on beginning net position/fund balance as the amounts reclassified to governmental funds were offset by corresponding receivables and/or liabilities. Also related to the implementation of GASB Statement No. 84, the City will no longer be reporting agency funds, at December 31, 2018, agency funds reported assets and liabilities of \$53,525.

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

GASB Statement 88 improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. These changes were incorporated in the City's fiscal year 2019 financial statements; however, there was no effect on beginning net position/fund balance.

Note 23 – Subsequent Event

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. The City's investment portfolio and the investments of the pension and other employee benefit plans in which the City participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the City's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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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 Six Years (1)

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|--------------|-------------|-------------|-------------|-------------|-------------|
| City's Proportion of the Net Pension Liability | 0.0383020% | 0.0399370% | 0.0410760% | 0.0429130% | 0.0455160% | 0.0455160% |
| City's Proportionate Share of the Net Pension Liability | \$10,490,142 | \$6,265,342 | \$9,327,661 | \$7,433,073 | \$5,489,738 | \$5,365,742 |
| City's Covered Payroll | \$5,174,421 | \$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 | 202.73% | 69.26% | 105.89% | 84.88% | 57.29% | 54.26% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 74.70% | 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
Last Two Years (1)

| | 2019 | 2018 |
|--|------------|------------|
| City's Proportion of the Net Pension Asset | 0.0077990% | 0.0112010% |
| City's Proportionate Share of the Net Pension Asset | \$8,721 | \$15,248 |
| City's Covered Payroll | \$33,357 | \$45,877 |
| City's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll | -26.14% | -33.24% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Asset | 126.64% | 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 Three Years (1)

| | 2019 | 2018 | 2017 |
|---|-------------|-------------|-------------|
| City's Proportion of the Net OPEB Liability | 0.0366950% | 0.0383900% | 0.0390300% |
| City's Proportionate Share of the Net OPEB Liability | \$4,784,162 | \$4,168,872 | \$3,942,164 |
| City's Covered Payroll | \$5,323,453 | \$9,206,533 | \$9,186,600 |
| City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | 89.87% | 45.28% | 42.91% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 46.33% | 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 Six Years (1)

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|--------------|--------------|--------------|--------------|--------------|-------------|
| City's Proportion of the Net Pension Liability | 0.1836970% | 0.1919030% | 0.1946440% | 0.1957730% | 0.2025726% | 0.2025726% |
| City's Proportionate Share of the Net Pension Liability | \$14,994,529 | \$11,777,953 | \$12,328,556 | \$12,594,242 | \$10,494,105 | \$9,865,921 |
| City's Covered Payroll | \$4,159,847 | \$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 | 360.46% | 281.65% | 279.73% | 313.85% | 251.30% | 220.46% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 63.07% | 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 Three Years (1)

| | 2019 | 2018 | 2017 |
|---|-------------|--------------|-------------|
| City's Proportion of the Net OPEB Liability | 0.1836970% | 0.1919030% | 0.1946440% |
| City's Proportionate Share of the Net OPEB Liability | \$1,672,843 | \$10,872,954 | \$9,239,313 |
| City's Covered Payroll | \$4,159,847 | \$4,181,757 | \$4,407,335 |
| City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | 40.21% | 260.01% | 209.63% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 46.57% | 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.

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

| | 2019 | 2018 | 2017 | 2016 |
|---|---------------|---------------|---------------|---------------|
| Net Pension Liability - Traditional Plan | | | | |
| Contractually Required Contribution | \$798,556 | \$724,419 | \$1,175,958 | \$1,057,016 |
| Contributions in Relation to the Contractually Required Contribution | (798,556) | (724,419) | (1,175,958) | (1,057,016) |
| Contribution Deficiency (Excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| City Covered Payroll | \$5,703,971 | \$5,174,421 | \$9,045,831 | \$8,808,467 |
| Pension Contributions as a Percentage of Covered Payroll | <u>14.00%</u> | <u>14.00%</u> | <u>13.00%</u> | <u>12.00%</u> |
| Net Pension Asset - Combined Plan (1) | | | | |
| Contractually Required Contribution | \$6,007 | \$4,670 | \$5,964 | \$675 |
| Contributions in Relation to the Contractually Required Contribution | (6,007) | (4,670) | (5,964) | (675) |
| Contribution Deficiency (Excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| City Covered Payroll | \$42,907 | \$33,357 | \$45,877 | \$5,625 |
| Pension Contributions as a Percentage of Covered Payroll | <u>14.00%</u> | <u>14.00%</u> | <u>13.00%</u> | <u>0.00%</u> |
| Net OPEB Liability - OPEB Plan (2) | | | | |
| Contractually Required Contribution | \$4,483 | \$4,627 | \$95,510 | \$185,299 |
| Contributions in Relation to the Contractually Required Contribution | (4,483) | (4,627) | (95,510) | (185,299) |
| Contribution Deficiency (Excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| City Covered Payroll (3) | \$5,858,953 | \$5,323,453 | \$9,206,533 | \$9,186,600 |
| OPEB Contributions as a Percentage of Covered Payroll | <u>0.08%</u> | <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.

| 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|-------------|-------------|-------------|-------------|-------------|-------------|
| \$1,050,829 | \$1,149,785 | \$1,285,454 | \$589,644 | \$619,581 | \$556,005 |
| (1,050,829) | (1,149,785) | (1,285,454) | (589,644) | (619,581) | (556,005) |
| \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| \$8,756,908 | \$9,581,542 | \$9,888,108 | \$5,896,440 | \$6,195,810 | \$6,233,240 |
| 12.00% | 12.00% | 13.00% | 10.00% | 10.00% | 8.92% |
| \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

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

| | 2019 | 2018 | 2017 | 2016 |
|---|------------------|------------------|------------------|------------------|
| Net Pension Liability | | | | |
| Contractually Required Contribution | \$920,218 | \$879,187 | \$884,710 | \$925,263 |
| Contributions in Relation to the Contractually Required Contribution | <u>(920,218)</u> | <u>(879,187)</u> | <u>(884,710)</u> | <u>(925,263)</u> |
| Contribution Deficiency (Excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| City Covered Payroll (1) | \$4,364,653 | \$4,159,847 | \$4,181,757 | \$4,407,335 |
| Pension Contributions as a Percentage of Covered Payroll | <u>21.08%</u> | <u>21.14%</u> | <u>21.16%</u> | <u>20.99%</u> |
| Net OPEB Liability | | | | |
| Contractually Required Contribution | \$21,824 | \$20,799 | \$20,909 | \$21,848 |
| Contributions in Relation to the Contractually Required Contribution | <u>(21,824)</u> | <u>(20,799)</u> | <u>(20,909)</u> | <u>(21,848)</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>21.58%</u> | <u>21.64%</u> | <u>21.66%</u> | <u>21.49%</u> |

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

See accompanying notes to the required supplementary information.

| 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|-------------|-------------|-------------|-------------|-------------|-------------|
| \$845,498 | \$883,080 | \$802,295 | \$700,954 | \$763,950 | \$916,438 |
| (845,498) | (883,080) | (802,295) | (700,954) | (763,950) | (916,438) |
| \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| \$4,012,821 | \$4,175,907 | \$4,475,133 | \$4,798,908 | \$5,280,346 | \$6,299,694 |
| 21.07% | 21.15% | 17.93% | 14.61% | 14.47% | 14.55% |
| \$20,064 | \$20,880 | \$161,850 | \$323,926 | \$356,423 | \$425,230 |
| (20,064) | (20,880) | (161,850) | (323,926) | (356,423) | (425,230) |
| \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 0.50% | 0.50% | 3.62% | 6.75% | 6.75% | 6.75% |
| 21.57% | 21.65% | 21.55% | 21.36% | 21.22% | 21.30% |

City of Niles, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2019

Changes in Assumptions – OPERS Pension – Traditional Plan

Amounts reported beginning in 2019 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 beginning in 2017 and in 2016 and prior are presented as follows:

| | 2019 | 2018 and 2017 | 2016 and prior |
|---|---|---|--|
| Wage Inflation | 3.25 percent | 3.25 percent | 3.75 percent |
| Future Salary Increases, including inflation | 3.25 to 10.75 percent including wage 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 | 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 | 3 percent, simple through 2018, then 2.8 percent, simple |
| Investment Rate of Return | 7.2 percent | 7.5 percent | 8 percent |
| Actuarial Cost Method | Individual Entry Age | 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 previously 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.

Changes in Assumptions – OPERS Pension – Combined Plan

For 2019, the investment rate of return changed from 7.5 percent to 7.2 percent.

Changes in Assumptions – OP&F Pension

Amounts reported beginning in 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 as follows:

City of Niles, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2019

| | Beginning in 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 beginning in 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 Buck/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 beginning in 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 Buck/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.

Changes in Assumptions – OPERS OPEB

For 2019, the single discount rate changed from 3.85 percent to 3.96 percent and the municipal bond rate changed from 3.31 percent to 3.71 percent. For 2019, the health care cost trend rate was 10 percent, initial; 3.25 ultimate in 2029. For 2018, the health care cost trend rate was 7.25 percent, initial; 3.25 percent ultimate in 2028.

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

City of Niles, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2019

Changes in Assumptions – OP&F OPEB

For 2019, the single discount rate changed from 3.24 percent to 4.66 percent.

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

Changes in Benefit Terms – OP&F OPEB

For 2019, OP&F recognized a change in benefit terms. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements. This new model replaced the self-insured health care plan used in prior years.