

CITY OF NILES
TRUMBULL COUNTY, OHIO

SINGLE AUDIT

FOR THE YEAR ENDED
DECEMBER 31, 2023



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Columbus, Ohio 43215
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Members of the City Council and Mayor
City of Niles
34 W. State Street
Niles, OH 44446

We have reviewed the *Independent Auditor's Report* of the City of Niles, Trumbull County, prepared by Julian & Grube, Inc., for the audit period January 1, 2023 through December 31, 2023. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Keith Faber
Auditor of State
Columbus, Ohio

July 03, 2024

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**CITY OF NILES
TRUMBULL COUNTY, OHIO**

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Independent Auditor's Report

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

To the Members of the City Council and Mayor:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Niles, Trumbull County, Ohio, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City of Niles' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Niles, as of December 31, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Police and Fire Tax Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the City of Niles and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Niles' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Niles' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Niles' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and schedules of net pension and other post-employment benefit assets and liabilities and pension and other post-employment benefit contributions, listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Niles' basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2024 on our consideration of the City of Niles' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Niles' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Niles' internal control over financial reporting and compliance.



Julian & Grube, Inc.
June 20, 2024

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City of Niles
Management's Discussion and Analysis
For the Year Ended December 31, 2023
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, 2023. 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 2023 are as follows:

- The City's overall financial position improved in 2023. Governmental activities net position increased mainly due to an increase in cash and cash equivalents, property tax and income tax receivables.
- Business-type activities net position increased due to increases in operating revenues outpacing operating expenses for the year.
- Governmental long-term debt obligations increased due to the increase in the net pension liability that was slightly offset by the continued pay-down of debt. Business-type long-term liabilities increased from the prior year due to increases in the net pension liability that was slightly 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.

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

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

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

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

Reporting on the Most Significant Funds of the City

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

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

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

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.

City of Niles
Management's Discussion and Analysis
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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 2023 as they compare to 2022.

(Table 1)
Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|---------------------------------------------|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Assets | | | | | | |
| Current and Other Assets | \$30,487,817 | \$27,428,958 | \$36,903,069 | \$32,940,581 | \$67,390,886 | \$60,369,539 |
| Noncurrent Assets: | | | | | | |
| Net OPEB Asset | 0 | 415,137 | 0 | 924,016 | 0 | 1,339,153 |
| Capital Assets, Net | 28,424,613 | 26,182,288 | 60,280,828 | 57,546,158 | 88,705,441 | 83,728,446 |
| <i>Total Assets</i> | <i>58,912,430</i> | <i>54,026,383</i> | <i>97,183,897</i> | <i>91,410,755</i> | <i>156,096,327</i> | <i>145,437,138</i> |
| Deferred Outflows of Resources | | | | | | |
| Asset Retirement Obligation | 8,001 | 9,334 | 0 | 0 | 8,001 | 9,334 |
| Pension | 7,777,855 | 4,218,476 | 3,839,989 | 1,411,496 | 11,523,346 | 5,629,972 |
| OPEB | 1,198,709 | 1,054,118 | 564,209 | 79,417 | 1,762,403 | 1,133,535 |
| <i>Total Deferred Outflows of Resources</i> | <i>8,984,565</i> | <i>5,281,928</i> | <i>4,404,198</i> | <i>1,490,913</i> | <i>13,293,750</i> | <i>6,772,841</i> |
| Liabilities | | | | | | |
| Current Liabilities | 1,808,982 | 2,768,722 | 2,794,247 | 2,358,078 | 4,603,229 | 5,126,800 |
| Long-term Liabilities | | | | | | |
| Due within One Year | 1,405,418 | 1,341,770 | 2,269,134 | 2,250,673 | 3,674,552 | 3,592,443 |
| Due in More than One Year | | | | | | |
| Net Pension Liability | 22,058,953 | 12,595,808 | 9,254,055 | 2,710,602 | 31,313,008 | 15,306,410 |
| Net OPEB Liability | 1,413,483 | 1,996,227 | 186,408 | 0 | 1,599,891 | 1,996,227 |
| Other Amounts | 3,425,630 | 3,800,263 | 28,111,844 | 30,160,240 | 31,537,474 | 33,960,503 |
| <i>Total Liabilities</i> | <i>\$30,112,466</i> | <i>\$22,502,790</i> | <i>\$42,615,688</i> | <i>\$37,479,593</i> | <i>\$72,728,154</i> | <i>\$59,982,383</i> |

(continued)

City of Niles
Management's Discussion and Analysis
For the Year Ended December 31, 2023
Unaudited

(Table 1)
Net Position (continued)

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------------------------|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Deferred Inflows of Resources | | | | | | |
| Property Taxes | \$913,910 | \$912,724 | \$0 | \$0 | \$913,910 | \$912,724 |
| Leases | 148,893 | 152,315 | 0 | 0 | 148,893 | 152,315 |
| Pension | 978,433 | 5,465,822 | 96,597 | 3,286,270 | 980,532 | 8,752,092 |
| OPEB | 1,561,122 | 1,377,277 | 61,994 | 954,698 | 1,622,601 | 2,331,975 |
| Deferred Gain on Refunding | 5,812 | 6,652 | 7,626 | 8,729 | 13,438 | 15,381 |
| <i>Total Deferred Inflows of Resources</i> | <u>3,608,170</u> | <u>7,914,790</u> | <u>166,217</u> | <u>4,249,697</u> | <u>3,679,374</u> | <u>12,164,487</u> |
| Net Position | | | | | | |
| Net Investment in Capital Assets | 25,157,140 | 22,675,103 | 31,426,337 | 26,748,503 | 56,583,477 | 49,423,606 |
| Restricted for: | | | | | | |
| Capital Projects | 491,211 | 451,987 | 0 | 0 | 491,211 | 451,987 |
| Net OPEB Plans | 0 | 415,137 | 0 | 924,016 | 0 | 1,339,153 |
| Other Purposes | 4,959,956 | 4,759,442 | 0 | 0 | 4,959,956 | 4,759,442 |
| Unrestricted (Deficit) | 3,568,052 | 589,062 | 27,379,853 | 23,499,859 | 30,947,905 | 24,088,921 |
| <i>Total Net Position</i> | <u>\$34,176,359</u> | <u>\$28,890,731</u> | <u>\$58,806,190</u> | <u>\$51,172,378</u> | <u>\$92,982,549</u> | <u>\$80,063,109</u> |

The net pension liability (NPL) is one of the largest single liabilities reported by the City at December 31, 2023. 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.

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, income tax receivable and property tax receivable. Capital assets increased due to current year additions of construction in progress, land improvements, buildings and improvements, equipment, vehicles and infrastructure. The increase in long-term liabilities can be attributed to an increase in the net pension liability.

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Net position of business-type activities increased from the prior year. Current and other assets increased including materials and supplies inventory and accounts receivable due to an increase in charges for services and assessment revenues. The increase in capital assets is attributable to current year additions of construction in progress, equipment, vehicles and infrastructure exceeding current year depreciation and deletions. Long-term liabilities increased due to an increase in the net pension liability.

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 2023 and 2022.

(Table 2)
Changes in Net Position

| | Governmental Activities | | Business Type Activities | | Total | |
|---------------------------------------|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Program Revenues | | | | | | |
| Charges for Services and Assessments | \$2,056,322 | \$2,030,534 | \$43,990,016 | \$38,892,210 | \$46,046,338 | \$40,922,744 |
| Operating Grants | 3,120,761 | 2,564,864 | 0 | 0 | 3,120,761 | 2,564,864 |
| Capital Grants | 760,424 | 1,084,806 | 0 | 0 | 760,424 | 1,084,806 |
| <i>Total Program Revenues</i> | <u>5,937,507</u> | <u>5,680,204</u> | <u>43,990,016</u> | <u>38,892,210</u> | <u>49,927,523</u> | <u>44,572,414</u> |
| General Revenues | | | | | | |
| Property Taxes | 1,024,538 | 902,369 | 0 | 0 | 1,024,538 | 902,369 |
| Income Taxes | 12,684,828 | 12,446,332 | 0 | 0 | 12,684,828 | 12,446,332 |
| Grants and Entitlements | 655,977 | 568,981 | 0 | 0 | 655,977 | 568,981 |
| Permissive Taxes | 145,988 | 265,694 | 0 | 0 | 145,988 | 265,694 |
| Excise Taxes | 772,975 | 766,630 | 0 | 0 | 772,975 | 766,630 |
| Hotel Taxes | 207,618 | 199,735 | 0 | 0 | 207,618 | 199,735 |
| Investment Earnings/Interest | 2,313,689 | 722,491 | 0 | 0 | 2,313,689 | 722,491 |
| Gain on Sale of Capital Assets | 42,553 | 32,679 | 14,339 | 47,318 | 56,892 | 79,997 |
| Other | 654,477 | 544,066 | 221,423 | 260,970 | 875,900 | 805,036 |
| <i>Total General Revenues</i> | <u>18,502,643</u> | <u>16,448,977</u> | <u>235,762</u> | <u>308,288</u> | <u>18,738,405</u> | <u>16,757,265</u> |
| <i>Total Revenues</i> | <u>24,440,150</u> | <u>22,129,181</u> | <u>44,225,778</u> | <u>39,200,498</u> | <u>68,665,928</u> | <u>61,329,679</u> |
| Program Expenses | | | | | | |
| General Government | 3,143,497 | 2,279,349 | 0 | 0 | 3,143,497 | 2,279,349 |
| Security of Persons and Property | 11,426,816 | 8,919,993 | 0 | 0 | 11,426,816 | 8,919,993 |
| Public Health and Welfare | 350,049 | 686,298 | 0 | 0 | 350,049 | 686,298 |
| Leisure Time Activities | 1,268,842 | 1,031,516 | 0 | 0 | 1,268,842 | 1,031,516 |
| Community Environment | 1,434,497 | 1,152,202 | 0 | 0 | 1,434,497 | 1,152,202 |
| Transportation | 1,448,690 | 1,389,385 | 0 | 0 | 1,448,690 | 1,389,385 |
| Interest | 82,131 | 98,051 | 0 | 0 | 82,131 | 98,051 |
| Water | 0 | 0 | 7,773,363 | 6,879,937 | 7,773,363 | 6,879,937 |
| Sewer | 0 | 0 | 4,526,754 | 4,326,575 | 4,526,754 | 4,326,575 |
| Electric | 0 | 0 | 24,291,849 | 25,011,791 | 24,291,849 | 25,011,791 |
| <i>Total Program Expenses</i> | <u>19,154,522</u> | <u>15,556,794</u> | <u>36,591,966</u> | <u>36,218,303</u> | <u>55,746,488</u> | <u>51,775,097</u> |
| <i>Change in Net Position</i> | <u>5,285,628</u> | <u>6,572,387</u> | <u>7,633,812</u> | <u>2,982,195</u> | <u>12,919,440</u> | <u>9,554,582</u> |
| <i>Net Position Beginning of Year</i> | <u>28,890,731</u> | <u>22,318,344</u> | <u>51,172,378</u> | <u>48,190,183</u> | <u>80,063,109</u> | <u>70,508,527</u> |
| <i>Net Position End of Year</i> | <u>\$34,176,359</u> | <u>\$28,890,731</u> | <u>\$58,806,190</u> | <u>\$51,172,378</u> | <u>\$92,982,549</u> | <u>\$80,063,109</u> |

City of Niles
Management's Discussion and Analysis
For the Year Ended December 31, 2023
Unaudited

Governmental Activities

Governmental program revenues increased in 2023 due to increases in charges for services and assessments and operating grant program revenues categories. Property taxes, income taxes, grants and entitlements, excise taxes, hotel taxes, interest and other revenue all increased over the prior year. The increase in income tax is due to the upward trend in the employment rates. Interest revenue increased due to rising interest rates. The City continues to seek out additional sources of revenue.

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, security of persons and property, leisure time activity and community environment expenses increased due to a large amount of community development projects. Security of persons and property expenses continues to remain the largest expenditure as the City continues to provide safety services.

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 specific to the agreement between the electric fund and AMP Ohio.

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 to an increase in revenues, which was partially offset by an increase in expenditures as revenues outpaced expenditures in the current year. The police and fire tax fund ended the year with a decrease in fund balance as expenditures outpaced revenues and transfers in from the general fund.

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. The water, sewer and electric fund each saw an increase in net position due to charges for services revenue being greater than current year 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 2023, actual revenues for the general fund were greater than final estimated revenues due in large part to greater income taxes, excise taxes, hotel taxes, investment earnings/interest revenues and intergovernmental revenues collected than expected. The City actively seeks out additional sources of funding to maintain services. Actual expenditures were less than final appropriations due to management's effort to control costs and ensure economic stability going forward.

City of Niles
Management's Discussion and Analysis
For the Year Ended December 31, 2023
Unaudited

Capital Assets and Long-Term Obligations

Capital Assets

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

Total capital assets for the business-type activities, net of accumulated depreciation increased from the prior year. Current year additions of construction in progress, machinery and equipment, vehicles and infrastructure exceeded depreciation. See Note 12 to the basic financial statements for additional information on capital assets.

Long-Term Obligations

During 2023, the City's long-term obligations outstanding increased due to an increase in the net pension liability that was partially offset by the continued paydown of debt.

The City's overall debt margin was \$25,105,749 and the unvoted legal debt margin was \$10,830,488 at December 31, 2023. For more information about the City's long-term obligations, see Note 14 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. Over the last few years, the City has been able to staff departments to the levels in which the business needs of each department have been established between City's administration and the unions. 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. The City's financial stability remains intact due to careful monitoring and planning by City management.

Contacting the City of Niles' 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.

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Basic Financial Statements

City of Niles, Ohio
Statement of Net Position
December 31, 2023

| | Primary Government | | |
|---------------------------------------------|----------------------------|-----------------------------|---------------------|
| | Governmental Activities | Business-Type Activities | Total* |
| Assets | | | |
| Equity in Pooled Cash and Cash Equivalents | \$23,651,676 | \$27,255,962 | \$50,907,638 |
| Cash and Cash Equivalents: | | | |
| In Segregated Accounts | 62,293 | 0 | 62,293 |
| Materials and Supplies Inventory | 207,096 | 1,864,953 | 2,072,049 |
| Prepaid Items | 36,931 | 27,121 | 64,052 |
| Accounts Receivable | 367,051 | 4,880,845 | 5,247,896 |
| Internal Balances | 330,476 | (330,476) | 0 |
| Intergovernmental Receivable | 859,794 | 720 | 860,514 |
| Income Taxes Receivable | 3,678,321 | 0 | 3,678,321 |
| Property Taxes Receivable | 1,103,402 | 0 | 1,103,402 |
| Permissive Taxes Receivable | 20,442 | 0 | 20,442 |
| Special Assessments Receivable | 170,335 | 0 | 170,335 |
| Investment in Joint Venture | 0 | 317,499 | 317,499 |
| Regulatory Asset | 0 | 894,049 | 894,049 |
| Restricted Assets: | | | |
| Equity in Pooled Cash and Cash Equivalents | 0 | 1,992,396 | 1,992,396 |
| Nondepreciable Capital Assets | 4,232,835 | 1,664,617 | 5,897,452 |
| Depreciable Capital Assets, Net | 24,191,778 | 58,616,211 | 82,807,989 |
| <i>Total Assets</i> | <u>58,912,430</u> | <u>97,183,897</u> | <u>156,096,327</u> |
| Deferred Outflows of Resources | | | |
| Asset Retirement Obligation | 8,001 | 0 | 8,001 |
| Pension | 7,777,855 | 3,839,989 | 11,523,346 |
| OPEB | 1,198,709 | 564,209 | 1,762,403 |
| <i>Total Deferred Outflows of Resources</i> | <u>8,984,565</u> | <u>4,404,198</u> | <u>13,293,750</u> |
| Liabilities | | | |
| Accounts Payable | 268,739 | 284,538 | 553,277 |
| Accrued Wages | 285,802 | 135,294 | 421,096 |
| Contracts Payable | 0 | 107,108 | 107,108 |
| Retainage Payable | 12,740 | 26,622 | 39,362 |
| Intergovernmental Payable | 335,952 | 147,650 | 483,602 |
| Payable from Restricted Assets: | | | |
| Deposits Held and Due to Others | 0 | 1,992,396 | 1,992,396 |
| Unearned Revenue | 424,551 | 0 | 424,551 |
| Accrued Interest Payable | 9,062 | 100,639 | 109,701 |
| Claims Payable | 472,136 | 0 | 472,136 |
| Long-Term Liabilities: | | | |
| Due Within One Year | 1,405,418 | 2,269,134 | 3,674,552 |
| Due In More Than One Year: | | | |
| Net Pension Liability (See Note 15) | 22,058,953 | 9,254,055 | 31,313,008 |
| Net OPEB Liability (See Note 16) | 1,413,483 | 186,408 | 1,599,891 |
| Other Amounts | 3,425,630 | 28,111,844 | 31,537,474 |
| <i>Total Liabilities</i> | <u>30,112,466</u> | <u>42,615,688</u> | <u>72,728,154</u> |
| Deferred Inflows of Resources | | | |
| Property Taxes | 913,910 | 0 | 913,910 |
| Leases | 148,893 | 0 | 148,893 |
| Pension | 978,433 | 96,597 | 980,532 |
| OPEB | 1,561,122 | 61,994 | 1,622,601 |
| Deferred Gain on Refunding | 5,812 | 7,626 | 13,438 |
| <i>Total Deferred Inflows of Resources</i> | <u>3,608,170</u> | <u>166,217</u> | <u>3,679,374</u> |
| Net Position | | | |
| Net Investment in Capital Assets | 25,157,140 | 31,426,337 | 56,583,477 |
| Restricted for: | | | |
| Capital Projects | 491,211 | 0 | 491,211 |
| Other Purposes | 4,959,956 | 0 | 4,959,956 |
| Unrestricted (Deficit) | 3,568,052 | 27,379,853 | 30,947,905 |
| <i>Total Net Position</i> | <u>\$34,176,359</u> | <u>\$58,806,190</u> | <u>\$92,982,549</u> |

* After Deferred Outflows and Inflows of Resources related to the change in internal proportionate share of pension and OPEB related items have been eliminated.

See accompanying notes to the basic financial statements

City of Niles, Ohio
Statement of Activities
For the Year Ended December 31, 2023

| | Program Revenues | | | |
|---------------------------------------|---------------------|--------------------------------------------|--------------------|------------------|
| | Expenses | Charges for Services and Assessments | Operating Grants | Capital Grants |
| Primary Government | | | | |
| Governmental Activities: | | | | |
| General Government | \$3,143,497 | \$762,026 | \$1,051,284 | \$0 |
| Security of Persons and Property | 11,426,816 | 755,964 | 157,549 | 0 |
| Public Health and Welfare | 350,049 | 108,175 | 0 | 0 |
| Leisure Time Activities | 1,268,842 | 244,149 | 53,166 | 0 |
| Community Environment | 1,434,497 | 154,366 | 727,074 | 0 |
| Transportation | 1,448,690 | 31,642 | 1,131,688 | 760,424 |
| Interest | 82,131 | 0 | 0 | 0 |
| <i>Total Governmental Activities</i> | 19,154,522 | 2,056,322 | 3,120,761 | 760,424 |
| Business-Type Activities: | | | | |
| Water | 7,773,363 | 10,561,914 | 0 | 0 |
| Sewer | 4,526,754 | 6,597,428 | 0 | 0 |
| Electric | 24,291,849 | 26,830,674 | 0 | 0 |
| <i>Total Business-Type Activities</i> | 36,591,966 | 43,990,016 | 0 | 0 |
| Totals | \$55,746,488 | \$46,046,338 | \$3,120,761 | \$760,424 |

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

Permissive Taxes

Excise Taxes

Hotel Taxes

Investment Earnings/Interest

Gain on Sale of Capital Assets

Other

Total General Revenues

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

| <u>Net (Expense) Revenue and Changes in Net Position</u> | | |
|----------------------------------------------------------|-------------------------------------|---------------------|
| <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
| (\$1,330,187) | \$0 | (\$1,330,187) |
| (10,513,303) | 0 | (10,513,303) |
| (241,874) | 0 | (241,874) |
| (971,527) | 0 | (971,527) |
| (553,057) | 0 | (553,057) |
| 475,064 | 0 | 475,064 |
| (82,131) | 0 | (82,131) |
| (13,217,015) | 0 | (13,217,015) |
| 0 | 2,788,551 | 2,788,551 |
| 0 | 2,070,674 | 2,070,674 |
| 0 | 2,538,825 | 2,538,825 |
| 0 | 7,398,050 | 7,398,050 |
| (13,217,015) | 7,398,050 | (5,818,965) |
| 593,746 | 0 | 593,746 |
| 161,562 | 0 | 161,562 |
| 269,230 | 0 | 269,230 |
| 6,508,261 | 0 | 6,508,261 |
| 6,176,567 | 0 | 6,176,567 |
| 655,977 | 0 | 655,977 |
| 145,988 | 0 | 145,988 |
| 772,975 | 0 | 772,975 |
| 207,618 | 0 | 207,618 |
| 2,313,689 | 0 | 2,313,689 |
| 42,553 | 14,339 | 56,892 |
| 654,477 | 221,423 | 875,900 |
| 18,502,643 | 235,762 | 18,738,405 |
| 5,285,628 | 7,633,812 | 12,919,440 |
| 28,890,731 | 51,172,378 | 80,063,109 |
| <u>\$34,176,359</u> | <u>\$58,806,190</u> | <u>\$92,982,549</u> |

City of Niles, Ohio
Balance Sheet
Governmental Funds
December 31, 2023

| | General | Police and Fire Tax | Other Governmental Funds | Total Governmental Funds |
|-------------------------------------------------------------------------------|---------------------|------------------------|--------------------------------|--------------------------------|
| Assets | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$17,624,289 | \$657,617 | \$4,915,340 | \$23,197,246 |
| Cash and Cash Equivalents In Segregated Accounts | 41,890 | 0 | 20,403 | 62,293 |
| Materials and Supplies Inventory | 9,459 | 135,976 | 41,460 | 186,895 |
| Accounts Receivable | 3,207 | 0 | 363,844 | 367,051 |
| Interfund Receivable | 30,000 | 0 | 0 | 30,000 |
| Intergovernmental Receivable | 204,230 | 0 | 655,564 | 859,794 |
| Prepaid Items | 6,567 | 24,856 | 5,508 | 36,931 |
| Income Taxes Receivable | 1,882,230 | 1,796,091 | 0 | 3,678,321 |
| Property Taxes Receivable | 618,689 | 0 | 484,713 | 1,103,402 |
| Permissive Taxes Receivable | 0 | 0 | 20,442 | 20,442 |
| Loans Receivable | 159,963 | 0 | 0 | 159,963 |
| Special Assessments Receivable | 170,335 | 0 | 0 | 170,335 |
| Restricted Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | 132,642 | 0 | 0 | 132,642 |
| <i>Total Assets</i> | <u>\$20,883,501</u> | <u>\$2,614,540</u> | <u>\$6,507,274</u> | <u>\$30,005,315</u> |
| Liabilities | | | | |
| Accounts Payable | \$91,862 | \$9,385 | \$166,314 | \$267,561 |
| Accrued Wages | 37,406 | 220,262 | 28,134 | 285,802 |
| Retainage Payable | 12,740 | 0 | 0 | 12,740 |
| Intergovernmental Payable | 54,397 | 18,533 | 263,022 | 335,952 |
| Unearned Revenue | 0 | 0 | 424,551 | 424,551 |
| Interfund Payable | 0 | 0 | 30,000 | 30,000 |
| <i>Total Liabilities</i> | <u>196,405</u> | <u>248,180</u> | <u>912,021</u> | <u>1,356,606</u> |
| Deferred Inflows of Resources | | | | |
| Property Taxes | 509,816 | 0 | 404,094 | 913,910 |
| Leases | 148,893 | 0 | 0 | 148,893 |
| Unavailable Revenue | 1,825,793 | 1,317,105 | 880,731 | 4,023,629 |
| <i>Total Deferred Inflows of Resources</i> | <u>2,484,502</u> | <u>1,317,105</u> | <u>1,284,825</u> | <u>5,086,432</u> |
| Fund Balances | | | | |
| Nonspendable | 308,631 | 160,832 | 46,968 | 516,431 |
| Restricted | 0 | 888,423 | 3,246,270 | 4,134,693 |
| Committed | 0 | 0 | 1,169,067 | 1,169,067 |
| Assigned | 3,336,718 | 0 | 0 | 3,336,718 |
| Unassigned (Deficit) | 14,557,245 | 0 | (151,877) | 14,405,368 |
| <i>Total Fund Balances</i> | <u>18,202,594</u> | <u>1,049,255</u> | <u>4,310,428</u> | <u>23,562,277</u> |
| <i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i> | <u>\$20,883,501</u> | <u>\$2,614,540</u> | <u>\$6,507,274</u> | <u>\$30,005,315</u> |

See accompanying notes to the basic financial statements

City of Niles, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 December 31, 2023*

| | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|---------------------|
| Total Governmental Fund Balances | | \$23,562,277 |
| <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. | | 28,424,613 |
| 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 | 189,492 | |
| Income Taxes | 2,688,391 | |
| Intergovernmental | 649,363 | |
| Special Assessments | 170,335 | |
| Fines, Forfeitures and Settlements | 324,818 | |
| Rentals | 1,230 | |
| Total | | 4,023,629 |
| 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 | (131,325) | |
| Internal Balances | 170,513 | |
| Total | | 39,188 |
| In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. | | (9,062) |
| The 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. | | |
| Deferred Outflows - Pension | 7,777,855 | |
| Deferred Inflows - Pension | (978,433) | |
| Net Pension Liability | (22,058,953) | |
| Deferred Outflows - OPEB | 1,198,709 | |
| Deferred Inflows - OPEB | (1,561,122) | |
| Net OPEB Liability | (1,413,483) | |
| Total | | (17,035,427) |
| Deferred inflows of resources represent deferred gains on refundings, which are not reported in the governmental funds. | | (5,812) |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. | | |
| General Obligation Bonds | (2,834,300) | |
| Police and Fire Pension | (234,171) | |
| Financed Purchases | (166,727) | |
| Compensated Absences | (1,307,306) | |
| Leases Payable | (26,867) | |
| Subscriptions Payable | (221,027) | |
| Special Termination Benefits Payable | (650) | |
| Deferred Outflows Asset Retirement | 8,001 | |
| Asset Retirement Obligation | (40,000) | |
| Total | | (4,823,047) |
| <i>Net Position of Governmental Activities</i> | | <u>\$34,176,359</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, 2023

| | General | Police and Fire Tax | Other Governmental Funds | Total Governmental Funds |
|---------------------------------------------------------|---------------------|------------------------|--------------------------------|--------------------------------|
| Revenues | | | | |
| Property Taxes | \$561,906 | \$0 | \$407,391 | \$969,297 |
| Income Taxes | 6,363,962 | 6,060,182 | 0 | 12,424,144 |
| Special Assessments | 1,608 | 0 | 0 | 1,608 |
| Permissive Taxes | 0 | 0 | 267,200 | 267,200 |
| Excise Taxes | 772,975 | 0 | 0 | 772,975 |
| Hotel Taxes | 207,618 | 0 | 0 | 207,618 |
| Intergovernmental | 676,871 | 0 | 3,913,765 | 4,590,636 |
| Investment Earnings/Interest | 2,259,400 | 0 | 54,289 | 2,313,689 |
| Fees, Licenses and Permits | 340,482 | 0 | 900 | 341,382 |
| Fines and Forfeitures | 458,505 | 0 | 244,473 | 702,978 |
| Rentals | 12,844 | 0 | 12,488 | 25,332 |
| Charges for Services | 0 | 0 | 434,326 | 434,326 |
| Leases | 3,422 | 0 | 0 | 3,422 |
| Cable Franchise Fees | 222,459 | 0 | 0 | 222,459 |
| Other | 65,883 | 0 | 172,751 | 238,634 |
| <i>Total Revenues</i> | <u>11,947,935</u> | <u>6,060,182</u> | <u>5,507,583</u> | <u>23,515,700</u> |
| Expenditures | | | | |
| Current: | | | | |
| General Government | 2,167,537 | 0 | 1,155,233 | 3,322,770 |
| Security of Persons and Property | 416,576 | 8,303,442 | 1,538,846 | 10,258,864 |
| Public Health and Welfare | 0 | 0 | 378,647 | 378,647 |
| Leisure Time Activities | 107,646 | 0 | 935,013 | 1,042,659 |
| Community Environment | 507,655 | 0 | 891,105 | 1,398,760 |
| Transportation | 103,789 | 0 | 1,264,606 | 1,368,395 |
| Capital Outlay | 26,470 | 233,690 | 1,492,445 | 1,752,605 |
| Debt Service: | | | | |
| Principal Retirement | 163,491 | 16,496 | 337,192 | 517,179 |
| Interest | 34,027 | 10,451 | 40,419 | 84,897 |
| <i>Total Expenditures</i> | <u>3,527,191</u> | <u>8,564,079</u> | <u>8,033,506</u> | <u>20,124,776</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>8,420,744</u> | <u>(2,503,897)</u> | <u>(2,525,923)</u> | <u>3,390,924</u> |
| Other Financing Sources (Uses) | | | | |
| Sale of Capital Assets | 9,979 | 0 | 32,574 | 42,553 |
| Inception of Lease | 13,730 | 12,663 | 2,564 | 28,957 |
| Inception of Subscription | 0 | 221,027 | 0 | 221,027 |
| Transfers In | 0 | 2,006,967 | 2,844,104 | 4,851,071 |
| Transfers Out | (4,851,071) | 0 | 0 | (4,851,071) |
| <i>Total Other Financing Sources (Uses)</i> | <u>(4,827,362)</u> | <u>2,240,657</u> | <u>2,879,242</u> | <u>292,537</u> |
| <i>Net Change in Fund Balances</i> | 3,593,382 | (263,240) | 353,319 | 3,683,461 |
| <i>Fund Balances Beginning of Year</i> | <u>14,609,212</u> | <u>1,312,495</u> | <u>3,957,109</u> | <u>19,878,816</u> |
| <i>Fund Balances End of Year</i> | <u>\$18,202,594</u> | <u>\$1,049,255</u> | <u>\$4,310,428</u> | <u>\$23,562,277</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, 2023*

| | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|--------------------|
| Net Change in Fund Balances - Total Governmental Funds | | \$3,683,461 |
| <i>Amounts reported for governmental activities in the statement of activities are different because</i> | | |
| 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/amortization expense. This is the amount by which capital outlay exceeded depreciation/amortization in the current period. | | |
| Capital Asset Additions | 3,826,979 | |
| Current Year Depreciation/Amortization | (1,467,128) | |
| Total | | 2,359,851 |
| 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. | | |
| | | (117,526) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Delinquent Property Taxes | 55,241 | |
| Income Taxes | 260,684 | |
| Permissive Taxes | (121,212) | |
| Intergovernmental | (53,474) | |
| Special Assessments | 24,030 | |
| Fines, Forfeitures & Settlements | 360,320 | |
| Cable Franchise Fees | (57,200) | |
| Rentals | (2,335) | |
| Total | | 466,054 |
| 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 | (495,707) | |
| Internal Balances | 365,101 | |
| Total | | (130,606) |
| Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. | | |
| Pension | 1,427,128 | |
| OPEB | 29,121 | |
| Total | | 1,456,249 |
| 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 | (2,843,505) | |
| OPEB | 99,232 | |
| Total | | (2,744,273) |
| Other financing sources in the governmental funds increase long-term liabilities in the statement of net assets. | | |
| Inception of Leases | (28,957) | |
| Inception of Subscriptions | (221,027) | |
| Total | | (249,984) |
| Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. | | |
| | | 517,179 |
| 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 | 1,926 | |
| Amortization of Deferred Gain on Refunding | 840 | |
| Total | | 2,766 |
| Amortization of deferred outflows related to the asset retirement obligation is reported as an expense in the statement of activities. | | |
| | | (1,333) |
| 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 | 8,850 | |
| Special Termination Benefits Payable | 34,940 | |
| Total | | 43,790 |
| <i>Change in Net Position of Governmental Activities</i> | | \$5,285,628 |

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, 2023

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget</u> |
|-----------------------------------------------------|-------------------------|---------------------|---------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Property Taxes | \$568,974 | \$568,974 | \$561,906 | (\$7,068) |
| Income Taxes | 6,161,967 | 6,161,967 | 6,280,456 | 118,489 |
| Special Assessments | 2,500 | 2,500 | 1,608 | (892) |
| Excise Taxes | 700,000 | 700,000 | 772,975 | 72,975 |
| Hotel Taxes | 200,000 | 200,000 | 219,286 | 19,286 |
| Intergovernmental | 490,891 | 490,891 | 682,455 | 191,564 |
| Investment Earnings/Interest | 457,709 | 457,709 | 2,271,705 | 1,813,996 |
| Fees, Licenses and Permits | 384,500 | 384,500 | 339,495 | (45,005) |
| Fines, Forfeitures and Settlements | 513,500 | 513,500 | 452,282 | (61,218) |
| Rentals | 30,000 | 30,000 | 13,194 | (16,806) |
| Cable Franchise Fees | 200,000 | 200,000 | 222,459 | 22,459 |
| Other | 227,291 | 227,291 | 201,864 | (25,427) |
| <i>Total Revenues</i> | <u>9,937,332</u> | <u>9,937,332</u> | <u>12,019,685</u> | <u>2,082,353</u> |
| Expenditures | | | | |
| Current: | | | | |
| General Government | 3,172,721 | 3,482,306 | 2,396,977 | 1,085,329 |
| Security of Persons and Property | 511,315 | 505,361 | 434,176 | 71,185 |
| Leisure Time Activities | 173,169 | 199,586 | 119,743 | 79,843 |
| Community Environment | 535,313 | 566,580 | 518,450 | 48,130 |
| Transportation | 106,946 | 146,808 | 126,334 | 20,474 |
| Debt Service: | | | | |
| Principal Retirement | 162,500 | 162,500 | 162,500 | 0 |
| Interest | 34,100 | 34,100 | 34,027 | 73 |
| <i>Total Expenditures</i> | <u>4,696,064</u> | <u>5,097,241</u> | <u>3,792,207</u> | <u>1,305,034</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>5,241,268</u> | <u>4,840,091</u> | <u>8,227,478</u> | <u>3,387,387</u> |
| Other Financing Sources (Uses) | | | | |
| Sale of Capital Assets | 0 | 0 | 9,979 | 9,979 |
| Transfers Out | (5,801,967) | (5,801,967) | (4,851,071) | 950,896 |
| <i>Total Other Financing Sources (Uses)</i> | <u>(5,801,967)</u> | <u>(5,801,967)</u> | <u>(4,841,092)</u> | <u>960,875</u> |
| <i>Net Change in Fund Balance</i> | (560,699) | (961,876) | 3,386,386 | 4,348,262 |
| <i>Fund Balance Beginning of Year</i> | 13,737,047 | 13,737,047 | 13,737,047 | 0 |
| Prior Year Encumbrances Appropriated | 134,231 | 134,231 | 134,231 | 0 |
| <i>Fund Balance End of Year</i> | <u>\$13,310,579</u> | <u>\$12,909,402</u> | <u>\$17,257,664</u> | <u>\$4,348,262</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, 2023

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget |
|-----------------------------------------------------|-------------------------|------------------|------------------|-------------------------------|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues | | | | |
| Income Taxes | \$5,993,033 | \$5,993,033 | \$5,993,033 | \$0 |
| Other | 0 | 0 | 38,622 | 38,622 |
| <i>Total Revenues</i> | <u>5,993,033</u> | <u>5,993,033</u> | <u>6,031,655</u> | <u>38,622</u> |
| Expenditures | | | | |
| Current: | | | | |
| Security of Persons and Property | 9,145,896 | 9,323,588 | 8,520,848 | 802,740 |
| Debt Service: | | | | |
| Principal Retirement | 15,583 | 15,583 | 15,583 | 0 |
| Interest | 10,451 | 10,451 | 10,451 | 0 |
| <i>Total Expenditures</i> | <u>9,171,930</u> | <u>9,349,622</u> | <u>8,546,882</u> | <u>802,740</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | (3,178,897) | (3,356,589) | (2,515,227) | 841,362 |
| Other Financing Sources (Uses) | | | | |
| Transfers In | 2,606,967 | 2,606,967 | 2,006,967 | (600,000) |
| <i>Net Change in Fund Balance</i> | (571,930) | (749,622) | (508,260) | 241,362 |
| <i>Fund Balance Beginning of Year</i> | 345,450 | 345,450 | 345,450 | 0 |
| Prior Year Encumbrances Appropriated | 606,177 | 606,177 | 606,177 | 0 |
| <i>Fund Balance End of Year</i> | <u>\$379,697</u> | <u>\$202,005</u> | <u>\$443,367</u> | <u>\$241,362</u> |

See accompanying notes to the basic financial statements

City of Niles, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2023

| | Enterprise | | | | Internal Service |
|--------------------------------------------------------|--------------------|---------------------|---------------------|---------------------|--------------------|
| | Water | Sewer | Electric | Total | |
| Assets | | | | | |
| <i>Current Assets:</i> | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$4,875,499 | \$5,801,247 | \$16,579,216 | \$27,255,962 | \$321,788 |
| Materials and Supplies Inventory | 359,317 | 27,122 | 1,478,514 | 1,864,953 | 20,201 |
| <i>Receivables:</i> | | | | | |
| Intergovernmental | 720 | 0 | 0 | 720 | 0 |
| Accounts | 1,735,320 | 690,230 | 2,455,295 | 4,880,845 | 0 |
| Prepaid Items | 5,286 | 6,828 | 15,007 | 27,121 | 0 |
| <i>Total Current Assets</i> | <u>6,976,142</u> | <u>6,525,427</u> | <u>20,528,032</u> | <u>34,029,601</u> | <u>341,989</u> |
| <i>Noncurrent Assets:</i> | | | | | |
| Investment in Joint Venture | 0 | 0 | 317,499 | 317,499 | 0 |
| Regulatory Asset | 0 | 0 | 894,049 | 894,049 | 0 |
| <i>Restricted Assets:</i> | | | | | |
| Equity in Pooled Cash and Cash Equivalents | 632,628 | 529,141 | 830,627 | 1,992,396 | 0 |
| <i>Capital Assets:</i> | | | | | |
| Nondepreciable Capital Assets | 106,654 | 1,374,503 | 183,460 | 1,664,617 | 0 |
| Depreciable Capital Assets, Net | 4,463,538 | 39,232,451 | 14,920,222 | 58,616,211 | 0 |
| <i>Total Noncurrent Assets</i> | <u>5,202,820</u> | <u>41,136,095</u> | <u>17,145,857</u> | <u>63,484,772</u> | <u>0</u> |
| <i>Total Assets</i> | <u>12,178,962</u> | <u>47,661,522</u> | <u>37,673,889</u> | <u>97,514,373</u> | <u>341,989</u> |
| Deferred Outflows of Resources | | | | | |
| Pension | 759,703 | 1,122,388 | 1,957,898 | 3,839,989 | 0 |
| OPEB | 114,311 | 155,373 | 294,525 | 564,209 | 0 |
| <i>Total Deferred Outflows of Resources</i> | <u>874,014</u> | <u>1,277,761</u> | <u>2,252,423</u> | <u>4,404,198</u> | <u>0</u> |
| Liabilities | | | | | |
| <i>Current Liabilities:</i> | | | | | |
| Accounts Payable | 90,259 | 143,803 | 50,476 | 284,538 | 1,178 |
| Accrued Wages | 24,989 | 39,059 | 71,246 | 135,294 | 0 |
| Contracts Payable | 0 | 107,108 | 0 | 107,108 | 0 |
| Retainage Payable | 0 | 26,622 | 0 | 26,622 | 0 |
| Intergovernmental Payable | 30,566 | 42,235 | 74,849 | 147,650 | 0 |
| <i>Payable from Restricted Assets:</i> | | | | | |
| Deposits Held and Due to Others | 632,628 | 529,141 | 830,627 | 1,992,396 | 0 |
| Compensated Absences Payable | 53,156 | 49,656 | 185,211 | 288,023 | 0 |
| Accrued Interest Payable | 727 | 99,912 | 0 | 100,639 | 0 |
| Internal Loans Payable | 159,963 | 0 | 0 | 159,963 | 0 |
| General Obligation Bonds Payable | 83,000 | 193,000 | 0 | 276,000 | 0 |
| Lease Payable | 397 | 889 | 397 | 1,683 | 0 |
| OWDA Loans Payable | 0 | 1,703,428 | 0 | 1,703,428 | 0 |
| Claims Payable | 0 | 0 | 0 | 0 | 472,136 |
| <i>Total Current Liabilities</i> | <u>1,075,685</u> | <u>2,934,853</u> | <u>1,212,806</u> | <u>5,223,344</u> | <u>473,314</u> |
| <i>Long-Term Liabilities (net of current portion):</i> | | | | | |
| Compensated Absences Payable | 51,113 | 79,655 | 118,635 | 249,403 | 0 |
| General Obligation Bonds Payable | 523,000 | 1,240,000 | 0 | 1,763,000 | 0 |
| Leases Payable | 1,641 | 3,673 | 1,641 | 6,955 | 0 |
| OWDA Loans Payable | 0 | 25,198,437 | 0 | 25,198,437 | 0 |
| Stranded Cost Liability | 0 | 0 | 894,049 | 894,049 | 0 |
| Net Pension Liability | 1,876,878 | 2,480,693 | 4,896,484 | 9,254,055 | 0 |
| Net OPEB Liability | 37,802 | 51,251 | 97,355 | 186,408 | 0 |
| <i>Total Long-Term Liabilities</i> | <u>2,490,434</u> | <u>29,053,709</u> | <u>6,008,164</u> | <u>37,552,307</u> | <u>0</u> |
| <i>Total Liabilities</i> | <u>3,566,119</u> | <u>31,988,562</u> | <u>7,220,970</u> | <u>42,775,651</u> | <u>473,314</u> |
| Deferred Inflows of Resources | | | | | |
| Deferred Gain on Refunding | 1,990 | 5,636 | 0 | 7,626 | 0 |
| Pension | 928 | 517 | 95,152 | 96,597 | 0 |
| OPEB | 12,467 | 16,902 | 32,625 | 61,994 | 0 |
| <i>Total Deferred Inflows of Resources</i> | <u>15,385</u> | <u>23,055</u> | <u>127,777</u> | <u>166,217</u> | <u>0</u> |
| Net Position | | | | | |
| Net Investment in Capital Assets | 4,056,202 | 12,266,453 | 15,103,682 | 31,426,337 | 0 |
| Unrestricted | 5,415,270 | 4,661,213 | 17,473,883 | 27,550,366 | (131,325) |
| <i>Total Net Position</i> | <u>\$9,471,472</u> | <u>\$16,927,666</u> | <u>\$32,577,565</u> | <u>\$58,976,703</u> | <u>(\$131,325)</u> |

Net position reported for business-type activities in the statement of net position is different because it includes accumulated overpayments to the internal service funds:

| |
|---------------------|
| (170,513) |
| <u>\$58,806,190</u> |

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, 2023*

| | Enterprise | | | | Internal Service |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|---------------------|---------------------|--------------------|---------------------|
| | Water | Sewer | Electric | Total | |
| Operating Revenues | | | | | |
| Charges for Services | \$10,561,914 | \$6,597,428 | \$26,830,674 | \$43,990,016 | \$3,794,188 |
| Other | 14,383 | 17,991 | 189,049 | 221,423 | 415,843 |
| <i>Total Operating Revenues</i> | <u>10,576,297</u> | <u>6,615,419</u> | <u>27,019,723</u> | <u>44,211,439</u> | <u>4,210,031</u> |
| Operating Expenses | | | | | |
| Personal Services | 1,686,102 | 2,251,074 | 4,329,269 | 8,266,445 | 0 |
| Materials and Supplies | 318,346 | 232,001 | 637,497 | 1,187,844 | 272,572 |
| Contractual Services | 5,499,161 | 290,616 | 17,986,063 | 23,775,840 | 0 |
| Depreciation | 123,453 | 1,384,615 | 1,110,321 | 2,618,389 | 0 |
| Claims | 0 | 0 | 0 | 0 | 4,428,429 |
| Other | 60,094 | 35,955 | 24,549 | 120,598 | 4,737 |
| <i>Total Operating Expenses</i> | <u>7,687,156</u> | <u>4,194,261</u> | <u>24,087,699</u> | <u>35,969,116</u> | <u>4,705,738</u> |
| <i>Operating Income (Loss)</i> | <u>2,889,141</u> | <u>2,421,158</u> | <u>2,932,024</u> | <u>8,242,323</u> | <u>(495,707)</u> |
| Non-Operating Revenues (Expenses) | | | | | |
| Interest | (9,359) | (221,738) | (54) | (231,151) | 0 |
| Gain on Sale of Capital Assets | 10,637 | 0 | 3,702 | 14,339 | 0 |
| Loss on Sale of Capital Assets | 0 | 0 | (26,598) | (26,598) | 0 |
| <i>Total Non-Operating Revenues (Expenses)</i> | <u>1,278</u> | <u>(221,738)</u> | <u>(22,950)</u> | <u>(243,410)</u> | <u>0</u> |
| <i>Change in Net Position</i> | 2,890,419 | 2,199,420 | 2,909,074 | 7,998,913 | (495,707) |
| <i>Net Position Beginning of Year</i> | <u>6,581,053</u> | <u>14,728,246</u> | <u>29,668,491</u> | | <u>364,382</u> |
| <i>Net Position End of Year</i> | <u>\$9,471,472</u> | <u>\$16,927,666</u> | <u>\$32,577,565</u> | | <u>(\$131,325)</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>(365,101)</u> | |
| Change in net position of business-type activities | | | | <u>\$7,633,812</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, 2023

| | Enterprise | | | | Internal Service |
|-------------------------------------------------------------------------------------------|---------------------------|---------------------------|----------------------------|----------------------------|-------------------------|
| | Water | Sewer | Electric | Total | |
| Increase (Decrease) in Cash and Cash Equivalents | | | | | |
| Cash Flows from Operating Activities | | | | | |
| Cash Received from Customers | \$9,426,741 | \$6,404,509 | \$25,667,535 | \$41,498,785 | \$3,794,188 |
| Other Cash Receipts | 15,696 | 17,991 | 202,256 | 235,943 | 415,843 |
| Cash Payments to Employees for Services | (1,261,251) | (1,647,104) | (3,288,338) | (6,196,693) | 0 |
| Cash Payments for Goods and Services | (5,797,841) | (280,948) | (19,015,872) | (25,094,661) | (269,554) |
| Cash Payments for Claims | 0 | 0 | 0 | 0 | (4,332,536) |
| Cash Payments for Interfund Services Provided | (302,103) | (450,135) | (746,970) | (1,499,208) | 0 |
| Other Cash Payments | (65,876) | (36,236) | 25,055 | (77,057) | (3,745) |
| <i>Net Cash Provided by (Used for)</i> <i>Operating Activities</i> | <u>2,015,366</u> | <u>4,008,077</u> | <u>2,843,666</u> | <u>8,867,109</u> | <u>(395,804)</u> |
| Cash Flows from Capital and Related Financing Activities | | | | | |
| Proceeds from Sale of Capital Assets | 10,637 | 0 | 3,702 | 14,339 | 0 |
| Inception of Lease | 2,197 | 4,917 | 2,197 | 9,311 | 0 |
| Principal Paid on Internal Loans | (152,254) | 0 | 0 | (152,254) | 0 |
| Interest Paid on Internal Loans | (7,746) | 0 | 0 | (7,746) | 0 |
| Principal Paid on General Obligation Bonds | (79,000) | (185,000) | 0 | (264,000) | 0 |
| Interest Paid on General Obligation Bonds | (9,651) | (23,300) | 0 | (32,951) | 0 |
| Principal Paid on OWDA Loans | 0 | (1,691,061) | 0 | (1,691,061) | 0 |
| Interest Paid on OWDA Loans | 0 | (205,524) | 0 | (205,524) | 0 |
| Principal Paid on Lease | (159) | (355) | (159) | (673) | 0 |
| Interest Paid on Lease | (54) | (123) | (54) | (231) | 0 |
| Payments for Capital Acquisitions | (1,316,524) | (1,586,264) | (2,476,869) | (5,379,657) | 0 |
| <i>Net Cash Provided by (Used for)</i> <i>Capital and Related Financing Activities</i> | <u>(1,552,554)</u> | <u>(3,686,710)</u> | <u>(2,471,183)</u> | <u>(7,710,447)</u> | <u>0</u> |
| <i>Net Increase (Decrease) in Cash and Cash Equivalents</i> | 462,812 | 321,367 | 372,483 | 1,156,662 | (395,804) |
| <i>Cash and Cash Equivalents</i> <i>Beginning of Year</i> | <u>5,045,315</u> | <u>6,009,021</u> | <u>17,037,360</u> | <u>28,091,696</u> | <u>717,592</u> |
| <i>Cash and Cash Equivalents End of Year</i> | <u><u>\$5,508,127</u></u> | <u><u>\$6,330,388</u></u> | <u><u>\$17,409,843</u></u> | <u><u>\$29,248,358</u></u> | <u><u>\$321,788</u></u> |

(continued)

City of Niles, Ohio
Statement of Cash Flows
Proprietary Funds (continued)
For the Year Ended December 31, 2023

| | Enterprise | | | | Internal Service |
|--------------------------------------------------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|---------------------|
| | Water | Sewer | Electric | Total | |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities | | | | | |
| Operating Income (Loss) | \$2,889,141 | \$2,421,158 | \$2,932,024 | \$8,242,323 | (\$495,707) |
| Adjustments: | | | | | |
| Depreciation | 123,453 | 1,384,615 | 1,110,321 | 2,618,389 | 0 |
| <i>(Increase) Decrease in Assets:</i> | | | | | |
| Accounts Receivable | (1,191,843) | (242,486) | (1,229,852) | (2,664,181) | 0 |
| Intergovernmental Receivable | (9) | 0 | 825 | 816 | 0 |
| Materials and Supplies Inventory | (66,711) | 3,069 | (400,295) | (463,937) | 3,018 |
| Prepaid Items | (31) | 459 | 236 | 664 | 0 |
| (Increase) Decrease in Deferred Outflows - Pension | 378,164 | 570,619 | 979,391 | 1,928,174 | 0 |
| (Increase) Decrease in Deferred Outflows - OPEB | 90,355 | 120,815 | 234,678 | 445,848 | 0 |
| <i>Increase (Decrease) in Liabilities:</i> | | | | | |
| Accounts Payable | 53,215 | 84,154 | (16,552) | 120,817 | 992 |
| Accrued Wages | (4,630) | 3,918 | (1,159) | (1,871) | 0 |
| Contracts Payable | 0 | 107,108 | 0 | 107,108 | 0 |
| Retainage Payable | 0 | 26,622 | 0 | 26,622 | 0 |
| Intergovernmental Payable | (665) | 4,007 | 1,135 | 4,477 | 0 |
| Deposits Held and Due to Others | 58,012 | 48,586 | 78,907 | 185,505 | 0 |
| Compensated Absences Payable | 21,851 | 12,991 | (2,680) | 32,162 | 0 |
| Claims Payable | 0 | 0 | 0 | 0 | 95,893 |
| Net Pension Liability | 74,677 | 17,418 | 274,599 | 366,694 | 0 |
| Net OPEB Liability | (1,214) | (1,755) | (3,019) | (5,988) | 0 |
| Increase (Decrease) in Deferred Inflows - Pension | (265,105) | (358,945) | (745,531) | (1,369,581) | 0 |
| Increase (Decrease) in Deferred Inflows - OPEB | (143,294) | (194,276) | (369,362) | (706,932) | 0 |
| <i>Total Adjustments</i> | <u>(873,775)</u> | <u>1,586,919</u> | <u>(88,358)</u> | <u>624,786</u> | <u>99,903</u> |
| <i>Net Cash Provided by (Used for) Operating Activities</i> | <u>\$2,015,366</u> | <u>\$4,008,077</u> | <u>\$2,843,666</u> | <u>\$8,867,109</u> | <u>(\$395,804)</u> |

See accompanying notes to the basic financial statements

City of Niles, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2023

| | Private Purpose Trust | Custodial Fund |
|--------------------------------------------------|--------------------------|-------------------|
| | Endowment | Court |
| Assets | | |
| Equity in Pooled Cash and Cash Equivalents | \$85,797 | \$0 |
| Cash and Cash Equivalents in Segregated Accounts | 0 | 1,655 |
| <i>Total Assets</i> | <i>85,797</i> | <i>1,655</i> |
| Liabilities | | |
| Accounts Payable | 0 | 605 |
| Intergovernmental Payable | 0 | 1,050 |
| <i>Total Liabilities</i> | <i>0</i> | <i>1,655</i> |
| Net Position | | |
| Held in Trust for Endowment | <u>\$85,797</u> | <u>\$0</u> |

See accompanying notes to the basic financial statements

City of Niles, Ohio
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2023

| | Private Purpose Trust | Custodial Fund |
|----------------------------------------------------------|--------------------------|-------------------|
| | Endowment | Court |
| Additions | | |
| Fines and Forfeitures for Other Governments | \$0 | \$444,657 |
| Fines and Forfeitures for Others | 0 | 475,537 |
| <i>Total Additions</i> | <u>0</u> | <u>920,194</u> |
| Deductions | | |
| Fines and Forfeitures Distributions to Other Governments | 0 | 444,097 |
| Fines and Forfeitures Distributions to Others | 35 | 476,097 |
| <i>Total Deductions</i> | <u>35</u> | <u>920,194</u> |
| <i>Net Increase (Decrease) in Fiduciary Net Position</i> | (35) | 0 |
| <i>Net Position Beginning of Year</i> | <u>85,832</u> | <u>0</u> |
| <i>Net Position End of Year</i> | <u><u>\$85,797</u></u> | <u><u>\$0</u></u> |

See accompanying notes to the basic financial statements

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

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.

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 one joint venture. They are the Regional Income Tax Agency, Eastgate Regional Council of Governments, the Emergency Management Agency and the Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5). These organizations are presented in Notes 17 and 19 to the basic financial statements.

The City participates in the Public Entities Pool of Ohio a Public Entity Risk Pool. This organization is presented in Note 18 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.

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.

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

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.

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.

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

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 only custodial fund is used to account for the amounts collected for the benefit of and distributed to other governments and individuals on behalf of the municipal court.

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 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.

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

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 8). Revenue from income taxes is recognized in the period in which the income is earned (See Note 8). 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.

Unearned Revenue Unearned revenue represents amounts under the accrual and modified accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

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 assets 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

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

reported on the government-wide statement of net position for asset retirement obligations, pension and OPEB. The deferred outflows of resources related to asset retirement obligations is originally measured at the amount of the corresponding liability. This amount is expensed in a systematic and rational manner of the tangible asset's useful life. The deferred outflows of resources related to pension and OPEB are explained in Notes 15 and 16.

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 assets 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, leases, unavailable revenue and gain on refunding. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2023, but which were levied to finance fiscal year 2024 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. The deferred inflow for leases is related to leases receivable and is being recognized as lease revenue in a systematic and rational manner over the term of the lease. 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, leases, special assessments, rentals, intergovernmental grants and cable franchise fees. 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 15 and 16). In addition, deferred inflows of resources include a deferred gain on refunding. A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is amortized over the shorter of the life of the refunded or refunding debt.

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.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform with the presentation in the current year financial statements.

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 funds pursuant to Ohio Revised Code Section 5705.38(C). Budgetary modifications may only be made

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

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.

Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB 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.

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.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Investment earnings/interest revenue credited to the general fund during 2023 amounted to \$2,259,400, which includes \$1,478,393 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, 2023.

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2023, 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.

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.

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 receivable” 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.

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 (except for intangible right-to-use lease assets and subscription assets which are discussed below) 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:

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

| Description | Governmental Activities Estimated Lives | Business-Type Activities Estimated Lives |
|--------------------------------------------------------|-----------------------------------------------|------------------------------------------------|
| Land Improvements | 20-40 years | 20-40 years |
| 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 |
| Intangible Right to Use Lease -Machinery and Equipment | N/A | 5 years |
| Intangible Right to Use Lease - Equipment | 5 years | N/A |
| Intangible Right to Use Subscription - Software | 5 years | N/A |

The City is reporting intangible right to use assets related to lease assets and subscription assets. The lease assets include equipment and machinery and equipment and represent nonfinancial assets which are being utilized for a period of time through leases from another entity. Subscription assets represent intangible right to use assets related to the use of another party's IT software. These intangible right to use are being amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

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.

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. Bonds, leases, subscriptions payable and long-term loans are recognized as a liability on the governmental fund financial statements when due.

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

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 for the general fund.

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 2024’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.

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

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.

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.

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.

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

Leases and SBITAs

The City serves as lessee and lessor in various noncancellable leases which are accounted for as follows:

Lessee At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized in a systematic and rational manner over the useful life of the underlying asset. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

The City is reporting Subscription-Based Information Technology Arrangements (SBITAs) for various noncancellable IT software contracts. At the commencement of the subscription term, the City initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of the subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at the commencement of the subscription term, plus certain initial implementation costs. Subsequently, the subscription asset is amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT asset. Subscription assets are reported with other capital assets and subscription payables are reported with long-term debt on the statement of net position.

Note 3 – Change in Accounting Principle

For 2023, the City implemented Governmental Accounting Standards Board (GASB) No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, and GASB Statement No. 99, *Omnibus 2022*.

GASB Statement 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The City did not have any arrangements that met the GASB 94 definition of a PPP or an APA.

GASB Statement 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). These changes were incorporated in the City's 2023 financial statements. The City did not have any contracts at December 31, 2022 that met the GASB 96 definition of a SBITA, other than short-term SBITAs.

GASB Statement 99 addresses various issues including items related to leases, PPPs, and SBITAs. The requirements related to PPPs and SBITAs were incorporated with the corresponding GASB 94 and GASB 96 changes identified above.

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

For 2023, the City also implemented the guidance in GASB’s Implementation Guide No. 2021-1, *Implementation Guidance Update—2021* (other than question 5.1).

Note 4 - 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. 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.
5. Budgetary revenues and expenditures of the unclaimed monies fund are classified to general fund for GAAP Reporting.

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

Net Change in Fund Balances

| | General | Police and Fire Tax |
|-----------------------------------------|-------------|------------------------|
| GAAP Basis | \$3,593,382 | (\$263,240) |
| Net Adjustment for Revenue Accruals | 74,015 | (262,217) |
| Perspective Difference: | | |
| Unclaimed Monies | (15,730) | 0 |
| Seizure | 3,003 | 0 |
| Ending Unrecorded Cash | (50) | 0 |
| Net Adjustment for Expenditure Accruals | 85,708 | 231,036 |
| Adjustments for Encumbrances | (353,942) | (213,839) |
| Budget Basis | \$3,386,386 | (\$508,260) |

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

Note 5 – Accountability

The following funds had deficit fund balances as of December 31, 2023:

| | |
|--------------------------------------|----------|
| <i>Special Revenue Funds</i> | |
| Police Pension | \$64,695 |
| Fire Pension | 87,182 |
| <i>Internal Service Funds</i> | |
| Hospital Self Insurance | 186,828 |

The special revenue funds and internal service fund have deficits caused by the result of the recognition of payables in accordance with generally accepted accounting principles. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 6 – 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 as follows:

| Fund Balances | General | Police and Fire Tax | Other Governmental Funds | Total |
|----------------------------------|---------------------|---------------------------|--------------------------------|---------------------|
| <u>Nonspendable:</u> | | | | |
| Unclaimed Monies | \$132,642 | \$0 | \$0 | \$132,642 |
| Prepays | 6,567 | 24,856 | 5,508 | 36,931 |
| Inventory | 9,459 | 135,976 | 41,460 | 186,895 |
| Long-term Loans | 159,963 | 0 | 0 | 159,963 |
| Total Nonspendable | 308,631 | 160,832 | 46,968 | 516,431 |
| <u>Restricted for:</u> | | | | |
| Police and Fire Protection | 0 | 888,423 | 810,295 | 1,698,718 |
| Park and Community Activities | 0 | 0 | 319,556 | 319,556 |
| Debt Service Retirement | 0 | 0 | 1,000 | 1,000 |
| Street Maintenance | 0 | 0 | 1,350,687 | 1,350,687 |
| Health and Welfare | 0 | 0 | 77,948 | 77,948 |
| Municipal Court | 0 | 0 | 195,573 | 195,573 |
| Capital Improvements | 0 | 0 | 491,211 | 491,211 |
| Total Restricted | 0 | 888,423 | 3,246,270 | 4,134,693 |
| <u>Committed to:</u> | | | | |
| Capital Improvements | 0 | 0 | 1,169,067 | 1,169,067 |
| <u>Assigned to:</u> | | | | |
| 2024 Operations | 3,033,494 | 0 | 0 | 3,033,494 |
| Purchases on Order: | | | | |
| General Government | 237,442 | 0 | 0 | 237,442 |
| Security of Persons and Property | 22,338 | 0 | 0 | 22,338 |
| Community Environment | 8,671 | 0 | 0 | 8,671 |
| Leisure Time Activities | 12,085 | 0 | 0 | 12,085 |
| Transportation | 22,688 | 0 | 0 | 22,688 |
| Total Assigned | 3,336,718 | 0 | 0 | 3,336,718 |
| Unassigned (Deficit) | 14,557,245 | 0 | (151,877) | 14,405,368 |
| Total Fund Balances | \$18,202,594 | \$1,049,255 | \$4,310,428 | \$23,562,277 |

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

Note 7 - 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.

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

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

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.

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, \$3,911,179 of the City's bank balance of \$53,129,001 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized.

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 8 - Receivables

Receivables at December 31, 2023, consisted primarily of municipal income taxes, property taxes, intergovernmental receivables arising from entitlements and shared revenues, special assessments, permissive motor vehicle taxes and accounts (billings for utility service and Opioid settlement monies).

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

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

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2023 for real and public utility property taxes represents collections of 2022 taxes.

2023 real property taxes were levied after October 1, 2023, on the assessed value as of January 1, 2023, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2023 real property taxes are collected in and intended to finance 2024.

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. 2023 public utility property taxes which became a lien December 31, 2022, are levied after October 1, 2023, and are collected in 2024 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2023, was \$3.50 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2023 property tax receipts were based are as follows:

| | <u>Assessed Value</u> |
|--------------------------|-----------------------------|
| Real Estate | |
| Residential/Agricultural | \$180,701,890 |
| Commercial Industrial/PU | 99,371,470 |
| Public Utility Property | <u>5,431,870</u> |
| Total Assessed Value | <u><u>\$285,505,230</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, 2023, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2023 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

Income Tax

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

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

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

The Regional Income Tax Agency administers and collects income taxes for the City. Payments are remitted monthly net of collection fees of approximately 1.24 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.

Opioid Settlement Monies

During 2021, Ohio reached an agreement with the three largest distributors of opioids. Subsequently, settlements have been reached with other distributors. As contingencies related to timing and measurement are resolved, a receivable will be reported in accompanying financial statements as a part of accounts receivable. As a participating subdivision, the City reported \$326,583 as an accounts receivable related to opioid settlement monies in the OneOhio Special Revenue Fund in the accompanying financial statements. Collections of these settlement monies are expected to extend through 2038 with \$1,765 expected to be collected in 2024.

Intergovernmental Receivables

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

| | Amounts |
|------------------------------------|-----------|
| Governmental: | |
| Gasoline Tax and Cents per Gallon | \$480,241 |
| State and Local Government Funds | 167,436 |
| State of Ohio | 94,584 |
| Motor Vehicle License Registration | 66,419 |
| Homestead and Rollback | 48,452 |
| Trumbull County | 2,643 |
| Village of McDonald | 19 |
| Total Governmental Funds | \$859,794 |

At December 31, 2023 the City had intergovernmental receivables of \$720 in the water enterprise fund for charges to the Mahoning Valley Sanitary District.

The City is reporting a deferred inflow-lease in the amount of \$148,893 for lease receivable payments that have been prepaid in the general fund at December 31, 2023. For 2023, the City recognized lease revenue of \$3,422 related to the payment that would have been made in 2023. A description of the City’s leasing arrangements is as follows:

Cell Tower Lease – The City has entered into a lease agreement for a cell tower with TOWERCO 2013 LLC in 2017 for fifty years ending in 2067. The City received \$170,000 for the term of the lease in 2017. The prepaid balance is recorded as a deferred inflow-lease and will be amortized each year until maturity.

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

Note 9 - Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2023, the City contracted with Public Entities Pool of Ohio (PEP) for various types of insurance as follows:

| Type of Coverage | Coverage |
|--------------------------------|-------------|
| General Liability and Casualty | \$2,000,000 |
| Public Officials | 2,000,000 |
| Cyber | 2,000,000 |
| Law Enforcement Liability | 2,000,000 |
| Automobile Liability | 2,000,000 |
| Property | 133,444,725 |
| Equipment Breakdown | 1,000,000 |

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

The City has elected to provide 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 \$472,136 as estimated by the third party administrator and reported in the health insurance internal service fund at December 31, 2023, is based on the requirements of GASB Statement No. 30 which requires a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The estimate was not affected by incremental claims adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in the funds claims liability amount in 2022 and 2023 were as follows:

| | Balance at Beginning of Year | Current Year Claims | Claim Payments | Balance at End of Year |
|------|---------------------------------|------------------------|-------------------|---------------------------|
| 2022 | \$321,943 | \$3,659,178 | \$3,604,878 | \$376,243 |
| 2023 | 376,243 | 4,428,429 | 4,332,536 | 472,136 |

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

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

Note 10 - 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 and non-bargaining unit based on the hire date of the employee. Upon retirement, an employee will be paid according to the corresponding 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 of Ohio to its employees. It also provides life insurance and accidental death and dismemberment insurance to its employees through Hartford Life Insurance.

Deferred Compensation

City employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 456 and is considered an other employee benefit plan. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plans, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

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 2024.

Note 11 – 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, 2023 is \$159,963 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. As of December 31, 2023, principal in the amount of \$156,061 and interest in the amount of \$3,902 remain outstanding. This loan will be fully paid back in 2024.

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

Note 12 - Capital Assets

Capital asset activity for the year ended December 31, 2023, was as follows:

| | Balance 12/31/22 | Additions | Deletions | Balance 12/31/23 |
|-----------------------------------------------------------|---------------------|----------------------|--------------------|---------------------|
| Governmental Activities | | | | |
| <i>Nondepreciable Capital Assets</i> | | | | |
| Land | \$1,741,040 | \$0 | \$0 | \$1,741,040 |
| Rights of Way | 2,350,843 | 0 | 0 | 2,350,843 |
| Construction in Progress | 757,216 | 130,968 | (747,232) | 140,952 |
| <i>Total Nondepreciable Capital Assets</i> | <u>4,849,099</u> | <u>130,968</u> | <u>(747,232)</u> | <u>4,232,835</u> |
| <i>Depreciable Capital Assets</i> | | | | |
| <i>Tangible Assets</i> | | | | |
| Land Improvements | 5,622,570 | 435,627 | 0 | 6,058,197 |
| Buildings and Improvements | 15,333,165 | 1,125,679 | (40,093) | 16,418,751 |
| Equipment | 1,713,980 | 615,205 | (109,627) | 2,219,558 |
| Vehicles | 5,452,682 | 488,190 | (154,142) | 5,786,730 |
| Infrastructure | 12,720,584 | 1,528,558 | (443,893) | 13,805,249 |
| <i>Total Tangible Assets</i> | <u>40,842,981</u> | <u>4,193,259</u> | <u>(747,755)</u> | <u>44,288,485</u> |
| <i>Intangible Right to Use</i> | | | | |
| <i>Lease Assets</i> | | | | |
| Intangible Right to Use - Equipment | 0 | 28,957 | 0 | 28,957 |
| <i>Subscription Assets</i> | | | | |
| Intangible Right to Use - Software | 0 | 221,027 | 0 | 221,027 |
| <i>Total Depreciable Capital Assets</i> | <u>40,842,981</u> | <u>4,443,243</u> | <u>(747,755)</u> | <u>44,538,469</u> |
| <i>Less Accumulated Depreciation/Amortization</i> | | | | |
| <i>Depreciation</i> | | | | |
| Land Improvements | (3,617,807) | (176,601) | 0 | (3,794,408) |
| Buildings and Improvements | (6,364,860) | (318,998) | 12,028 | (6,671,830) |
| Equipment | (902,788) | (113,755) | 109,627 | (906,916) |
| Vehicles | (3,092,641) | (414,886) | 119,265 | (3,388,262) |
| Infrastructure | (5,531,696) | (436,791) | 389,309 | (5,579,178) |
| <i>Total Depreciation</i> | <u>(19,509,792)</u> | <u>(1,461,031)</u> | <u>630,229</u> | <u>(20,340,594)</u> |
| <i>Amortization</i> | | | | |
| <i>Intangible Right to Use</i> | | | | |
| <i>Lease Assets</i> | | | | |
| Intangible Right to Use - Equipment | 0 | (2,413) | 0 | (2,413) |
| <i>Subscription Assets</i> | | | | |
| Intangible Right to Use - Software | 0 | (3,684) | 0 | (3,684) |
| <i>Total Accumulated Depreciation/Amortization</i> | <u>(19,509,792)</u> | <u>(1,467,128) *</u> | <u>630,229</u> | <u>(20,346,691)</u> |
| <i>Total Depreciable Capital Assets, Net</i> | <u>21,333,189</u> | <u>2,976,115</u> | <u>(117,526)</u> | <u>24,191,778</u> |
| Governmental Activities Capital Assets, Net | <u>\$26,182,288</u> | <u>\$3,107,083</u> | <u>(\$864,758)</u> | <u>\$28,424,613</u> |

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

* Depreciation/Amortization expense was charged to governmental functions as follows:

| | Depreciation | Amortization | | Total |
|------------------------------------------------|--------------------|----------------|----------------|--------------------|
| | | Leases | Subscriptions | |
| General Government | \$128,682 | \$756 | \$0 | \$129,438 |
| Security of Persons and Property | 386,219 | 1,055 | 3,684 | 390,958 |
| Public Health and Welfare | 10,873 | 107 | 0 | 10,980 |
| Transportation | 683,099 | 194 | 0 | 683,293 |
| Community Environment | 0 | 194 | 0 | 194 |
| Leisure Time Activities | 252,158 | 107 | 0 | 252,265 |
| Total Depreciation/Amortization Expense | \$1,461,031 | \$2,413 | \$3,684 | \$1,467,128 |

| | Balance 12/31/22 | Additions | Deletions | Balance 12/31/23 |
|-----------------------------------------------------|---------------------|----------------------|-------------------|---------------------|
| Business-type Activities | | | | |
| <i>Nondepreciable Capital Assets</i> | | | | |
| Land | \$407,620 | \$0 | \$0 | \$407,620 |
| Construction in Progress | 39,720 | 1,217,277 | 0 | 1,256,997 |
| <i>Total Nondepreciable Capital Assets</i> | <u>447,340</u> | <u>1,217,277</u> | <u>0</u> | <u>1,664,617</u> |
| <i>Depreciable Capital Assets</i> | | | | |
| <i>Tangible Assets</i> | | | | |
| Land Improvements | 314,517 | 0 | 0 | 314,517 |
| Buildings and Improvements | 35,655,451 | 0 | 0 | 35,655,451 |
| Machinery and Equipment | 26,962,136 | 625,472 | (67,068) | 27,520,540 |
| Vehicles | 3,254,735 | 206,269 | (95,623) | 3,365,381 |
| Infrastructure | 43,390,862 | 3,321,328 | 0 | 46,712,190 |
| <i>Total Tangible Assets</i> | <u>109,577,701</u> | <u>4,153,069</u> | <u>(162,691)</u> | <u>113,568,079</u> |
| <i>Intangible Right to Use</i> | | | | |
| <i>Lease Assets</i> | | | | |
| Intangible Right to Use - Machinery and Equipment | 0 | 9,311 | 0 | 9,311 |
| <i>Total Depreciable Capital Assets</i> | <u>109,577,701</u> | <u>4,162,380</u> | <u>(162,691)</u> | <u>113,577,390</u> |
| <i>Less Accumulated Depreciation/Amortization</i> | | | | |
| <i>Depreciation</i> | | | | |
| Land Improvements | (39,315) | (7,863) | 0 | (47,178) |
| Buildings and Improvements | (10,617,263) | (716,259) | 0 | (11,333,522) |
| Machinery and Equipment | (13,706,337) | (849,673) | 67,068 | (14,488,942) |
| Vehicles | (1,794,960) | (272,242) | 69,025 | (1,998,177) |
| Infrastructure | (26,321,008) | (771,576) | 0 | (27,092,584) |
| <i>Total Depreciation</i> | <u>(52,478,883)</u> | <u>(2,617,613)</u> | <u>136,093</u> | <u>(54,960,403)</u> |
| <i>Amortization</i> | | | | |
| <i>Intangible Right to Use</i> | | | | |
| <i>Lease Assets</i> | | | | |
| Intangible Right to Use - Machinery and Equipment | 0 | (776) | 0 | (776) |
| <i>Total Accumulated Depreciation/Amortization</i> | <u>(52,478,883)</u> | <u>(2,618,389) *</u> | <u>136,093</u> | <u>(54,961,179)</u> |
| Total Depreciable Capital Assets, net | <u>57,098,818</u> | <u>1,543,991</u> | <u>(26,598)</u> | <u>58,616,211</u> |
| Business-type Activities Capital Assets, Net | <u>\$57,546,158</u> | <u>\$2,761,268</u> | <u>(\$26,598)</u> | <u>\$60,280,828</u> |

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

* Depreciation/Amortization expense was charged to enterprise funds as follows:

| | <u>Depreciation</u> | <u>Amortization</u> | <u>Total</u> |
|-----------------------------------------|---------------------|---------------------|--------------|
| Water | \$123,270 | \$183 | \$123,453 |
| Sewer | 1,384,205 | 410 | 1,384,615 |
| Electric | 1,110,138 | 183 | 1,110,321 |
| Total Depreciation/Amortization Expense | \$2,617,613 | \$776 | \$2,618,389 |

Note 13 - 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, 2023.

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, 2023.

Note 14 - 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:

| | <u>Original Issue Date</u> | <u>Interest Rate</u> | <u>Original Issue Amount</u> | <u>Date of Maturity</u> |
|------------------------------------------|--------------------------------|--------------------------|----------------------------------|-----------------------------|
| Governmental Activities: | | | | |
| <i>General Obligation Bonds:</i> | | | | |
| Various Purpose Improvement Bonds II | 2017 | 3.996 % | \$1,600,000 | November 1, 2027 |
| Various Purpose Improvement Bonds III | 2020 | 1.440 | 883,000 | December 1, 2030 |
| Various Purpose Refunding Bonds | 2020 | 1.440 | 2,053,000 | December 1, 2030 |
| Business-Type Activities: | | | | |
| <i>General Obligation Bonds</i> | | | | |
| <i>Water</i> | | | | |
| Various Purpose Improvement Bonds III | 2020 | 1.440 | 132,000 | December 1, 2030 |
| Various Purpose Refunding Bonds | 2020 | 1.440 | 710,000 | December 1, 2030 |
| <i>Sewer</i> | | | | |
| Various Purpose Refunding Bonds | 2020 | 1.440 | 1,982,000 | December 1, 2030 |
| <i>OWDA Loans from Direct Borrowings</i> | | | | |
| Wastewater Treatment Plant Upgrades | 2015 | 0.73 | 35,235,284 | July 1, 2038 |

A schedule of changes in bonds and other long-term obligations of the City during 2023 follows:

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

| | Amounts Outstanding 12/31/22 | Additions | Reductions | Amounts Outstanding 12/31/23 | Amounts Due in One Year |
|-------------------------------------------------|------------------------------------|---------------------|----------------------|------------------------------------|-------------------------------|
| <i>Governmental Activities:</i> | | | | | |
| <i>General Obligation Bonds:</i> | | | | | |
| Various Purpose Improvement Bonds II | \$880,800 | \$0 | (\$162,500) | \$718,300 | \$166,000 |
| Various Purpose Improvement Bonds III | 716,000 | 0 | (85,000) | 631,000 | 87,000 |
| Various Purpose Refunding Bonds | 1,681,000 | 0 | (196,000) | 1,485,000 | 200,000 |
| <i>Total General Obligation Bonds</i> | <u>3,277,800</u> | <u>0</u> | <u>(443,500)</u> | <u>2,834,300</u> | <u>453,000</u> |
| <i>Other Long-Term Obligations:</i> | | | | | |
| <i>Net Pension Liability:</i> | | | | | |
| OPERS | 1,217,804 | 3,187,752 | 0 | 4,405,556 | 0 |
| OP&F | 11,378,004 | 6,275,393 | 0 | 17,653,397 | 0 |
| <i>Total Net Pension Liability</i> | <u>12,595,808</u> | <u>9,463,145</u> | <u>0</u> | <u>22,058,953</u> | <u>0</u> |
| <i>Net OPEB Liability:</i> | | | | | |
| OPERS | 0 | 90,326 | 0 | 90,326 | 0 |
| OP&F | 1,996,227 | 0 | (673,070) | 1,323,157 | 0 |
| <i>Total Net OPEB Liability</i> | <u>1,996,227</u> | <u>90,326</u> | <u>(673,070)</u> | <u>1,413,483</u> | <u>0</u> |
| Police and Fire Pension Liability | 249,754 | 0 | (15,583) | 234,171 | 16,253 |
| Financed Purchases from Direct Placements | 222,733 | 0 | (56,006) | 166,727 | 57,912 |
| Leases Payable | 0 | 28,957 | (2,090) | 26,867 | 5,238 |
| Subscriptions Payable | 0 | 221,027 | 0 | 221,027 | 29,177 |
| Special Termination Benefits | 35,590 | 0 | (34,940) | 650 | 650 |
| Compensated Absences | 1,316,156 | 782,891 | (791,741) | 1,307,306 | 843,188 |
| Asset Retirement Obligation | 40,000 | 0 | 0 | 40,000 | 0 |
| <i>Total Other Long-Term Obligations</i> | <u>16,456,268</u> | <u>10,586,346</u> | <u>(1,573,430)</u> | <u>25,469,184</u> | <u>952,418</u> |
| <i>Total Governmental Long-Term Liabilities</i> | <u>\$19,734,068</u> | <u>\$10,586,346</u> | <u>(\$2,016,930)</u> | <u>\$28,303,484</u> | <u>\$1,405,418</u> |

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

| | Amounts Outstanding 12/31/22 | Additions | Reductions | Amounts Outstanding 12/31/23 | Amounts Due in One Year |
|--------------------------------------------------|------------------------------------|--------------------|----------------------|------------------------------------|-------------------------------|
| <i>Business-Type Activities:</i> | | | | | |
| <i>General Obligation Bonds:</i> | | | | | |
| Various Purpose Improvement Bonds III | \$107,000 | \$0 | (\$13,000) | \$94,000 | \$13,000 |
| Various Purpose Refunding Bonds - Water | 578,000 | 0 | (66,000) | 512,000 | 70,000 |
| Various Purpose Refunding Bonds - Sewer | 1,618,000 | 0 | (185,000) | 1,433,000 | 193,000 |
| <i>Total General Obligation Bonds</i> | <u>2,303,000</u> | <u>0</u> | <u>(264,000)</u> | <u>2,039,000</u> | <u>276,000</u> |
| <i>OWDA Loan from Direct Borrowings:</i> | | | | | |
| Wastewater Treatment Plant Upgrades | 28,592,926 | 0 | (1,691,061) | 26,901,865 | 1,703,428 |
| <i>Other Long-term Obligations:</i> | | | | | |
| <i>Net Pension Liability OPERS:</i> | | | | | |
| Water | 549,976 | 1,326,902 | 0 | 1,876,878 | 0 |
| Sewer | 667,830 | 1,812,863 | 0 | 2,480,693 | 0 |
| Electric | 1,492,796 | 3,403,688 | 0 | 4,896,484 | 0 |
| <i>Total Net Pension Liability</i> | <u>2,710,602</u> | <u>6,543,453</u> | <u>0</u> | <u>9,254,055</u> | <u>0</u> |
| <i>Net OPEB Liability OPERS:</i> | | | | | |
| Water | 0 | 37,802 | 0 | 37,802 | 0 |
| Sewer | 0 | 51,251 | 0 | 51,251 | 0 |
| Electric | 0 | 97,355 | 0 | 97,355 | 0 |
| <i>Total Net OPEB Liability</i> | <u>0</u> | <u>186,408</u> | <u>0</u> | <u>186,408</u> | <u>0</u> |
| Potential Stranded Cost Liability | 1,009,723 | 0 | (115,674) | 894,049 | 0 |
| Leases Payable | 0 | 9,311 | (673) | 8,638 | 1,683 |
| Compensated Absences | 505,264 | 327,774 | (295,612) | 537,426 | 288,023 |
| <i>Total Other Long-term Obligations</i> | <u>4,225,589</u> | <u>7,066,946</u> | <u>(411,959)</u> | <u>10,880,576</u> | <u>289,706</u> |
| <i>Total Business-Type Long-Term Liabilities</i> | <u>\$35,121,515</u> | <u>\$7,066,946</u> | <u>(\$2,367,020)</u> | <u>\$39,821,441</u> | <u>\$2,269,134</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 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.

During 2020, the City issued various purpose general obligation bonds in the amount of \$883,000 for the purchase of a new fire truck and street sweeper. 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 semi-annually and the interest rate is fixed at 1.440 percent. The bonds mature on December 1, 2030. Principal and interest payments will be made from the police and fire tax and street special revenue funds.

During 2020, the City issued various purpose general obligation refunding bonds in the amount of \$2,053,000 to refund the various purpose improvement bonds. 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 semi-annually and the interest rate is fixed at 1.440 percent. The bonds mature on December 1, 2030. Principal and interest payments will be made from the park special revenue fund. The outstanding balance of the refunded bonds were called and have been fully repaid.

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

During 2020, the City issued various purpose general obligation bonds in the amount of \$132,000 for the purchase of a new backhoe for the water department. 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 semi-annually and the interest rate is fixed at 1.440 percent. The bonds mature on December 1, 2030. Principal and interest payments will be made from the water fund.

During 2020, the City issued various purpose general obligation refunding bonds in the amount of \$710,000 to refund the various purpose improvement bonds. 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 semi-annually and the interest rate is fixed at 1.440 percent. The bonds mature on December 1, 2030. Principal and interest payments will be made from the water fund. The outstanding balance of the refunded bonds were called and have been fully repaid.

During 2020, the City issued various purpose general obligation refunding bonds in the amount of \$1,982,000 to refund the various purpose improvement bonds. 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 semi-annually and the interest rate is fixed at 1.440 percent. The bonds mature on December 1, 2030. Principal and interest payments will be made from the sewer fund. The outstanding balance of the refunded bonds were called and have been fully repaid.

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 balance of the wastewater treatment plant upgrade loan is \$26,901,865 at December 31, 2023.

The City's outstanding OWDA loan from direct borrowings of \$26,901,865 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, 2023 (See Note 23 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 pension, fire pension, police and fire tax, computer, park, street, state highway, cemetery and probation special revenue funds, and the water, sewer and electric enterprise funds. For additional information related to the net pension/OPEB liabilities see Notes 15 and 16. 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. The financed purchases will be paid from the park special revenue fund and the police capital improvement fund. The asset retirement obligation would be paid from the general fund.

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

The City's overall debt margin was \$25,105,749 and the unvoted legal debt margin was \$10,830,488 at December 31, 2023. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2023, are as follows:

| | Governmental Activities | | | | | |
|--------------|--------------------------|------------------|-----------------------------------|-----------------|----------------------------------------------|-----------------|
| | General Obligation Bonds | | Police and Fire Pension Liability | | From Direct Placements Financed Purchases | |
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2024 | \$453,000 | \$57,989 | \$16,253 | \$9,782 | \$57,912 | \$5,352 |
| 2025 | 464,900 | 46,919 | 16,951 | 9,084 | 59,884 | 3,380 |
| 2026 | 477,000 | 35,557 | 17,679 | 8,355 | 48,931 | 1,551 |
| 2027 | 496,400 | 23,834 | 18,438 | 7,596 | 0 | 0 |
| 2028 | 306,000 | 13,579 | 19,230 | 6,804 | 0 | 0 |
| 2029-2033 | 637,000 | 13,810 | 109,272 | 20,898 | 0 | 0 |
| 2034-2035 | 0 | 0 | 36,348 | 1,531 | 0 | 0 |
| Total | \$2,834,300 | \$191,688 | \$234,171 | \$64,050 | \$166,727 | \$10,283 |

| | Business-Type Activities | | | |
|--------------|--------------------------|------------------|--------------------------------------|--------------------|
| | General Obligation Bonds | | From Direct Borrowings OWDA Loans | |
| | Principal | Interest | Principal | Interest |
| 2024 | \$276,000 | \$29,362 | \$1,703,428 | \$193,281 |
| 2025 | 279,000 | 25,387 | 1,715,886 | 180,823 |
| 2026 | 280,000 | 21,369 | 1,728,435 | 168,274 |
| 2027 | 288,000 | 17,338 | 1,741,076 | 155,633 |
| 2028 | 300,000 | 13,191 | 1,753,809 | 142,900 |
| 2029-2033 | 616,000 | 13,335 | 8,963,322 | 520,223 |
| 2034-2038 | 0 | 0 | 9,295,909 | 187,636 |
| Total | \$2,039,000 | \$119,982 | \$26,901,865 | \$1,548,770 |

The City has an outstanding agreement to lease copiers and also has an outstanding contract to use of a SBITA vendor's IT software. The future lease/subscription payments were discounted based on the interest rate implicit in the lease or using the City's incremental borrowing rate. This discount is being amortized using the interest method over the life of the lease/subscription. The lease will be paid from the general fund and the water, sewer and electric enterprise funds. The SBITA will be paid from the police and fire tax special revenue fund. A summary of the principal and interest amounts for the remaining lease/subscription is as follows:

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

| Year | Lease | | | | Subscription | |
|------|-------------------------|----------------|--------------------------|----------------|-------------------------|-----------------|
| | Governmental Activities | | Business-Type Activities | | Governmental Activities | |
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2024 | \$5,238 | \$1,500 | \$1,683 | \$482 | \$29,177 | \$13,533 |
| 2025 | 5,568 | 1,170 | 1,791 | 376 | 43,775 | 11,747 |
| 2026 | 5,919 | 819 | 1,903 | 263 | 46,456 | 9,067 |
| 2027 | 6,291 | 446 | 2,023 | 144 | 49,300 | 6,222 |
| 2028 | 3,851 | 79 | 1,238 | 25 | 52,319 | 3,203 |
| | <u>\$26,867</u> | <u>\$4,014</u> | <u>\$8,638</u> | <u>\$1,290</u> | <u>\$221,027</u> | <u>\$43,772</u> |

Note 15 - Defined Benefit Pension Plans

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

Net Pension Liability /Net OPEB Liability

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

The net pension/OPEB liability represent the City’s proportionate share of each pension/OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan’s fiduciary net position. The net pension/OPEB liability 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 limits the City’s obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees’ services in exchange for compensation including pension and OPEB.

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

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

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*. The remainder of this note includes the required pension disclosures. See Note 16 for the required OPEB disclosures.

Ohio Public Employees Retirement System (OPERS)

Plan Description – City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple employer public employee retirement system which 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. Effective January 1, 2022, new members may no longer select the Combined Plan, and current members may no longer make a plan change to this plan. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

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

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members in the 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 Comprehensive Financial Report referenced above for additional information, including requirements for reduced and unreduced benefits):

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

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

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

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The amount of a member's pension benefit vests upon receipt of the initial benefit payment.

When a traditional plan benefit recipient has received benefits for 12 months, the member is eligible for an annual cost of living adjustment (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 cost-of-living adjustment on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the cost-of-living adjustment is 3 percent. For those retiring on or after January 7, 2013, beginning in calendar year 2019, the adjustment is 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 (which includes joint and survivor options and will continue to be administered by OPERS), 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. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

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

| | State and Local | |
|--------------------------------------------------|-----------------|----------|
| | Traditional | Combined |
| 2023 Statutory Maximum Contribution Rates | | |
| Employer | 14.0 % | 14.0 % |
| Employee * | 10.0 % | 10.0 % |
| | | |
| 2023 Actual Contribution Rates | | |
| Employer: | | |
| Pension ** | 14.0 % | 12.0 % |
| Post-employment Health Care Benefits ** | 0.0 | 2.0 |
| | | |
| Total Employer | 14.0 % | 14.0 % |
| | | |
| Employee | 10.0 % | 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; however, effective July 1, 2022, a portion of the health care rate is funded with reserves.

Employer contribution rates are actuarially determined within the constraints of statutory limits for each division and expressed as a percentage of covered payroll.

For 2023, the City’s contractually required contribution was \$999,021 for the traditional plan, \$0 for the combined plan and \$39,588 for the member-directed plan. Of these amounts, \$131,962 is reported as an intergovernmental payable for the traditional plan, \$0 for the combined plan, and \$5,227 for the member-directed plan.

Ohio Police & Fire Pension Fund (OP&F)

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

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

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

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

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

The COLA amount for members who have 15 or more years of service credit as of July 1, 2013, and members who are receiving a pension benefit that became effective before July 1, 2013, will be equal to 3.0 percent of the member's base pension benefit.

The COLA amount for members who have less than 15 years of service credit as of July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will be equal to a percentage of the member's base pension benefit where the percentage is the lesser of 3.0 percent or the percentage increase in the consumer price index, if any, over the twelve-month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

Members who retired prior to July 24, 1986, or their surviving beneficiaries under optional plans are entitled to cost-of-living allowance increases. The annual increase is paid on July 1st of each year. The annual COLA increase is \$360 under a Single Life Annuity Plan with proportional reductions for optional payment plans.

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

City of Niles, Ohio
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For the Year Ended December 31, 2023

| | <u>Police</u> | <u>Firefighters</u> |
|--------------------------------------------------|----------------|---------------------|
| 2023 Statutory Maximum Contribution Rates | | |
| Employer | 19.50 % | 24.00 % |
| Employee | 12.25 % | 12.25 % |
| 2023 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 | <u>12.25 %</u> | <u>12.25 %</u> |

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$1,101,048 for 2023. Of this amount, \$176,895 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, 2023 the specific liability of the City was \$234,171 payable in semi-annual payments through the year 2035.

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

The net pension liability for OPERS was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2022, and was determined by rolling forward the total pension liability as of January 1, 2022, to December 31, 2022. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense of the City's defined benefit pension plans:

| | <u>OPERS Traditional Plan</u> | <u>OPERS Combined Plan</u> | <u>OP&F</u> | <u>Total</u> |
|------------------------------------------------|-----------------------------------|--------------------------------|-------------------|--------------|
| Proportion of the Net Pension Liability/Asset: | | | | |
| Current Measurement Date | 0.0462410% | 0.0000000% | 0.1858442% | |
| Prior Measurement Date | <u>0.0451520%</u> | <u>0.0000000%</u> | <u>0.1821232%</u> | |
| Change in Proportionate Share | <u>0.0010890%</u> | <u>0.0000000%</u> | <u>0.0037210%</u> | |
| Proportionate Share of the: | | | | |
| Net Pension Liability | \$13,659,611 | \$0 | \$17,653,397 | \$31,313,008 |
| Pension Expense | 2,339,751 | 1,658 | 2,100,324 | 4,441,733 |

2023 pension expense for the member-directed defined contribution plan was \$39,588. The aggregate pension expense for all pension plans was \$4,481,321 for 2023.

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

At December 31, 2023, 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 | \$453,714 | \$0 | \$264,793 | \$718,507 |
| Changes of assumptions | 144,304 | 0 | 1,592,275 | 1,736,579 |
| Net difference between projected and actual earnings on pension plan investments | 3,893,418 | 0 | 2,570,118 | 6,463,536 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 170,073 | 14,268 | 320,314 | 504,655 |
| City contributions subsequent to the measurement date | 999,021 | 0 | 1,101,048 | 2,100,069 |
| Total Deferred Outflows of Resources | \$5,660,530 | \$14,268 | \$5,848,548 | \$11,523,346 |
| Deferred Inflows of Resources | | | | |
| Differences between expected and actual experience | \$0 | \$0 | \$402,196 | \$402,196 |
| Changes of assumptions | 0 | 0 | 344,236 | 344,236 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 0 | 3,043 | 231,057 | 234,100 |
| Total Deferred Inflows of Resources | \$0 | \$3,043 | \$977,489 | \$980,532 |

\$2,100,069 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 in 2024. 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: | | | | |
| 2024 | \$661,552 | \$1,658 | \$402,795 | \$1,066,005 |
| 2025 | 946,670 | 1,658 | 920,451 | 1,868,779 |
| 2026 | 1,146,019 | 1,658 | 984,955 | 2,132,632 |
| 2027 | 1,907,268 | 2,045 | 1,463,191 | 3,372,504 |
| 2028 | 0 | 2,009 | (1,381) | 628 |
| Thereafter | 0 | 2,197 | 0 | 2,197 |
| Total | \$4,661,509 | \$11,225 | \$3,770,011 | \$8,442,745 |

City of Niles, Ohio
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For the Year Ended December 31, 2023

Actuarial Assumptions – OPERS

Actuarial valuations of an ongoing plan involve estimates of the value 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, 2022, using the following key actuarial assumptions and methods applied to all periods included in the measurement in accordance with the requirements of GASB 67:

| | OPERS Traditional Plan | OPERS Combined Plan |
|-------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------|
| Wage Inflation | 2.75 percent | 2.75 percent |
| Future Salary Increases, including inflation | 2.75 to 10.75 percent including wage inflation | 2.75 to 8.25 percent including wage inflation |
| COLA or Ad Hoc COLA: | | |
| Pre-January 7, 2013 Retirees | 3.0 percent, simple | 3.0 percent, simple |
| Post-January 7, 2013 Retirees | 3.0 percent, simple through 2023, then 2.05 percent, simple | 3.0 percent, simple through 2023, then 2.05 percent, simple |
| Investment Rate of Return | 6.9 percent | 6.9 percent |
| Actuarial Cost Method | Individual Entry Age | Individual Entry Age |

Pre-retirement mortality rates are based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

The most recent experience study was completed for the five year period ended December 31, 2020.

During 2022, 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 12.1 percent for 2022.

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 long-term expected 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

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

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. Best estimates of geometric rates of return were provided by the Board’s investment consultant. For each major class that is included in the Defined Benefit portfolio’s target asset allocation as of December 31, 2022, these best estimates are summarized below:

| Asset Class | Target Allocation | Weighted Average Long-Term Expected Real Rate of Return (Geometric) |
|------------------------|----------------------|------------------------------------------------------------------------------|
| Fixed Income | 22.00% | 2.62% |
| Domestic Equities | 22.00 | 4.60 |
| Real Estate | 13.00 | 3.27 |
| Private Equity | 15.00 | 7.53 |
| International Equities | 21.00 | 5.51 |
| Risk Parity | 2.00 | 4.37 |
| Other investments | 5.00 | 3.27 |
| Total | 100.00% | |

Discount Rate The discount rate used to measure the total pension liability for the current year was 6.9 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 6.9 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 (5.9 percent) or one-percentage-point higher (7.9 percent) than the current rate:

| | 1% Decrease (5.90%) | Discount Rate (6.90%) | 1% Increase (7.90%) |
|--------------------------------------------------------------------|------------------------|--------------------------|------------------------|
| City's proportionate share of the net pension liability | | | |
| OPERS Traditional Plan | \$20,461,643 | \$13,659,611 | \$8,001,543 |

Actuarial Assumptions – OP&F

OP&F’s total pension liability as of December 31, 2022, is based on the results of an actuarial valuation date of January 1, 2022, 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 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

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered are: 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, 2022, are presented below.

| | |
|----------------------------|------------------------------------------------------------------------------------------------------------------------------------------|
| Valuation Date | January 1, 2022, with actuarial liabilities rolled forward to December 31, 2022 |
| Actuarial Cost Method | Entry Age Normal |
| Investment Rate of Return | 7.5 percent |
| Projected Salary Increases | 3.75 percent to 10.5 percent |
| Payroll Growth | 3.25 percent per annum, compounded annually, consisting of Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent |
| Cost of Living Adjustments | 2.2 percent simple per year |

For 2022, mortality for service retirees is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table with rates adjusted by 96.2 percent for males and 98.7 percent for females. All rates are projected using the MP-2021 Improvement Scale.

For 2022, mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table with rates adjusted by 135 percent for males and 97.9 percent for females. All rates are projected using the MP-2021 Improvement Scale.

For 2022, mortality for contingent annuitants is based on the Pub- 2010 Below-Median Safety Amount-Weighted Contingent Annuitant Retiree mortality table with rates adjusted by 108.9 percent for males and 131 percent for females. All rates are projected using the MP-2021 Improvement Scale.

For 2022, Mortality for active members is based on the Pub-2010 Below-Median Safety Amount-Weighted Employee mortality table. All rates are projected using the MP- 2021 Improvement Scale.

For 2021, 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.

| <u>Age</u> | <u>Police</u> | <u>Fire</u> |
|------------|---------------|-------------|
| 67 or less | 77 % | 68 % |
| 68-77 | 105 | 87 |
| 78 and up | 115 | 120 |

For 2021, 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.

City of Niles, Ohio
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| 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, 2021.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the underlying inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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, 2022, are summarized below:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---------------------------------|-------------------|----------------------------------------|
| Domestic Equity | 18.60 % | 4.80 % |
| Non-US Equity | 12.40 | 5.50 |
| Private Markets | 10.00 | 7.90 |
| Core Fixed Income * | 25.00 | 2.50 |
| High Yield Fixed Income | 7.00 | 4.40 |
| Private Credit | 5.00 | 5.90 |
| U.S. Inflation Linked Bonds* | 15.00 | 2.00 |
| Midstream Energy Infrastructure | 5.00 | 5.90 |
| Real Assets | 8.00 | 5.90 |
| Gold | 5.00 | 3.60 |
| Private Real Estate | 12.00 | 5.30 |
| Commodities | 2.00 | 3.60 |
| Total | 125.00 % | |

Note: Assumptions are geometric.

* levered 2.5x

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.25 times due to the application of leverage in certain fixed income asset classes.

Discount Rate For 2022, the total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return of 7.50 percent. Based on those assumptions, the plan's fiduciary net position

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

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 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|------------------------------------------------------------|------------------------|-------------------------------------|------------------------|
| City's proportionate share of the net pension liability | \$23,288,237 | \$17,653,397 | \$12,969,155 |

Note 16 - Defined Benefit OPEB Plans

See Note 15 for a description of the net OPEB liability.

Ohio Public Employees Retirement System (OPERS)

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust. The 115 Health Care Trust (115 Trust or Health Care Trust) was established in 2014, under Section 115 of the Internal Revenue Code (IRC). The purpose of the 115 Trust is to fund health care for the Traditional Pension, Combined and Member-Directed plans. Medicare-enrolled retirees in the Traditional Pension and Combined plans may have an allowance deposited into a health reimbursement arrangement (HRA) account to be used toward the health care program of their choice selected with the assistance of an OPERS vendor. Non-Medicare retirees have converted to an arrangement similar to the Medicare-enrolled retirees, and are no longer participating in OPERS provided self-insured group plans.

With one exception, OPERS-provided health care coverage is neither guaranteed nor statutorily required. Ohio law currently requires Medicare Part A equivalent coverage or Medicare Part A premium reimbursement for eligible retirees and their eligible dependents.

OPERS offers a health reimbursement arrangement (HRA) allowance to traditional pension plan and combined plan benefit recipients meeting certain age and service credit requirements. The HRA is an account funded by OPERS that provides tax free reimbursement for qualified medical expenses such as monthly post-tax insurance premiums, deductibles, co-insurance, and co-pays incurred by eligible benefit recipients and their dependents.

OPERS members enrolled in the Traditional Pension Plan or Combined Plan retiring with an effective date of January 1, 2022, or after must meet the following health care eligibility requirements to receive an HRA allowance:

City of Niles, Ohio
Notes to the Basic Financial Statements
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Medicare Retirees Medicare-eligible with a minimum of 20 years of qualifying service credit.

Non-Medicare Retirees Non-Medicare retirees qualify based on the following age-and-service criteria:

Group A 30 years of qualifying service credit at any age;

Group B 32 years of qualifying service credit at any age or 31 years of qualifying service credit and minimum age 52;

Group C 32 years of qualifying service credit and minimum age 55; or,

A retiree from groups A, B or C who qualifies for an unreduced pension, but a portion of their service credit is not health care qualifying service, can still qualify for health care at age 60 if they have at least 20 years of qualifying health care service credit.

Retirees who don't meet the requirement for coverage as a non-Medicare participant can become eligible for coverage at age 65 if they have at least 20 years of qualifying service.

Members with a retirement date prior to January 1, 2022, who were eligible to participate in the OPERS health care program will continue to be eligible after January 1, 2022.

Eligible retirees may receive a monthly HRA allowance for reimbursement of health care coverage premiums and other qualified medical expenses. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are provided to eligible retirees, and are deposited into their HRA account.

Retirees will have access to the OPERS Connector, which is a relationship with a vendor selected by OPERS to assist retirees participating in the health care program. The OPERS Connector may assist retirees in selecting and enrolling in the appropriate health care plan.

When members become Medicare-eligible, recipients enrolled in OPERS health care programs must enroll in Medicare Part A (hospitalization) and Medicare Part B (medical).

OPERS reimburses retirees who are not eligible for premium-free Medicare Part A (hospitalization) for their Part A premiums as well as any applicable surcharges (late-enrollment fees). Retirees within this group must enroll in Medicare Part A and select medical coverage, and may select prescription coverage, through the OPERS Connector. OPERS also will reimburse 50 percent of the Medicare Part A premium and any applicable surcharges for eligible spouses. Proof of enrollment in Medicare Part A and confirmation that the retiree is not receiving reimbursement or payment from another source must be submitted. The premium reimbursement is added to the monthly pension benefit.

The health care 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 separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

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

City of Niles, Ohio
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For the Year Ended December 31, 2023

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

Funding Policy - The Ohio Revised Code 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, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2023, state and local employers contributed at a rate of 14.0 percent of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2023, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and beginning July 1, 2022, there was a two percent allocation to health care for 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 2022 was 4.0 percent; however, effective July 1, 2022, a portion of the health care rate was funded with reserves.

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution was \$9,247 for 2023. Of this amount, \$1,221 is reported as an intergovernmental payable.

Ohio Police & Fire Pension Fund (OP&F)

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment 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.

OP&F contracted with a vendor who assists eligible retirees in choosing health care plans that are available where they live (both Medicare-eligible and pre-65 populations). A stipend funded by OP&F is available to these members through a Health Reimbursement Arrangement and can be used to reimburse retirees for qualified health care expenses.

Regardless of a benefit recipient's participation in the health care program, OP&F is required by law to pay eligible recipients of a service pension, disability benefit and spousal survivor benefit for their Medicare Part B insurance premium, up to the statutory maximum provided the benefit recipient is not eligible to receive reimbursement from any other source. Once OP&F receives the necessary documentation, a monthly reimbursement is included as part of the recipient's next benefit payment. 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.

City of Niles, Ohio
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OP&F maintains funds for health care in two separate accounts: one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. IRS Code Section 401(h) account is maintained for Medicare Part B reimbursements.

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2023, 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 \$26,103 for 2023. Of this amount, \$4,202 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, 2021, rolled forward to the measurement date of December 31, 2022, 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, 2022, and was determined by rolling forward the total OPEB liability as of January 1, 2022, to December 31, 2022. 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:

City of Niles, Ohio
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| | <u>OPERS</u> | <u>OP&F</u> | |
|---------------------------------------|-------------------|-------------------|--------------|
| Proportion of the Net OPEB Liability: | | | |
| Current Measurement Date | 0.0438900% | 0.1858442% | |
| Prior Measurement Date | <u>0.0427550%</u> | <u>0.1821232%</u> | |
| Change in Proportionate Share | <u>0.0011350%</u> | <u>0.0037210%</u> | |
| | | | <u>Total</u> |
| Proportionate Share of the: | | | |
| Net OPEB Liability | \$276,734 | \$1,323,157 | \$1,599,891 |
| OPEB Expense | (\$389,439) | \$29,364 | (\$360,075) |

At December 31, 2023, 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 | \$0 | \$78,958 | \$78,958 |
| Changes of assumptions | 270,293 | 659,389 | 929,682 |
| Net difference between projected and actual earnings on OPEB plan investments | 549,605 | 113,487 | 663,092 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 8,179 | 47,142 | 55,321 |
| City contributions subsequent to the measurement date | <u>9,247</u> | <u>26,103</u> | <u>35,350</u> |
| Total Deferred Outflows of Resources | <u>\$837,324</u> | <u>\$925,079</u> | <u>\$1,762,403</u> |
| Deferred Inflows of Resources | | | |
| Differences between expected and actual experience | \$69,028 | \$260,900 | \$329,928 |
| Changes of assumptions | 22,241 | 1,082,234 | 1,104,475 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | <u>0</u> | <u>188,198</u> | <u>188,198</u> |
| Total Deferred Inflows of Resources | <u>\$91,269</u> | <u>\$1,531,332</u> | <u>\$1,622,601</u> |

\$35,350 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 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

City of Niles, Ohio
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| Year Ending December 31: | OPERS | OP&F | Total |
|--------------------------|------------------|--------------------|------------------|
| 2024 | \$98,649 | (\$97,468) | \$1,181 |
| 2025 | 201,270 | (84,350) | 116,920 |
| 2026 | 171,384 | (56,254) | 115,130 |
| 2027 | 265,505 | (26,704) | 238,801 |
| 2028 | 0 | (107,546) | (107,546) |
| Thereafter | 0 | (260,034) | (260,034) |
| Total | <u>\$736,808</u> | <u>(\$632,356)</u> | <u>\$104,452</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. The total OPEB liability was determined by an actuarial valuation as of December 31, 2021, rolled forward to the measurement date of December 31, 2022. The actuarial valuation used the following key actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

| | |
|---------------------------------|--------------------------------|
| Wage Inflation | 2.75 percent |
| Projected Salary Increases, | 2.75 to 10.75 percent |
| | including wage inflation |
| Single Discount Rate | 5.22 percent |
| Prior Year Single Discount Rate | 6.00 percent |
| Investment Rate of Return | 6.00 percent |
| Municipal Bond Rate | 4.05 percent |
| Prior Year Municipal Bond Rate | 1.84 percent |
| Health Care Cost Trend Rate | 5.5 percent, initial |
| | 3.50 percent, ultimate in 2036 |
| Actuarial Cost Method | Individual Entry Age |

Pre-retirement mortality rates are based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

City of Niles, Ohio
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For the Year Ended December 31, 2023

The most recent experience study was completed for the five year period ended December 31, 2020.

During 2022, 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, if any contribution are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 15.6 percent for 2022.

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 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 rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2022, these best estimates are summarized in the following table:

| Asset Class | Target Allocation | Weighted Average Long-Term Expected Real Rate of Return (Geometric) |
|------------------------------|----------------------|------------------------------------------------------------------------------|
| Fixed Income | 34.00% | 2.56% |
| Domestic Equities | 26.00 | 4.60 |
| Real Estate Investment Trust | 7.00 | 4.70 |
| International Equities | 25.00 | 5.51 |
| Risk Parity | 2.00 | 4.37 |
| Other investments | 6.00 | 1.84 |
| Total | 100.00% | |

Discount Rate A single discount rate of 5.22 percent was used to measure the OPEB liability on the measurement date of December 31, 2022; however, the single discount rate used at the beginning of the year was 6 percent. 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 4.05 percent (Fidelity Index's "20-Year Municipal GO AA Index"). 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

City of Niles, Ohio
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fiduciary net position and future contributions were sufficient to finance health care costs through 2054. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2054, 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 5.22 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 (4.22 percent) or one-percentage-point higher (6.22 percent) than the current rate:

| | 1% Decrease (4.22%) | Current Discount Rate (5.22%) | 1% Increase (6.22%) |
|-----------------------------------------------------------------|------------------------|-------------------------------------|------------------------|
| City's proportionate share of the net OPEB liability (asset) | \$941,879 | \$276,734 | (\$272,118) |

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 or asset. The following table presents the net liability or asset calculated using the assumed trend rates, and the expected net OPEB liability or asset 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 2023 is 5.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 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 | \$259,390 | \$276,734 | \$296,258 |

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2022, is based on the results of an actuarial valuation date of January 1, 2022, 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.

City of Niles, Ohio
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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.

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

| | |
|--------------------------------------------|------------------------------------------------------------------------------------|
| Valuation Date | January 1, 2022, with actuarial liabilities rolled forward to December 31, 2022 |
| Actuarial Cost Method | Entry Age Normal |
| Investment Rate of Return | 7.5 percent |
| Projected Salary Increases | 3.75 percent to 10.5 percent |
| Payroll Growth | 3.25 percent |
| Blended discount rate: | |
| Current measurement date | 4.27 percent |
| Prior measurement date | 2.84 percent |
| Cost of Living Adjustments | 2.2 percent simple per year |
| Projected Depletion Year of OPEB Assets | 2036 |

For 2022, mortality for service retirees is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table with rates adjusted by 96.2 percent for males and 98.7 percent for females. All rates are projected using the MP-2021 Improvement Scale.

For 2022, mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table with rates adjusted by 135 percent for males and 97.9 percent for females. All rates are projected using the MP-2021 Improvement Scale.

For 2022, mortality for contingent annuitants is based on the Pub- 2010 Below-Median Safety Amount-Weighted Contingent Annuitant Retiree mortality table with rates adjusted by 108.9 percent for males and 131percent for females. All rates are projected using the MP-2021 Improvement Scale.

For 2022, mortality for active members is based on the Pub-2010 Below-Median Safety Amount-Weighted Employee mortality table. All rates are projected using the MP- 2021 Improvement Scale.

For 2021, 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.

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

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

For 2021, 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, 2021.

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 15.

Discount Rate For 2022, the total OPEB liability was calculated using the discount rate of 4.27 percent. For 2021, the total OPEB liability was calculated using the discount rate of 2.84 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 7.5 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, for 2022, the long-term assumed rate of return on investments of 7.50 percent was applied to periods before December 31, 2035, and the Municipal Bond Index Rate of 3.65 percent was applied to periods on and after December 31, 2035, resulting in a discount rate of 4.27 percent. For 2021, a municipal bond rate of 2.05 percent at December 31, 2021, was blended with the long-term rate of 7.5 which resulted in a blended discount rate of 2.84. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

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 4.27 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 (3.27 percent), or one percentage point higher (5.27 percent) than the current rate.

| | 1% Decrease (3.27%) | Current Discount Rate (4.27%) | 1% Increase (5.27%) |
|---------------------------------------------------------|------------------------|-------------------------------------|------------------------|
| City's proportionate share of the net OPEB liability | \$1,629,343 | \$1,323,157 | \$1,064,657 |

Note 17 - 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 2023, the City paid RITA \$143,581 for income tax collection services.

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 2023, the City contributed \$9,440 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 2023, the City contributed \$5,533 to the Emergency Management Agency. For more information contact Linda Beil, director, at 1453 Youngstown Kingsville Road, Vienna, Ohio 44473.

Note 18 – Public Entity Risk Pool

The City is exposed to various risks of property and casualty losses, and injuries to employees.

Property and Liability

The City belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

City of Niles, Ohio
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For the Year Ended December 31, 2023

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. (At December 31, 2022, the Pool retained \$500,000 for casualty claims and \$250,000 for property claims) latest information available. The Board of Directors and York periodically review the financial strength of the PEP and other market conditions to determine the appropriate level of risk the PEP will retain. There has been no significant reduction in coverage from last year.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective PEP member.

Financial Position

PEP's financial statements (for which an independent audit is still ongoing) conform to generally accepted accounting principles, and preliminarily show the following assets, liabilities and net position at December 31, 2022 and 2021 (latest information available):

| <u>Casualty and Property Coverage</u> | <u>2022</u> | <u>2021</u> |
|---------------------------------------|--------------|--------------|
| Assets | \$61,537,313 | \$59,340,305 |
| Liabilities | 18,643,081 | 17,071,953 |
| Net Position - Unrestricted | \$42,894,232 | \$42,268,352 |

At December 31, 2022 and 2021, the liabilities in the preceding table include unknown amounts of estimated incurred claims payable. The casualty coverage assets and net position above include approximately \$14.4 million and \$13.9 million of unpaid claims to be billed to approximately 608 member governments in the future, as of December 31, 2022 and 2021, respectively. These amounts will be included in future contributions from members when the related claims are due for payment.

As indicated by PEP, the rates PEP charges to compute member contributions, which are used to pay claims as they become due, are expected to increase from those used to determine the historical contributions detailed as follows. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

After completing one year of membership, members may withdraw on each anniversary date of the date they joined PEP, provided they give written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members may receive a partial refund of their capital contributions as defined by the contract. Withdrawing members have no other future obligations to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to withdrawal. The contribution for 2023 was \$339,231.

City of Niles, Ohio
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For the Year Ended December 31, 2023

Note 19 – 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-two 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, 2023 the City has met their debt coverage obligation.

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

OMEGA JV5 is managed by AMP, which acts as the joint venture's agent. On January 20, 2021, in order to expedite the retirement of the 2016 Beneficial Interest Certificates, OMEGA JV5s participants approved the borrowing of \$9,300,000 in the form of a note payable from AMP. At December 31, 2021, the balance of the note was \$2,131,216. This note was paid in full in the first quarter of 2022. 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. These 2016 Beneficial Interest Certificates were paid in full during 2021. The interest component of the 2001 Certificates will accrete from the date of issuance, compounded semiannually on February 15 and August 15 of each year, commencing February 2002, with the original discount amount of \$42,225,017, and will be payable at maturity as a component of the maturity. The 2001 Certificates are not subject to redemption prior to maturity.

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

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 \$317,499 at December 31, 2023. Complete financial statements for OMEGA JV5 may be obtained from AMP.

Note 20 - Tax Abatement Disclosures

As of December 31, 2023, the City provides tax abatements through Enterprise Zones (Ezone). This program relates to the abatement of property taxes.

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

The City has entered an agreement to abate property taxes through this program. During 2023, the City's property tax revenues were reduced by \$355 as a result of these agreements.

Note 21 - Interfund Balances and Transfers

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, 2023, consist of interfund receivable/payables between the general fund and the cemetery special revenue fund in the amount of \$30,000.

Internal Balances – Change in Proportionate Share

The City uses an internal proportionate share to allocate its net pension/OPEB liability(asset) and corresponding deferred outflows/inflows of resources and pension /OPEB expense to its various funds. This allocation creates a change in internal proportionate share. The effects of the internal proportionate share are eliminated from the pension/OPEB deferred outflows/inflows of resources in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts between governmental and business-type activities. These residual amounts are eliminated in the total column of the entity wide statement of net position, thus allowing the total column to present the change in proportionate share for the City as a whole.

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

Balances related to the internal proportionate share for pension and OPEB at December 31, 2023, were as follows:

| | Pension | | OPEB | |
|--------------------------------|----------------------|---------------------|----------------------|---------------------|
| | Deferred Outflows | Deferred Inflows | Deferred Outflows | Deferred Inflows |
| Governmental Activities | \$734 | \$0 | \$0 | \$0 |
| Business-Type Activities: | | | | |
| Water | 0 | 503 | 0 | 0 |
| Sewer | 93,764 | 0 | 515 | 0 |
| Electric | 0 | 93,995 | 0 | 515 |
| Total Business-Type Activities | 93,764 | 94,498 | 515 | 515 |
| Total | \$94,498 | \$94,498 | \$515 | \$515 |

Transfers

Transfers made during the year ended December 31, 2023 were as follows:

| Transfers To | Transfers From General |
|---------------------------------------|---------------------------|
| Major Funds | |
| Police and Fire Tax | \$2,006,967 |
| Other Governmental Funds | |
| Police Pension | 440,000 |
| Fire Pension | 485,000 |
| Park | 600,000 |
| Cemetery | 225,000 |
| Capital Projects | 728,104 |
| Fire Truck Replacement | 266,000 |
| Police Capital Improvements | 50,000 |
| Park Capital Improvements | 50,000 |
| <i>Total Other Governmental Funds</i> | 2,844,104 |
| <i>Total Transfers</i> | \$4,851,071 |

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

Note 22 – Significant Commitments

Contractual Commitments

As of December 31, 2023, the City had the following contract balances for various projects:

| | |
|----------------------------------------|-----------|
| Sanitary Detention Pump Stations Rehab | \$299,316 |
| Fire Station 8 Generator | 105,340 |
| Bellvue Drive Storm Sewer | 38,590 |
| Dragon Drive Sanitary Line Repair | 28,383 |

City of Niles, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

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:

| <u>Governmental</u> | | <u>Business-Type</u> | |
|--------------------------|--------------------|-------------------------|--------------------|
| General | \$353,942 | Water | \$1,270,549 |
| Police and Fire Tax | 213,839 | Sewer | 721,255 |
| Other Governmental funds | 1,605,754 | Electric | 808,435 |
| Total | <u>\$2,173,535</u> | Motor Fuel | 31,087 |
| | | Hospital Self Insurance | 136,365 |
| | | Total | <u>\$2,967,691</u> |

Remaining commitment amounts were encumbered at year end.

Note 23 – 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 2023 totaling \$115,674, leaving a net impaired cost estimate of \$894,049 at December 31, 2023.

Note 24 – Asset Retirement Obligations

The Bureau of Underground Storage Tank Regulations (BUSTR) regulates petroleum and hazardous substances stored in underground storage tanks. These regulations are included in Ohio Administrative Code Section 1301-7-9 and require a City classified as an “owner” or “operator,” to remove from the ground any underground storage tank (UST) that is not in use for a year or more. A permit must first be obtained for that year it is not being used. Once the UST is removed, the soil in the UST cavity and excavated material must be tested for contamination. This asset retirement obligation (ARO) of \$40,000

City of Niles, Ohio
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For the Year Ended December 31, 2023

associated with the City's underground storage tanks were estimated by the City engineer. The remaining useful life of the USTs are six years. The City maintains insurance related to any potential pollution remediation associated with the USTs.

Ohio Revised Code Section 6111.44 requires the City to submit any changes to their sewage system to the Ohio EPA for approval. Through this review process, the City would be responsible to address any public safety issues associated with their wastewater treatment facilities. Any ARO associated with these public safety issues are not reasonably estimable. Currently, there is significant uncertainty as to what public safety items would need to be addressed; therefore, a reliable estimated amount could not be determined.

Note 25 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency ended in April 2023. During 2023, the City received COVID-19 funding. The City will continue to spend available COVID-19 funding consistent with the applicable program guidelines.

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 Ten Years

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|------------------------------------------------------------------------------------------------|--------------|-------------|-------------|-------------|
| City's Proportion of the Net Pension Liability | 0.0462410% | 0.0451520% | 0.0436000% | 0.0405400% |
| City's Proportionate Share of the Net Pension Liability | \$13,659,611 | \$3,928,406 | \$6,456,211 | \$8,013,007 |
| City's Covered Payroll | \$7,167,821 | \$6,552,936 | \$6,140,807 | \$5,703,971 |
| City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 190.57% | 59.95% | 105.14% | 140.48% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 75.74% | 92.62% | 86.88% | 82.17% |

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.

| 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--------------|-------------|-------------|-------------|-------------|-------------|
| 0.0383020% | 0.0399370% | 0.0410760% | 0.0429130% | 0.0455160% | 0.0455160% |
| \$10,490,142 | \$6,265,342 | \$9,327,661 | \$7,433,073 | \$5,489,738 | \$5,365,742 |
| \$5,174,421 | \$9,045,831 | \$8,808,467 | \$8,756,908 | \$9,581,542 | \$9,888,108 |
| 202.73% | 69.26% | 105.89% | 84.88% | 57.29% | 54.26% |
| 74.70% | 84.66% | 77.25% | 81.08% | 86.45% | 86.36% |

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 Six Years (1)

| | 2023 | 2022 | 2021 | 2020 |
|--------------------------------------------------------------------------------------------|------------|------------|------------|------------|
| City's Proportion of the Net Pension Asset | 0.0000000% | 0.0000000% | 0.0056300% | 0.0096380% |
| City's Proportionate Share of the Net Pension Asset | \$0 | \$0 | \$16,252 | \$20,098 |
| City's Covered Payroll | \$0 | \$0 | \$24,814 | \$42,907 |
| City's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll | 0.00% | 0.00% | -65.50% | -46.84% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Asset | 137.14% | 169.88% | 157.67% | 145.28% |

(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.

| <u>2019</u> | <u>2018</u> |
|-------------|-------------|
| 0.0077990% | 0.0112010% |
| \$8,721 | \$15,248 |
| \$33,357 | \$45,877 |
| -26.14% | -33.24% |
| 126.64% | 137.28% |

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

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|---------------------------------------------------------------------------------------------|-------------|---------------|-------------|-------------|
| City's Proportion of the Net OPEB Liability (Asset) | 0.0438900% | 0.0427550% | 0.0414680% | 0.0387810% |
| City's Proportionate Share of the Net OPEB Liability (Asset) | \$276,734 | (\$1,339,153) | (\$738,786) | \$5,356,663 |
| City's Covered Payroll | \$7,304,846 | \$6,667,186 | \$6,271,421 | \$5,858,953 |
| City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | 3.79% | -20.09% | -11.78% | 91.43% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset) | 94.79% | 128.23% | 115.57% | 47.80% |

(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.

| 2019 | 2018 | 2017 |
|-------------|-------------|-------------|
| 0.0366950% | 0.0383900% | 0.0390300% |
| \$4,784,162 | \$4,168,872 | \$3,942,164 |
| \$5,323,453 | \$9,206,533 | \$9,186,600 |
| 89.87% | 45.28% | 42.91% |
| 46.33% | 54.14% | 54.04% |

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 Ten Years

| | 2023 | 2022 | 2021 | 2020 |
|------------------------------------------------------------------------------------------------|--------------|--------------|--------------|--------------|
| City's Proportion of the Net Pension Liability | 0.1858442% | 0.1821232% | 0.1865801% | 0.1831694% |
| City's Proportionate Share of the Net Pension Liability | \$17,653,397 | \$11,378,004 | \$12,719,334 | \$12,339,268 |
| City's Covered Payroll | \$4,864,633 | \$4,460,650 | \$4,564,972 | \$4,364,653 |
| City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 362.89% | 255.08% | 278.63% | 282.71% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 62.90% | 75.03% | 70.65% | 69.89% |

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.

| 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--------------|--------------|--------------|--------------|--------------|-------------|
| 0.1836970% | 0.1919030% | 0.1946440% | 0.1957730% | 0.2025726% | 0.2025726% |
| \$14,994,529 | \$11,777,953 | \$12,328,556 | \$12,594,242 | \$10,494,105 | \$9,865,921 |
| \$4,159,847 | \$4,181,757 | \$4,407,335 | \$4,012,821 | \$4,175,907 | \$4,475,133 |
| 360.46% | 281.65% | 279.73% | 313.85% | 251.30% | 220.46% |
| 63.07% | 70.91% | 68.36% | 66.77% | 71.71% | 73.00% |

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 Seven Years (1)

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|---------------------------------------------------------------------------------------------|-------------|-------------|-------------|-------------|
| City's Proportion of the Net OPEB Liability | 0.1858442% | 0.1821232% | 0.1865801% | 0.1831694% |
| City's Proportionate Share of the Net OPEB Liability | \$1,323,157 | \$1,996,227 | \$1,976,847 | \$1,809,298 |
| City's Covered Payroll | \$4,864,633 | \$4,460,650 | \$4,564,972 | \$4,364,653 |
| City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | 27.20% | 44.75% | 43.30% | 41.45% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 52.59% | 46.86% | 45.42% | 47.08% |

(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.

| 2019 | 2018 | 2017 |
|-------------|--------------|-------------|
| 0.1836970% | 0.1919030% | 0.1946440% |
| \$1,672,843 | \$10,872,954 | \$9,239,313 |
| \$4,159,847 | \$4,181,757 | \$4,407,335 |
| 40.21% | 260.01% | 209.63% |
| 46.57% | 14.13% | 15.96% |

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

| | 2023 | 2022 | 2021 | 2020 |
|----------------------------------------------------------------------|------------------|--------------------|------------------|------------------|
| Net Pension Liability - Traditional Plan | | | | |
| Contractually Required Contribution | \$999,021 | \$1,003,495 | \$917,411 | \$859,713 |
| Contributions in Relation to the Contractually Required Contribution | <u>(999,021)</u> | <u>(1,003,495)</u> | <u>(917,411)</u> | <u>(859,713)</u> |
| Contribution Deficiency (Excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| City Covered Payroll | \$7,135,864 | \$7,167,821 | \$6,552,936 | \$6,140,807 |
| Pension Contributions as a Percentage of Covered Payroll | <u>14.00%</u> | <u>14.00%</u> | <u>14.00%</u> | <u>14.00%</u> |
| Net Pension Liability - Combined Plan | | | | |
| Contractually Required Contribution | \$0 | \$0 | \$0 | \$3,474 |
| Contributions in Relation to the Contractually Required Contribution | <u>0</u> | <u>0</u> | <u>0</u> | <u>(3,474)</u> |
| Contribution Deficiency (Excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| City Covered Payroll | \$0 | \$0 | \$0 | \$24,814 |
| Pension Contributions as a Percentage of Covered Payroll | <u>0.00%</u> | <u>0.00%</u> | <u>0.00%</u> | <u>14.00%</u> |
| Net OPEB Liability - OPEB Plan (1) | | | | |
| Contractually Required Contribution | \$9,247 | \$5,481 | \$4,570 | \$4,232 |
| Contributions in Relation to the Contractually Required Contribution | <u>(9,247)</u> | <u>(5,481)</u> | <u>(4,570)</u> | <u>(4,232)</u> |
| Contribution Deficiency (Excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| City Covered Payroll (2) | \$7,418,647 | \$7,304,846 | \$6,667,186 | \$6,271,421 |
| OPEB Contributions as a Percentage of Covered Payroll | <u>0.12%</u> | <u>0.08%</u> | <u>0.07%</u> | <u>0.07%</u> |

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

(2) 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.

| 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|------------------|------------------|--------------------|--------------------|--------------------|--------------------|
| \$798,556 | \$724,419 | \$1,175,958 | \$1,057,016 | \$1,050,829 | \$1,149,785 |
| <u>(798,556)</u> | <u>(724,419)</u> | <u>(1,175,958)</u> | <u>(1,057,016)</u> | <u>(1,050,829)</u> | <u>(1,149,785)</u> |
| <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| \$5,703,971 | \$5,174,421 | \$9,045,831 | \$8,808,467 | \$8,756,908 | \$9,581,542 |
| <u>14.00%</u> | <u>14.00%</u> | <u>13.00%</u> | <u>12.00%</u> | <u>12.00%</u> | <u>12.00%</u> |
| \$6,007 | \$4,670 | \$5,964 | \$675 | \$0 | \$331 |
| <u>(6,007)</u> | <u>(4,670)</u> | <u>(5,964)</u> | <u>(675)</u> | <u>0</u> | <u>(331)</u> |
| <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| \$42,907 | \$33,357 | \$45,877 | \$5,625 | \$0 | \$2,758 |
| <u>14.00%</u> | <u>14.00%</u> | <u>13.00%</u> | <u>12.00%</u> | <u>0.00%</u> | <u>12.00%</u> |
| \$4,483 | \$4,627 | \$95,510 | \$185,299 | | |
| <u>(4,483)</u> | <u>(4,627)</u> | <u>(95,510)</u> | <u>(185,299)</u> | | |
| <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | | |
| \$5,858,953 | \$5,323,453 | \$9,206,533 | \$9,186,600 | | |
| <u>0.08%</u> | <u>0.09%</u> | <u>1.04%</u> | <u>2.02%</u> | | |

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

| | 2023 | 2022 | 2021 | 2020 |
|-------------------------------------------------------------------------|--------------------|--------------------|------------------|------------------|
| Net Pension Liability | | | | |
| Contractually Required Contribution | \$1,101,048 | \$1,025,068 | \$941,592 | \$967,184 |
| Contributions in Relation to the Contractually Required Contribution | <u>(1,101,048)</u> | <u>(1,025,068)</u> | <u>(941,592)</u> | <u>(967,184)</u> |
| Contribution Deficiency (Excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| City Covered Payroll (1) | \$5,220,593 | \$4,864,633 | \$4,460,650 | \$4,564,972 |
| Pension Contributions as a Percentage of Covered Payroll | <u>21.09%</u> | <u>21.07%</u> | <u>21.11%</u> | <u>21.19%</u> |
| Net OPEB Liability | | | | |
| Contractually Required Contribution | \$26,103 | \$24,324 | \$22,303 | \$22,825 |
| Contributions in Relation to the Contractually Required Contribution | <u>(26,103)</u> | <u>(24,324)</u> | <u>(22,303)</u> | <u>(22,825)</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>21.59%</u> | <u>21.57%</u> | <u>21.61%</u> | <u>21.69%</u> |

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

See accompanying notes to the required supplementary information.

| 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$920,218 | \$879,187 | \$884,710 | \$925,263 | \$845,498 | \$883,080 |
| <u>(920,218)</u> | <u>(879,187)</u> | <u>(884,710)</u> | <u>(925,263)</u> | <u>(845,498)</u> | <u>(883,080)</u> |
| <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| \$4,364,653 | \$4,159,847 | \$4,181,757 | \$4,407,335 | \$4,012,821 | \$4,175,907 |
| <u>21.08%</u> | <u>21.14%</u> | <u>21.16%</u> | <u>20.99%</u> | <u>21.07%</u> | <u>21.15%</u> |
| \$21,824 | \$20,799 | \$20,909 | \$21,848 | \$20,064 | \$20,880 |
| <u>(21,824)</u> | <u>(20,799)</u> | <u>(20,909)</u> | <u>(21,848)</u> | <u>(20,064)</u> | <u>(20,880)</u> |
| <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| <u>0.50%</u> | <u>0.50%</u> | <u>0.50%</u> | <u>0.50%</u> | <u>0.50%</u> | <u>0.50%</u> |
| <u>21.58%</u> | <u>21.64%</u> | <u>21.66%</u> | <u>21.49%</u> | <u>21.57%</u> | <u>21.65%</u> |

City of Niles, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2023

Changes in Assumptions – OPERS Pension – Traditional Plan

Amounts reported beginning in 2022 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in prior years are presented below:

| | 2022 | 2019 through 2021 | 2018 and 2017 | 2016 and prior |
|-------------------------------|------------------------------------------------------|------------------------------------------------------|------------------------------------------------------|------------------------------------------------------|
| Wage Inflation | 2.75 percent | 3.25 percent | 3.25 percent | 3.75 percent |
| Future Salary Increases | 2.75 to 10.75 percent including wage 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 | 3 percent, simple |
| Post-January 7, 2013 Retirees | see below | see below | see below | see below |
| Investment Rate of Return | 6.9 percent | 7.2 percent | 7.5 percent | 8 percent |
| Actuarial Cost Method | Individual Entry Age | Individual Entry Age | Individual Entry Age | Individual Entry Age |

The assumptions related to COLA or Ad Hoc COLA for Post-January 7, 2013, Retirees are as follows:

COLA or Ad Hoc COLA, Post-January 7, 2013 Retirees:

| | |
|-------------------|---------------------------------------------------------------|
| 2023 | 3.0 percent, simple through 2023 then 2.05 percent, simple |
| 2022 | 3.0 percent, simple through 2022 then 2.05 percent, simple |
| 2021 | 0.5 percent, simple through 2021 then 2.15 percent, simple |
| 2020 | 1.4 percent, simple through 2020 then 2.15 percent, simple |
| 2017 through 2019 | 3.0 percent, simple through 2018 then 2.15 percent, simple |
| 2016 and prior | 3.0 percent, simple through 2018 then 2.80 percent, simple |

Amounts reported beginning in 2022 use pre-retirement mortality rates based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all these tables.

Amounts reported for 2017 through 2021 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

City of Niles, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2023

mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

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

Changes in Assumptions – OPERS Pension – Combined Plan

| | 2022 | 2019 through 2021 | 2018 |
|-------------------------------|-----------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------|
| Wage Inflation | 2.75 percent | 3.25 percent | 3.25 percent |
| Future Salary Increases | 2.75 to 8.25 percent including wage inflation | 3.25 to 8.25 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 | 3 percent, simple |
| Post-January 7, 2013 Retirees | see below | see below | see below |
| Investment Rate of Return | 6.9 percent | 7.2 percent | 7.5 percent |
| Actuarial Cost Method | Individual Entry Age | Individual Entry Age | Individual Entry Age |

For 2022, 2021 and 2020, the Combined Plan had the same change in COLA or Ad Hoc COLA for Post-January 2, 2013, retirees as the Traditional Plan.

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 below:

| | Beginning in 2018 | 2017 and Prior |
|----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|
| 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 | 3.25 percent per annum, compounded annually, consisting of 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 | 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent | 3.00 percent simple; 2.6 percent simple for increases based on the lesser of the increase in CPI and 3 percent |

City of Niles, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2023

Beginning in 2022, the OP&F Board adopted a change in the investment rate of return, changing it from 8 percent for 2018 through 2021 to 7.5 percent for 2022 and forward.

Beginning in 2023, mortality for service retirees is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table with rates adjusted by 96.2 percent for males and 98.7 percent for females. All rates are projected using the MP-2021 Improvement Scale.

Beginning in 2023, mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table with rates adjusted by 135 percent for males and 97.9 percent for females. All rates are projected using the MP-2021 Improvement Scale.

Beginning in 2023, mortality for contingent annuitants is based on the Pub- 2010 Below-Median Safety Amount-Weighted Contingent Annuitant Retiree mortality table with rates adjusted by 108.9 percent for males and 131 percent for females. All rates are projected using the MP-2021 Improvement Scale.

Beginning in 2023, mortality for active members is based on the Pub-2010 Below-Median Safety Amount-Weighted Employee mortality table. All rates are projected using the MP- 2021 Improvement Scale.

Prior to 2023, 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 |

Prior to 2023, 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 |

Changes in Assumptions – OPERS OPEB

| | |
|--------------------------------------------------------|-----------------------|
| Wage Inflation: | |
| 2023 and 2022 | 2.75 percent |
| 2021 and prior | 3.25 percent |
| Projected Salary Increases (including wage inflation): | |
| 2023 and 2022 | 2.75 to 10.75 percent |
| 2021 and prior | 3.25 to 10.75 percent |
| Investment Return Assumption: | |
| Beginning in 2019 | 6.00 percent |
| 2018 | 6.50 percent |

City of Niles, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2023

| | |
|------------------------------|---------------------------------------------------------|
| Municipal Bond Rate: | |
| 2023 | 4.05 percent |
| 2022 | 1.84 percent |
| 2021 | 2.00 percent |
| 2020 | 2.75 percent |
| 2019 | 3.71 percent |
| 2018 | 3.31 percent |
| Single Discount Rate: | |
| 2023 | 5.22 percent |
| 2022 | 6.00 percent |
| 2021 | 6.00 percent |
| 2020 | 3.16 percent |
| 2019 | 3.96 percent |
| 2018 | 3.85 percent |
| Health Care Cost Trend Rate: | |
| 2023 | 5.5 percent, initial 3.5 percent, ultimate in 2036 |
| 2022 | 5.5 percent, initial 3.5 percent, ultimate in 2034 |
| 2021 | 8.5 percent, initial 3.5 percent, ultimate in 2035 |
| 2020 | 10.5 percent, initial 3.5 percent, ultimate in 2030 |
| 2019 | 10.0 percent, initial 3.25 percent, ultimate in 2029 |
| 2018 | 7.5 percent, initial 3.25 percent, ultimate in 2028 |

Changes in Assumptions – OP&F OPEB

| | |
|------------------------|--------------|
| Blended Discount Rate: | |
| 2023 | 4.27 percent |
| 2022 | 2.84 percent |
| 2021 | 2.96 percent |
| 2020 | 3.56 percent |
| 2019 | 4.66 percent |
| 2018 | 3.24 percent |

For 2022, the OP&F Board adopted a change in the investment rate of return, changing it from 8 percent for 2018 through 2021 to 7.5 percent for 2022 and 2023.

Changes in Benefit Terms – OPERS OPEB

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and non-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in 2021.

City of Niles, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2023

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.

SUPPLEMENTARY INFORMATION

**CITY OF NILES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023**

| FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE | ASSISTANCE LISTING NUMBER | PASS-THROUGH ENTITY IDENTIFYING NUMBER / ADDITIONAL AWARD IDENTIFICATION | TOTAL EXPENDITURES OF FEDERAL AWARDS |
|------------------------------------------------------------------------------------------------------|---------------------------------|-----------------------------------------------------------------------------------|--------------------------------------------|
| U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | |
| PASSED THROUGH THE | | | |
| OHIO DEPARTMENT OF DEVELOPMENT | | | |
| Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii | 14.228 | A-F-20-2CW-1 | \$ 30,039 |
| Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii | 14.228 | A-F-22-2CW-1 | 50,860 |
| Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii | 14.228 | A-C-21-2CW-1 | 111,752 |
| Total Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii | | | <u>192,651</u> |
| HOME Investment Partnerships Program | 14.239 | A-C-21-2CW-2 | 563,585 |
| Total U.S. Department of Housing and Urban Development | | | <u>756,236</u> |
| U. S. DEPARTMENT OF TRANSPORTATION | | | |
| PASSED THROUGH THE | | | |
| OHIO DEPARTMENT OF TRANSPORTATION | | | |
| Highway Planning and Construction | 20.205 | 112658 | 77,088 |
| Highway Planning and Construction | 20.205 | 112660 | 339,898 |
| PASSED THROUGH THE | | | |
| EASTGATE REGIONAL COUNCIL OF GOVERNMENTS | | | |
| Highway Planning and Construction | 20.205 | E220335 | 7,500 |
| Total Highway Planning and Construction | | | <u>424,486</u> |
| Total U.S. Department of Transportation | | | <u>424,486</u> |
| U. S. DEPARTMENT OF THE TREASURY | | | |
| PASSED THROUGH THE | | | |
| N/A | | | |
| COVID-19 - Coronavirus State and Local Fiscal Recovery Funds | 21.027 | COVID-19 | 1,051,284 |
| PASSED THROUGH THE | | | |
| OHIO EMERGENCY MANAGEMENT AGENCY | | | |
| COVID-19 - ARPA First Responder Wellness, Recruitment, Retention & Resiliency Fire Retention Grant | 21.027 | COVID-19, AFRR-135-RET | 108,000 |
| Total Coronavirus State and Local Fiscal Recovery Funds and U.S. Department of the Treasury | | | <u>1,159,284</u> |
| Total Federal Financial Assistance | | | <u>\$ 2,340,006</u> |

The accompanying notes are an integral part of this schedule.

**CITY OF NILES
TRUMBULL COUNTY, OHIO**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 1 – BASIS OF PRESENTATION & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Niles under programs of the federal government for the fiscal year ended December 31, 2023 and is prepared in accordance with the cash basis of accounting. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Niles, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Niles. Such expenditures are recognized following cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be limited to as to reimbursement.

NOTE 2 – DE MINIMIS COST RATE

CFR Section 200.414 of the Uniform Guidance allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. The City of Niles has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 – REVOLVING LOAN FUND

The City has established a revolving loan program to provide low-interest loans to businesses that are creating jobs and meet the other program requirements. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the accompanying Schedule. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule. At December 31, 2023, the City had \$0 in loans outstanding under this program. The City did not issue any loans during the year ended December 31, 2023 and received \$0 in loans repaid. On December 29, 2023, the Ohio Department of Development opted to close the revolving loan fund due to being inactive and having a low balance.

**Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***

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

To the Members of the City Council and Mayor:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Niles, Trumbull County, Ohio, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City of Niles’ basic financial statements, and have issued our report thereon dated June 20, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Niles’ internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Niles’ internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Niles’ internal control.

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

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

City of Niles

Trumbull County

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Niles' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Niles' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Niles' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.

June 20, 2024

**Independent Auditor’s Report on Compliance for Each Major Federal Program
and on Internal Control Over Compliance Required by the Uniform Guidance**

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

To the Members of the City Council and Mayor:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Niles’ compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the City of Niles’ major federal programs for the year ended December 31, 2023. The City of Niles’ major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings.

In our opinion, the City of Niles complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the “Auditor’s Responsibilities for the Audit of Compliance” section of our report.

We are required to be independent of the City of Niles and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Niles’ compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City of Niles’ federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Niles' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Niles' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Niles' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Niles' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Niles' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the "Auditor's Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

City of Niles
Trumbull County
Independent Auditor's Report on Compliance for Each Major Federal Program
and on Internal Control Over Compliance Required by the Uniform Guidance

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Julian & Grube, Inc.

Julian & Grube, Inc.
June 20, 2024

**CITY OF NILES
TRUMBULL COUNTY, OHIO**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2023**

| 1. SUMMARY OF AUDITORS' RESULTS | | |
|----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------|
| <i>(d)(1)(i)</i> | <i>Type of Financial Statement Opinion</i> | Unmodified |
| <i>(d)(1)(ii)</i> | <i>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</i> | No |
| <i>(d)(1)(ii)</i> | <i>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i> | None reported |
| <i>(d)(1)(iii)</i> | <i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i> | No |
| <i>(d)(1)(iv)</i> | <i>Were there any material weaknesses in internal control reported for major federal programs?</i> | No |
| <i>(d)(1)(iv)</i> | <i>Were there any significant deficiencies in internal control reported for major federal programs?</i> | None reported |
| <i>(d)(1)(v)</i> | <i>Type of Major Programs' Compliance Opinion</i> | Unmodified |
| <i>(d)(1)(vi)</i> | <i>Are there any reportable findings under 2 CFR §.516(a)?</i> | No |
| <i>(d)(1)(vii)</i> | <i>Major Program(s) (listed):</i> | COVID-19 – Coronavirus State and Local Fiscal Recovery Funds (ALN 21.027) |
| <i>(d)(1)(viii)</i> | <i>Dollar Threshold: Type A/B Programs</i> | Type A: >\$750,000 Type B: all others |
| <i>(d)(1)(ix)</i> | <i>Low Risk Auditee under 2 CFR § 200.520?</i> | Yes |

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

None

| |
|------------------------------------------------------------|
| 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS |
|------------------------------------------------------------|

None

OHIO AUDITOR OF STATE KEITH FABER



CITY OF NILES

TRUMBULL COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 7/16/2024

65 East State Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov