

**CITY OF NILES
BERRIEN COUNTY, MICHIGAN**

**REPORT ON FINANCIAL STATEMENTS
(with required and other supplementary information)**

YEAR ENDED SEPTEMBER 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Niles, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Niles, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Niles's 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Niles, as of September 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Niles Housing Commission as of December 31, 2021, which represents 75%, 76%, and 65%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units as of September 30, 2022, and the respective changes in financial position thereof for the year then ended. Those statements were audited by other auditors whose report has been furnished to use, and our opinion, insofar as it relates to the amounts included for Niles Housing Commission, is based solely on the report of the other auditors.

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 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.

Change in Accounting Principle

As discussed in Note 15 to the financial statements, in 2022 the City adopted new accounting guidance, GASB Statement No. 87 *Leases*. Our opinions are not modified with respect to this matter.

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 City of Niles's 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 City of Niles's 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 City of Niles's 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 budgetary comparison information and historical retirement systems and retiree healthcare plan schedules, as identified 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 City of Niles's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, and 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*, are presented for purposes of additional analysis and are 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the nonfinancial reports but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2023 on our consideration of City of Niles's 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 City of Niles's 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 City of Niles's internal control over financial reporting and compliance.

Maney Costeiran PC

February 28, 2023

CITY OF NILES MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of City of Niles' (the City's) financial performance and position, providing an overview of the activities for the year ended September 30, 2022. This analysis should be read in conjunction with the *Independent Auditors Report* and with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government-wide

- Total net position was \$41,881,800(excluding component units).
- Governmental activities net position was \$11,504,530.
- Business-type activity net position was \$30,377,270.
- Component Unit net position was \$2,287,510.

Fund Level

- At the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$11,027,591 with \$5,361,921 being non-spendable, restricted, committed, or assigned for specific purposes (cemetery perpetual care and capital projects).
- The General Fund realized \$72,619 less in revenues and other financing sources than anticipated for the fiscal year. The General Fund operations also expended \$165,573 less than appropriated for expenditures and other financing uses.
- Overall, the General Fund balance increased by \$258,944 to \$5,746,735.

Capital and Long-term Debt Activities

- The total additions to the capital asset schedule for the primary government were \$6,681,129. Two firetrucks (\$1,509,758), front-end loader for Street Department (\$205,103), two new Police vehicles (\$94,662), Replacement of Plym Park basketball courts and new pickleball courts (\$348,145), Riverfront Amphitheater improvements (\$103,200), and leaf vacuums for Street Department (\$254,298).
- The total long-term obligations for the primary government were \$6,740,221, a decrease of \$901,740 from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's annual financial report. The annual financial report of the City consists of the following components: 1) *Independent Auditor's Report*; 2) *Management's Discussion and Analysis* and 3) the *Basic Financial Statements* (government-wide financial statements, fund financial statements, notes to the financial statements), 4) *Required Supplementary Information* such as budget to actual comparisons for the General Fund and major Special Revenue Funds, and 5) *Other Supplementary Information* including combining financial statements for all non-major governmental funds and other funds and other financial data.

**CITY OF NILES
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Government-wide Financial Statements (Reporting the City as a Whole)

The set of government-wide financial statements are made up of the Statement of Net Position and the Statement of Activities, which report information about the City as a whole, and about its activities. Their purpose is to assist in answering the question, is the City, in its entirety, better or worse off as a result of this fiscal year's activities? These statements, which include all non-fiduciary assets and liabilities, are reported on the *accrual basis of accounting*, similar to a private business. This means revenues are accounted for when they are *earned*, and expenses are accounted for when *incurred*, regardless of when the actual cash is received or disbursed.

The Statement of Net Position (page 17) presents all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources recording the difference between the two as "net position". Over time, increases or decreases in net position measure whether the City's financial position is improving or deteriorating.

The Statement of Activities (page 18) presents information showing how the City's net position changed during 2021/2022. All changes in net position are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee vacation leave.

Both statements report the following activities:

- ***Governmental Activities*** - Most of the City's basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. Most of the City's general government departments, public safety, public works, economic development, city improvements, street improvements, recreation activities, and other City wide elected official operations are reported under these activities.
- ***Business-type Activities*** - These activities operate like private businesses. The City charges fees to recover the cost of the services provided. The Electric Light and Power System, the Sewage Disposal System and Water System Fund and are examples of these activities.
- ***Discretely Presented Component Units*** - Discretely Presented Component units are legally separate organizations for which the City Council and Administration appoints a majority of the organization's policy board and there is a degree of financial accountability to the City. Three organizations are included as a discretely presented component unit: The Downtown Development Authority, Brownfield Redevelopment Authority, and the Niles Housing Commission.

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources.

CITY OF NILES MANAGEMENT'S DISCUSSION AND ANALYSIS

Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 20 and 22 present reconciliations between the two statement types. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental fund. Capital assets and depreciation expense are reported on the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements but is reported as expenditures on the fund financial statements of the governmental funds.
- Internal service funds are reported as governmental activities on the government-wide statements but are reported as proprietary funds on the fund financial statements.
- Long-term liabilities, such as amounts accrued for sick and annual leave (compensated absences), etc. appear as liabilities on the government-wide statements; however, they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.
- Long-term debt proceeds are reported as liabilities on the government-wide statements but are recorded as other financing sources on the fund financial statements.

Fund Financial Statements (Reporting the City's Major Funds)

The fund financial statements, which begin on page 19, provide information on the City's significant (major) funds, and aggregated non-major funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the City uses to keep track of specific sources of funding and spending for a particular purpose. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The *basic financial statements* report major funds as defined by the Government Accounting Standards Board (GASB) in separate columns. Statement 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets and deferred outflows of resources, total liabilities and deferred inflows of resources, total revenues or total expenditures/expenses that equal at least 10% of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds 5% of those categories for governmental and enterprise funds combined. The major funds for City of Niles include the General Fund, the Electric Fund, the Sewer Fund, and the Water Fund. All other funds are classified as non-major funds and are reported in aggregate by the applicable fund type.

CITY OF NILES MANAGEMENT'S DISCUSSION AND ANALYSIS

The City's funds are divided into two categories - governmental and proprietary - and use different accounting approaches:

- **Governmental Funds** - Most of the City's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the City's programs. Governmental funds include the *General Fund*, as well as *Special Revenue Funds* (use of fund balance is restricted, e.g., income tax, major street, local street, and recreation funds), *Capital Projects Funds* (used to report major capital acquisitions and construction, e.g., the Capital Improvement Fund), *Debt Service Funds* (accounts for resources used to pay long-term debt principal and interest, e.g., the building authority fund), and *Permanent Funds* (accounts for resources permanently restricted from being spent, e.g., the cemetery perpetual care fund).
- **Proprietary Funds** - Services for which the City charges customers (whether outside the City structure or a City department) a fee is generally reported in proprietary funds. Proprietary funds use the same *accrual* basis of accounting used in the government-wide statements and by private business. There are two types of proprietary funds. *Enterprise funds* report activities that provide supplies and/or services to the general public. An example is the Sewer Fund. *Internal Service funds* report activities that provide supplies or service to the City's other operations, such as the Motor Pool Fund. Internal Service funds are reported as governmental activities on the government-wide statements.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 31 of this report.

Required Supplementary Information

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes budgetary comparison schedules for the General Fund as well as schedules of funding progress and schedules of employer contributions related to pension and other post-employment benefit plans.

Other Supplementary Information

Other Supplementary Information includes combining financial statements for non-major governmental funds, non-major enterprise funds, and internal service funds. These funds are added together by fund type and are presented in aggregate single columns in the appropriate single columns in the appropriate basic financial statements.

**CITY OF NILES
MANAGEMENT'S DISCUSSION AND ANALYSIS**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

As previously stated, the City of Niles' combined net position was \$41,881,800 at the end of this fiscal year's operations. The net position of the governmental activities was \$11,504,530; the business-type activities were \$30,377,270.

Net Position as of September 30, 2021 and 2022

This table includes the pension liability and OPEB liability and corresponding deferred inflows and outflows of resources that are required to be recorded.

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2021*</u>	<u>2022</u>	<u>2021*</u>	<u>2022</u>	<u>2021*</u>	<u>2022</u>
Current Assets	\$ 20,116,020	\$ 20,996,313	\$ 16,682,041	\$ 15,894,873	\$ 36,798,061	\$ 36,891,186
Capital Assets	7,381,390	9,739,634	24,208,189	25,757,420	31,589,579	35,497,054
Total Assets	<u>\$ 27,497,410</u>	<u>\$ 30,735,947</u>	<u>\$ 40,890,230</u>	<u>\$ 41,652,293</u>	<u>\$ 68,387,640</u>	<u>\$ 72,388,240</u>
Deferred Outflows of Resources	<u>\$ 2,920,907</u>	<u>\$ 3,331,630</u>	<u>\$ 883,242</u>	<u>\$ 1,019,490</u>	<u>\$ 3,804,149</u>	<u>\$ 4,351,120</u>
Current Liabilities	\$ 4,622,644	\$ 5,053,604	\$ 3,023,827	\$ 2,250,492	\$ 7,646,471	\$ 7,304,096
Noncurrent Liabilities	11,515,266	10,199,873	9,688,764	8,926,497	21,204,030	19,126,370
Total Liabilities	<u>\$ 16,137,910</u>	<u>\$ 15,253,477</u>	<u>\$ 12,712,591</u>	<u>\$ 11,176,989</u>	<u>\$ 28,850,501</u>	<u>\$ 26,430,466</u>
Deferred Inflows of Resources	<u>\$ 5,686,076</u>	<u>\$ 7,309,570</u>	<u>\$ 1,033,350</u>	<u>\$ 1,117,524</u>	<u>\$ 6,719,426</u>	<u>\$ 8,427,094</u>
Net Position						
Net investment in Capital Assets	\$ 7,381,390	\$ 9,739,634	\$ 17,500,862	\$ 19,835,124	\$ 24,882,252	\$ 29,574,758
Restricted	5,394,132	5,297,418	1,883,797	1,967,919	7,277,929	7,265,337
Unrestricted	(4,181,191)	(3,532,522)	8,642,872	8,574,227	4,461,681	5,041,705
Total Net Position	<u>\$ 8,594,331</u>	<u>\$ 11,504,530</u>	<u>\$ 28,027,531</u>	<u>\$ 30,377,270</u>	<u>\$ 36,621,862</u>	<u>\$ 41,881,800</u>

*The 2021 figures have not been updated for adoption of GASB 87.

**CITY OF NILES
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Changes in Net Position for the Fiscal Years Ending September 30, 2021 and 2022

The following table illustrates the varying results of the governmental activities and business-type activities, which combine to capture the City's total net position, for the years ended September 30, 2021 and 2022.

	Governmental Activities		Business-type Activities		Total	
	<u>2021*</u>	<u>2022</u>	<u>2021*</u>	<u>2022</u>	<u>2021*</u>	<u>2022</u>
REVENUES						
Program Revenues						
Charges for Services	\$ 3,756,151	\$ 4,176,494	\$ 20,790,940	\$ 23,931,508	\$ 24,547,091	\$ 28,108,002
Grants and Contributions	2,978,592	5,886,782	791,416	1,324,079	3,770,008	7,210,861
General Revenues						
Property Taxes	3,104,556	3,307,329	-	-	3,104,556	3,307,329
State Shared Revenue	1,541,765	1,721,329	-	-	1,541,765	1,721,329
Investment Earnings	(26,178)	(345,011)	(42,440)	(742,363)	(68,618)	(1,087,374)
Miscellaneous	24,984	294,269	15,071	53,750	40,055	348,019
Contributed capital assets	-	-	-	-	-	-
Transfers	(41,021)	(30,997)	41,021	30,997	-	-
TOTAL REVENUES	11,338,849	15,010,195	21,596,008	24,597,971	32,934,857	39,608,166
EXPENSES						
General Government	1,520,802	1,750,135	-	-	1,520,802	1,750,135
Public Safety	3,537,649	4,522,903	-	-	3,537,649	4,522,903
Public Works	192,439	184,198	-	-	192,439	184,198
Highways and Streets	2,551,295	3,809,721	-	-	2,551,295	3,809,721
Transportation	750,644	850,808	-	-	750,644	850,808
Community Development	671,997	606,104	-	-	671,997	606,104
Recreation and Culture	409,000	376,127	-	-	409,000	376,127
Other	336	-	22,393,758	22,248,232	22,394,094	22,248,232
TOTAL EXPENSES	9,634,162	12,099,996	22,393,758	22,248,232	32,027,920	34,348,228
Change in Net Position	1,704,687	2,910,199	(797,750)	2,349,739	906,937	5,259,938
Net Position - Beginning	6,889,644	8,594,331	28,825,281	28,027,531	35,714,925	36,621,862
Net Position - Ending	<u>\$ 8,594,331</u>	<u>\$ 11,504,530</u>	<u>\$ 28,027,531</u>	<u>\$ 30,377,270</u>	<u>\$ 36,621,862</u>	<u>\$ 41,881,800</u>

*The 2021 figures have not been updated for the adoption of GASB 87.

Governmental Activities

The result of 2021/2022 governmental activity was an increase of \$2,910,199 in net position to \$11,504,530. Of the total governmental activities net position, \$9,739,634 is invested in capital assets less related debt, \$5,297,418 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute, or by another authority outside the City government. The balance of (\$3,532,522) is listed as unrestricted, having no legal commitment.

Revenues

The three largest revenue categories were charges for services at 27.8%, property taxes at 22.0%, and grants and contributions at 39.2%. The City levied a property tax millage for the year ended September 30, 2022, for general government operations at 13.8196 mills and 0.4963 mills for the City's transit system. Charges for services, which reimburse the City for specific activities, examples include items such as fire and police fees, recreation fees and contributions, administrative charges, permits and motor pool equipment rental.

**CITY OF NILES
MANAGEMENT’S DISCUSSION AND ANALYSIS**

Expenses

Public Safety is the largest governmental activity, expending approximately 37.4% of the governmental activities total on law enforcement, fire protection, and code enforcement. Highways and Streets is the second largest governmental activity, expended 31.5% of the governmental activities total. General government is the third largest area, expending approximately 14.5% of the governmental activities total and includes general government departments (e.g., council, community promotions, city manager, elections, general administration, assessor, city hall maintenance, and cemetery operations).

Business-type Activities

Net position in business-type activities increased by \$2,349,739 during fiscal year 2021/2022. Of the business-type activities net position, \$19,835,124 is invested in capital assets net of related debt, \$1,967,919 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute, or by another authority outside the City government. The balance of \$8,574,227 is listed as unrestricted, having no legal commitment.

FINANCIAL ANALYSIS OF THE CITY'S MAJOR AND NONMAJOR FUNDS

As the City completed 2021/2022, its governmental funds reported *combined* fund balances of \$11,027,591. This is a net increase of \$162,277. The net changes are summarized in the following chart:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balance 9/30/2021	\$ 5,487,791	\$ 5,377,523	\$ 10,865,314
Fund Balance 9/30/2022	\$ 5,746,735	\$ 5,280,856	\$ 11,027,591
Net Change	\$ 258,944	\$ (96,667)	\$ 162,277

General Fund

The General Fund is the chief operating fund of the City. Unless otherwise required by statute, contractual agreement, or Council policy, all City revenues and expenditures are recorded in the General Fund. As of September 30, 2022, the General Fund reported a fund balance of \$5,746,735. This amount is a net increase of \$258,944 from the fund balance of \$5,487,791 reported as of September 30, 2021. The 2022/2023 original budget had called for a \$250,675 increase in fund balance.

The General Fund 2021/2022 revenues exceeded 2021/2022 expenditures by \$258,944 to an increase in fees (marijuana), sales and use tax revenue, and PILOT revenue from the completion of the Indeck plant.

**CITY OF NILES
MANAGEMENT'S DISCUSSION AND ANALYSIS**

General Fund Budgetary Highlights

The City of Niles' budget is a dynamic document. Although adopted in August (prior to the start of the year), the budget is routinely amended during the course of the year to reflect changing operational demands.

Actual General Fund revenue and other financing sources totaled \$11,574,760, \$72,619 less than the final amended budget.

Actual City expenditures and other financing uses for 2021/2022 were \$165,573 less than the final budget. This was due to reduced spending in the public works and transfers out.

Enterprise Funds

As the City completed 2021/2022, its enterprise funds reported *combined* net position of \$30,377,270. This is a net increase of \$2,349,739 resulting from current year operations. The net changes are summarized in the following chart.

	Electric Fund	Sewer Fund	Water Fund	Nonmajor Enterprise Funds	Totals
Net Position 9/30/2021	\$ 8,154,102	\$ 11,265,422	\$ 6,971,754	\$ 1,636,253	\$ 28,027,531
Net Position 9/30/2022	\$ 7,972,303	\$ 12,597,588	\$ 8,209,555	\$ 1,597,824	\$ 30,377,270
Net Change	\$ (181,799)	\$ 1,332,166	\$ 1,237,801	\$ (38,429)	\$ 2,349,739

Electric Fund

As of September 30, 2022, the Electric Fund reported net position of \$7,972,303, a decrease of (\$181,799) from the prior year. Of the entire net position amount, \$4,985,430 is invested in capital assets, net of related debt, \$250,194 is restricted for Dam removal, and \$2,736,679 is unrestricted.

Sewer Fund

As of September 30, 2022, the Sewer Fund reported net position of \$12,597,588, an increase of \$1,332,166 from the prior year. Of the entire net position, \$6,599,561 is invested in capital assets, net of related debt, \$1,717,725 is restricted for equipment replacement, and \$4,280,302 is unrestricted.

Water Fund

As of September 30, 2022, the Water Fund reported net position of \$8,209,555, an increase of \$1,237,801 from the prior year. Of the entire net position, \$7,166,759 is invested in capital assets, net of related debt and \$1,042,796 is unrestricted.

**CITY OF NILES
MANAGEMENT'S DISCUSSION AND ANALYSIS**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2021/2022, the City had invested \$35,497,054, net of accumulated depreciation, in a broad range of capital assets (see table below). Additional information related to capital assets is detailed in Note 6 of the Financial Statements.

Net Book value of capital assets at September 30, 2022, was as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
Land	\$ 2,108,952	\$ 1,894,092	\$ 4,003,044
Construction in progress	-	710,254	710,254
Land improvements, net	1,575,849	422,618	1,998,467
Buildings, net	1,743,223	2,965,790	4,709,013
Equipment and furniture, net	1,135,124	656,046	1,791,170
Vehicles and heavy equipment, net	2,647,860	355,309	3,003,169
Infrastructure			
Streets and bridges, net	<u>528,626</u>	<u>18,753,311</u>	<u>19,281,937</u>
Capital assets, net	<u>\$ 9,739,634</u>	<u>\$ 25,757,420</u>	<u>\$ 35,497,054</u>

Long-term Obligations - As of September 30, 2022, the City had \$6,740,221 in long-term obligations outstanding for the primary government. This level of net obligation is \$901,740 less than the obligation recorded as of September 30, 2021.

Outstanding Debt as of September 30, 2020

	<u>Balance Oct. 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Sept. 30, 2022</u>
Primary Government				
Governmental activities				
Installment purchase agreement	\$ -	\$ -	\$ -	\$ -
Accumulated compensated absences	598,497	296,680	395,466	499,711
Business-type activities				
2009 State Revolving Loan	2,172,265	-	220,000	1,952,265
2013 Refunding Bonds	850,000	-	420,000	430,000
2019 Electric Bond	3,725,000	-	165,000	3,560,000
Accumulated compensated absences	286,199	159,707	157,661	288,245
Retiree life insurance benefit	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Total Primary Government	<u>\$ 7,641,961</u>	<u>\$ 456,387</u>	<u>\$ 1,358,127</u>	<u>\$ 6,740,221</u>

A more detailed discussion of the City's long-term debt obligations is presented in Note 7 to the financial statements.

**CITY OF NILES
MANAGEMENT'S DISCUSSION AND ANALYSIS**

CITY OF NILES GOVERNMENT ECONOMIC OUTLOOK

- Contributions to the City's pension plan (includes 4 divisions) continues to be a major financial burden. While both plans are well funded, continued market volatility and changes in actuary assumptions make it difficult to determine and plan for what required contributions will need to be in the future. Since it is anticipated that these contributions will substantially increase, the City has taken steps to keep expenses at a reasonable level. Employee contribution rates have been increased along with an increase in the retirement eligibility age. Plan options are evaluated for cost savings as they become available.
- The City currently offers retiree health care (OPEB) to employees who were hired prior to October 1, 2016. Expenses are currently paid when they are incurred, but the City is looking into ways to fund future liabilities in addition to current costs. This is another financial burden to the City, but it has been reduced due to the fact the program is no longer offered to new employees. The State is currently monitoring unfunded OPEB liabilities for government entities to determine whether to start requiring funds be set aside for future expenses in a restricted account.
- The City is seeing an upturn in the economic climate, which we hope will continue in the future. New retail and commercial development along S. 11th Street, combined with new businesses in the industrial areas, and increased interest in housing developments prove growth is on the rise. We have seen a rise in employers paying a living wage of \$12-\$15 per hour, spurred by the growth in the local marijuana industry, which encourages this rate as an industry standard. These new marijuana industry jobs account for 150-200 new jobs with additional growth expected over the next 12-24 months.
- A published Parks and Recreation Plan indicates that with over 200 acres of park land and a rich, significant local history, Niles continues to be a point of destination for day travelers. Updating recreational equipment and play areas continue to be a priority. There is continued support for expansions to the Indiana Michigan River Valley Trail, continuing north toward Berrien Springs, provide fishing and additional recreation opportunities throughout the City. The new Pucker Street fishing access site is a significant recreational area as well as an economic boost.
- Redevelopment momentum continues in Niles. The City is marketing the comprehensive remediation of properties it holds for resale with the greatest redevelopment opportunities. These properties were originally either donated to the City or acquired through tax sale and remediated with support from State of Michigan granting programs. The City obtained a Target Market Analysis that indicates that Niles has a gap in middle-income housing stock and the sites are being marketed to housing developers as well as mixed-use development sites. Demolition and redevelopment of several obsolete properties is underway. The Main Street streetscape is scheduled for replacement this year with expanded sidewalk opportunities for retail and dining.
- Third Street Village Redevelopment plan continues to be well received and is actively being marketed. This corridor plan offers mixed use-retail/commercial and housing as well as revitalize a major corridor to the City adjacent to the new senior housing development. The City's Third Street Village anchor, Iron Shoe Distillery, has completed an expansion project and continues to see customer growth. Other local properties are seeing renewed interest from developers interested in revitalizing key corridors.

**CITY OF NILES
MANAGEMENT'S DISCUSSION AND ANALYSIS**

- A regional transportation plan was developed in an effort to increase opportunities for individuals to get to work, school and appointments throughout the County. New routes had been added that will move constituents throughout the County several times a day. The City of Niles and the City of Buchanan have consolidated their public transportation services into one organization. This consolidation has enhanced options for riders and transportation grants and other funding. Additionally, the high school and local junior colleges continue to look at ways to increase youth participation in trade programs in an effort to provide career training that culminates with living wage jobs with area manufacturers, building trades, vehicle mechanics and others.

Based on the above, these are all encouraging signs that Niles is an attractive place to do business, to live, and to visit.

CONTACTING THE CITY

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the City of Niles' Finance Director at (269) 683-4700, ext. 2010.

BASIC FINANCIAL STATEMENTS

CITY OF NILES
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 15,138,055	\$ 4,680,226	\$ 19,818,281	\$ 759,606
Cash and cash equivalents - restricted	-	1,967,919	1,967,919	-
Investments	3,599,074	4,859,849	8,458,923	271,721
Receivables, net	575,895	3,337,058	3,912,953	11,365
Leases receivable	45,721	67,682	113,403	-
Internal balances	338,741	(338,741)	-	-
Due from other governmental units	1,266,327	118,141	1,384,468	74,080
Prepays	-	648,674	648,674	13,996
Inventories	-	554,065	554,065	-
Other assets	32,500	-	32,500	-
Total current assets	20,996,313	15,894,873	36,891,186	1,130,768
Noncurrent assets				
Capital assets not being depreciated	2,108,952	2,604,346	4,713,298	227,377
Capital assets being depreciated, net	7,630,682	23,153,074	30,783,756	1,225,082
Total noncurrent assets	9,739,634	25,757,420	35,497,054	1,452,459
TOTAL ASSETS	30,735,947	41,652,293	72,388,240	2,583,227
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges	-	19,969	19,969	-
Deferred outflows related to pensions	2,338,139	883,899	3,222,038	-
Deferred outflows related to total other post-employment benefits	993,491	115,622	1,109,113	2,502
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,331,630	1,019,490	4,351,120	2,502
LIABILITIES				
Current liabilities				
Accounts payable	434,282	905,225	1,339,507	150,870
Accrued liabilities	125,220	49,712	174,932	54,650
Due to other governmental units	61,868	5,842	67,710	-
Unearned revenue	4,182,378	-	4,182,378	8,329
Deposits payable	-	750,590	750,590	-
Current portion of compensated absences	249,856	144,123	393,979	-
Current portion of long-term obligations	-	395,000	395,000	-
Total current liabilities	5,053,604	2,250,492	7,304,096	213,849
Noncurrent liabilities				
Retiree life insurance benefit	-	10,000	10,000	-
Noncurrent portion of compensated absences	249,855	144,122	393,977	-
Noncurrent portion of long-term obligations	-	5,547,265	5,547,265	-
Net pension liability	6,412,520	2,752,704	9,165,224	-
Total other post-employment benefits liability	3,537,498	472,406	4,009,904	9,034
Total noncurrent liabilities	10,199,873	8,926,497	19,126,370	9,034
TOTAL LIABILITIES	15,253,477	11,176,989	26,430,466	222,883
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied for subsequent periods	3,381,255	-	3,381,255	71,157
Unavailable revenue - leases	45,721	64,850	110,571	-
Deferred inflows related to pensions	2,211,118	872,429	3,083,547	-
Deferred inflows related to total other post-employment benefits	1,671,476	180,245	1,851,721	4,179
TOTAL DEFERRED INFLOWS OF RESOURCES	7,309,570	1,117,524	8,427,094	75,336
NET POSITION				
Net investment in capital assets	9,739,634	19,835,124	29,574,758	1,452,459
Restricted for:				
Capital projects	523,749	-	523,749	-
Cemetery perpetual care	643,597	-	643,597	-
State mandated programs	4,130,072	-	4,130,072	-
Equipment replacement	-	1,717,725	1,717,725	-
Community and economic development	-	-	-	395,628
Dam removal	-	250,194	250,194	-
Unrestricted	(3,532,522)	8,574,227	5,041,705	439,423
TOTAL NET POSITION	\$ 11,504,530	\$ 30,377,270	\$ 41,881,800	\$ 2,287,510

See accompanying notes to financial statements.

CITY OF NILES
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 1,750,135	\$ 2,675,817	\$ 2,854,910	\$ -	\$ 3,780,592	\$ -	\$ 3,780,592	\$ -
Public safety	4,522,903	299,260	23,665	102,000	(4,097,978)	-	(4,097,978)	-
Public works	184,198	45,968	1,080	-	(137,150)	-	(137,150)	-
Highways and streets	3,809,721	824,687	1,561,726	-	(1,423,308)	-	(1,423,308)	-
Transportation	850,808	80,160	759,948	194,971	184,271	-	184,271	-
Community and economic development	606,104	247,975	288,302	42,499	(27,328)	-	(27,328)	-
Recreation and culture	376,127	2,627	57,681	-	(315,819)	-	(315,819)	-
Total governmental activities	12,099,996	4,176,494	5,547,312	339,470	(2,036,720)	-	(2,036,720)	-
Business-type activities								
Electric	16,178,709	16,146,522	-	-	-	(32,187)	(32,187)	-
Sewer	3,138,707	4,100,821	-	930,032	-	1,892,146	1,892,146	-
Water	2,273,394	3,130,326	-	362,322	-	1,219,254	1,219,254	-
Other	657,422	553,839	31,725	-	-	(71,858)	(71,858)	-
Total business-type activities	22,248,232	23,931,508	31,725	1,292,354	-	3,007,355	3,007,355	-
Total primary government	\$ 34,348,228	\$ 28,108,002	\$ 5,579,037	\$ 1,631,824	(2,036,720)	3,007,355	970,635	-
Component units								
Downtown Development Authority	\$ 198,219	\$ 49,598	\$ 74,382	\$ -	-	-	-	(74,239)
Brownfield Revdevelopment Authority	46,843	-	-	-	-	-	-	(46,843)
Housing Commission	1,181,165	507,270	437,814	-	-	-	-	(236,081)
Total component units	\$ 1,426,227	\$ 556,868	\$ 512,196	\$ -	-	-	-	(357,163)
General revenues								
Property taxes					3,307,329	-	3,307,329	375,496
State shared revenue					1,721,329	-	1,721,329	-
Investment earnings (loss)					(345,011)	(742,363)	(1,087,374)	-
Miscellaneous					294,269	53,750	348,019	40,749
Transfers					(30,997)	30,997	-	-
Total general revenues and transfers					4,946,919	(657,616)	4,289,303	416,245
Change in net position					2,910,199	2,349,739	5,259,938	59,082
Net position, beginning of the year, as restated					8,594,331	28,027,531	36,621,862	2,228,428
Net position, end of the year					\$ 11,504,530	\$ 30,377,270	\$ 41,881,800	\$ 2,287,510

See accompanying notes to financial statements.

**CITY OF NILES
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2022**

	General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 9,620,660	\$ 3,784,997	\$ 13,405,657
Investments	2,958,202	640,872	3,599,074
Receivables			
Taxes	257,552	9,212	266,764
Accounts	53,736	252,721	306,457
Special assessments	-	280	280
Leases receivable	45,721	-	45,721
Due from other governmental units	355,627	910,700	1,266,327
Due from other funds	510,003	127,298	637,301
Assets held for resale	32,500	-	32,500
	<u>\$ 13,834,001</u>	<u>\$ 5,726,080</u>	<u>\$ 19,560,081</u>
LIABILITIES			
Accounts payable	\$ 364,465	\$ 61,958	\$ 426,423
Accrued liabilities	52,024	10,544	62,568
Due to other funds	7,005	220,860	227,865
Due to other governmental units	54,418	7,450	61,868
Unearned revenue	4,182,378	-	4,182,378
	<u>4,660,290</u>	<u>300,812</u>	<u>4,961,102</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - leases	45,721	-	45,721
Unavailable revenue	3,381,255	144,412	3,525,667
	<u>3,426,976</u>	<u>144,412</u>	<u>3,571,388</u>
FUND BALANCES			
Nonspendable			
Long-term receivables	-	252,653	252,653
Assets held for resale	32,500	-	32,500
Restricted			
Cemetery perpetual care	-	643,597	643,597
Highways and streets	-	1,842,705	1,842,705
Transportation	-	1,235,352	1,235,352
Community and economic development	-	750,797	750,797
Capital projects	-	523,749	523,749
Public works	48,565	-	48,565
Committed			
Capital projects	-	32,003	32,003
Unassigned	5,665,670	-	5,665,670
	<u>5,746,735</u>	<u>5,280,856</u>	<u>11,027,591</u>
	<u>\$ 13,834,001</u>	<u>\$ 5,726,080</u>	<u>\$ 19,560,081</u>

See accompanying notes to financial statements.

CITY OF NILES
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

Total fund balances - governmental funds \$ 11,027,591

Amounts reported for the governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 24,267,665	
Accumulated depreciation is	<u>(14,528,031)</u>	
Capital assets, net		9,739,634

An Internal Service Fund is used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the government-wide Statement of Net Position. 1,593,586

Some assets are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet 144,412

Governmental funds report actual pension and OPEB expenditures for the fiscal year, whereas the governmental activities will recognize the net pension liability and OPEB liability as of the measurement date. Resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension/opeb plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:

Deferred outflows of resources related to pensions	2,338,139	
Deferred inflows of resources related to pensions	(2,211,118)	
Deferred outflows of resources related to OPEB	993,491	
Deferred inflows of resources related to OPEB	<u>(1,671,476)</u>	
		(550,964)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Total other post-employment benefits (OPEB) liability	(3,537,498)	
Compensated absences	(499,711)	
Net pension liability	<u>(6,412,520)</u>	
		<u>(10,449,729)</u>

Net position of governmental activities **\$ 11,504,530**

**CITY OF NILES
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2022**

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 3,184,477	\$ 119,758	\$ 3,304,235
Special assessments	7,017	-	7,017
Intergovernmental	4,723,354	2,527,896	7,251,250
Charges for services	3,483,879	243,510	3,727,389
Licenses and permits	212,310	219,868	432,178
Fines and forfeitures	30,126	-	30,126
Investment (loss)	(310,913)	(34,098)	(345,011)
Contributions	63,156	-	63,156
Other	101,671	135,538	237,209
TOTAL REVENUES	11,495,077	3,212,472	14,707,549
EXPENDITURES			
Current			
General government	1,705,124	-	1,705,124
Public safety	6,158,245	-	6,158,245
Public works	157,778	-	157,778
Highways and streets	2,266,154	1,993,819	4,259,973
Transportation	-	728,764	728,764
Community and economic development	36,065	576,033	612,098
Recreation and culture	886,553	-	886,553
Capital outlay	-	5,740	5,740
TOTAL EXPENDITURES	11,209,919	3,304,356	14,514,275
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	285,158	(91,884)	193,274
OTHER FINANCING SOURCES (USES)			
Transfers in	79,683	144,900	224,583
Transfers out	(105,897)	(149,683)	(255,580)
TOTAL OTHER FINANCING SOURCES (USES)	(26,214)	(4,783)	(30,997)
NET CHANGE IN FUND BALANCES	258,944	(96,667)	162,277
Fund balances, beginning of year	5,487,791	5,377,523	10,865,314
Fund balances, end of year	<u>\$ 5,746,735</u>	<u>\$ 5,280,856</u>	<u>\$ 11,027,591</u>

See accompanying notes to financial statements.

CITY OF NILES
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2022

Net change in fund balances - total governmental funds \$ 162,277

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$	2,940,481
Loss on sale of assets		(38,459)
Contributed capital assets		189,231
Depreciation expense		<u>(733,009)</u>

Excess of depreciation expense over capital outlay		2,358,244
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Internal service funds are used by management to charge the costs of certain activities to individual funds.		(146,672)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in deferred inflows of resources		144,412
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Some items 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. These activities consist of:

Decrease in other post-employment benefits liability		595,346
(Increase) in deferred inflows related to OPEB		(472,630)
(Decrease) in deferred outflows related to OPEB		(186,507)
Decrease in net pension liability		670,654
(Increase) in deferred inflows related to pensions		(910,941)
Increase in deferred outflows related to pensions		597,230
Decrease in accrued compensated absences		<u>98,786</u>

391,938

Change in net position of governmental activities		<u><u>\$ 2,910,199</u></u>
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**CITY OF NILES
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022**

	Business-type Activities				Total	Governmental Activities
	Electric	Sewer	Water	Nonmajor Enterprise Funds		Internal Service Funds
ASSETS						
Current assets						
Cash and cash equivalents	\$ 61,299	\$ 2,362,152	\$ 1,712,091	\$ 544,684	\$ 4,680,226	\$ 1,732,398
Cash and cash equivalents - restricted	250,194	1,717,725	-	-	1,967,919	-
Investments	2,246,107	2,613,742	-	-	4,859,849	-
Accounts receivable, net	2,471,710	446,063	400,733	4,766	3,323,272	2,394
Leases receivable	-	-	31,753	35,929	67,682	-
Interest receivable	2,810	10,976	-	-	13,786	-
Due from other funds	1,995	70,695	-	-	72,690	-
Due from other governmental units	40,844	-	-	77,297	118,141	-
Inventories	468,982	-	85,083	-	554,065	-
Prepaid expenses	645,787	363	851	1,673	648,674	-
Total current assets	6,189,728	7,221,716	2,230,511	664,349	16,306,304	1,734,792
Noncurrent assets						
Capital assets not being depreciated	1,560,117	192,245	284,927	567,057	2,604,346	-
Capital assets being depreciated, net	6,985,313	8,359,581	7,291,863	516,317	23,153,074	-
Total noncurrent assets	8,545,430	8,551,826	7,576,790	1,083,374	25,757,420	-
TOTAL ASSETS	14,735,158	15,773,542	9,807,301	1,747,723	42,063,724	1,734,792
DEFERRED OUTFLOWS OF RESOURCES						
Deferred charges	-	-	19,969	-	19,969	-
Deferred outflows related to pensions	410,307	250,709	184,641	38,242	883,899	-
Deferred outflows related to other post-employment benefits liability	44,996	34,456	32,380	3,790	115,622	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	455,303	285,165	236,990	42,032	1,019,490	-
LIABILITIES						
Current liabilities						
Accounts payable	641,865	124,699	122,560	16,101	905,225	7,859
Accrued liabilities	17,679	18,768	10,429	2,836	49,712	62,652
Due to other funds	302,775	55,455	51,206	1,995	411,431	70,695
Due to other governmental units	5,842	-	-	-	5,842	-
Deposits payable	696,001	4,500	50,089	-	750,590	-
Current portion of compensated absences	74,629	41,003	28,491	-	144,123	-
Current portion of long-term obligations	170,000	225,000	-	-	395,000	-
Total current liabilities	1,908,791	469,425	262,775	20,932	2,661,923	141,206
Noncurrent liabilities						
Retiree life insurance benefit	2,750	6,000	1,250	-	10,000	-
Noncurrent portion of compensated absences	74,629	41,002	28,491	-	144,122	-
Noncurrent portion of long-term obligations	3,390,000	1,727,265	430,000	-	5,547,265	-
Net pension liability	1,185,191	769,051	724,466	73,996	2,752,704	-
Total other post-employment benefits liability	177,294	142,507	136,079	16,526	472,406	-
Total noncurrent liabilities	4,829,864	2,685,825	1,320,286	90,522	8,926,497	-
TOTAL LIABILITIES	6,738,655	3,155,250	1,583,061	111,454	11,588,420	141,206
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - leases	-	-	30,146	34,704	64,850	-
Deferred inflows related to pensions	408,748	253,221	172,105	38,355	872,429	-
Deferred inflows related to other post-employment benefits liability	70,755	52,648	49,424	7,418	180,245	-
TOTAL DEFERRED INFLOWS OF RESOURCES	479,503	305,869	251,675	80,477	1,117,524	-
NET POSITION						
Net investment in capital assets	4,985,430	6,599,561	7,166,759	1,083,374	19,835,124	-
Restricted for:						
Equipment replacement	-	1,717,725	-	-	1,717,725	-
Dam Removal	250,194	-	-	-	250,194	-
Unrestricted	2,736,679	4,280,302	1,042,796	514,450	8,574,227	1,593,586
TOTAL NET POSITION	\$ 7,972,303	\$ 12,597,588	\$ 8,209,555	\$ 1,597,824	\$ 30,377,270	\$ 1,593,586

See accompanying notes to financial statements.

**CITY OF NILES
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2022**

	Business-type Activities				Total	Governmental Activities
	Electric	Sewer	Water	Nonmajor Enterprise Funds		Internal Service Funds
OPERATING REVENUES						
Charges for services	\$ 15,950,895	\$ 4,081,202	\$ 3,076,743	\$ 314,026	\$ 23,422,866	\$ 2,168,697
Penalties and fees	141,835	18,210	39,889	-	199,934	-
Rents	-	-	-	133,033	133,033	-
Other	17,043	1,409	1,694	106,780	126,926	296,241
TOTAL OPERATING REVENUES	16,109,773	4,100,821	3,118,326	553,839	23,882,759	2,464,938
OPERATING EXPENSES						
Production	12,377,856	-	319,863	-	12,697,719	-
Transmission	5,448	-	-	-	5,448	-
Distribution	1,591,883	-	727,402	-	2,319,285	-
Sewage collection	-	347,821	-	-	347,821	-
Processing	-	1,214,685	-	-	1,214,685	-
Administrative and general	1,500,751	726,794	738,857	171,062	3,137,464	2,394,905
Public works	-	-	-	-	-	219,080
Other operations	-	16,245	-	332,241	348,486	-
Depreciation	606,110	781,605	448,774	154,039	1,990,528	-
TOTAL OPERATING EXPENSES	16,082,048	3,087,150	2,234,896	657,342	22,061,436	2,613,985
OPERATING INCOME (LOSS)	27,725	1,013,671	883,430	(103,503)	1,821,323	(149,047)
NONOPERATING REVENUES (EXPENSES)						
Rentals	36,749	-	12,000	-	48,749	-
Interest income (loss), net	(168,332)	(580,064)	3,601	2,432	(742,363)	2,375
Intergovernmental	-	-	-	31,725	31,725	-
Other nonoperating revenue	30,378	19,607	3,288	-	53,273	-
Gain on sale of capital assets	-	477	-	-	477	-
Interest expense and fees	(96,661)	(51,557)	(38,498)	(80)	(186,796)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(197,866)	(611,537)	(19,609)	34,077	(794,935)	2,375
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(170,141)	402,134	863,821	(69,426)	1,026,388	(146,672)
CAPITAL CONTRIBUTIONS	-	930,032	362,322	-	1,292,354	-
TRANSFERS						
Transfers in	-	-	11,658	30,997	42,655	-
Transfers out	(11,658)	-	-	-	(11,658)	-
TOTAL TRANSFERS	(11,658)	-	11,658	30,997	30,997	-
CHANGE IN NET POSITION	(181,799)	1,332,166	1,237,801	(38,429)	2,349,739	(146,672)
Net position, beginning of year	8,154,102	11,265,422	6,971,754	1,636,253	28,027,531	1,740,258
Net position, end of year	\$ 7,972,303	\$ 12,597,588	\$ 8,209,555	\$ 1,597,824	\$ 30,377,270	\$ 1,593,586

See accompanying notes to financial statements.

**CITY OF NILES
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2022**

	Business-type Activities					Governmental
	Electric	Sewer	Water	Nonmajor Enterprise Funds	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash receipts from customers	\$ 16,567,007	\$ 3,998,168	\$ 3,087,007	\$ 519,306	\$ 24,171,488	\$ 2,558,511
Cash paid to suppliers	(15,757,934)	(1,284,644)	(1,181,550)	(336,163)	(18,560,291)	(2,416,724)
Cash paid to employees	(1,162,639)	(1,041,088)	(597,994)	(180,215)	(2,981,936)	(188,645)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(353,566)	1,672,436	1,307,463	2,928	2,629,261	(46,858)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Other nonoperating receipts	67,127	19,607	15,288	-	102,022	-
Transfers from other funds	-	-	-	30,997	30,997	-
Nonoperating grants received	-	-	-	31,725	31,725	-
NET CASH PROVIDED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	67,127	19,607	15,288	62,722	164,744	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Transfers from other funds	-	-	11,658	-	11,658	-
Transfers to other funds	(11,658)	-	-	-	(11,658)	-
Payments of borrowing	(165,000)	(220,000)	(420,000)	-	(805,000)	-
Interest paid on financing	(96,661)	(51,557)	(18,529)	(80)	(166,827)	-
Proceeds from sale of capital assets	-	477	-	-	477	-
Purchase of capital assets	(1,855,898)	(202,975)	(138,839)	(61,351)	(2,259,063)	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(2,129,217)	(474,055)	(565,710)	(61,431)	(3,230,413)	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Transfer from investments	965,573	119,875	-	-	1,085,448	-
Interest income (loss)	(166,682)	(582,008)	1,994	1,207	(745,489)	2,375
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	798,891	(462,133)	1,994	1,207	339,959	2,375
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,616,765)	755,855	759,035	5,426	(96,449)	(44,483)
Cash and cash equivalents, beginning of year	1,928,258	3,324,022	953,056	539,258	6,744,594	1,776,881
Cash and cash equivalents, end of year	<u>\$ 311,493</u>	<u>\$ 4,079,877</u>	<u>\$ 1,712,091</u>	<u>\$ 544,684</u>	<u>\$ 6,648,145</u>	<u>\$ 1,732,398</u>

See accompanying notes to financial statements.

**CITY OF NILES
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (continued)
YEAR ENDED SEPTEMBER 30, 2022**

	Business-type Activities				Governmental	
	Electric	Sewer	Water	Nonmajor Enterprise Funds	Total	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities						
Operating income (loss)	\$ 27,725	\$ 1,013,671	\$ 883,430	\$ (103,503)	\$ 1,821,323	\$ (149,047)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities						
Depreciation	606,110	781,605	448,774	154,039	1,990,528	-
(Increase) decrease in:						
Accounts receivable	(103,367)	(40,859)	(56,058)	(3,081)	(203,365)	(147)
Due from other governmental units	359,506	-	-	(31,452)	328,054	-
Due from other funds	2,025	(70,695)	-	-	(68,670)	23,025
Inventories	(113,362)	-	(2,461)	-	(115,823)	-
Prepays	(436,480)	376	778	(1,673)	(436,999)	-
Deferred outflows related to pensions	(84,520)	(52,973)	(39,075)	(16,198)	(192,766)	-
Deferred outflows related to other post-employment benefits	14,622	10,944	10,192	791	36,549	-
Increase (decrease) in:						
Accounts payable	(819,009)	29,277	58,785	(224)	(731,171)	4,399
Accrued liabilities	(41,054)	(20,647)	(31,884)	(6,291)	(99,876)	4,217
Due to other governmental units	(241)	-	-	-	(241)	-
Due to other funds	155,686	8,401	27,861	(2,025)	189,923	70,695
Deposits payable	43,384	500	(3,122)	-	40,762	-
Deferred inflows related to pensions	(9,832)	(13,152)	(4,775)	9,063	(18,696)	-
Deferred inflows related to other post-employment benefits	15,935	9,267	10,736	2,082	38,020	-
Net pension liability	57,242	35,108	23,510	3,988	119,848	-
Other post-employment benefits liability	(27,936)	(18,387)	(19,228)	(2,588)	(68,139)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (353,566)</u>	<u>\$ 1,672,436</u>	<u>\$ 1,307,463</u>	<u>\$ 2,928</u>	<u>\$ 2,629,261</u>	<u>\$ (46,858)</u>
NONCASH ITEMS FROM INVESTING ACTIVITIES						
Fair value adjustment of investments	<u>\$ (201,700)</u>	<u>\$ (627,458)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (829,158)</u>	<u>\$ -</u>

See accompanying notes to financial statements.

**CITY OF NILES
 FIDUCIARY FUND
 STATEMENT OF FIDUCIARY NET POSITION
 SEPTEMBER 30, 2022**

	<u>Custodial Fund</u>
	<u>Current Tax</u>
	<u>Collection</u>
ASSETS	
Cash and cash equivalents	\$ 123,443
Due from other governmental units	188,282
TOTAL ASSETS	311,725
LIABILITIES	
Due to other governments	311,725
NET POSITION	\$ -

See accompanying notes to financial statements.

**CITY OF NILES
 FIDUCIARY FUND
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 YEAR ENDED SEPTEMBER 30, 2022**

	<u>Custodial Fund</u>
	<u>Current Tax</u>
	<u>Collection</u>
ADDITIONS	
Collection of taxes for other governments	\$ 6,820,958
DEDUCTIONS	
Payment of taxes collected for other governments	6,820,958
NET CHANGE IN FIDUCIARY NET POSITION	-
Net position, beginning of year	-
Net position, end of year	\$ -

**CITY OF NILES
COMPONENT UNITS
COMBINING STATEMENT OF NET POSITION
SEPTEMBER 30, 2022**

	Downtown Development Authority	Brownfield Redevelopment Authority	Year Ended Dec. 31, 2021 Niles Housing Commission	Total Component Units
ASSETS				
Current assets				
Cash and cash equivalents	\$ 173,534	\$ 394,038	\$ 192,034	\$ 759,606
Accounts receivable	3,560	-	7,805	11,365
Investments	-	-	271,721	271,721
Due from other governmental units	72,490	1,590	-	74,080
Prepays	-	-	13,996	13,996
Total current assets	<u>249,584</u>	<u>395,628</u>	<u>485,556</u>	<u>1,130,768</u>
Noncurrent assets				
Capital assets not being depreciated	-	-	227,377	227,377
Capital assets being depreciated, net	-	-	1,225,082	1,225,082
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>1,452,459</u>	<u>1,452,459</u>
TOTAL ASSETS	<u>249,584</u>	<u>395,628</u>	<u>1,938,015</u>	<u>2,583,227</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to other post-employment benefits	<u>2,502</u>	<u>-</u>	<u>-</u>	<u>2,502</u>
LIABILITIES				
Current liabilities				
Accounts payable	8,427	-	142,443	150,870
Accrued liabilities	769	-	53,881	54,650
Unearned revenue	-	-	8,329	8,329
Total current liabilities	<u>9,196</u>	<u>-</u>	<u>204,653</u>	<u>213,849</u>
Noncurrent liabilities				
Total other post-employment benefits liability	<u>9,034</u>	<u>-</u>	<u>-</u>	<u>9,034</u>
TOTAL LIABILITIES	<u>18,230</u>	<u>-</u>	<u>204,653</u>	<u>222,883</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied for subsequent periods	71,157	-	-	71,157
Deferred inflows related to other post-employment benefits	<u>4,179</u>	<u>-</u>	<u>-</u>	<u>4,179</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>75,336</u>	<u>-</u>	<u>-</u>	<u>75,336</u>
NET POSITION				
Investment in capital assets	-	-	1,452,459	1,452,459
Restricted - community and economic development	-	395,628	-	395,628
Unrestricted	<u>158,520</u>	<u>-</u>	<u>280,903</u>	<u>439,423</u>
TOTAL NET POSITION	<u>\$ 158,520</u>	<u>\$ 395,628</u>	<u>\$ 1,733,362</u>	<u>\$ 2,287,510</u>

See accompanying notes to financial statements.

**CITY OF NILES
 COMPONENT UNITS
 COMBINING STATEMENT OF ACTIVITIES
 YEAR ENDED SEPTEMBER 30, 2022**

	Downtown Development Authority	Brownfield Redevelopment Authority	Year Ended Dec. 31, 2021 Niles Housing Commission	Total Component Units
EXPENSES				
Community and economic development	\$ 198,219	\$ 46,843	\$ -	\$ 245,062
Housing development	-	-	1,181,165	1,181,165
TOTAL EXPENSES	198,219	46,843	1,181,165	1,426,227
REVENUES				
Program revenues				
Charges for services	49,598	-	507,270	556,868
Operating grants and contributions	74,382	-	437,814	512,196
Total program revenues	123,980	-	945,084	1,069,064
Net program revenue	(74,239)	(46,843)	(236,081)	(357,163)
General revenues				
Property taxes	85,819	289,677	-	375,496
Miscellaneous	14,793	210	25,746	40,749
Total general revenues	100,612	289,887	25,746	416,245
CHANGE IN NET POSITION	26,373	243,044	(210,335)	59,082
Net position, beginning of year, as restated	132,147	152,584	1,943,697	2,228,428
Net position, end of year	\$ 158,520	\$ 395,628	\$ 1,733,362	\$ 2,287,510

See accompanying notes to financial statements.

CITY OF NILES
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Niles (the City) is located in Berrien County, Michigan and has a population of approximately 11,600. The City of Niles operates with a City Administrator/Council form of government and provides services to its residents in many areas including general government, law enforcement, highways and streets, human services, and utilities services.

The mayor and eight Council members are elected by voters. The Council appoints a city administrator to manage the City on a daily basis.

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

Reporting Entity

As required by accounting principles generally accepted in the United States of America; these financial statements present the financial activities of the City of Niles (primary government) and its component units, entities for which the government is considered to be financially accountable. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of the City of Niles contain all the funds controlled by the City Council.

Discretely Presented Component Units

These component units are reported in a separate column to emphasize that, while legally separate, the City remains financially accountable for this entity or the nature and significance of the relationship between these entities and the City is such that exclusion of the entity would render the financial statements misleading. The financial statements contain the following discretely presented component units:

Downtown Development Authority - The members of the governing board of the Downtown Development Authority (DDA) are appointed by the City Council. The City also has the ability to significantly influence operations of the Downtown Development Authority. The DDA is included in the City's audited financial statements and is not audited separately.

CITY OF NILES
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Discretely Presented Component Units (continued)

Brownfield Redevelopment Authority - The members of the governing board of the Brownfield Redevelopment Authority (BRA) are appointed by the City Council. The City also has the ability to significantly influence operations of the Brownfield Redevelopment Authority. The BRA is included in the City's audited financial statements and is not audited separately.

Niles Housing Commission - A majority of the members of the governing board of the Housing Commission are appointed by the City Administrator. The City also has the ability to significantly influence operations of the Housing Commission. The Housing Commission has a December 31, 2021 year-end and is audited separately. The financial statements are available at the Housing Commission, 251 Cass Street, Niles, MI 49120.

Joint Ventures

The City is a part of two joint ventures. The government-wide financial statements do not reflect any financial interest in either entity as there is not a definable interest to recognize at this time. The joint ventures are as follows:

Southwestern Michigan Community Ambulance Service - On November 10, 1975, the City of Niles, City of Buchanan, Niles Township, Bertrand Township, Buchanan Township, and Howard Township created a corporation known as the Southwestern Michigan Community Ambulance Service ("SMCAS"). The purpose of this corporation is to provide ambulance and/or emergency medical service within the boundaries of the participating municipalities. The Board of Trustees consists of one representative from each constituent municipality.

The corporation shall continue until dissolved by agreement of the constituent municipalities or by other means.

Financial statements of SMCAS are available at its office located at 2100 Chicago Road, Niles, MI 49120. As of June 30, 2022, the most recent financial statements available, SMCAS had net position of \$1,855,434.

Southeast Berrien County Landfill Authority - On October 9, 1969, the City of Niles, Bertrand Township, Buchanan Township, Niles Township, and the City of Buchanan created the Southeast Berrien County Landfill Authority (the "Authority"). The purpose of the Authority is to facilitate the collection and disposal of garbage and rubbish. The governing body of the Authority consists of two representatives from each constituent municipality, one of who must be the Supervisor, President, or City Manager.

The Authority shall continue until dissolved by all parties or by law. In the event the Authority is dissolved, liabilities shall be assessed, and assets of the Authority shall be distributed after payment of all liabilities, obligations, and agreements to the constituent municipalities. The method of distribution will be determined by the parties involved at the time.

Financial statements of the Authority are available at its office located at 3200 Chamberlain Road, Buchanan, MI 49107. As of June 30, 2022, the Authority had net position of \$15,999,071.

CITY OF NILES
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide financial statements) present information for the primary government and its component units as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide financial statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients for goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the City's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following *Major Governmental Fund*:

- a. The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.

The City reports the following *Major Enterprise Funds*:

- a. The *Electric Fund* is used to account for the operations required to provide electric services to the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.
- b. The *Sewer Fund* is used to account for the operations required to provide sewer services to the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.
- c. The *Water Fund* is used to account for the operations required to provide water services to the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

CITY OF NILES
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

FUND FINANCIAL STATEMENTS (continued)

Additionally, the City reports internal service funds to account for the management of services provided to other departments on a cost reimbursement basis, and to account for the activities of the City's self-insured employee benefits and sewer maintenance.

The City also reports custodial funds to account for assets held by the City as the trustee or as the agent for others.

The City's sole custodial fund is the Current Tax Collection Fund and accounts for taxes collected and distributed to other governments.

Measurement Focus

The government-wide, proprietary fund, and fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide financial statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as receivable and unearned revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary and fiduciary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

CITY OF NILES
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

If/when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

The General Fund budgets shown as required supplementary information were prepared on the same modified accrual basis used to reflect actual results. This basis is consistent with accounting principles generally accepted in the United States of America. The City employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. On the City Council meeting date nearest to the second Monday in July, the City Administrator submits to City Council the proposed operating budgets for the fiscal year commencing the following October 1. The operating budgets include proposed expenditures and resources to finance them.
- b. A Public Hearing is conducted to obtain taxpayers' comments.
- c. Prior to the first regular council meeting in August, the budget is legally enacted through passage of a resolution.
- d. The budget is legally adopted at the activity level for the General Fund and total expenditure level for the Special Revenue Funds; however, they are maintained at the account level for control purposes.
- e. The City does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at September 30 are not carried forward to the following fiscal year.
- f. Budgeted amounts are reported as originally adopted or amended by the City Council during the year.

CITY OF NILES
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of checking, savings, money market, and certificates of deposit with a maturity from date of purchase of 90 days or less. Investments consist of certificates of deposit, municipal securities, corporate bonds and notes, mutual funds, and Michigan CLASS funds with original maturities of greater than 90 days. Investments are recorded at fair value.

In accordance with Michigan Compiled Laws, the City is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
- c. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services, and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers' acceptances of United States banks.
- f. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Due from Other Governmental Units

Due from other governmental units consists of amounts due from the State of Michigan for various payments and grants and accounts receivable for charges for services provided to local governmental units.

Receivables

Receivables consist of amounts due related to charges for services, interest receivable, and other amounts owed to the City at year-end.

CITY OF NILES
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property Tax

The City of Niles bills and collects its own property taxes and also taxes for other governmental units. The City's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraphs:

Property taxes are levied by the City of Niles on July 1 and December 1 and are payable without penalty through September 15 and February 14, respectively. The July 1 levy is composed of the City's millage, the County's millage assessments, and school taxes. The December 1 levy is composed of school taxes. All real property taxes not paid to the City by March 1 are turned over to the Berrien County Treasurer for collection. The Berrien County Treasurer purchases the receivables of all taxing districts on any delinquent real property taxes. Delinquent personal property taxes receivable is retained by the City for subsequent collection. Collections and remittances of all taxes are accounted for in the Current Tax Collection custodial fund.

The City is permitted by charter to levy taxes up to 15 mills (\$15 per \$1,000 of taxable valuation) for general governmental services other than the payment of Debt Service Fund expenditures. For the year ended September 30, 2022, the City levied 13.8196 mills per \$1,000 of taxable valuation for general governmental services. The total taxable value for the 2021 levy for property within the City was \$222,526,056. In addition, the City levied 0.4963 mills per \$1,000 of taxable valuation for the Dial-A-Ride system operations.

Prepays

Prepays consist of amounts paid in the current year that pertain to the following fiscal year and are accounted for using the consumption method. Nonspendable fund balances have been recorded in the applicable funds to indicate that prepaids are not currently available, spendable components of fund balance.

Inventories

Inventories in the Enterprise Funds consist of supplies which are stated at cost on a first-in/first-out basis.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and compensatory time benefits, subject to certain limitations. Certain bargaining unit employees are also permitted to accumulate earned but unused sick leave. All vacation pay and 50% of sick leave are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

CITY OF NILES
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interfund Transactions (continued)

The Internal Service Funds record charges for services provided to various City departments and funds as operating revenue. All City funds record these payments as operating expenditures/expenses.

Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities, business-type activities, and component unit columns. Capital assets are those with an initial individual cost of \$2,500 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated acquisition cost on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings	25 - 50 years
Infrastructure	25 - 50 years
Machinery and equipment	3 - 10 years
Land and leasehold improvements	10 - 50 years
Vehicles and heavy equipment	3 - 15 years

Pension

The City offers a defined benefit pension plan to its employees. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits

The City offers a retiree healthcare benefits to its employees. The City records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF NILES
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of financial position or balance sheet will, when applicable, report separate sections for deferred outflows of resources and deferred inflows of resources. *Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. *Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The City has several items that qualify for reporting in these categories. These items correspond the City's net pension and net other post-employment benefits liabilities and are related to differences between expected and actual experience, changes in assumptions, differences between projected and actual pension plan investment earnings. These amounts are deferred and recognized as an outflow or inflow of resources in the period to which they apply. The City also reports property taxes levied for subsequent periods, which is related to special assessment revenue and property taxes that is not available for collection within 60 days of year-end. In addition, the City reports receivable from other governmental unit for assets to be transferred to City for taking over Dial-a-Ride Transportation that is not available for collection within 60 days. The deferred charges on refunding amounts result from the difference in the carrying value of refunded debt and its reacquisition price. The City also reports unavailable revenues from leases. These amounts are long-term leases entered into by the City in which the City is the lessor. These amounts are recognized as revenue over the term of the lease agreements.

Unearned Revenue

Governmental and Proprietary funds report unearned revenue in connection with resources that have been received, but not yet earned.

Long-term Liabilities

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

Leases

Lessor: The City is a lessor for a noncancelable lease of a building. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

CITY OF NILES
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

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 payment 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.

Key estimates and judgements include how the City determines (1) the discount rate is uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of this lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Fund Balance Classifications

Fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five classifications of fund balance under this standard:

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision-making authority (i.e., Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after non-spendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative Fund Balances are always reported as Unassigned, no matter which fund the deficit occurs in.

CITY OF NILES
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance Classification Policies and Procedures

For committed fund balance, the City's highest level of decision-making authority is the City Council. The formal action that is required to be taken to establish a fund balance commitment is a resolution by the City Council.

For assigned fund balance, the City Council has not approved a policy indicating who is authorized to assign amounts to a specific purpose. As a result, this authority is retained by the City Council.

The City Council has not formally adopted a policy that defines the order of usage for fund balance amounts classified as restricted, committed, assigned, or unassigned. In the absence of such a policy, the City considers restricted amounts to have been spent first when an expenditure is incurred for which both restricted and unrestricted fund balance is available. Also, for the classification of fund balances, the City Council considers committed, assigned, and then unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

Tax Abatements

The City's tax revenues have been reduced by tax abatements. Management has determined these amounts to be immaterial to the financial statements.

NOTE 2 - DEPOSITS AND INVESTMENTS

As of September 30, 2022, the City had deposits and investments subject to the following risk.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of September 30, 2022, \$23,501,260 of the City's bank balance of \$26,985,799 was exposed to custodial credit risk because it was uninsured and uncollateralized. The balance of \$24,361,842 is reported as deposits on the financial statements as of September 30, 2022.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The City will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the City will do business.

CITY OF NILES
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk

In accordance with its investment policy, the City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the City's cash requirements.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
PRIMARY GOVERNMENT		
U.S. Treasury Notes	\$ 829,329	2.2100
Federal National Mortgage Association	1,041,416	4.6700
Federal Home Loan Bank	2,607,532	0.4900
Federal Home Loan Mortgage Corporation	99,931	17.3400
Federal Farm Credit Bank	431,796	0.1500
Governmental National Mortgage Association	66,820	23.9500
Michigan CLASS Investment Pool	<u>1,570,642</u>	0.0800
Total fair value	<u>\$ 6,647,466</u>	
Portfolio weighted average maturity		<u>1.7296</u>

One day maturity equals 0.0027; one year equals 1.00.

Concentration of Credit Risk

The City will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the City's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Moody's/S & P Rating</u>
PRIMARY GOVERNMENT		
Federal National Mortgage Association	\$ 1,041,416	Aaa/AA+
Federal Home Loan Bank	2,607,532	Aaa/AA+
Federal Home Loan Mortgage Corporation	99,931	Aaa/AA+
Federal Farm Credit Bank	431,796	Aaa/AA+
Governmental National Mortgage Association	66,820	Aaa/AA+
Michigan CLASS Investment Pool	<u>1,570,642</u>	AAAm
TOTAL PRIMARY GOVERNMENT	<u>\$ 5,818,137</u>	

**CITY OF NILES
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Foreign Currency Risk

The City is not authorized to invest in investments which have this type of risk.

Fair Value Measurement

The City is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the City's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Investments that are measured at fair value using net asset per value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

<u>Investment Type</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
PRIMARY GOVERNMENT				
Money Market Funds	\$ 384,635	\$ -	\$ -	\$ 384,635
US Treasury Notes	829,329	-	-	829,329
Federal National Mortgage Association	-	1,041,416	-	1,041,416
Federal Home Loan Bank	2,607,532	-	-	2,607,532
Federal Home Loan Mortgage Corporation	-	99,931	-	99,931
Federal Farm Credit Bank	431,796	-	-	431,796
Governmental National Mortgage Association	-	66,820	-	66,820
TOTAL PRIMARY GOVERNMENT	<u>\$ 4,253,292</u>	<u>\$ 1,208,167</u>	<u>\$ -</u>	5,461,459
Investments at net asset value (NAV)				
PRIMARY GOVERNMENT				
Michigan CLASS Investment Pool				<u>1,570,642</u>
Total investments				<u><u>\$ 7,032,101</u></u>

CITY OF NILES
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Investments in Entities that Calculate Net Asset Value per Share

The City holds shares or interests in an investment pool where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

The Michigan CLASS investment pool invest in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated "A1" or better), collateralized bank deposits, repurchase agreements (collateralized at 102% by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

At the year ended September 30, 2022, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, if Eligible</u>	<u>Redemption Notice Period</u>
PRIMARY GOVERNMENT				
Michigan CLASS Investment Pool	<u>\$ 1,570,642</u>	<u>\$ -</u>	No restrictions	None

The cash and cash equivalents and investments referred to above have been reported in the cash and cash equivalents and investments captions on the basic financial statements, based upon criteria disclosed in Note 1. The cash and cash equivalent captions on the financial statements include \$5,950 in petty cash. The following summarizes the categorization of these amounts as of September 30, 2022:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Fund</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 19,818,281	\$ 759,606	\$ 123,443	\$ 20,701,330
Cash and cash equivalents - restricted	1,967,919	-	-	1,967,919
Investments	8,458,923	271,721	-	8,730,644
	<u>\$ 30,245,123</u>	<u>\$ 1,031,327</u>	<u>\$ 123,443</u>	<u>\$ 31,399,893</u>

CITY OF NILES
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at September 30, 2022, are as follows:

Due to General Fund from:	
Electric Fund	\$ 302,775
Sewer Fund	55,455
Water Fund	51,206
Nonmajor governmental funds	<u>100,567</u>
	<u>\$ 510,003</u>
Due to nonmajor governmental funds from:	
General Fund	\$ 7,005
Nonmajor governmental funds	<u>120,293</u>
	<u>\$ 127,298</u>
Due to Electric Fund from:	
Nonmajor enterprise funds	<u>\$ 1,995</u>
Due to Sewer Fund from:	
Internal service funds	<u>\$ 70,695</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE 4 - INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds and business-type funds have been eliminated.

Transfer to General Fund from:	
Nonmajor governmental funds	<u>\$ 79,683</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 74,900
Nonmajor governmental funds	<u>70,000</u>
	<u>\$ 144,900</u>
Transfers to Water System Fund from:	
Electric Fund	<u>\$ 11,658</u>
Transfers to nonmajor enterprise funds from:	
General Fund	<u>\$ 30,997</u>

The transfers to the General Fund, nonmajor governmental funds, and nonmajor enterprise funds were to fund current year projects.

CITY OF NILES
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - DEFERRED INFLOWS OF RESOURCES

Governmental funds report deferred inflows of resources in connection with receivables that are not collectible soon enough after the end of the year (60 days) that they are considered to be available to liquidate liabilities of the current period. In addition, property taxes that have been levied July 1 to support the following year's budget are deferred and recognized in the following year in both the government-wide and fund level statements. As of September 30, 2022, the General Fund and Governmental Activities had \$3,203,004 of property taxes levied for the next year recorded as deferred inflows of resources. The remaining amount of deferred inflows in the General Fund and Governmental Activities is comprised of permit fees of \$178,251 that are considered unearned as of September 30, 2022. Also, the Downtown Development Authority component unit had \$71,157 of property taxes levied for the next year recorded as deferred inflows of resources, at the government-wide level and at the fund level.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2022, was as follows:

Primary Government

	Balance Oct. 1, 2021	Additions	Deletions	Balance Sept. 30, 2022
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 2,138,717	\$ 8,694	\$ (38,459)	\$ 2,108,952
Capital assets being depreciated				
Land improvements	2,298,383	633,690	-	2,932,073
Buildings	6,957,607	11,069	-	6,968,676
Equipment	4,522,327	83,378	-	4,605,705
Vehicles and heavy equipment	4,814,924	2,253,052	(183,502)	6,884,474
Infrastructure	627,956	139,829	-	767,785
Subtotal	19,221,197	3,121,018	(183,502)	22,158,713
Less accumulated depreciation for:				
Land improvements	(1,247,575)	(108,649)	-	(1,356,224)
Buildings	(5,094,423)	(131,030)	-	(5,225,453)
Equipment	(3,304,938)	(165,643)	-	(3,470,581)
Vehicles and heavy equipment	(4,120,343)	(299,773)	183,502	(4,236,614)
Infrastructure	(211,245)	(27,914)	-	(239,159)
Subtotal	(13,978,524)	(733,009)	183,502	(14,528,031)
Net capital assets being depreciated	5,242,673	2,388,009	-	7,630,682
Capital assets, net	\$ 7,381,390	\$ 2,396,703	\$ (38,459)	\$ 9,739,634

CITY OF NILES
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - CAPITAL ASSETS (continued)

Primary Government (continued)

Depreciation expense was charged to the following governmental activities:

General government	\$ 43,040
Public safety	340,453
Public works	27,914
Highways and streets	73,921
Transportation	125,781
Culture and recreation	<u>121,900</u>
Total depreciation expense	<u><u>\$ 733,009</u></u>

	Balance Oct. 1, 2021	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Sept. 30, 2022
Business-type Activities				
Capital assets not being depreciated				
Land	\$ 1,858,672	\$ 35,420	\$ -	\$ 1,894,092
Construction in progress	<u>847,379</u>	<u>1,276,810</u>	<u>(1,413,935)</u>	<u>710,254</u>
Subtotal	<u>2,706,051</u>	<u>1,312,230</u>	<u>(1,413,935)</u>	<u>2,604,346</u>
Capital assets being depreciated				
Land improvements	1,488,614	1,931	-	1,490,545
Buildings	13,019,690	39,978	-	13,059,668
Equipment	3,668,770	177,255	-	3,846,025
Vehicles and heavy equipment	2,078,225	11,658	(52,841)	2,037,042
Infrastructure	<u>56,736,617</u>	<u>3,422,300</u>	<u>-</u>	<u>60,158,917</u>
Subtotal	<u>76,991,916</u>	<u>3,653,122</u>	<u>(52,841)</u>	<u>80,592,197</u>
Less accumulated depreciation for:				
Land improvements	(974,007)	(93,920)	-	(1,067,927)
Buildings	(9,871,499)	(222,379)	-	(10,093,878)
Equipment	(3,019,146)	(170,833)	-	(3,189,979)
Vehicles and heavy equipment	(1,619,255)	(103,661)	41,183	(1,681,733)
Infrastructure	<u>(40,005,871)</u>	<u>(1,399,735)</u>	<u>-</u>	<u>(41,405,606)</u>
Subtotal	<u>(55,489,778)</u>	<u>(1,990,528)</u>	<u>41,183</u>	<u>(57,439,123)</u>
Net capital assets being depreciated	<u>21,502,138</u>	<u>1,662,594</u>	<u>(11,658)</u>	<u>23,153,074</u>
Capital assets, net	<u><u>\$ 24,208,189</u></u>	<u><u>\$ 2,974,824</u></u>	<u><u>\$ (1,425,593)</u></u>	<u><u>\$ 25,757,420</u></u>

CITY OF NILES
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - CAPITAL ASSETS (continued)

Primary Government (continued)

Depreciation expense was charged to the following business-type activities:

Electric	\$ 606,110
Sewer	781,605
Water	448,774
Cemetery	6,629
Airport	135,367
Plym Park Golf	<u>12,043</u>
Total depreciation expense	<u><u>\$ 1,990,528</u></u>

Discretely Presented Component Units

	Balance Oct. 1, 2021	Additions	Deletions	Balance Sept. 30, 2022
Component Unit - Downtown Development Authority Capital assets being depreciated Equipment	\$ 35,277	\$ -	\$ -	\$ 35,277
Less accumulated depreciation for: Equipment	<u>(35,277)</u>	-	-	<u>(35,277)</u>
Capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	Balance Jan. 1, 2021	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Dec. 31, 2021
Component Unit - Niles Housing Commission Capital assets not being depreciated Land	\$ 227,377	\$ -	\$ -	\$ 227,377
Capital assets being depreciated				
Site improvements	799,990	-	-	799,990
Buildings	6,650,929	-	-	6,650,929
Equipment - dwellings	111,689	293,219	-	404,908
Furniture and equipment - admin	<u>662,580</u>	-	-	<u>662,580</u>
Subtotal	8,225,188	293,219	-	8,518,407
Less accumulated depreciation	<u>(7,091,511)</u>	<u>(201,814)</u>	-	<u>(7,293,325)</u>
Net capital assets being depreciated	<u>1,133,677</u>	<u>91,405</u>	-	<u>1,225,082</u>
Capital assets, net	<u><u>\$ 1,361,054</u></u>	<u><u>\$ 91,405</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,452,459</u></u>

**CITY OF NILES
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations (including current portion) of the City for the year ended September 30, 2022:

	Balance Oct. 1, 2021	Additions	Deletions	Balance Sept. 30, 2022	Due Within One Year
Primary Government					
Governmental Activities					
Other long-term obligations					
Compensated absences	\$ 598,497	\$ 296,680	\$ (395,466)	\$ 499,711	\$ 249,856
Business-type Activities					
General Obligation Bonds					
2009 State Revolving Loan	2,172,265	-	(220,000)	1,952,265	225,000
2013 Refunding Bonds	850,000	-	(420,000)	430,000	-
2019 Electric Bond	3,725,000	-	(165,000)	3,560,000	170,000
Other long-term obligations					
Compensated absences	286,199	159,707	(157,661)	288,245	144,123
Retiree life insurance benefit	10,000	-	-	10,000	-
	<u>7,043,464</u>	<u>159,707</u>	<u>(962,661)</u>	<u>6,240,510</u>	<u>539,123</u>
Total Primary Government	<u>\$ 7,641,961</u>	<u>\$ 456,387</u>	<u>\$ (1,358,127)</u>	<u>\$ 6,740,221</u>	<u>\$ 788,979</u>

Primary Government

Significant details regarding outstanding long-term obligations (including current portion) are presented below:

General Obligation Bonds

State Revolving Loan

\$4,581,000 2009 State Revolving Loan dated April 17, 2009, due in annual installments ranging from \$225,000 to \$267,265 through April 1, 2030, with interest at 2.50%, payable semi-annually. \$ 1,952,265

Refunding Bonds

\$3,575,000 2013 Refunding Bond dated July 12, 2013, due in an annual payment of \$430,000 on October 1, 2023, with interest at 2.30%. 430,000

Capital Improvement Bonds

\$4,050,000 2019 Electric Bond dated August 1, 2019, due in annual installments ranging from \$170,000 to \$260,000 through April 1, 2039, with interest at 2.57%, payable semi-annually. 3,560,000

\$ 5,942,265

CITY OF NILES
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - LONG-TERM OBLIGATIONS (continued)

Primary Government (continued)

Compensated Absences

Individual employees have vested rights upon termination of employment to receive payments for unused vacation. The dollar amounts of these vested rights including related payroll taxes, which have been accrued on the government-wide financial statements. The total liability amounted to approximately \$787,956 at September 30, 2022. Of this amount, \$499,711 and \$288,245 are shown as accrued liabilities in the governmental and business-type activities financial statements, respectively, in accordance with criteria disclosed in Note 1.

The annual requirements to pay the debt principal and interest outstanding for the long-term debt are as follows:

<u>Year Ending September 30,</u>	Business-Type Activities General Obligation Bonds	
	Principal	Interest
2023	\$ 395,000	\$ 148,053
2024	835,000	129,326
2025	415,000	119,562
2026	425,000	109,380
2027	430,000	98,924
2028-2032	1,777,265	338,636
2033-2037	1,155,000	162,389
2038-2039	510,000	15,644
	\$ 5,942,265	\$ 1,121,914

NOTE 8 - RETIREMENT PLAN

Plan Description

The City's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The City participates in the Municipal Employees' Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan's Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing MERS website at www.mersofmich.com.

Summary of Significant Accounting Policies

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees' Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**CITY OF NILES
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - RETIREMENT PLAN (continued)

Benefits Provided

Benefits provided include plans with multipliers of 2.6% for police and fire employees (85% maximum) and 1.9% for all other employees (no maximum).

Vesting period of 10 years.

Normal retirement age is 55 and 62, respectively, for police and fire and other City employees hired prior to October 1, 2016. For employees hired after that date, the retirement age is 58 for police and fire, and 65 for all other employees.

Final average compensation is calculated based on three to five years. Member contributions range from 6.92% to 8.00%.

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the City Council, generally after negotiations of these terms with the affected unions. Benefit terms may be subject to binding arbitration in certain circumstances.

At the December 31, 2021, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	141
Inactive employees entitled to but not yet receiving benefits	29
Active employees	<u>107</u>
	<u><u>277</u></u>

Contributions

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

Employer contributions range from 2.73% to 8.48% based on annual payroll for open divisions.

Payable to the Pension Plan

At September 30, 2022, there were no amounts outstanding by the City for contributions to the pension plan required for the year ended September 30, 2022.

Net Pension Liability

The City's net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

**CITY OF NILES
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - RETIREMENT PLAN (continued)

Actuarial Assumptions

The total pension liability in the December 31, 2021, annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.50%

Salary increases: 3.00% plus merit and longevity, 3.00% in the long-term.

Investment rate of return: 7.00%, net of investment and administrative expense including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 3.00% long-term wage inflation assumption would be consistent with a price inflation of 3.00 - 4.00%.

Mortality rates used were based on a version of Pub-2010 and fully generational MP-2019.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2014-2018.

Projected Cash Flows

Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses 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 target allocation and best estimates of geographic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Total Allocation Gross Rate of Return</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	60.00%	4.50%	2.70%
Global Fixed Income	20.00%	2.00%	0.40%
Private Investments	20.00%	7.00%	1.40%
	<u>100.00%</u>		4.50%
Inflation			2.50%
Administrative expense netted above			<u>0.25%</u>
Investment rate of return			<u>7.25%</u>

**CITY OF NILES
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - RETIREMENT PLAN (continued)

Discount Rate

The discount rate used to measure the total pension liability is 7.25%. The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because, for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the net pension liability during the measurement year were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at 12/31/20	\$ 43,593,377	\$ 33,877,347	\$ 9,716,030
Changes for the Year			
Service Cost	710,435	-	710,435
Interest on Total Pension Liability	3,225,872	-	3,225,872
Difference between expected and actual experience	(165,924)	-	(165,924)
Changes in assumptions	1,612,204	-	1,612,204
Employer contributions	-	992,923	(992,923)
Employee contributions	-	517,288	(517,288)
Net investment income	-	4,476,329	(4,476,329)
Benefit payments, including employee refunds	(3,005,813)	(3,005,813)	-
Other changes	(1)	-	(1)
Administrative expense	-	(53,148)	53,148
Net changes	<u>2,376,773</u>	<u>2,927,579</u>	<u>(550,806)</u>
Balances as of 12/31/21	<u>\$ 45,970,150</u>	<u>\$ 36,804,926</u>	<u>\$ 9,165,224</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Net Pension Liability of the employer, calculated using the discount rates of 7.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1% lower (6.25%) or 1% higher (8.25%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Net pension liability	<u>\$ 14,379,394</u>	<u>\$ 9,165,224</u>	<u>\$ 4,805,124</u>

**CITY OF NILES
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - RETIREMENT PLAN (continued)

Pension Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2022, the City recognized pension expense of \$700,814. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows Of Resources</u>
Differences between expected and actual experience	\$ -	\$ 357,122
Changes of assumptions	2,360,361	-
Net difference between projected and actual earnings on pension plan investments	-	2,726,425
Contributions subsequent to the measurement date*	<u>861,677</u>	<u>-</u>
Total	<u>\$ 3,222,038</u>	<u>\$ 3,083,547</u>

* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending September 30, 2023.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending September 30,</u>	<u>Pension Expense</u>
2023	\$ 339,474
2024	(206,293)
2025	(441,095)
2026	(415,273)

Changes in Assumptions

The actuarial assumptions were changed during the year as follows:

Decrease in investment rate of return from 7.35% to 7.00%.

Change in discount rate from 7.60% to 7.25%.

Changes in Benefits

There were no changes of benefit terms during plan year 2021.

**CITY OF NILES
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The City of Niles Retiree Healthcare Plan (the “Plan”) is a single-employer defined benefit healthcare plan administered by the City of Niles. The Plan provides certain health care benefits, in accordance with union agreements and/or personnel policies to employees who have retired. Benefit provisions are established by the City Council. The plan does not issue a separate stand-alone financial statement.

Summary of Plan Participants

At the October 1, 2020, valuation date with a roll forward measurement date to September 30, 2022, the following employees were covered by the benefit terms:

Active employees	68	
Inactive plan members receiving benefits	9	
		77

Benefits Provided

The City has no obligation to make contributions in advance of when the premiums are due for payment (i.e., may be financed on a “pay-as-you-go” basis). The current contributions being made are to pay the actual current premiums of the retirees.

Total OPEB Liability

The total OPEB liability of the City of \$4,018,938 was measured as of September 30, 2022 and was determined by an actuarial valuation from October 1, 2020.

Actuarial Assumptions

The total OPEB liability in the October 1, 2020, actuarial valuation with a roll forward measurement date to September 30, 2022, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount Rate	4.77%
Healthcare Cost Trend Rates	
Current Year Trend	5.00%
Ultimate Trend	4.50%
Year Ultimate Trend is Reached	2036
Salary Increases	3.00%
Long Term Rate of Return	7.75%

Future Contributions: It is assumed that future contributions to the plan will be based on annual OPEB costs using an amortization factor of ten years.

The discount rate was based on the yield or index rate for 20 year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

**CITY OF NILES
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Mortality rates were based on PubS.H-2010 Mortality Table - Safety with Mortality Improvement using Scale MP-2020 for Police and Fire personnel and PubG.H-2010 Mortality Table - General with Mortality Improvement using Scale MP-2020 for all others.

Changes in Assumptions

The discount rate was changed from 2.43% to 4.77%.

Change in Total OPEB Liability

The change in the total OPEB liability for the year ended September 30, 2022 is as follows:

Change in Total OPEB Liability	
Service Cost	\$ 157,199
Interest on total OPEB liability	112,825
Changes of assumptions and other inputs	(853,179)
Benefit payments	(81,826)
Other changes	<u>1</u>
Net Change in Total OPEB Liability	(664,980)
Total OPEB Liability - beginning	<u>4,683,918</u>
Total OPEB Liability - ending	<u>\$ 4,018,938</u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	0.0%
Covered Employee Payroll	\$ 4,293,279
Employer's Total OPEB Liability as a percentage of covered employee payroll	93.61%

The actuarial cost method is Entry Age Normal per GASB Statement No. 75.

Summary of Significant Accounting Policies

For purposes of measuring the total other post-employment benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the Plan and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported for the City. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF NILES
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Sensitivity of the OPEB Liability to Changes in the Discount Rate

The following presents the OPEB liability of the City, as well as what the City's OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.77%) or 1-percentage-point higher (5.77%) than the current discount rate:

	1% Decrease	Current Rate	1% Increase
OPEB Liability	\$ 3,709,167	\$ 4,018,938	\$ 4,360,208

Sensitivity of the OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the OPEB liability of the City, as well as what the City's OPEB liability would be if it were calculated using healthcare cost trends rates that are 1-percentage-point lower (4.00% trending to 3.50%) or 1-percentage-point higher (6.00% trending to 5.50%) than the current healthcare cost trend rates:

	1% Decrease	Current Rate	1% Increase
OPEB Liability	\$ 4,441,520	\$ 4,018,938	\$ 3,643,565

OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2022, the City recognized OPEB expense of \$152,207. At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 274,174	\$ (570,136)
Changes of assumptions	837,441	(1,285,764)
	\$ 1,111,615	\$ (1,855,900)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending September 30,	OPEB Expense
2023	\$ (117,817)
2024	(117,817)
2025	(117,817)
2026	(117,817)
2027	(159,401)
Thereafter	(113,616)

CITY OF NILES
NOTES TO FINANCIAL STATEMENTS

NOTE 10 - RISK MANAGEMENT

The City participates in a pool, the Michigan Municipal League Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

The City also participates in a State pool, the Michigan Municipal League Liability and Property Pool, with other municipalities for property, liability, bonding, and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

Employee Health Benefits

The City has established a self-insured health insurance plan which is accounted for in an Internal Service Fund. Full-time, regular employees of the City, as well as eligible family members, are eligible to participate in the insurance plan. The plan is administered under a contractual agreement with Blue Cross and Blue Shield of Michigan (BCBSM) (Health, Dental, Vision and RX).

The City is responsible for paying the medical, RX, dental, and vision claim amounts which are in excess of the employee's deductible and/or co-pay amounts.

The insurance arrangements are renegotiated annually.

Liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include a provision for claims that have been incurred but not reported (IBNR's). The provision is based upon historical trends. Claims liabilities are estimated based on actual claims filed subsequent to year end.

Changes in the balance of claim liabilities during the current year and the prior year are as follows:

	2022	2021
Estimated liability, beginning of year	\$ 55,331	\$ 104,000
Estimated claims incurred, including changes in estimates	2,144,587	1,212,961
Claim payments	(2,138,373)	(1,261,630)
Estimated liability, end of year	\$ 61,545	\$ 55,331

CITY OF NILES
NOTES TO FINANCIAL STATEMENTS

NOTE 11 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

NOTE 12 - CONTINGENT LIABILITIES

The City participates in a number of Federal and State assisted grant programs that are subject to compliance audits. The Single Audit of the Federal programs and the periodic program compliance audits of many of the State programs have not yet been conducted, completed, or resolved. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

There are potential legal actions pending against the City. Due to the inconclusive nature of many of the actions, it is not possible for Corporation Counsel to determine the probable outcome or a reasonable estimate of the potential liability, if any. These actions, for which a reasonable estimated can be determined of the potential liability, if any, are considered by City management and legal counsel to be immaterial.

NOTE 13 - DIAL-A-RIDE COMPLIANCE REQUIREMENTS

The following assurances are related to the Dial-A-Ride Schedules required by the Michigan Department of Transportation beginning on page 93.

The methodology used for compiling mileage on the OAR Schedule 4N is an adequate and reliable methodology for recording vehicle mileage.

No Office of Passenger Transportation (OPT) approved cost allocation plans are required, and therefore, none were used in the preparation of the financial statements.

No capital money was used to pay for operating expenses, and none are included in total expenses to be reimbursed with State Formula Funds.

CITY OF NILES
NOTES TO FINANCIAL STATEMENTS

NOTE 13 - DIAL-A-RIDE COMPLIANCE REQUIREMENTS (continued)

Ineligible expenses are classified appropriately according to the definition in the local public transit revenue and expense manual. Expenses associated with generating local revenues have been subtracted out as ineligible.

The Dial-A-Ride Transportation Fund incurred expenses of \$16,034 for retirement benefits for the year ended September 30, 2022. These expenses are for cash paid and therefore are considered eligible expenses in accordance with the local public transit revenue and expense manual.

There are no expenses associated with 40760 non-transportation revenue, and therefore, no expenses need to be subtracted out as ineligible.

NOTE 14 - LEASE RECEIVABLE

Significant details regarding outstanding lease receivable are presented below:

Governmental Activities

Due in annual installments ranging from \$1,250 to \$2,000 through October 2056, with imputed interest at 6.30%. Lease is for land owned by the City. The City recognized \$1,250 in lease revenue and \$0 in interest revenue during the current fiscal year. As of year end, the City has deferred inflow of recourses associated with this lease that will be recognized as revenue over the lease term with a balance of \$45,721.

\$ 45,721

Business-type Activities

Due in monthly installments of \$972 through December 2025, with imputed interest at 3.25%. Lease is for land and hanger space at airport. The City recognized \$11,664 in lease revenue and \$1,225 in interest revenue during the current fiscal year. As of year end, the City has deferred inflow of recourses associated with this lease that will be recognized as revenue over the lease term with a balance of \$34,704.

\$ 35,929

Due in monthly installments of \$1,000 through July 2025, with imputed interest at 4.75%. Lease is for space on water tower. The City recognized \$12,000 in lease revenue and \$1,607 in interest revenue during the current fiscal year. As of year end, the City has deferred inflow of recourses associated with this lease that will be recognized as revenue over the lease term with a balance of \$30,146.

31,753

\$ 67,682

CITY OF NILES
NOTES TO FINANCIAL STATEMENTS

NOTE 15 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended September 30, 2022, the City implemented the following new pronouncement: GASB Statement No. 87, *Leases*.

Summary:

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The restatement of the beginning of year had no impact on net position. The change capital assets and long-term obligations is as follows:

	Governmental Activities	
	Lease Receivable	Unavailable Revenue - Leases
Balance as of October 1, 2021, as previously stated	\$ -	\$ -
Adoption of GASB Statement 87	31,543	31,543
Balances as of October 1, 2021, as restated	\$ 31,543	\$ 31,543
	Business-type Activities	
	Lease Receivable	Unavailable Revenue - Leases
Balance as of October 1, 2021, as previously stated	\$ -	\$ -
Adoption of GASB Statement 87	88,504	88,504
Balances as of October 1, 2021, as restated	\$ 88,504	\$ 88,504

NOTE 16 - PRIOR PERIOD RESTATEMENT

The capital assets and accumulated depreciation from the prior year were adjusted for capital assets not included in prior year balances that should have been based on when they were placed in service.

	Component Units	
	Net Assets	Capital Assets
Balance as of January 1, 2021, as previously stated	\$ 2,005,183	\$ 1,361,054
Restatement of capital assets	223,245	223,245
Balances as of December 31, 2021, as restated	\$ 2,228,428	\$ 1,584,299

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF NILES
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED SEPTEMBER 30, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
REVENUES				
Taxes	\$ 3,276,300	\$ 3,276,300	\$ 3,184,477	\$ (91,823)
Special assessments	-	-	7,017	7,017
Intergovernmental	1,570,800	4,744,679	4,723,354	(21,325)
Charges for services	2,367,700	2,367,700	3,483,879	1,116,179
Licenses and permits	36,000	36,000	212,310	176,310
Fines and forfeitures	53,000	53,000	30,126	(22,874)
Investment earnings (loss)	40,000	40,000	(310,913)	(350,913)
Contributions	8,500	8,500	63,156	54,656
Other	38,000	38,000	101,671	63,671
TOTAL REVENUES	7,390,300	10,564,179	11,495,077	930,898
EXPENDITURES				
Current				
General government	1,126,352	1,215,452	1,705,124	(489,672)
Public safety	4,548,699	6,163,699	6,158,245	5,454
Public works	555,093	581,093	157,778	423,315
Highways and streets	1,376,891	2,306,891	2,266,154	40,737
Community and economic development	82,465	101,685	36,065	65,620
Recreation and culture	360,035	827,569	886,553	(58,984)
TOTAL EXPENDITURES	8,049,535	11,196,389	11,209,919	(13,530)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(659,235)	(632,210)	285,158	917,368
OTHER FINANCING SOURCES (USES)				
Transfers in	1,083,200	1,083,200	79,683	(1,003,517)
Transfers out	(285,000)	(285,000)	(105,897)	179,103
TOTAL OTHER FINANCING SOURCES (USES)	798,200	798,200	(26,214)	(824,414)
NET CHANGE IN FUND BALANCE	138,965	165,990	258,944	92,954
Fund balance, beginning of year	5,487,791	5,487,791	5,487,791	-
Fund balance, end of year	<u>\$ 5,626,756</u>	<u>\$ 5,653,781</u>	<u>\$ 5,746,735</u>	<u>\$ 92,954</u>

**CITY OF NILES
RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS
LAST NINE MEASUREMENT DATES (ULTIMATELY TEN MEASUREMENT DATES WILL BE DISPLAYED)**

	December 31,					September 30,			
	2021	2020	2019	2018	2017	2017	2016	2015	2014
CHANGE IN TOTAL PENSION LIABILITY									
Service cost	\$ 710,435	\$ 736,496	\$ 693,260	\$ 708,116	\$ 690,866	\$ 766,811	\$ 763,859	\$ 640,692	\$ 600,132
Interest on the total pension liability	3,225,872	3,057,798	3,063,805	3,071,245	842,890	2,914,648	2,864,162	2,755,909	2,674,290
Difference between expected and actual experience	(165,924)	(25,907)	(57,771)	(983,085)	-	-	(319,651)	(194,196)	326,583
Assumption changes	1,612,204	1,406,975	1,119,301	-	(3,172,325)	-	-	4,507,279	-
Benefit payments	(3,005,813)	(2,895,853)	(2,911,320)	(2,852,375)	(920,040)	(2,482,000)	(2,734,764)	(2,603,751)	(2,481,464)
Refunds	-	-	-	-	-	-	(10,251)	(80,118)	(36,764)
Other	(1)	1	-	-	(237,786)	-	-	-	-
NET CHANGE IN TOTAL PENSION LIABILITY	2,376,773	2,279,510	1,907,275	(56,099)	(2,796,395)	1,199,459	563,355	5,025,815	1,082,777
TOTAL PENSION LIABILITY, BEGINNING	43,593,377	41,313,867	39,406,592	39,462,691	42,259,086	41,059,627	40,496,272	35,470,457	34,387,680
TOTAL PENSION LIABILITY, ENDING (A)	\$ 45,970,150	\$ 43,593,377	\$ 41,313,867	\$ 39,406,592	\$ 39,462,691	\$ 42,259,086	\$ 41,059,627	\$ 40,496,272	\$ 35,470,457
CHANGE IN PLAN FIDUCIARY NET POSITION									
Contributions - employer	\$ 992,923	\$ 908,652	\$ 717,788	\$ 601,229	\$ -	\$ 1,075,749	\$ 653,227	\$ 605,166	\$ 631,842
Contributions - member	517,288	455,390	457,208	426,819	116,055	-	334,339	342,220	358,390
Net investment income (loss)	4,476,329	4,249,251	3,873,804	(1,208,097)	929,999	3,456,864	2,442,713	(352,019)	2,997,557
Benefit payments	(3,005,813)	(2,895,853)	(2,911,320)	(2,852,375)	(920,040)	(2,482,000)	(2,734,764)	(2,603,751)	(2,481,464)
Refunds	-	-	-	-	-	-	(10,251)	(80,118)	(36,764)
Pension plan administrative expense	(53,148)	(61,753)	(66,671)	(61,216)	(6,035)	(114,638)	-	-	(157,189)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	2,927,579	2,655,687	2,070,809	(3,093,640)	119,979	1,935,975	685,264	(2,088,502)	1,312,372
PLAN FIDUCIARY NET POSITION, BEGINNING	33,877,347	31,221,660	29,150,851	32,244,491	32,124,512	30,188,537	29,503,273	31,591,775	30,279,403
PLAN FIDUCIARY NET POSITION, ENDING (B)	\$ 36,804,926	\$ 33,877,347	\$ 31,221,660	\$ 29,150,851	\$ 32,244,491	\$ 32,124,512	\$ 30,188,537	\$ 29,503,273	\$ 31,591,775
CITY'S NET PENSION LIABILITY, ENDING (A)-(B)	\$ 9,165,224	\$ 9,716,030	\$ 10,092,207	\$ 10,255,741	\$ 7,218,200	\$ 10,134,574	\$ 10,871,090	\$ 10,992,999	\$ 3,878,682
Plan fiduciary net position as a percentage of the total pension liability	80.06%	77.71%	75.57%	73.97%	81.71%	76.02%	73.52%	72.85%	89.07%
Covered payroll	\$ 6,121,963	\$ 6,274,011	\$ 5,848,874	\$ 5,947,038	\$ 5,740,485	\$ 5,370,867	\$ 5,370,867	\$ 5,416,338	\$ 5,473,139
City's net pension liability as a percentage of covered payroll	149.71%	154.86%	172.55%	172.45%	125.74%	188.70%	202.41%	202.96%	70.87%

* From 2014-2017, the City had two defined benefit pension plans. The two plans were combined in 2018. Comparative information prior to December 31, 2017 is combined on this schedule.

**CITY OF NILES
RETIREMENT SYSTEM
SCHEDULE OF CITY CONTRIBUTIONS
LAST NINE FISCAL YEARS (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>*2017</u>	<u>*2016</u>	<u>*2015</u>	<u>*2014</u>
Actuarially determined contributions	\$ 1,150,095	\$ 936,539	\$ 892,967	\$ 609,340	\$ 546,765	\$ 1,075,749	\$ 653,227	\$ 605,166	\$ 605,166
Contributions in relation to the actuarially determined amount	<u>1,150,095</u>	<u>936,539</u>	<u>892,967</u>	<u>609,340</u>	<u>546,765</u>	<u>1,075,749</u>	<u>653,227</u>	<u>605,166</u>	<u>631,842</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (26,676)</u>
Covered payroll	\$ 7,042,622	\$ 6,095,109	\$ 6,206,357	\$ 5,997,743	\$ 5,361,500	\$ 5,370,867	\$ 5,370,867	\$ 5,416,338	\$ 5,514,135
Contributions as a percentage of covered payroll	16.33%	15.37%	14.39%	10.16%	10.20%	20.03%	12.16%	11.17%	11.46%

* From 2014-2017, the City had two defined benefit pension plans. The two plans were combined in 2018. Comparative information prior to 2018 is combined on this schedule.

CITY OF NILES
RETIRED EMPLOYEES' HEALTH CARE BENEFITS
SCHEDULE OF CHANGES IN CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST SIX FISCAL YEARS (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)
(AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH FISCAL YEAR)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Change in Total OPEB Liability						
Service Cost	\$ 157,199	\$ 159,750	\$ 213,811	\$ 156,766	\$ 190,985	\$ 232,193
Interest	112,825	105,216	144,069	157,003	128,927	100,392
Changes of benefit terms including employee refunds	-	97,034	-	-	-	617,567
Difference between expected and actual experience	-	(554,045)	-	(289,788)	-	185,119
Changes of assumptions and other inputs	(853,179)	9,418	630,523	(190,736)	(277,327)	(68,407)
Benefit Payments	(81,826)	(100,182)	(94,993)	(109,130)	(175,365)	(188,783)
Other changes	1	-	1,547	(20,188)	31,004	245,140
Net Change in Total OPEB Liability	(664,980)	(282,809)	894,957	(296,073)	(101,776)	1,123,221
Total OPEB Liability - beginning	<u>4,683,918</u>	<u>4,966,727</u>	<u>4,071,770</u>	<u>4,367,843</u>	<u>4,469,619</u>	<u>3,346,398</u>
Total OPEB Liability - ending	<u>\$ 4,018,938</u>	<u>\$ 4,683,918</u>	<u>\$ 4,966,727</u>	<u>\$ 4,071,770</u>	<u>\$ 4,367,843</u>	<u>\$ 4,469,619</u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Covered Payroll	\$ 4,293,279	\$ 4,168,270	\$ 6,249,808	\$ 4,622,983	\$ 5,870,253	\$ 5,548,075
Employer's Total OPEB Liability as a percentage of covered payroll	93.61%	112.37%	79.47%	88.08%	74.41%	80.56%

CITY OF NILES
RETIRED EMPLOYEES' HEALTH CARE BENEFITS
SCHEDULE OF CITY CONTRIBUTIONS
LAST SIX FISCAL YEARS (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)
(AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH FISCAL YEAR)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined employer contribution	\$ 157,199	\$ 159,750	\$ 213,811	\$ 156,766	\$ 190,985	\$ 209,709
Employer contribution (benefit payment)	<u>74,479</u>	<u>91,882</u>	<u>102,308</u>	<u>94,370</u>	<u>115,500</u>	<u>199,926</u>
Contribution deficiency/(excess)	<u>\$ 82,720</u>	<u>\$ 67,868</u>	<u>\$ 111,503</u>	<u>\$ 62,396</u>	<u>\$ 75,485</u>	<u>\$ 9,783</u>
Covered payroll	\$ 4,293,279	\$ 4,168,270	\$ 6,249,808	\$ 4,622,983	\$ 5,870,253	\$ 5,548,075
Contribution as a percentage of payroll	1.73%	2.20%	1.64%	2.04%	1.97%	3.60%

CITY OF NILES
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2022

NOTE 1 - EMPLOYEE RETIREMENT PLAN

Changes of benefit terms: There were no changes of benefit terms during plan year 2021.

Changes in assumptions: The actuarial assumptions were changed during the year as follows:

Decrease in investment rate of return from 7.35% to 7.00%.

Change in discount rate from 7.60% to 7.25%.

NOTE 2 - OTHER POST-EMPLOYMENT BENEFIT PLAN

Actuarial valuation information relative to the determination of contributions:

Valuation date October 1, 2020

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	30 years
Asset valuation method	N/A - plan is not prefunded
Investment rates of return	N/A - plan is not prefunded
Salary rate increase	3.00%
Discount rate	4.77%
Medical inflation	5.00% graded down to 4.50% over 15 years

Changes of benefit terms: There were no changes of benefit terms during plan year 2022.

Changes in assumptions: The discount rate was changed from 2.43% to 4.77%.

NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The City's budgeted expenditures have been shown at the activity level for the General Fund. The approved budgets for the City have been adopted at the activity level for the General Fund.

During the year ended September 30, 2022, the City incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	Amounts Appropriated	Amounts Expended	Variance
General Fund			
Current			
General government	\$ 1,215,452	\$ 1,705,124	\$ (489,672)
Recreation and culture	827,569	886,553	(58,984)

OTHER SUPPLEMENTARY INFORMATION

**CITY OF NILES
GENERAL FUND - BY ACTIVITY
COMBINING BALANCE SHEET
SEPTEMBER 30, 2022**

	Corporate Account	Tax Revolving Account	Tax Collection Account	Total General Fund
ASSETS				
Cash and cash equivalents	\$ 9,573,790	\$ 27,999	\$ 18,871	\$ 9,620,660
Investments	2,546,489	411,713	-	2,958,202
Receivables				
Taxes	257,552	-	-	257,552
Accounts	53,736	-	-	53,736
Lease receivables	45,721	-	-	45,721
Due from other governmental units	355,627	-	-	355,627
Due from other funds	510,003	-	-	510,003
Assets held for resale	32,500	-	-	32,500
	<u>32,500</u>	<u>-</u>	<u>-</u>	<u>32,500</u>
TOTAL ASSETS	<u><u>\$ 13,375,418</u></u>	<u><u>\$ 439,712</u></u>	<u><u>\$ 18,871</u></u>	<u><u>\$ 13,834,001</u></u>
LIABILITIES				
Accounts payable	\$ 350,825	\$ -	\$ 13,640	\$ 364,465
Accrued liabilities	52,024	-	-	52,024
Due to other funds	3,364	-	3,641	7,005
Due to other governmental units	52,828	-	1,590	54,418
Unearned revenue	4,182,378	-	-	4,182,378
	<u>4,182,378</u>	<u>-</u>	<u>-</u>	<u>4,182,378</u>
TOTAL LIABILITIES	<u>4,641,419</u>	<u>-</u>	<u>18,871</u>	<u>4,660,290</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - leases	45,721	-	-	45,721
Unavailable revenue	3,381,255	-	-	3,381,255
	<u>3,381,255</u>	<u>-</u>	<u>-</u>	<u>3,381,255</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>3,426,976</u>	<u>-</u>	<u>-</u>	<u>3,426,976</u>
FUND BALANCES				
Nonspendable				
Assets held for resale	32,500	-	-	32,500
Restricted for:				
Public works	48,565	-	-	48,565
Unassigned	5,225,958	439,712	-	5,665,670
	<u>5,225,958</u>	<u>439,712</u>	<u>-</u>	<u>5,665,670</u>
TOTAL FUND BALANCES	<u>5,307,023</u>	<u>439,712</u>	<u>-</u>	<u>5,746,735</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u><u>\$ 13,375,418</u></u>	<u><u>\$ 439,712</u></u>	<u><u>\$ 18,871</u></u>	<u><u>\$ 13,834,001</u></u>

**CITY OF NILES
GENERAL FUND - BY ACTIVITY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2022**

	Corporate Account	Tax Revolving Account	Tax Collection Account	Total General Fund
REVENUES				
Taxes	\$ 3,031,968	\$ 152,509	\$ -	\$ 3,184,477
Special assessments	-	7,017	-	7,017
Intergovernmental	4,723,354	-	-	4,723,354
Charges for services	3,483,879	-	-	3,483,879
Licenses and permits	212,310	-	-	212,310
Fines and forfeits	30,126	-	-	30,126
Investment income (loss)	(281,947)	(28,966)	-	(310,913)
Contributions	63,156	-	-	63,156
Other	101,671	-	-	101,671
TOTAL REVENUES	11,364,517	130,560	-	11,495,077
EXPENDITURES				
Current				
General government	1,671,700	33,424	-	1,705,124
Public safety	6,158,245	-	-	6,158,245
Public works	157,778	-	-	157,778
Highways and streets	2,266,154	-	-	2,266,154
Community and economic development	36,065	-	-	36,065
Recreation and culture	886,553	-	-	886,553
TOTAL EXPENDITURES	11,176,495	33,424	-	11,209,919
EXCESS OF REVENUES OVER EXPENDITURES	188,022	97,136	-	285,158
OTHER FINANCING SOURCES (USES)				
Transfers in	279,683	-	-	279,683
Transfers out	(105,897)	(200,000)	-	(305,897)
TOTAL OTHER FINANCING SOURCES (USES)	173,786	(200,000)	-	(26,214)
NET CHANGE IN FUND BALANCES	361,808	(102,864)	-	258,944
Fund balances, beginning of year	4,945,215	542,576	-	5,487,791
Fund balances, end of year	<u>\$ 5,307,023</u>	<u>\$ 439,712</u>	<u>\$ -</u>	<u>\$ 5,746,735</u>

**CITY OF NILES
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2022**

	Special		
	Major Street	Local Street	Building Department
ASSETS			
Cash and cash equivalents	\$ 1,283,099	\$ 344,990	\$ 463,051
Investments	-	-	-
Receivables			
Taxes	-	-	-
Accounts	-	-	-
Special assessments	-	-	-
Due from other governmental units	270,729	75,733	-
Due from other funds	-	-	-
TOTAL ASSETS	\$ 1,553,828	\$ 420,723	\$ 463,051
LIABILITIES			
Accounts payable	\$ 28,139	\$ 119	\$ 4,647
Accrued liabilities	1,661	2,553	653
Due to other funds	79,972	19,402	-
Due to other governmental units	-	-	-
TOTAL LIABILITIES	109,772	22,074	5,300
DEFERRED INFLOW OF RESOURCES			
Unavailable revenue - DART	-	-	-
FUND BALANCES			
Nonspendable			
Long-term receivables	-	-	-
Restricted			
Cemetery perpetual care	-	-	-
Highways and streets	1,444,056	398,649	-
Transportation	-	-	-
Community and economic development	-	-	457,751
Capital projects	-	-	-
Committed			
Capital projects	-	-	-
TOTAL FUND BALANCES	1,444,056	398,649	457,751
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,553,828	\$ 420,723	\$ 463,051

Revenue Funds

Community Development Grants and Loans	Downtown Revolving Loans	HUD Entitlement Program	Economic Development Grants and Loans	Industrial Park	Dial-A-Ride Transportation
\$ -	\$ -	\$ 6,984	\$ 114,153	\$ 58,187	\$ 956,056
-	-	-	-	-	-
-	-	-	-	-	9,212
-	-	-	252,653	-	68
-	-	-	280	-	-
-	-	124,459	-	-	439,779
-	-	3,364	120,293	-	3,641
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 134,807</u>	<u>\$ 487,379</u>	<u>\$ 58,187</u>	<u>\$ 1,408,756</u>
\$ -	\$ -	\$ 13,062	\$ -	\$ 126	\$ 15,865
-	-	-	-	-	5,677
-	-	121,486	-	-	-
-	-	-	-	-	7,450
<u>-</u>	<u>-</u>	<u>134,548</u>	<u>-</u>	<u>126</u>	<u>28,992</u>
-	-	-	-	-	144,412
-	-	-	252,653	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	1,235,352
-	-	259	234,726	58,061	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>259</u>	<u>487,379</u>	<u>58,061</u>	<u>1,235,352</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 134,807</u>	<u>\$ 487,379</u>	<u>\$ 58,187</u>	<u>\$ 1,408,756</u>

CITY OF NILES
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (continued)
SEPTEMBER 30, 2022

	Capital Project Funds		
	Capital Improvement	Equipment Replacement	Local Improvement Revolving
ASSETS			
Cash and cash equivalents	\$ 32,003	\$ 459,698	\$ 64,051
Investments	-	-	-
Receivables			
Taxes	-	-	-
Accounts	-	-	-
Special assessments	-	-	-
Due from other governmental units	-	-	-
Due from other funds	-	-	-
	<u>\$ 32,003</u>	<u>\$ 459,698</u>	<u>\$ 64,051</u>
TOTAL ASSETS	<u>\$ 32,003</u>	<u>\$ 459,698</u>	<u>\$ 64,051</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-
Due to other funds	-	-	-
Due to other governmental units	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOW OF RESOURCES			
Unavailable revenue - DART	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable			
Long-term receivables	-	-	-
Restricted			
Cemetery perpetual care	-	-	-
Highways and streets	-	-	-
Transportation	-	-	-
Community and economic development	-	-	-
Capital projects	-	459,698	64,051
Committed			
Capital projects	32,003	-	-
	<u>32,003</u>	<u>-</u>	<u>-</u>
TOTAL FUND BALANCES	<u>32,003</u>	<u>459,698</u>	<u>64,051</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 32,003</u>	<u>\$ 459,698</u>	<u>\$ 64,051</u>

<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Cemetery Perpetual Care	
\$ 2,725	\$ 3,784,997
640,872	640,872
-	9,212
-	252,721
-	280
-	910,700
-	127,298
<u>\$ 643,597</u>	<u>\$ 5,726,080</u>
\$ -	\$ 61,958
-	10,544
-	220,860
-	7,450
<u>-</u>	<u>300,812</u>
-	144,412
-	252,653
643,597	643,597
-	1,842,705
-	1,235,352
-	750,797
-	523,749
<u>-</u>	<u>32,003</u>
<u>643,597</u>	<u>5,280,856</u>
<u>\$ 643,597</u>	<u>\$ 5,726,080</u>

**CITY OF NILES
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2022**

	Special		
	Major Street	Local Street	Building Department
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	1,108,643	453,083	-
Charges for services	159,650	-	3,700
Licenses and permits	-	-	219,868
Investment earnings (loss)	2,593	665	686
Other	-	-	593
TOTAL REVENUES	1,270,886	453,748	224,847
EXPENDITURES			
Current			
Highways and streets	1,332,743	661,076	-
Transportation	-	-	-
Community and economic development	-	-	193,759
Capital outlay	-	-	-
TOTAL EXPENDITURES	1,332,743	661,076	193,759
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(61,857)	(207,328)	31,088
OTHER FINANCING SOURCES (USES)			
Transfers in	-	119,900	-
Transfers out	(70,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(70,000)	119,900	-
NET CHANGE IN FUND BALANCES	(131,857)	(87,428)	31,088
Fund balances, beginning of year	1,575,913	486,077	426,663
Fund balances, end of year	<u>\$ 1,444,056</u>	<u>\$ 398,649</u>	<u>\$ 457,751</u>

Revenue Funds

Community Development Grants and Loans	Downtown Revolving Loans	HUD Entitlement Program	Economic Development Grants and Loans	Industrial Park	Dial-A-Ride Transportation
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 119,758
-	-	344,894	-	-	621,276
-	-	-	-	-	80,160
-	-	-	-	-	-
(121)	(1,779)	3	6,465	91	1,406
-	-	10,314	-	-	17,140
<u>(121)</u>	<u>(1,779)</u>	<u>355,211</u>	<u>6,465</u>	<u>91</u>	<u>839,740</u>
-	-	-	-	-	-
-	-	-	-	-	728,764
-	-	382,148	-	126	-
-	-	-	-	-	5,740
<u>-</u>	<u>-</u>	<u>382,148</u>	<u>-</u>	<u>126</u>	<u>734,504</u>
<u>(121)</u>	<u>(1,779)</u>	<u>(26,937)</u>	<u>6,465</u>	<u>(35)</u>	<u>105,236</u>
-	-	2,000	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
(121)	(1,779)	(24,937)	6,465	(35)	105,236
121	1,779	25,196	480,914	58,096	1,130,116
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 259</u>	<u>\$ 487,379</u>	<u>\$ 58,061</u>	<u>\$ 1,235,352</u>

**CITY OF NILES
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES (continued)
YEAR ENDED SEPTEMBER 30, 2022**

	Capital Project Funds		
	Capital Improvement	Equipment Replacement	Local Improvement Revolving
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	-	-	-
Charges for services	-	-	-
Licenses and permits	-	-	-
Investment earnings (loss)	49	1,071	99
Other	-	107,491	-
TOTAL REVENUES	<u>49</u>	<u>108,562</u>	<u>99</u>
EXPENDITURES			
Current			
Highways and streets	-	-	-
Transportation	-	-	-
Community and economic development	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>49</u>	<u>108,562</u>	<u>99</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	23,000	-
Transfers out	-	(79,683)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(56,683)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	49	51,879	99
Fund balances, beginning of year	<u>31,954</u>	<u>407,819</u>	<u>63,952</u>
Fund balances, end of year	<u>\$ 32,003</u>	<u>\$ 459,698</u>	<u>\$ 64,051</u>

<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Cemetery Perpetual Care	
\$ -	\$ 119,758
-	2,527,896
-	243,510
-	219,868
(45,326)	(34,098)
-	135,538
<u>(45,326)</u>	<u>3,212,472</u>
-	1,993,819
-	728,764
-	576,033
-	5,740
<u>-</u>	<u>3,304,356</u>
<u>(45,326)</u>	<u>(91,884)</u>
-	144,900
-	(149,683)
<u>-</u>	<u>(4,783)</u>
(45,326)	(96,667)
<u>688,923</u>	<u>5,377,523</u>
<u>\$ 643,597</u>	<u>\$ 5,280,856</u>

CITY OF NILES
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

	Cemetery	Airport	Plym Park Golf	Total Nonmajor Enterprise Funds
ASSETS				
Current assets				
Cash and cash equivalents	\$ 251,394	\$ 189,215	\$ 104,075	\$ 544,684
Accounts receivable	-	4,766	-	4,766
Leases receivable	-	35,929	-	35,929
Due from other governmental units	-	77,297	-	77,297
Prepays	-	1,673	-	1,673
Total current assets	<u>251,394</u>	<u>308,880</u>	<u>104,075</u>	<u>664,349</u>
Noncurrent assets				
Capital assets not being depreciated	20,000	539,502	7,555	567,057
Capital assets being depreciated, net	66,256	380,705	69,356	516,317
Total noncurrent assets	<u>86,256</u>	<u>920,207</u>	<u>76,911</u>	<u>1,083,374</u>
TOTAL ASSETS	<u>337,650</u>	<u>1,229,087</u>	<u>180,986</u>	<u>1,747,723</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	38,242	-	-	38,242
Deferred outflows related to other post-employment benefits	3,790	-	-	3,790
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>42,032</u>	<u>-</u>	<u>-</u>	<u>42,032</u>
LIABILITIES				
Current liabilities				
Accounts payable	1,383	8,115	6,603	16,101
Accrued liabilities	759	402	1,675	2,836
Due to other funds	-	-	1,995	1,995
Total current liabilities	<u>2,142</u>	<u>8,517</u>	<u>10,273</u>	<u>20,932</u>
Noncurrent liabilities				
Net pension liability	73,996	-	-	73,996
Total other post-employment benefits liability	16,526	-	-	16,526
Total noncurrent liabilities	<u>90,522</u>	<u>-</u>	<u>-</u>	<u>90,522</u>
TOTAL LIABILITIES	<u>92,664</u>	<u>8,517</u>	<u>10,273</u>	<u>111,454</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - leases	-	34,704	-	34,704
Deferred inflows related to pensions	38,355	-	-	38,355
Deferred inflows related to other post-employment benefits	7,418	-	-	7,418
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>45,773</u>	<u>34,704</u>	<u>-</u>	<u>80,477</u>
NET POSITION				
Investment in capital assets	86,256	920,207	76,911	1,083,374
Unrestricted	154,989	265,659	93,802	514,450
TOTAL NET POSITION	<u>\$ 241,245</u>	<u>\$ 1,185,866</u>	<u>\$ 170,713</u>	<u>\$ 1,597,824</u>

**CITY OF NILES
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2022**

	Cemetery	Airport	Plym Park Golf	Total Nonmajor Enterprise Funds
OPERATING REVENUES				
Charges for services	\$ 192,603	\$ -	\$ 121,423	\$ 314,026
Rents	-	67,404	65,629	133,033
Other	14,666	91,476	638	106,780
TOTAL REVENUES	207,269	158,880	187,690	553,839
OPERATING EXPENSES				
Administrative and general	80,776	7,623	82,663	171,062
Supplies	7,954	125,288	17,142	150,384
Contractual services	72,039	9,716	9,074	90,829
Other services and charges	4,125	20,684	66,219	91,028
Depreciation	6,629	135,367	12,043	154,039
TOTAL OPERATING EXPENSES	171,523	298,678	187,141	657,342
OPERATING INCOME (LOSS)	35,746	(139,798)	549	(103,503)
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental	-	31,725	-	31,725
Investment income	493	1,721	218	2,432
Interest expense and fees	-	-	(80)	(80)
TOTAL NONOPERATING REVENUES (EXPENSES)	493	33,446	138	34,077
INCOME (LOSS) BEFORE TRANSFERS	36,239	(106,352)	687	(69,426)
TRANSFERS IN	30,000	997	-	30,997
CHANGE IN NET POSITION	66,239	(105,355)	687	(38,429)
Net position, beginning of year	175,006	1,291,221	170,026	1,636,253
Net position, end of year	<u>\$ 241,245</u>	<u>\$ 1,185,866</u>	<u>\$ 170,713</u>	<u>\$ 1,597,824</u>

CITY OF NILES
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2022

	Cemetery	Airport	Plym Park Golf	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 207,269	\$ 124,347	\$ 187,690	\$ 519,306
Cash paid to suppliers	(83,809)	(153,549)	(98,805)	(336,163)
Cash paid to employees	(85,495)	(7,471)	(87,249)	(180,215)
NET CASH PROVIDED BY OPERATING ACTIVITIES	37,965	(36,673)	1,636	2,928
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer from other funds	30,000	997	-	30,997
Nonoperating grants received	-	31,725	-	31,725
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	30,000	32,722	-	62,722
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	493	496	218	1,207
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Interest paid on financing	-	-	(80)	(80)
Purchase of capital assets	(1,931)	(35,420)	(24,000)	(61,351)
NET CASH (USED) FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(1,931)	(35,420)	(24,080)	(61,431)
NET INCREASE IN CASH AND CASH EQUIVALENTS	66,527	(38,875)	(22,226)	5,426
Cash and cash equivalents, beginning of year	184,867	228,090	126,301	539,258
Cash and cash equivalents, end of year	<u>\$ 251,394</u>	<u>\$ 189,215</u>	<u>\$ 104,075</u>	<u>\$ 544,684</u>
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ 35,746	\$ (139,798)	\$ 549	\$ (103,503)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	6,629	135,367	12,043	154,039
(Increase) decrease in:				
Accounts receivable	-	(3,081)	-	(3,081)
Due from other governmental units	-	(31,452)	-	(31,452)
Prepays	-	(1,673)	-	(1,673)
Deferred outflows related to pensions	(16,198)	-	-	(16,198)
Deferred outflows related to other post-employment benefits	791	-	-	791
Increase (decrease) in:				
Accounts payable	309	3,812	(4,345)	(224)
Accrued liabilities	(1,857)	152	(4,586)	(6,291)
Deferred inflows related to pensions	9,063	-	-	9,063
Deferred inflows related to other post-employment benefits	2,082	-	-	2,082
Net pension liability	3,988	-	-	3,988
Other post-employment benefits liability	(2,588)	-	-	(2,588)
Due to other funds	-	-	(2,025)	(2,025)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 37,965	\$ (36,673)	\$ 1,636	\$ 2,928

**CITY OF NILES
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
SEPTEMBER 30, 2022**

	Insurance	Sewer Maintenance	Total Internal Service Funds
ASSETS			
Cash and cash equivalents	\$ 1,606,990	\$ 125,408	\$ 1,732,398
Accounts receivable	2,394	-	2,394
TOTAL ASSETS	1,609,384	125,408	1,734,792
LIABILITIES			
Accounts payable	-	7,859	7,859
Accrued liabilities	61,545	1,107	62,652
Due to other funds	-	70,695	70,695
TOTAL LIABILITIES	61,545	79,661	141,206
NET POSITION			
Unrestricted	\$ 1,547,839	\$ 45,747	\$ 1,593,586

**CITY OF NILES
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2022**

	<u>Insurance</u>	<u>Sewer Maintenance</u>	<u>Total Internal Service Funds</u>
OPERATING REVENUES			
Charges for services	\$ 1,856,293	\$ 312,404	\$ 2,168,697
Other	296,155	86	296,241
TOTAL OPERATING REVENUES	<u>2,152,448</u>	<u>312,490</u>	<u>2,464,938</u>
OPERATING EXPENSES			
Administrative and general	2,301,581	93,324	2,394,905
Public works	-	219,080	219,080
TOTAL OPERATING EXPENSES	<u>2,301,581</u>	<u>312,404</u>	<u>2,613,985</u>
OPERATING INCOME (LOSS)	(149,133)	86	(149,047)
NONOPERATING REVENUES			
Interest income	2,315	60	2,375
CHANGE IN NET POSITION	(146,818)	146	(146,672)
Net position, beginning of year	<u>1,694,657</u>	<u>45,601</u>	<u>1,740,258</u>
Net position, end of year	<u><u>\$ 1,547,839</u></u>	<u><u>\$ 45,747</u></u>	<u><u>\$ 1,593,586</u></u>

**CITY OF NILES
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2022**

	<u>Insurance</u>	<u>Sewer Maintenance</u>	<u>Total Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 2,152,301	\$ 406,210	\$ 2,558,511
Cash paid to suppliers	(2,296,682)	(120,042)	(2,416,724)
Cash paid to employees	<u>-</u>	<u>(188,645)</u>	<u>(188,645)</u>
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 (144,381)	 97,523	 (46,858)
 CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	<u>2,315</u>	<u>60</u>	<u>2,375</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 (142,066)	 97,583	 (44,483)
Cash and cash equivalents, beginning of year	<u>1,749,056</u>	<u>27,825</u>	<u>1,776,881</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,606,990</u></u>	<u><u>\$ 125,408</u></u>	<u><u>\$ 1,732,398</u></u>
 Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (149,133)	\$ 86	\$ (149,047)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
(Increase) Decrease in:			
Accounts receivable	(147)	-	(147)
Due from other funds	-	23,025	23,025
(Decrease) Increase in:			
Accounts payable	(1,315)	5,714	4,399
Accrued liabilities	6,214	(1,997)	4,217
Due to other funds	<u>-</u>	<u>70,695</u>	<u>70,695</u>
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u><u>\$ (144,381)</u></u>	 <u><u>\$ 97,523</u></u>	 <u><u>\$ (46,858)</u></u>

**CITY OF NILES
 COMPONENT UNIT FUND
 BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY
 SEPTEMBER 30, 2022**

ASSETS	
Cash and cash equivalents	\$ 173,534
Accounts receivable	3,560
Due from other governmental units	<u>72,490</u>
TOTAL ASSETS	<u><u>\$ 249,584</u></u>
 LIABILITIES	
Accounts payable	\$ 8,427
Accrued liabilities	<u>769</u>
TOTAL LIABILITIES	<u>9,196</u>
 DEFERRED INFLOWS OF RESOURCES	
Property taxes levied for subsequent period	<u>71,157</u>
 FUND BALANCE	
Unassigned	<u>169,231</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u><u>\$ 249,584</u></u>

**CITY OF NILES
 COMPONENT UNIT FUND
 RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE
 STATEMENT OF NET POSITION - DOWNTOWN DEVELOPMENT AUTHORITY
 SEPTEMBER 30, 2022**

Total fund balance - governmental fund \$ 169,231

Amounts reported for the governmental activities in the statement of net position are different because:

Governmental funds report actual pension expenditures for the fiscal year, whereas the governmental activities will recognize the other post-employment liability as of the measurement date. Resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:

Deferred outflows of resources related to other post-employment benefits	\$ 2,502	
Deferred inflows of resources related to other post-employment benefits	<u>(4,179)</u>	
		(1,677)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Fund Balance Sheet. Long-term liabilities at year-end consist of:

Other post-employment benefits liability	<u>(9,034)</u>
--	----------------

Net position of governmental activities \$ 158,520

**CITY OF NILES
 COMPONENT UNIT FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
 DOWNTOWN DEVELOPMENT AUTHORITY
 YEAR ENDED SEPTEMBER 30, 2022**

REVENUES	
Taxes	\$ 85,819
Intergovernmental	32,902
Charges for services	43,820
Interest and rents	6,149
Contributions	41,480
Other	<u>14,422</u>
TOTAL REVENUES	<u>224,592</u>
EXPENDITURES	
Current	
Community and economic development	<u>198,058</u>
NET CHANGE IN FUND BALANCE	26,534
Fund balance, beginning of year	<u>142,697</u>
Fund balance, end of year	<u><u>\$ 169,231</u></u>

**CITY OF NILES
 COMPONENT UNIT FUND
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT
 OF ACTIVITIES - DOWNTOWN DEVELOPMENT AUTHORITY
 YEAR ENDED SEPTEMBER 30, 2022**

Net change in fund balance - governmental fund \$ 26,534

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

Some items 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. These activities consist of:

Decrease in other post-employment benefits liability	\$	1,495	
(Increase) in deferred inflows related to pensions		(1,153)	
(Decrease) in deferred outflows related to pensions		<u>(503)</u>	
			<u>(161)</u>

Change in net position of governmental activities \$ 26,373

**CITY OF NILES
 COMPONENT UNIT FUND
 BALANCE SHEET - BROWNFIELD REDEVELOPMENT AUTHORITY
 SEPTEMBER 30, 2022**

	Drive and Shine Fund	Indeck Niles, LLC Fund	Total Brownfield
ASSETS			
Cash and cash equivalents	\$ 11,588	\$ 382,450	\$ 394,038
Due from other governmental units	-	1,590	1,590
TOTAL ASSETS	\$ 11,588	\$ 384,040	\$ 395,628
FUND BALANCE			
Restricted - Community and economic development	\$ 11,588	\$ 384,040	\$ 395,628

Note: Reconciliation of the governmental fund balance sheet to the statement of net position for this component unit is not required as the fund balance was equal to the net position as of September 30, 2022.

**CITY OF NILES
 COMPONENT UNIT FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
 BROWNFIELD REDEVELOPMENT AUTHORITY
 YEAR ENDED SEPTEMBER 30, 2022**

	<u>Drive and Shine Fund</u>	<u>Indeck Niles, LLC Fund</u>	<u>Total Brownfield</u>
REVENUES			
Taxes	\$ 56,175	\$ 233,502	\$ 289,677
Miscellaneous	<u>7</u>	<u>203</u>	<u>210</u>
TOTAL REVENUES	56,182	233,705	289,887
EXPENDITURES			
Current			
Community and economic development	<u>44,594</u>	<u>2,249</u>	<u>46,843</u>
NET CHANGE IN FUND BALANCE	11,588	231,456	243,044
Fund balance, beginning of year	<u>-</u>	<u>152,584</u>	<u>152,584</u>
Fund balance, end of year	<u>\$ 11,588</u>	<u>\$ 384,040</u>	<u>\$ 395,628</u>

Note: Reconciliation of the statement of revenues, expenditures, and changes in fund balance of this component unit's governmental fund to the statement of activities is not required as the net change in fund balance was equal to the change in net position for the year ended September 30, 2022.

DIAL-A-RIDE TRANSPORTATION FUND SCHEDULES

**CITY OF NILES
DIAL-A-RIDE TRANSPORTATION FUND
SCHEDULE OF LOCAL REVENUES
YEAR ENDED SEPTEMBER 30, 2022**

	<u>10/1/2021 to 9/30/2022</u>
Local Revenues	
Passenger Fares (Urban)	\$ 80,160
Tax Levy (Urban)	119,758
Sale of Property (Urban)	7,650
Other revenue (Urban)	9,490
Interest Income (Urban)	<u>1,406</u>
	<u>\$ 218,464</u>

**CITY OF NILES
DIAL-A-RIDE TRANSPORTATION FUND
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2022**

Federal and State Grantor/Pass-through Grantor/Program Title	Assistance Listing Number	Grant Number/ Authorization Number	Program Award Amount	Current Year's Expenditures			Prior Year's Expenditures	Award Amount Remaining
				Total	Federal	State		
U.S. Department of Transportation								
Federal Transit Cluster								
Preventative Maintenance 2019	20.507	2019-020	\$ 148,611	\$ 32,584	\$ 26,067	\$ 6,517	\$ 116,027	\$ -
Preventative Maintenance 2020	20.507	2020-021	470,195	57,197	45,758	11,439	-	412,998
CARES Act - Preventative Maintenance 2021	20.507	2020-051	228,743	87,251	87,251	-	141,492	-
CARES Act - Operating Assistance	20.507	2020-051	375,000	20,000	20,000	-	355,000	-
Operating Assistance 2020	20.507	2020-021	885,215	-	-	-	453,575	431,640
ARP Act - Operating Assistance	20.507	2022-003	222,882	222,882	222,882	-	-	-
Capital 2018 (5339)	20.526	2018-021/2019-008	142,073	-	-	-	139,517	2,556
Capital 2019 (5339)	20.526	2019-015	22,500	5,740	4,592	1,148	14,672	2,088
Capital 2020 (5339)	20.526	2020-021	150,525	-	-	-	-	150,525
Capital 2020	20.507	2020-021	200,000	-	-	-	-	200,000
Capital 2020	20.507	2020-030	50,926	-	-	-	40,165	10,761
CARES Act - Capital 2021	20.507	2020-051	150,000	-	-	-	11,608	138,392
Total U.S. Department of Transportation			3,046,670	425,654	406,550	19,104	1,272,056	1,348,960
Michigan Department of Transportation								
Operating Assistance - Act 51								
Urban	N/A	N/A	194,555	194,555	-	194,555	-	-
Current Year Underpayment	N/A	N/A	(4,411)	(4,411)	-	(4,411)	-	-
Prior Years Net Underpayments	N/A	N/A	5,478	5,478	-	5,478	-	-
Total Michigan Department of Transportation			195,622	195,622	-	195,622	-	-
Total Expenditures of Federal and State Awards			\$ 3,242,292	\$ 621,276	\$ 406,550	\$ 214,726	\$ 1,272,056	\$ 1,348,960

CITY OF NILES
DIAL-A-RIDE TRANSPORTATION FUND
SCHEDULE OF OPERATING AND CONTRACT EXPENSES
YEAR ENDED SEPTEMBER 30, 2022

	<u>Urban</u>
Labor	\$ 398,335
Fringe Benefits	141,066
Services	10,248
Materials and Supplies	149,207
Utilities	14,725
Insurance	10,120
Miscellaneous Expenses	<u>5,063</u>
Total Operating Expenses per OAR	<u><u>\$ 728,764</u></u>

**CITY OF NILES
DIAL-A-RIDE TRANSPORTATION FUND
OAR SCHEDULE 4R
URBAN REGULAR SERVICE REVENUE REPORT
YEAR ENDED SEPTEMBER 30, 2022**

Code	Description	Total
401	Farebox Revenue	
40100	Passenger fares	\$ 80,160
407	Non-Transit Revenue	
40760	Gains from the Sale of Capital Assets	7,650
408	Local Revenue	
40800	Taxes levied directly for/by Transit Agency	119,758
411	State Formuals and Contracts	
41101	State operating assistance	190,144
41111	Preventative maintenance (20% state share)	17,956
413	Federal Contracts	
41311	Preventive Maintenance (80% Fed. Share)	71,825
41361	CARES Act	107,251
41363	ARP Act	222,882
414	Other Revenue	
41400	Interest income	1,406
440	Other Revenue	
44000	Prior Year Refunds and Credits	9,490
	Total operating revenues	\$ 828,522

**CITY OF NILES
DIAL-A-RIDE TRANSPORTATION FUND
OAR SCHEDULE 4E
URBAN REGULAR SERVICE EXPENSE REPORT
YEAR ENDED SEPTEMBER 30, 2022**

Code	Description	Total
501	Labor	
50101	Operators Salaries and Wages	\$ 213,010
50102	Other Salaries and Wages	131,990
50103	Dispatcher's Salaries and Wages	53,335
502	Fringe Benefits	
50200	Other Fringe Benefits	125,032
50220	Pensions	16,034
503	Services	
50302	Advertising Fees	887
50305	Audit Cost	3,500
50399	Other Services (New employee checks (credit, medical, DL), towing, software support)	5,861
504	Materials and Supplies	
50401	Fuel and Lubricants	81,562
50402	Tires & Tubes	920
50499	Other Material and Supplies	66,725
505	Utilities	
50500	Utilities	14,725
506	Insurance	
50603	Liability Insurance	8,400
50699	Other Insurance	1,720
509	Miscellaneous Expenses	
50902	Travel, Meetings and Training	1,562
50903	Association Dues and Subscriptions	3,477
50999	Other Misc. Expenses (Bank fees)	24
540/550/ 570/576	Ineligible Expenses	
54000	Ineligible Expenses (Refunds and Credits)	9,489
55009	Ineligible Percent of Association Dues (MPTA - \$700*16.75%)	77
55011	Ineligible Preventative Maintenance	177,032
Total Expenses		728,764
Total Ineligible Expenses		186,598
Total Eligible Expenses		\$ 542,166

**CITY OF NILES
DIAL-A-RIDE TRANSPORTATION FUND
OAR SCHEDULE 4N
URBAN REGULAR SERVICE NONFINANCIAL REPORT (UNAUDITED)
YEAR ENDED SEPTEMBER 30, 2022**

	Vehicle Miles ⁽¹⁾	Vehicle Hours	Regular Passengers	Senior Passengers	Handicapped Passengers	Senior/ Handicapped Passengers	Total Passengers
First quarter (October-December)	41,635	3,001	3,452	2,180	2,675	1,481	9,788
Second quarter (January-March)	41,872	3,076	3,776	2,325	2,920	1,524	10,545
Third quarter (April-June)	40,396	2,947	3,809	2,166	2,751	1,622	10,348
Fourth quarter (July-September)	39,965	3,078	3,497	2,389	2,515	1,561	9,962
Total	<u>163,868</u>	<u>12,102</u>	<u>14,534</u>	<u>9,060</u>	<u>10,861</u>	<u>6,188</u>	<u>40,643</u>

⁽¹⁾ The methodology used for compiling mileage has been reviewed and found to be an adequate and reliable method for recording vehicle mileage.

**CITY OF NILES
DIAL-A-RIDE TRANSPORTATION FUND
OPERATING ASSISTANCE CALCULATION
YEAR ENDED SEPTEMBER 30, 2022**

	Urban
Total expenses	\$ 728,764
Less ineligible expenses	
Other	\$ 9,566
Preventative Maintenance	177,032
Total ineligible expenses	186,598
Total State eligible expenses	\$ 542,166
Eligible expenses for State reimbursement	\$ 542,166
Reimbursement percentage	0.3498540
State operating assistance	\$ 189,679
Adjusted floor	\$ 190,144
60% statutory cap	N/A

FEDERAL AWARD SCHEDULES

CITY OF NILES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2022

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Grantors Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Direct Program			
Community Development Block Grant 2022	14.228	N/A	<u>\$ 344,894</u>
U.S. DEPARTMENT OF JUSTICE			
Direct Program			
Bulletproof Vest Partnership Program	16.607	N/A	<u>1,734</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Direct Program			
COVID-19 Airport Improvement Program	20.106	N/A	<u>31,711</u>
Federal Transit Cluster			
Federal Transit Program ^(b)	20.507		
Capital Grant (Operating)		MI-2020-051	107,251
COVID-19 ARP Operating Assistance		MI-2022-003	222,882
Capital Grant (Preventative)		MI-2020-021	45,758
Capital Grant (Preventative)		MI-2019-020	<u>26,067</u>
			<u>401,958</u>
Passed through Michigan Department of Transportation			
Bus Facilities Formula Program ^(b)	20.526		
Section 5339		MI-2019-015	<u>4,592</u>
			<u>406,550</u>
			<u>438,261</u>
U.S. DEPARTMENT OF TREASURY			
Direct Program			
Coronavirus State and Local Fiscal Recovery Funds ^(a)	21.027		
COVID-19 American Rescue Plan Act		N/A	<u>2,849,371</u>
			<u>\$ 3,634,260</u>

^(a) Denotes programs tested as "major programs".

^(b) Denotes programs required to be clustered by the U.S. Department of Transportation.

CITY OF NILES
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the City of Niles, Michigan, under programs of the federal government for the year ended September 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) 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, Michigan, it is not intended to, and does not, present the financial position or changes in net position of the City of Niles, Michigan.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. The City of Niles has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 - RECONCILIATION WITH AUDITED FINANCIAL STATEMENTS

The following reconciles the federal revenues reported in the September 30, 2022 basic financial statements to the expenditures of the City administered federal programs reported on the Schedule of Expenditures of Federal Awards:

	Federal/ State Revenue	(Less) State/Local Revenue	Federal Award Expenditures
PRIMARY GOVERNMENT			
GENERAL FUND			
Bulletproof Vest Partnership Program	\$ 1,734	\$ -	\$ 1,734
Coronavirus State and Local Fiscal Recovery Fund	2,849,371	-	2,849,371
Other Programs	1,872,249	(1,872,249)	-
TOTAL GENERAL FUND	4,723,354	(1,872,249)	2,851,105
NONMAJOR GOVERNMENTAL FUNDS			
HUD Entitlement Program	344,894	-	344,894
Dial-A-Ride Transportation	621,276	(214,726)	406,550
Major Street	1,108,643	(1,108,643)	-
Local Street	453,083	(453,083)	-
TOTAL NONMAJOR GOVERNMENTAL FUNDS	2,527,896	(1,776,452)	751,444
TOTAL GOVERNMENTAL FUNDS	\$ 7,251,250	\$ (3,648,701)	\$ 3,602,549
ENTERPRISE FUNDS			
Airport (Nonmajor) Fund	\$ 31,725	\$ (14)	\$ 31,711



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**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***

To the Honorable Mayor and
Members of the City Council
City of Niles, Michigan

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Niles, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise City of Niles's basic financial statements, and have issued our report thereon dated February 28, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Niles's 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 City of Niles's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Niles's 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 entity's 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Niles's 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maney Costeiran PC

February 28, 2023



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Mayor and
Members of the City Council
City of Niles, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Niles's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of as of City of Niles's major federal programs for the year ended September 30, 2022. City of Niles's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Niles complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 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 City of Niles's 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 City of Niles's 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 City of Niles's 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 generally accepted auditing standards, *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 City of Niles's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 City of Niles's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Niles's 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 City of Niles's 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.

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.

Maney Costeiran PC

February 28, 2023

**CITY OF NILES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2022**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued based on financial statements prepared in accordance with generally accepted accounting principles:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ Yes X No

Identification of major programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 X Yes _____ No

Section II - Financial Statement Findings

None noted.

Section III - Federal Award Findings and Questioned Costs

None noted.

CITY OF NILES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2022

FINDINGS/NONCOMPLIANCE

Significant Deficiencies and Material Weaknesses Related to Internal Controls Over the Financial Statements.

No prior audit findings noted.

Findings Related to Compliance with Requirements Applicable to the Basic Financial Statements.

No prior audit findings noted.

Findings Related to Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with the Uniform Guidance.

No prior audit findings noted.