



Dave Yost • Auditor of State



**CITY OF URBANA  
CHAMPAIGN COUNTY**

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CITY OF URBANA  
CHAMPAIGN COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

City of Urbana  
Champaign County  
205 S. Main Street  
P.O. Box 747  
Urbana, Ohio 43078

To the City Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Urbana, Champaign County, Ohio (the City), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Urbana, Champaign County, Ohio, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 19 to the financial statements, the City restated Sewer Fund and Business-Type Activities Net Position for December 31, 2013 for an accounting change in depreciation. We did not modify our opinion regarding this matter.

**Other Matters**

*Required Supplementary Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2015, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 17, 2015

**CITY OF URBANA, OHIO  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(UNAUDITED)**

As management of the City of Urbana (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2014.

**FINANCIAL HIGHLIGHTS**

- The assets of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by approximately \$34.6 million (net position). Of this amount, approximately \$7.2 million (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net position decreased by approximately \$1.7 million, or 5%, during the fiscal year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of approximately \$5.8 million, a decrease of \$128,100 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was approximately \$1.4 million, or 26% of total general fund expenditures including transfers.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include public safety, health, leisure time activities, community development, transportation, and general government. The business-type activities of the City include water distribution, sewage collection, and recycling.

**CITY OF URBANA, OHIO  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(UNAUDITED)**

The government-wide financial statements can be found on pages 13-15 of this report.

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

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

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

The City maintains 30 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Police and Fire Levy Fund, Capital Improvements Fund and Perpetual Investment Fund, each of which are considered to be major funds. Data from the other 26 governmental funds are combined into a single, aggregated presentation.

The basic governmental fund financial statements can be found on pages 16-22 of this report.

**Proprietary Funds.** The City utilizes only one type of proprietary fund: enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water distribution, sewage collection, and recycling activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each enterprise fund, each of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 23-25 of this report.

**CITY OF URBANA, OHIO  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(UNAUDITED)**

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

The basic fiduciary fund financial statement can be found on page 26 of this report.

***Notes to the basic financial statements.*** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-52 of this report.

***Other information.*** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's compliance with budgetary law. Required supplementary information can be found on pages 53-58 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Table 1 shows the detail of the City's net position at December 31, 2014 and 2013.

**TABLE 1  
Net Position**

	Governmental Activities		Business-type Activities		Total	
	2013	2014	Restated 2013	2014	Restated 2013	2014
Current and other assets	\$ 9,213,036	\$ 10,229,993	\$ 2,990,137	\$ 4,468,892	\$ 12,203,173	\$ 14,698,885
Capital assets	25,783,427	21,773,206	18,780,358	32,787,783	44,563,785	54,560,989
Total Assets	<u>34,996,463</u>	<u>32,003,199</u>	<u>21,770,495</u>	<u>37,256,675</u>	<u>56,766,958</u>	<u>69,259,874</u>
Current and other liabilities	1,451,031	2,723,031	968,018	2,227,011	2,419,049	4,950,042
Long-term liabilities	4,387,772	3,832,330	13,113,053	25,328,452	17,500,825	29,160,782
Total Liabilities	<u>5,838,803</u>	<u>6,555,361</u>	<u>14,081,071</u>	<u>27,555,463</u>	<u>19,919,874</u>	<u>34,110,824</u>
Deferred Inflows of Resources	536,025	542,823	-	-	536,025	542,823
Total Deferred Inflows of Resources	<u>536,025</u>	<u>542,823</u>	<u>-</u>	<u>-</u>	<u>536,025</u>	<u>542,823</u>
Net Position:						
Net Investment in Capital Assets	23,613,298	20,050,429	5,806,359	5,722,795	29,419,657	25,773,224
Restricted	1,868,288	1,601,092	-	-	1,868,288	1,601,092
Unrestricted	3,140,049	3,253,494	1,883,065	3,978,417	5,023,114	7,231,911
Total Net Position	<u>\$ 28,621,635</u>	<u>\$ 24,905,015</u>	<u>\$ 7,689,424</u>	<u>\$ 9,701,212</u>	<u>\$ 36,311,059</u>	<u>\$ 34,606,227</u>

**CITY OF URBANA, OHIO  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(UNAUDITED)**

***Governmental Activities***

The significant increase in current and other assets and current and other liabilities is primarily the result of an increase in pooled cash and investments and unearned revenue related to business income taxes paid in advance.

Capital assets and net investment in capital assets both decreased significantly in comparison with the prior year. This decrease is primarily the result of the City transferring the Fox River property, totaling approximately \$3.2 million, to Weidmann Manufacturing in December 2014.

The significant decrease in long-term liabilities is the result of the debt principal payments made during the year.

***Business-Type Activities***

The significant increase in current and other assets is primarily the result of an increase in pooled cash and investments related to favorable operating results, most notably in the sewer fund.

Capital assets, current and other liabilities and long-term liabilities all increased significantly in comparison with the prior year. These increases relate to the water main line and water pollution control facility construction projects that took place during the year. These projects are both being funded with Ohio Water Development Authority loans.

***Governmental and Business-Type Activities***

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City, assets exceeded liabilities and deferred inflows of resources by approximately \$34.6 million at the close of the most recent fiscal year.

By far the largest portion of the City's net position (74 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (approximately \$7.2 million) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

**CITY OF URBANA, OHIO  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(UNAUDITED)**

Table 2 details the changes in net position for the fiscal years ended December 31, 2014 and 2013.

**TABLE 2  
Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2013	2014	2013	2014	2013	2014
<b>Program Revenues:</b>						
Charges for Service	\$ 2,226,075	\$ 2,276,073	\$ 5,449,818	\$ 5,814,440	\$ 7,675,893	\$ 8,090,513
Operating Grants	1,249,515	897,263	-	-	1,249,515	897,263
Capital Grants	517,379	135,341	-	-	517,379	135,341
<b>General Revenues:</b>						
Income Taxes	6,160,561	5,744,939	-	-	6,160,561	5,744,939
Property Taxes	456,767	512,680	-	-	456,767	512,680
Unrestricted Grants	463,487	335,861	-	-	463,487	335,861
Investment Earnings	37,770	31,921	-	-	37,770	31,921
Other	161,413	182,870	-	-	161,413	182,870
<b>Total Revenues</b>	<b>11,272,967</b>	<b>10,116,948</b>	<b>5,449,818</b>	<b>5,814,440</b>	<b>16,722,785</b>	<b>15,931,388</b>
<b>Expenses:</b>						
General Government	2,261,141	2,339,927	-	-	2,261,141	2,339,927
Public Safety	5,110,936	5,315,629	-	-	5,110,936	5,315,629
Health	259,919	264,680	-	-	259,919	264,680
Transportation	1,938,405	2,009,732	-	-	1,938,405	2,009,732
Community Development	359,279	3,354,682	-	-	359,279	3,354,682
Leisure Activities	453,052	468,310	-	-	453,052	468,310
Interest on Long-Term Debt	97,924	80,608	-	-	97,924	80,608
Water	-	-	1,682,135	1,692,588	1,682,135	1,692,588
Sewer	-	-	1,672,263	1,970,356	1,672,263	1,970,356
Recycling Program	-	-	138,025	139,708	138,025	139,708
<b>Total Expenses</b>	<b>10,480,656</b>	<b>13,833,568</b>	<b>3,492,423</b>	<b>3,802,652</b>	<b>13,973,079</b>	<b>17,636,220</b>
<b>Change in Net Position</b>	<b>792,311</b>	<b>(3,716,620)</b>	<b>1,957,395</b>	<b>2,011,788</b>	<b>2,749,706</b>	<b>(1,704,832)</b>
Net position, Beginning	27,829,324	28,621,635	5,732,029	7,689,424	33,561,353	36,311,059
Net position, Ending	\$ 28,621,635	\$ 24,905,015	\$ 7,689,424	\$ 9,701,212	\$ 36,311,059	\$ 34,606,227

**Governmental Activities.** Governmental activities decreased the City's net position by \$3.7 million as a result of an increase in expenditures. The increase in expenditures was primarily the result of the City transferring the Fox River property, totaling approximately \$3.2 million, to Weidmann Manufacturing in December 2014.

**Business-type Activities.** Business-type activities increased the City's net position by approximately \$2.0 million. This increase represents the amount in which user charges exceeded operating costs. Surplus funds will be used for future capital projects and debt payments.

**CITY OF URBANA, OHIO  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(UNAUDITED)**

**Total versus Net Cost of Services**

The Statement of Activities shows the cost of program services and the charges for services and grants associated with those services. Table 3 below reflects the cost of program services and the net cost of those services after taking into account the program revenues. When applicable, the net cost of program services must be supported by general revenues including tax revenue, investment earnings and unrestricted grants.

**TABLE 3**

Functions/Programs	Total Cost of Services		Net Cost of Services	
	2013	2014	2013	2014
<b>Governmental Activities:</b>				
General Government	\$ (2,261,141)	\$ (2,339,927)	\$ (1,399,976)	\$ (1,615,801)
Public Safety	(5,110,936)	(5,315,629)	(4,154,951)	(4,129,571)
Transportation	(1,938,405)	(2,009,732)	(612,715)	(903,030)
Community Development	(359,279)	(3,354,682)	308,608	(3,253,392)
Leisure Activities	(453,052)	(468,310)	(396,813)	(403,549)
All Other	(357,843)	(345,288)	(231,840)	(219,548)
<b>Total Governmental Activities</b>	<b>(10,480,656)</b>	<b>(13,833,568)</b>	<b>(6,487,687)</b>	<b>(10,524,891)</b>
<b>Business-Type Activities:</b>				
Water	(1,682,135)	(1,692,588)	614,639	679,958
Sewer	(1,672,263)	(1,970,356)	1,341,495	1,326,327
Recycling Program	(138,025)	(139,708)	1,261	5,503
<b>Total Business-Type Activities</b>	<b>(3,492,423)</b>	<b>(3,802,652)</b>	<b>1,957,395</b>	<b>2,011,788</b>
<b>Grand Total</b>	<b>\$ (13,973,079)</b>	<b>\$ (17,636,220)</b>	<b>\$ (4,530,292)</b>	<b>\$ (8,513,103)</b>

**CITY OF URBANA, OHIO  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(UNAUDITED)**

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of approximately \$5.8 million, a \$128,100 decrease from the previous year.

The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2014 and 2013.

	<b>Fund Balance 12/31/2013</b>	<b>Fund Balance 12/31/2014</b>	<b>Increase (Decrease)</b>
General	\$ 1,567,006	\$ 1,575,390	\$ 8,384
Police and Fire Levy	470,872	464,432	(6,440)
Capital improvement	727,768	768,569	40,801
Perpetual Investment	1,827,353	1,827,348	(5)
Other Governmental	1,339,307	1,168,467	(170,840)
Total	\$ 5,932,306	\$ 5,804,206	\$ (128,100)

The *General Fund* is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was approximately \$1.4 million, or 91% of the total fund balance. The fund balance of the City's general fund increased \$8,384 during the current fiscal year.

Revenues decreased \$219,826 from the prior year. The most significant contributor to this decrease was intergovernmental revenues, which decreased \$111,771, primarily as a result of a decrease in estate tax receipts and the continued decrease in state funding.

Expenditures decreased \$192,025 as a result of decreases in both public safety and general government expenditures.

The *Police and Fire Levy Fund* accounts for the income tax for additional patrolmen and firefighters that the General Fund is unable to financially support. The police and fire levy funds' fund balance decreased slightly during the year. This decrease represents the amount by which expenditures exceeded income tax and intergovernmental revenues.

**CITY OF URBANA, OHIO  
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**MANAGEMENT'S DISCUSSION & ANALYSIS  
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(UNAUDITED)**

The *Capital Improvements Fund* accounts for the accumulation of financial resources to be used for the acquisition or construction of capital assets as well as to service debt. The Capital Improvement Funds' fund balance increased \$40,801 during the year. This increase represents the amount by which income tax and intergovernmental revenues exceeded expenditures.

The *Perpetual Investment Fund* accounts for the accumulation of financial resources to be used for the acquisition or construction of capital assets or other purposes of the City. The Perpetual Investment Funds' fund balance remained constant during the fiscal year.

The fund balance of the City's *Other Governmental Funds* decreased \$170,840 during the year. The most significant contributor to this decrease was the Municipal Court Improvement Fund, which decreased \$173,777 during the year. This decrease was the result of capital projects.

**Proprietary Funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position in the Water Revenue Fund at the end of the year amounted to approximately \$1.4 million. Total net position increased \$679,958 from the previous year. The increase is due to the increase in revenues due to rate increases in 2012, 2013, and again in 2014. The City of Urbana planned the rate increases (13% (2012), 18% (2013), and 5% (2014)); in order to, satisfy the debt payments for upcoming projects, including the Water Phase I project.

Unrestricted net position in the Sewer Revenue fund at the end of the year amounted to \$2.5 million. Total net position increased approximately \$1.3 million from the previous year. The increase is due to the increase in revenues due to a 15% rate increase in January 2014. This is the first in a series of three annual rate increases approved by the Urbana City Council in July 2013.

Unrestricted net position in the Recycling Program Fund at the end of the year amounted to \$63,345. Total net position increased \$5,503 from the previous year. This increase is the amount by which charges for services exceeded program expenses during the year.

**Budget Information**

*General Fund*

The City's budget is prepared in accordance with Ohio law and is based on the budgetary basis of accounting, utilizing cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

The variances between the original and final revenue estimates and final revenue estimates actual were insignificant. Final appropriations exceeded the original resolution by \$179,817, or 3%, and the final amended appropriations exceeded actual expenditures by \$116,444, or 2%.

**CITY OF URBANA, OHIO  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(UNAUDITED)**

**Capital Assets**

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2014, amounts to approximately \$54.6 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings, equipment, furniture, vehicles, and infrastructure. Total acquisitions for the current fiscal year were approximately \$15.0 million, deletions were approximately \$3.3 million (net accumulated depreciation), and depreciation was approximately \$1.8 million. Deletions consisted primarily of the transfer of the Fox River property.

Detailed information regarding capital asset activity is included in the Note 8 to the basic financial statements.

**Debt**

At the end of the current fiscal year, the City had total debt outstanding of approximately \$26.9 million. Of this amount, approximately \$2.1 million represents bonds backed by the full faith and credit of the City. The remaining \$24.8 million of the City's debt represents loans in the City's name.

Detailed information regarding long-term debt is included in Note 9 to the basic financial statements.

**Contacting the City Finance Department**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it administers. If you have any questions about this report or need additional financial information, contact Chris Boettcher, Finance Director, 205 South Main Street, Urbana, Ohio 43078.

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**CITY OF URBANA, OHIO  
CHAMPAIGN COUNTY**

STATEMENT OF NET POSITION  
AS OF DECEMBER 31, 2014

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Pooled Cash and Investments	\$ 6,501,901	\$ 3,510,730	\$ 10,012,631
Receivables:			
Income Tax	1,191,859	-	1,191,859
Property Tax	613,472	-	613,472
Accounts	547,266	774,501	1,321,767
Notes	811,970	-	811,970
Due From Other Governments	416,966	-	416,966
Inventory	105,745	174,146	279,891
Prepaid Assets	40,814	9,515	50,329
Capital Assets:			
Non-Depreciable	3,648,138	19,752,670	23,400,808
Depreciable, Net	18,125,068	13,035,113	31,160,181
<b>Total Assets</b>	<b>32,003,199</b>	<b>37,256,675</b>	<b>69,259,874</b>
<b>Liabilities</b>			
Accounts Payable	49,023	1,718,044	1,767,067
Retainage Payable	-	321,495	321,495
Accrued Wages and Benefits	216,870	35,671	252,541
Due To Other Governments	277,263	38,911	316,174
Interest Payable	11,683	112,890	124,573
Unearned Revenue	2,168,192	-	2,168,192
Long-term Liabilities			
Due within one year	828,621	1,049,282	1,877,903
Due in more than one year	3,003,709	24,279,170	27,282,879
<b>Total Liabilities</b>	<b>6,555,361</b>	<b>27,555,463</b>	<b>34,110,824</b>
<b>Deferred Inflows of Resources</b>			
Property and Other Local Taxes	542,823	-	542,823
<b>Total Deferred Inflows of Resources</b>	<b>542,823</b>	<b>-</b>	<b>542,823</b>
<b>Net Position</b>			
Net Investment in Capital Assets	20,050,429	5,722,795	25,773,224
Restricted for:			
Capital Projects	264,305	-	264,305
Transportation Programs	288,715	-	288,715
Public Safety Programs	735,101	-	735,101
Debt Service	69,787	-	69,787
Permanent Endowments	106,657	-	106,657
Grant Programs	131,543	-	131,543
Other	4,984	-	4,984
Unrestricted	3,253,494	3,978,417	7,231,911
<b>Total Net Position</b>	<b>\$ 24,905,015</b>	<b>\$ 9,701,212</b>	<b>\$ 34,606,227</b>

See accompanying notes to the basic financial statements.

**CITY OF URBANA, OHIO  
CHAMPAIGN COUNTY**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Governmental Activities:</b>				
Public Safety	\$ 5,315,629	\$ 918,241	\$ 267,817	\$ -
Health	264,680	125,740	-	-
Leisure Time	468,310	64,761	-	-
Community Development	3,354,682	261	101,029	-
Transportation	2,009,732	442,944	528,417	135,341
General Government	2,339,927	724,126	-	-
Interest on Debt	80,608	-	-	-
<b>Total Governmental Activities</b>	<b>13,833,568</b>	<b>2,276,073</b>	<b>897,263</b>	<b>135,341</b>
<b>Business-type Activities:</b>				
Water	1,692,588	2,372,546	-	-
Sewer	1,970,356	3,296,683	-	-
Recycling Program	139,708	145,211	-	-
<b>Total Business-type Activities</b>	<b>3,802,652</b>	<b>5,814,440</b>	<b>-</b>	<b>-</b>
<b>Total Government</b>	<b>\$ 17,636,220</b>	<b>\$ 8,090,513</b>	<b>\$ 897,263</b>	<b>\$ 135,341</b>

General Revenues:

- Property Taxes
- Income Taxes
- Interest Earnings
- Grants and Contributions Unrestricted
- Other Unrestricted

Total General Revenues

Change in Net Position

Net position at beginning of year, restated  
Net position at end of year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and  
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (4,129,571)	\$ -	\$ (4,129,571)
(138,940)	-	(138,940)
(403,549)	-	(403,549)
(3,253,392)	-	(3,253,392)
(903,030)	-	(903,030)
(1,615,801)	-	(1,615,801)
(80,608)	-	(80,608)
<u>(10,524,891)</u>	<u>-</u>	<u>(10,524,891)</u>
-	679,958	679,958
-	1,326,327	1,326,327
-	5,503	5,503
<u>-</u>	<u>2,011,788</u>	<u>2,011,788</u>
<u>\$ (10,524,891)</u>	<u>\$ 2,011,788</u>	<u>\$ (8,513,103)</u>
512,680	-	512,680
5,744,939	-	5,744,939
31,921	-	31,921
335,861	-	335,861
182,870	-	182,870
<u>6,808,271</u>	<u>-</u>	<u>6,808,271</u>
(3,716,620)	2,011,788	(1,704,832)
<u>28,621,635</u>	<u>7,689,424</u>	<u>36,311,059</u>
<u>\$ 24,905,015</u>	<u>\$ 9,701,212</u>	<u>\$ 34,606,227</u>

See accompanying notes to the basic financial statements.

**CITY OF URBANA, OHIO  
CHAMPAIGN COUNTY**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
AS OF DECEMBER 31, 2014

	General Fund	Police & Fire Levy Fund	Capital Improvement Fund	Perpetual Investment Fund
<b>Assets:</b>				
Pooled Cash and Investments	\$ 3,393,629	\$ 390,595	\$ 648,165	\$ 1,017,424
Receivables:				
Income Tax	638,496	255,398	212,832	-
Property Tax	468,675	-	-	-
Accounts	493,162	-	158	-
Notes	-	-	-	809,924
Due From Other Governments	159,059	-	-	-
Inventory	26,867	-	-	-
Prepaid Assets	34,651	-	-	-
Advances To Other Funds	60,000	-	-	-
<b>Total Assets</b>	<b>\$ 5,274,539</b>	<b>\$ 645,993</b>	<b>\$ 861,155</b>	<b>\$ 1,827,348</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 18,232	\$ 971	\$ 17,704	\$ -
Accrued Wages and Benefits	150,327	40,340	-	-
Due To Other Governments	194,047	50,392	-	-
Matured Compensated Absences	7,369	-	-	-
Advances From Other Funds	-	-	-	-
Unearned Revenue	2,168,192	-	-	-
<b>Total Liabilities</b>	<b>2,538,167</b>	<b>91,703</b>	<b>17,704</b>	<b>-</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable Revenue	750,111	89,858	74,882	-
Property and Other Local Taxes	410,871	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>1,160,982</b>	<b>89,858</b>	<b>74,882</b>	<b>-</b>
<b>Fund Balances:</b>				
Nonspendable:				
Inventory	26,867	-	-	-
Advances	60,000	-	-	-
Prepays	34,651	-	-	-
Restricted:				
Capital Projects	-	-	-	-
Transportation Programs	-	-	-	-
Public Safety Programs	-	464,432	-	-
Debt Service	-	-	-	-
Permanent Endowments	-	-	-	-
Grant Programs	-	-	-	-
Other	-	-	-	-
Committed:				
Transportation Programs	-	-	-	-
Assigned:				
General Government	3,509	-	-	-
Security of Person and Property	11,000	-	-	-
Leisure Activity	1,317	-	-	-
Capital Projects	-	-	768,569	1,827,348
Unassigned	1,438,046	-	-	-
<b>Total Fund Balances</b>	<b>1,575,390</b>	<b>464,432</b>	<b>768,569</b>	<b>1,827,348</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 5,274,539</b>	<b>\$ 645,993</b>	<b>\$ 861,155</b>	<b>\$ 1,827,348</b>

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 1,052,088	\$ 6,501,901
85,133	1,191,859
144,797	613,472
53,946	547,266
2,046	811,970
257,907	416,966
78,878	105,745
6,163	40,814
-	60,000
<u>\$ 1,680,958</u>	<u>\$ 10,289,993</u>
\$ 12,116	\$ 49,023
26,203	216,870
32,824	277,263
-	7,369
60,000	60,000
-	2,168,192
<u>131,143</u>	<u>2,778,717</u>
249,396	1,164,247
131,952	542,823
<u>381,348</u>	<u>1,707,070</u>
78,878	105,745
-	60,000
6,163	40,814
233,807	233,807
69,367	69,367
161,357	625,789
69,787	69,787
106,657	106,657
132,088	132,088
7,458	7,458
358,829	358,829
-	3,509
-	11,000
-	1,317
-	2,595,917
(55,924)	1,382,122
<u>1,168,467</u>	<u>5,804,206</u>
<u>\$ 1,680,958</u>	<u>\$ 10,289,993</u>

See accompanying notes to the basic financial statements.

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**CITY OF URBANA, OHIO  
CHAMPAIGN COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET POSITION OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2014

<b>Total Governmental Fund Balances</b>	<b>\$ 5,804,206</b>
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	21,773,206
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	
Income Taxes Receivable	419,339
Property Taxes Receivable	70,649
Intergovernmental Receivable	286,610
Accounts Receivable - Ambulance	356,514
Accounts Receivable - Cemetery	31,135
Governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of net position.	
Unamortized Premium on Bonds	(4,732)
Long-Term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
Compensated Absences Payable	(1,028,695)
General Obligation Debt	(2,791,534)
Accrued Interest Payable	(11,683)
<b>Net Position of Governmental Activities</b>	<b><u><u>\$ 24,905,015</u></u></b>

See accompanying notes to the basic financial statements.

**CITY OF URBANA, OHIO  
CHAMPAIGN COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014

	General Fund	Police & Fire Levy Fund	Capital Improvement Fund	Perpetual Investment Fund
<b>Revenues:</b>				
Income Taxes	\$ 3,176,642	\$ 1,270,657	\$ 1,058,880	\$ -
Property Taxes	381,044	-	-	-
Intergovernmental	349,203	189,075	144,523	-
Charges for Services	869,673	-	-	-
Fines, Licenses, and Permits	529,103	-	-	-
Interest	31,374	-	-	-
Miscellaneous	177,721	18,929	72,877	-
Total revenues	<u>5,514,760</u>	<u>1,478,661</u>	<u>1,276,280</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Public Safety	3,218,093	1,287,390	-	-
Health	41,954	-	-	-
Leisure Time	298,952	-	-	-
Community Development	-	-	-	-
Transportation	-	-	347,743	-
General Government	1,692,377	-	156,434	-
Capital Outlay	-	197,711	621,521	-
Debt service:				
Principal Retirement	-	-	93,700	-
Interest and Fiscal Charges	-	-	21,230	5
Total Expenditures	<u>5,251,376</u>	<u>1,485,101</u>	<u>1,240,628</u>	<u>5</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	263,384	(6,440)	35,652	(5)
<b>Other Financing Sources (Uses):</b>				
Proceeds from sale of capital assets	-	-	5,149	-
Transfers In	-	-	-	-
Transfers Out	(255,000)	-	-	-
Total Other Financing Sources (Uses)	<u>(255,000)</u>	<u>-</u>	<u>5,149</u>	<u>-</u>
Net Change in Fund Balances	8,384	(6,440)	40,801	(5)
Fund Balance at Beginning of Year	1,567,006	470,872	727,768	1,827,353
Fund Balance at End of Year	<u>\$ 1,575,390</u>	<u>\$ 464,432</u>	<u>\$ 768,569</u>	<u>\$ 1,827,348</u>

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 423,554	\$ 5,929,733
131,799	512,843
714,663	1,397,464
327,896	1,197,569
184,345	713,448
547	31,921
189,051	458,578
<u>1,971,855</u>	<u>10,241,556</u>
366,873	4,872,356
158,975	200,929
-	298,952
113,417	113,417
1,012,149	1,359,892
78,147	1,926,958
244,457	1,063,689
353,652	447,352
70,025	91,260
<u>2,397,695</u>	<u>10,374,805</u>
(425,840)	(133,249)
-	5,149
255,000	255,000
-	(255,000)
<u>255,000</u>	<u>5,149</u>
(170,840)	(128,100)
1,339,307	5,932,306
<u>\$ 1,168,467</u>	<u>\$ 5,804,206</u>

See accompanying notes to the basic financial statements.

**CITY OF URBANA, OHIO  
CHAMPAIGN COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2014

**Net Change in Fund Balances - Total Governmental Funds** \$ (128,100)

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets  
is allocated over their estimated useful lives as depreciation  
expense.

Capital Outlays	519,762
Depreciation Expense	(1,269,139)

The effect of various miscellaneous transactions involving capital assets  
(i.e. sales, trade-ins, and disposals) is to decrease net position. (3,260,844)

Revenues in the statement of activities that do not provide current  
financial resources are not reported as revenues in the funds. (129,757)

Repayment of bond principal and payments towards landfill and pension obligations  
are an expenditure in the governmental funds, but the repayment reduces  
long-term liabilities in the statement of net position and does not result in an  
expense in the statement of activities. 544,604

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources  
to governmental funds, while the repayment of the principal of long-term debt  
consumes the current financial resources of governmental funds. Neither  
transaction, however, has any effect on net position. Also, governmental  
funds report the effect of premiums, discounts, and similar items when debt is  
first issued, whereas these amounts are deferred and amortized in the  
statement of activities.

Amortization of premium on bonds	4,729
----------------------------------	-------

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

Compensated absences	(3,798)
Accrued interest	5,923

**Change in Net Position of Governmental Activities** \$ (3,716,620)

See accompanying notes to the basic financial statements.

**CITY OF URBANA, OHIO  
CHAMPAIGN COUNTY**

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
AS OF DECEMBER 31, 2014

	Business-type Activities - Enterprise Funds			
	Water Revenue	Sewer Revenue	Recycling Program	Total Enterprise Funds
<b>Assets</b>				
Current Assets:				
Pooled Cash and Investments	\$ 1,132,805	\$ 2,307,092	\$ 70,833	\$ 3,510,730
Receivables:				
Accounts	317,751	452,590	4,160	774,501
Inventory	148,266	25,880	-	174,146
Prepaid Assets	2,756	6,759	-	9,515
Total Current Assets	<u>1,601,578</u>	<u>2,792,321</u>	<u>74,993</u>	<u>4,468,892</u>
Noncurrent Assets:				
Depreciable Capital Assets, Net	8,976,302	4,058,811	-	13,035,113
Non-Depreciable Capital Assets	1,545,863	18,206,807	-	19,752,670
Total Noncurrent Assets	<u>10,522,165</u>	<u>22,265,618</u>	<u>-</u>	<u>32,787,783</u>
Total Assets	<u>12,123,743</u>	<u>25,057,939</u>	<u>74,993</u>	<u>37,256,675</u>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	294,703	1,411,693	11,648	1,718,044
Accrued Wages and Benefits	15,440	20,231	-	35,671
Due to Other Governments	16,889	22,022	-	38,911
Accrued Interest payable	78,532	34,358	-	112,890
Accrued Vacation and Sick Leave	14,750	33,521	-	48,271
Retainage Payable	86,867	234,628	-	321,495
Bonds Payable	125,723	21,034	-	146,757
Loan Payable	340,877	513,377	-	854,254
Total Current Liabilities	<u>973,781</u>	<u>2,290,864</u>	<u>11,648</u>	<u>3,276,293</u>
Noncurrent Liabilities:				
Accrued Vacation and Sick Leave	22,271	60,024	-	82,295
Bonds Payable	208,390	412,772	-	621,162
Loan Payable	6,377,228	17,198,485	-	23,575,713
Total Noncurrent Liabilities	<u>6,607,889</u>	<u>17,671,281</u>	<u>-</u>	<u>24,279,170</u>
Total Liabilities	<u>7,581,670</u>	<u>19,962,145</u>	<u>11,648</u>	<u>27,555,463</u>
<b>Net Position</b>				
Net Investment in Capital Assets	3,093,733	2,629,062	-	5,722,795
Unrestricted	1,448,340	2,466,732	63,345	3,978,417
Total Net Position	<u>\$ 4,542,073</u>	<u>\$ 5,095,794</u>	<u>\$ 63,345</u>	<u>\$ 9,701,212</u>

See accompanying notes to the basic financial statements.

**CITY OF URBANA, OHIO  
CHAMPAIGN COUNTY**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-type Activities - Enterprise Funds			
	Water Revenue	Sewer Revenue	Recycling Program	Total Enterprise Funds
<b>Operating Revenues</b>				
Charges for Services	\$ 2,372,546	\$ 3,296,683	\$ 145,211	\$ 5,814,440
Total Operating Revenues	<u>2,372,546</u>	<u>3,296,683</u>	<u>145,211</u>	<u>5,814,440</u>
<b>Operating Expenses</b>				
Personal Services	424,874	640,473	-	1,065,347
Contractual Services	428,554	453,936	139,708	1,022,198
Supplies and Materials	31,110	294,295	-	325,405
Administrative Fees	326,358	250,168	-	576,526
Depreciation	263,905	238,798	-	502,703
Total Operating Expenses	<u>1,474,801</u>	<u>1,877,670</u>	<u>139,708</u>	<u>3,492,179</u>
Operating Income	<u>897,745</u>	<u>1,419,013</u>	<u>5,503</u>	<u>2,322,261</u>
<b>Nonoperating Revenues (Expenses)</b>				
Interest Expense	(217,787)	(92,686)	-	(310,473)
Total Non-Operating Revenues (Expenses)	<u>(217,787)</u>	<u>(92,686)</u>	<u>-</u>	<u>(310,473)</u>
Change in Net Position	<u>679,958</u>	<u>1,326,327</u>	<u>5,503</u>	<u>2,011,788</u>
Net Position at Beginning of Year, Restated	3,862,115	3,769,467	57,842	7,689,424
Net Position at End of Year	<u>\$ 4,542,073</u>	<u>\$ 5,095,794</u>	<u>\$ 63,345</u>	<u>\$ 9,701,212</u>

See accompanying notes to the basic financial statements.

**CITY OF URBANA, OHIO  
CHAMPAIGN COUNTY**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-type Activities - Enterprise Funds			
	Water Revenue	Sewer Revenue	Recycling Program	Total Enterprise Funds
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$ 2,350,991	\$ 3,236,451	\$ 144,754	\$ 5,732,196
Cash Paid to Employees	(438,354)	(631,491)	-	(1,069,845)
Cash Paid to Suppliers	(497,868)	(736,147)	(139,702)	(1,373,717)
Cash Paid for Other Expenses	(326,358)	(250,168)	-	(576,526)
Net Cash Flows from Operating Activities	<u>1,088,411</u>	<u>1,618,645</u>	<u>5,052</u>	<u>2,712,108</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Purchase of Capital Assets	(772,056)	(12,264,564)	-	(13,036,620)
Payment of Debt	(453,709)	(515,232)	-	(968,941)
Payment of Interest	(180,804)	(315,142)	-	(495,946)
Proceeds from Loans	709,621	12,441,861	-	13,151,482
Net Cash Flows from Capital and Related Financing Activities	<u>(696,948)</u>	<u>(653,077)</u>	<u>-</u>	<u>(1,350,025)</u>
Net Change in Cash	391,463	965,568	5,052	1,362,083
Cash and Cash Equivalents at Beginning of Year	741,342	1,341,524	65,781	2,148,647
Cash and Cash equivalents at End of Year	<u>\$ 1,132,805</u>	<u>\$ 2,307,092</u>	<u>\$ 70,833</u>	<u>\$ 3,510,730</u>
<b>Reconciliation of Operating Income to Net Cash Flows from Operating Activities:</b>				
Operating Income	\$ 897,745	\$ 1,419,013	\$ 5,503	\$ 2,322,261
Add: Depreciation Expense	263,905	238,798	-	502,703
(Increase)/Decrease in Current Assets				
Accounts Receivable	(21,555)	(60,232)	(457)	(82,244)
Prepaid Items	15	(43)	-	(28)
Material and Supply Inventory	(40,604)	6,204	-	(34,400)
Increase/(Decrease) in Current Liabilities				
Accounts Payable	2,385	5,923	6	8,314
Accrued Wages and Benefits	1,158	2,997	-	4,155
Accrued Vacation and Sick Leave	(14,742)	6,255	-	(8,487)
Due to Other Governments	104	(270)	-	(166)
Net Cash Flows from Operating Activities	<u>\$ 1,088,411</u>	<u>\$ 1,618,645</u>	<u>\$ 5,052</u>	<u>\$ 2,712,108</u>

See accompanying notes to the basic financial statements.

**CITY OF URBANA, OHIO  
CHAMPAIGN COUNTY**

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
AS OF DECEMBER 31, 2014

	<u>Agency Funds</u>
<b>Assets</b>	
Pooled Cash and Investments	\$ 54,270
Total Assets	<u>54,270</u>
<b>Liabilities</b>	
Due to Others	54,270
Total Liabilities	<u>\$ 54,270</u>

See accompanying notes to the basic financial statements.

**CITY OF URBANA, OHIO**  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

**NOTE 1 – REPORTING ENTITY**

The City of Urbana, Ohio (City) is a political unit incorporated and established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The City was incorporated in 1868, and has a Council-Mayor form of government. The City provides the following services: public safety (police and fire), highways and streets, water, sewer, recycling, recreation, planning and zoning and general administrative services.

For financial reporting purposes, the City includes in this report all funds, agencies, boards, commissions, and departments in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus”. Under the provisions of GASB Statement No. 14, the City of Urbana is the primary government, since it is a general purpose government that has a separate elected governing body; functions as a separate legal entity; and is fiscally independent of other state and local governments. As used in GASB Statement No. 14, fiscally independent means that the City may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue debt. As required by generally accepted accounting principles, these basic financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City’s operations and so data is combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the financial statements to emphasize it is legally separate from the City. There are no blended or discretely presented component units at December 31, 2014.

*Jointly Governed Organizations*

Champaign Countywide Public Safety Communications System Council of Governments

The City entered into an agreement in April 2005 with the Champaign Countywide Public Safety Communications System Council of Governments (COG) whereby Champaign County and the City created the COG for the purpose of operating an enhanced 911 system. The COG contracted with Champaign County to serve as its fiscal agent. Financial information may be obtained by writing to 1512 South Highway 68, Suite A100, Urbana, Ohio 43078.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**CITY OF URBANA, OHIO**  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***(a) Government-Wide and Fund Financial Statements***

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Interfund activity, and related interfund receivables and payables, have been eliminated in the government-wide statements. These eliminations remove the duplicating effect on assets, liabilities, revenues, expenses that would otherwise occur. 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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 major individual enterprise funds are reported as separate columns in the fund financial statements.

***(b) Measurement focus, basis of accounting, and financial statement presentation***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough after to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Taxes, intergovernmental revenues, charges for services, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

**CITY OF URBANA, OHIO**  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The City reports the following major governmental funds:

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

Police and Fire Tax Levy Fund - To account for the 3/10% income tax for additional patrolmen and firefighters that the General Fund is unable to financially support.

Capital Improvement Fund – To account for the income tax resources earmarked for capital improvements used for general improvement of all City facilities and operations.

Perpetual Investment Fund - To account for the proceeds from the sale of the City's Gas Lines in 1982. The Fund currently accounts for monies assigned for capital projects.

The proprietary funds are used to account for the City's ongoing activities that are similar to those found in the private sector where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City reports the following major proprietary funds:

Water Fund – Accounts for the operation of the waterworks distribution system and related expenses, including capital improvement and debt service. The operation is exclusively financed by customer user charges.

Sewer Fund – Accounts for the operation of the sanitary sewer collection and treatment system and related expenses, including capital improvement and debt service. The operation is exclusively financed by customer user charges.

Recycling Program Fund - Accounts for the operation of the recycling service provided by the City. The operation is exclusively financed by customer user charges.

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The City's fiduciary funds include agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds consist of the Champaign County Municipal Court fund and employee supplemental health insurance fund.

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 cost of sales and services, administrative expenses, and depreciation on capital assets.

All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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.

**CITY OF URBANA, OHIO**  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***(c) Cash and Cash Equivalents and Investments***

The City pools cash and investments of various funds to improve investment performance. Each fund's position in the pool is reflected in the participating fund as Pooled Cash and Investments. Interest earnings from cash and investments are allocated to the General Fund, except for funds derived from contract, trust agreement or City ordinance which require crediting otherwise.

For purposes of the statement of cash flows, the City's proprietary funds consider cash equivalents to be pooled cash and investments, cash on hand, demand deposits, and investments.

Except for non-participating investment contracts, investments are reported at fair value, which is based on quoted market prices. Non-participating investment contracts such as certificates of deposit are reported at cost.

***(d) Receivables and Payables***

Activity between funds that are representative of lending/borrowing arrangements and outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account to indicate that they do not constitute available financial resources and therefore are not available for appropriation.

***(e) Notes Receivable***

Notes receivable represent the right to receive repayment for a mortgage note made by the City. This note is based upon a written agreement between the City and the note recipient.

***(f) Inventory and Prepaid Assets***

Inventory is valued at cost (first-in, first-out). In both the governmental and proprietary funds, inventories are recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

In the governmental funds, inventories and prepaid items are offset by a nonspendable fund balance account to indicate that they do not constitute available financial resources and therefore are not available for appropriation.

**CITY OF URBANA, OHIO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***(g) Capital Assets and Depreciation***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

In the case of the initial capitalization of general infrastructure assets (i.e. those reported in the governmental activities) the City chose to include all such items acquired from January 1, 1980 through the present. The City was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year). As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and recorded at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the estimated fair value of the item at the date of its donation.

Interest incurred during the construction phase of capital assets of business-type activities, if significant, is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Useful Life (Years)</u>
Land improvements	25
Buildings and improvements	25
Machinery and equipment	5-20
Infrastructure	25-50

***(h) Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until then. The City does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**CITY OF URBANA, OHIO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***(i) Unearned Revenue***

Other revenues received in advance of the year for which they were intended to finance, have been recorded as unearned revenue on the statement of net position and governmental fund balance sheet. Income taxes not received within the available period due at December 31, 2014, are recorded as unavailable revenue in the governmental funds and as revenue on the statement of activities.

***(j) Compensated Absences***

Vested vacation and sick leave is recorded as an expense in the government-wide and proprietary fund financial statements in the period in which such leave was earned. In the governmental funds, an expenditure is recorded for only the portion of vested vacation and sick leave that is expected to be liquidated with expendable available resources. Payment of vacation and sick leave recorded in the government-wide financial statements is dependent upon many factors; therefore, timing of future payments is not readily determinable. Management believes that sufficient resources will be made available when payment is due.

***(k) Long Term Obligations***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***(l) Fund Balance***

GASB Statement No. 54, *Fund Balance Reporting* became effective for years beginning after June 15, 2010. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes 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.

**CITY OF URBANA, OHIO**  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In accordance with this guidance, the City classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The City may use the following categories:

Nonspendable - resources that are not in a spendable form (inventory, prepaids, and advances) or have legal or contractual requirements to maintain the balance intact.

Restricted - resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Committed - resources that can be used only for specific purposes pursuant to constraints imposed by formal action (resolution) of the City's highest level of decision-making authority (City Council).

Assigned - resources that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. This includes the residual balance of all governmental funds other than the General Fund that were not classified elsewhere above.

Unassigned - residual fund balance within the General Fund not classified elsewhere above and all other governmental fund balances which have a negative fund balance.

The City applies restricted resources first when an expense is incurred for purposes which both restricted and unrestricted fund balance/net position are available. The City considers committed, assigned and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

***(m) Net Position***

Net position represents the difference between assets and liabilities and deferred inflows of resources. Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The City applies restricted resources first, when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

***(n) Estimates***

The preparation of these financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and reported amounts of revenues and expenditure/expenses during the reporting period. Actual results could differ from those estimates.

**CITY OF URBANA, OHIO**  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

**NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES/ACCOUNTABILITY**

**(a) Change in Accounting Principles**

For the year ended December 31, 2014, the City has implemented the following:

*GASB Statement No. 70 “Accounting and Financial Reporting for Nonexchange Financial Guarantees”* enhances comparability of financial statements by requiring consistent reporting by those governmental entities that extend nonexchange financial guarantees and by those governmental entities that receive nonexchange financial guarantees. This implementation of this statement did not have a significant effect on the financial statements of the Corporation.

**(b) Deficit Fund Balances**

The fund balance in the City’s Mausoleum Trust Fund at December 31, 2014 was negative \$55,924. This deficit fund balance is primarily the result of accrued liabilities recorded with the application of generally accepted accounting principles. The general fund is responsible for fund deficits, however, transfers are recorded when cash is needed rather than when the accruals occurs.

**NOTE 4 – DEPOSITS AND INVESTMENTS**

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

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

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

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

**CITY OF URBANA, OHIO**  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

**NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)**

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer’s investment pool (STAR Ohio);
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in any amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investment to the Treasurer, or qualified trustee, unless the securities are not represented by a certificate, in which payment may be made upon receipt of confirmation of transfer from the custodian.

***(a) Cash on Hand***

At year end, the City had \$1,009 in undeposited petty cash on hand which is included on the financial statements of the City as part of “pooled cash and investments”.

**CITY OF URBANA, OHIO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014**

**NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)**

***(b) Deposits with Financial Institutions***

At year-end, the carrying amount of the City’s deposits was \$8,889,684, which includes certificates of deposit totaling \$2,179,400, and the bank balance was \$9,018,630. Of the bank balance, \$617,431 was covered by federal depository insurance, and the remaining amount was covered by collateral held by third party trustees pursuant to Section 135.181 Revised Code, in collateralized pools securing all public funds on deposit with the specific depository institutions in amounts equal to at least 105% of the City’s carrying value of deposits. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

**Custodial Credit Risk** – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. As mentioned above, at year end, \$8,401,199 of the City’s bank balance was exposed to custodial credit risk because it was uninsured and collateralized by securities held by a pledging financial institution’s trust department or agent, but not in the City’s name.

***(c) Investments***

As of December 31, 2014, the City had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities		
		1 year or less	1 to 3 years	Greater than 3 years
Money Market	\$ 1,176,208	\$ 1,176,208	\$ -	\$ -
Total	\$ 1,176,208	\$ 1,176,208	\$ -	\$ -

**Interest Rate Risk:** As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the City’s investment policy limits investment portfolio maturities to five years or less.

**Credit Risk:** The City’s investment in money market funds are not rated. The City has no investment policy that would further limit its investment choices.

**Custodial Credit Risk:** For an investment, custodial credit risk 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 investment or collateral securities that are in the possession of an outside party. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Finance Director or qualified trustee.

**Concentration of Credit Risk:** The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2014:

Investment Type	Fair Value	% of Total
Money Market	\$ 1,176,208	100%

**CITY OF URBANA, OHIO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014**

**NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)**

*(d) Reconciliation of Cash and Investments to the Statement of Net Position*

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2014:

<u>Cash and Investments Per Note</u>	
Carrying Amount of Deposits	\$ 8,889,684
Investments	1,176,208
Cash on Hand	1,009
Total	<u>\$ 10,066,901</u>
 <u>Cash and Investments Per Statements of Net Position</u>	
Governmental and Business-type Activities	\$ 10,012,631
Agency Funds	54,270
Total	<u>\$ 10,066,901</u>

**NOTE 5- NOTES RECEIVABLE**

During 2011, the City loaned Sarica/Hughley and Phillips LLC, \$950,000, to assist in financing the cost to retain and expand their company within the City. In consideration of the repayment of the note, monthly payments of \$4,806 began on July 1, 2011 and continue on the first day of each month until June 1, 2031 when the remaining principal at that time on the note shall become due and payable in full. Sarica/Hughley and Phillips LLC made twelve payments, totaling \$57,671 during 2014. At December 31, 2014, the balance of the note was \$809,924.

**NOTE 6 – INCOME TAXES**

Municipalities within the State of Ohio are permitted by state statute to levy an income tax up to a maximum rate of 1% subject to the approval of the local legislative body. Any rate in excess of 1% requires the approval of a majority of the eligible voters residing within the municipal corporation. The City of Urbana levies a tax on all wages, salaries, commissions and other compensation paid by employers and the net profits from a business or professional person earned within the City, excluding income from intangible personal property. In addition, City residents pay city income tax on income earned outside the City; net of a credit limited to 1% for income taxes paid to other municipalities. In 1992 the City Council ordered mandatory income tax filing.

The tax rate applied in 2014 was 1.4% of which 1% was unvoted and 0.4% was voted. The additional 0.4% tax became effective January 1, 1992, and is designated to fund fire and police personnel and capital improvement costs.

Twenty-five percent (25%) of all income tax revenues are required to be used for the purpose of financing capital improvements, including debt service charges on notes and bonds issued for capital improvements. This portion of income tax revenues is distributed to the Capital Improvement Fund from which capital improvements and related debt service charges are financed.

**CITY OF URBANA, OHIO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014**

**NOTE 7 – PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the City. All property is required to be revalued every six years with equalization adjustments in the third year following reappraisal. The last revaluation was completed in 2008.

Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value.

Public utility property taxes are assessed on tangible personal property as well as land and improvements at 88% of true value (50% of cost) with certain exceptions. Public utility property taxes, attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes.

Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes.

The Champaign County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City of Urbana. The County Auditor periodically advances to the City its portion of the taxes collected. Property taxes may be paid on either an annual or semi-annual basis.

The assessed valuations of the City for tax year 2013, which were used to collect taxes in calendar year 2014, are as follows:

	<u>Amount</u>	<u>Percent</u>
Real Estate (Other Than Public Utility)	\$172,779,130	96.5 %
Public Utility	<u>6,294,220</u>	<u>3.5 %</u>
Total Assessed Value	<u>\$179,073,350</u>	<u>100.0%</u>

**CITY OF URBANA, OHIO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014**

**NOTE 8 – CAPITAL ASSETS**

A summary of capital asset activity for Governmental Activities for the fiscal year follows:

***Governmental Activities***

	Beginning Balance	Additions	Deductions	Transfers	Ending Balance
Nondepreciable Capital Assets					
Land	\$ 6,850,376	\$ -	\$ (3,241,265)	\$ -	\$ 3,609,111
Construction in Progress	27,444	25,945	-	(14,362)	39,027
Total Nondepreciable Assets	<u>6,877,820</u>	<u>25,945</u>	<u>(3,241,265)</u>	<u>(14,362)</u>	<u>3,648,138</u>
Depreciable Capital Assets					
Building and Improvements	15,906,328	47,024	-	(314,099)	15,639,253
Machinery and Equipment	4,457,284	285,734	(94,104)	-	4,648,914
Infrastructure	19,640,794	161,059	-	328,461	20,130,314
Total Depreciable Assets	<u>40,004,406</u>	<u>493,817</u>	<u>(94,104)</u>	<u>14,362</u>	<u>40,418,481</u>
Less accumulated depreciation					
Building and Improvements	12,402,767	462,477	-	(6,282)	12,858,962
Machinery and Equipment	3,508,440	275,732	(74,525)	-	3,709,647
Infrastructure	5,187,592	530,930	-	6,282	5,724,804
Total accumulated depreciation	<u>21,098,799</u>	<u>1,269,139</u>	<u>(74,525)</u>	<u>-</u>	<u>22,293,413</u>
Depreciable Capital Assets, Net of accumulated depreciation	<u>18,905,607</u>	<u>(775,322)</u>	<u>(19,579)</u>	<u>14,362</u>	<u>18,125,068</u>
Total Capital Assets, Net	<u>\$ 25,783,427</u>	<u>\$ (749,377)</u>	<u>\$ (3,260,844)</u>	<u>\$ -</u>	<u>\$ 21,773,206</u>

Depreciation expense was charged to the governmental functions as follows:

General Government	\$ 315,566
Public Safety	168,005
Transportation	622,090
Health	49,127
Leisure Activities	114,351
Total depreciation expense	<u>\$ 1,269,139</u>

**CITY OF URBANA, OHIO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014**

**NOTE 8 – CAPITAL ASSETS (Continued)**

***Business Type Activities***

<b>Water Revenue Fund</b>	Beginning Balance	Additions	Deductions	Ending Balance
Land	\$ 460,028	-	-	\$ 460,028
Construction in Progress	-	1,085,835	-	1,085,835
<b>Total Nondepreciable Assets</b>	<b>460,028</b>	<b>1,085,835</b>	<b>-</b>	<b>1,545,863</b>
<b>Depreciable Capital Assets</b>				
Buildings	10,546,157	13,050	-	10,559,207
Equipment	2,801,699	47,753	-	2,849,452
Infrastructure	9,284,385	1,632	-	9,286,017
<b>Total Depreciable Assets</b>	<b>22,632,241</b>	<b>62,435</b>	<b>-</b>	<b>22,694,676</b>
<b>Less accumulated depreciation</b>				
Buildings	10,539,094	7,172	-	10,546,266
Equipment	2,252,378	63,247	-	2,315,625
Infrastructure	662,997	193,486	-	856,483
<b>Total accumulated depreciation</b>	<b>13,454,469</b>	<b>263,905</b>	<b>-</b>	<b>13,718,374</b>
<b>Depreciable Assets, Net</b>	<b>9,177,772</b>	<b>(201,470)</b>	<b>-</b>	<b>8,976,302</b>
<b>Total Capital Assets, Net</b>	<b>\$ 9,637,800</b>	<b>\$ 884,365</b>	<b>\$ -</b>	<b>\$ 10,522,165</b>

<b>Sewer Revenue Fund</b>	Beginning Balance Restated	Additions	Transfers	Ending Balance
Land	489,768	\$ -	\$ -	\$ 489,768
Construction in Progress	4,380,657	13,361,858	(25,476)	17,717,039
<b>Total Nondepreciable Assets</b>	<b>4,870,425</b>	<b>13,361,858</b>	<b>(25,476)</b>	<b>18,206,807</b>
<b>Depreciable Capital Assets</b>				
Buildings	20,784,250	-	-	20,784,250
Equipment	3,554,953	-	-	3,554,953
Infrastructure	2,068,428	-	25,476	2,093,904
<b>Total Depreciable Assets</b>	<b>26,407,631</b>	<b>-</b>	<b>25,476</b>	<b>26,433,107</b>
<b>Less accumulated depreciation</b>				
Buildings	20,661,753	163,745	-	20,825,498
Equipment	1,245,882	33,344	-	1,279,226
Infrastructure	227,863	41,709	-	269,572
<b>Total accumulated depreciation</b>	<b>22,135,498</b>	<b>238,798</b>	<b>-</b>	<b>22,374,296</b>
<b>Depreciable Capital Assets, Net</b>	<b>4,272,133</b>	<b>(238,798)</b>	<b>25,476</b>	<b>4,058,811</b>
<b>Total Capital Assets, Net</b>	<b>\$ 9,142,558</b>	<b>\$ 13,123,060</b>	<b>\$ -</b>	<b>\$ 22,265,618</b>

**CITY OF URBANA, OHIO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014**

**NOTE 9 – LONG TERM LIABILITIES**

The following is a summary of changes in long-term liabilities of the governmental activities for the year ended December 31, 2014:

<i>Governmental Activities</i>	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Municipal Bldg Renovation GO Bonds 2006-2015 3.25%-4% Police & Fire Capital Improve. Fund	\$ 565,000	\$ -	\$ (275,000)	\$ 290,000	\$ 290,000
Refunding Bonds Premium 2006-2015	9,461	-	(4,729)	4,732	-
9-1-1 Radio Equipment GO Bonds 2006-2016 4.25%-4.3% Police & Fire Capital Improve. Fund	170,000	-	(55,000)	115,000	55,000
2010 Various Purpose Bonds GO Bonds 2011-2030 2.0-5.0%	495,153	-	(23,072)	472,081	23,243
Mausoleum Refunding Bonds 2011-2030 6.75%	480,000	-	(15,000)	465,000	15,000
HB300 Energy Savings	207,819	-	(66,348)	141,471	69,231
OPWC Loan - Phoenix Dr (CK11P) 2013-2033	252,157	-	(12,932)	239,225	12,932
<b>Total</b>	<u>2,179,590</u>	<u>-</u>	<u>(452,081)</u>	<u>1,727,509</u>	<u>465,406</u>
Compensated Absences	1,042,173	316,473	(322,582)	1,036,064	249,771
Landfill Post Closure Liability	932,421	-	(90,513)	841,908	106,419
Unfunded P & F Pension Obligation Police & Fire Pension Levy Fund	233,588	-	(6,739)	226,849	7,025
<b>Total Governmental Activities Long Term Liabilities</b>	<u>\$ 4,387,772</u>	<u>\$ 316,473</u>	<u>\$ (871,915)</u>	<u>\$ 3,832,330</u>	<u>\$ 828,621</u>

**CITY OF URBANA, OHIO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014**

**NOTE 9 – LONG TERM LIABILITIES (Continued)**

The following is a summary of changes in long-term liabilities of the business-type activities for the year ended December 31, 2014:

<i>Business-Type Activities</i>	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Water Fund:</b>					
GO Bonds 2006-2015 4%-4.75% Water System Improvements	\$ 225,000	\$ -	\$ (110,000)	\$ 115,000	\$ 115,000
OPWC 0% Interest Loan- CK26C	189,669	-	(22,314)	167,355	22,314
OPWC 0% Interest Loan Well Field	66,272	-	(4,734)	61,538	4,734
OWDA Loan 2008-2029 3.36% North 29 Water System Improvement	4,833,213	-	(232,526)	4,600,687	240,405
OPWC 0% Interest Loan Well Field	775,000	-	(50,000)	725,000	50,000
OPWC 0% Interest Loan- CT Communication Utility Extension	69,056	-	(4,112)	64,944	4,112
OPWC - South Main Water Main (CK190) 2013-2033	366,927	-	(19,312)	347,615	19,312
2010 Various Purpose Bonds 2011-2030 2.0-5.0%	229,824	-	(10,711)	219,113	10,723
ODWA Phase I Water Main Replacement (#6731) 2016-2035	-	750,966	-	750,966	-
Accrued Vacation and Sick Leave	51,763	22,546	(37,288)	37,021	14,750
Total Water Fund	<u>\$ 6,806,724</u>	<u>\$ 773,512</u>	<u>\$ (490,997)</u>	<u>\$ 7,089,239</u>	<u>\$ 481,350</u>

**CITY OF URBANA, OHIO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014**

**NOTE 9 – LONG TERM LIABILITIES (Continued)**

<i>Business-Type Activities</i>	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Sewer Fund:</b>					
OWDA Loan 1995-2015 4.56% N-Viro Project	\$ 100,592	\$ -	\$ (49,162)	\$ 51,430	\$ 51,430
OWDA Loan 1996-2016 4.04% N-Viro Project	172,478	-	(55,208)	117,270	57,461
OPWC 0% Interest Loan	75,000	-	(30,000)	45,000	30,000
OWDA Loan 2008-2018 4.11% Sludge Handling Improvements	737,875	-	(152,501)	585,374	158,833
OWDA Loan 2008-2029 3.95% Sludge Handling Facility	385,477	-	(71,186)	314,291	74,024
OWDA Loan 2008-2018 4.78% Septage Receiving Facility	306,278	-	(55,609)	250,669	58,299
OWDA Loan 2008-2018 4.78% Septage Receiving Facility	362,363	-	(66,237)	296,126	69,218
OPWC 0% Northwest Sanitary	155,000	-	(10,000)	145,000	10,000
OPWC 0% CT Communication Utility Extension	74,869	-	(4,112)	70,757	4,112
OWDA - WPCLF Upgrade Design - 2.57%-2.6% (#6036 rolled into #6497) 2013-2035	3,394,084	12,441,861	-	15,835,945	-
2010 Various Purpose Bonds 2011-2030 2.0-5.0%	455,023	-	(21,217)	433,806	21,034
Accrued Vacation and Sick Leave	87,290	33,202	(26,947)	93,545	33,521
<b>Total Sewer Fund</b>	<u><u>\$ 6,306,329</u></u>	<u><u>\$12,475,063</u></u>	<u><u>\$ (542,179)</u></u>	<u><u>\$18,239,213</u></u>	<u><u>\$ 567,932</u></u>

In 2010, the City paid off Bond Anticipation Notes and issued Various Purpose Bonds in the amount of \$1,335,000. The Bonds mature in 2030 and have interest rates ranging from 2.0 to 5.0 percent during the life of the Bonds.

The City also issued \$525,000 in bonds for the re-finance of the Mausoleum Building. The bonds mature in 2031 and have an interest rate of 6.75 percent.

**CITY OF URBANA, OHIO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014**

**NOTE 9 – LONG TERM LIABILITIES (Continued)**

During 2012, the City entered into two loan arrangements through the Ohio Public Works Commission (OPWC) and one loan with the Ohio Water Development Agency (OWDA). The two OPWC loans were to fund the Phoenix Drive (\$258,623) and South Main Water Main (\$386,239) projects. The OWDA loan was entered into to fund a Waste Water Plant Upgrade project. The OWDA approved a loan in the amount \$20,697,045 for the project and as of December 31, 2014, the City has drawn down \$15,607,124. An additional \$228,821 in capitalized interest has been added to the principal balance since inception, making the total outstanding balance at December 31, 2014 \$15,835,945.

In 2014, the City entered into another loan with the Ohio Water Development Agency (OWDA) to fund a Water Main Replacement project. The OWDA approved a loan in the amount of \$2,861,925 for the project and as of December 31, 2014, the City has drawn down \$747,742. An additional \$3,224 in capitalized interest was added to the principal balance during the year, making the total outstanding balance at December 31, 2014 \$750,966.

Annual requirements to pay principal and interest on long-term debt at December 31, 2014:

	<u>Governmental Activities</u>		<u>Business Type-Activities</u>			
	Principal	Interest	<u>Water*</u>		<u>Sewer**</u>	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	465,406	73,503	466,600	167,460	534,411	82,424
2016	188,244	54,967	359,734	153,584	485,995	62,299
2017	56,003	47,877	368,155	144,766	427,338	43,547
2018	58,100	45,672	377,836	135,663	355,478	25,913
2019	60,198	43,391	387,811	126,229	39,187	15,694
2020-2024	342,283	170,572	2,032,261	477,188	201,722	63,650
2025-2029	420,352	90,979	2,228,180	186,537	217,939	32,765
2030-2034	132,191	5,134	80,675	973	47,653	1,929
<b>Total</b>	<b>1,722,777</b>	<b>532,095</b>	<b>6,301,252</b>	<b>1,392,400</b>	<b>2,309,723</b>	<b>328,221</b>

\* - The OWDA Phase I Water Main Replacement (#6731) loan did not have a debt to maturity as of December 31, 2014 due to the project still being in progress and therefore was omitted from the annual debt requirement schedule.

\*\* - The OWDA – WPCLF Upgrade Design (#6497) loan did not have a debt to maturity as of December 31, 2014 due to the project still being in process and therefore was omitted from the annual debt requirement schedule.

The Ohio Revised Code provides that the net debt of a municipal corporation whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The statutory limitations of debt are measured by a direct ratio of net debt to tax valuation in terms of a percentage. On December 31, 2014, the City's total net debt amounted to 5.8% of the total assessed value of all property within the City. The aggregate amount of the City's unvoted debt is also subject to overlapping debt restrictions with Champaign County and the Urbana City School District. As of December 31, 2014, these entities have complied with the requirement that overlapping debt must not exceed 1% (10 mills) of the assessed property value.

**CITY OF URBANA, OHIO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014**

**NOTE 10 – ADVANCE REFUNDINGS**

On February 1, 1995, the City of Urbana advance-refunded the 1991 Wastewater Treatment Plant Upgrade Bonds with an Ohio Water Department Authority (OWDA) Loan. The City signed a loan agreement for \$2,600,000 from the OWDA to provide resources to purchase U.S. Government Securities that were placed in an irrevocable trust to provide for all future debt service payments on the refunded debt. As a result, the refunded bonds are considered defeased and the liability has been removed from the City's financial statements. The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$105,661. This difference reported in the accompanying financial statements was being charged to operations through the year 2012 using the effective interest method. The advanced refund was taken to reduce total debt service payments over the remaining 17 years by \$655,522 and to obtain an economic gain (difference between present value of the debt service payments of the refunded and refunding bonds) of \$414,214. As of December 31, 2014, the debt service requirement to maturity of the defeased bonds was \$0.

On July 1, 1995, the City issued \$4.885 million in General Obligation Bonds to finance a municipal building upgrade (\$3.6 million) and advance refund the 1979 Water Mortgage Revenue Bonds (\$1,545,000). The bonds were issued with interest rates ranging from 3.9% to 5.5%, compared to the refunded bonds having an interest rate of 6.75%.

The net proceeds of the refunding bonds (\$1,662,373) plus \$341,172 of the 1979 Revenue Bonds' sinking funds were used to purchase U.S. government securities that were placed in an irrevocable trust to provide for all future debt service payments on the refunded bonds. As a result, the 1979 revenue bonds are considered defeased and the liability for those bonds has been removed from the City's financial statements. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$191,833. This difference, reported in the accompanying financial statements, is being charged to operations through the year 2009 using the effective interest method. The advance refunding reduces its total debt service over the next 14 years by \$655,262 and to obtain an economic gain (difference between present values of the old and new debt service payments) of \$120,593. As of December 31, 2014, the debt service requirement to maturity of the defeased bonds was \$0.

On August 1, 2005, the City issued \$2.645 million in General Obligation Bonds to currently refund the 1995 Municipal Building Bonds, Airport Runway Realignment Bonds, and Water Tower Maintenance Bonds. The net proceeds of the refunding bonds were used to purchase U.S. Government Securities that were placed in an irrevocable trust to provide for all future debt service payments on the refunded bonds. As a result, the 1995 Municipal Building Bonds, Airport Runway Realignment Bonds, and Water Tower Maintenance Bonds are considered defeased and the liability for those bonds has been removed from the City's financial statements. The current refunding reduced resulting in net present value cash flow savings of \$156,649. As of December 31, 2014, the debt service requirement to maturity of the defeased bonds was \$0.

**CITY OF URBANA, OHIO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014**

**NOTE 11 – RISK MANAGEMENT**

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

The City insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

There has been no reduction in coverage from the prior year. Settled claims did not exceed coverage in any of the last three years.

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

Casualty and Property Insurance

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2014, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP’s primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP’s financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2014 and 2013:

<u>Casualty &amp; Property Coverage</u>	<u>2014</u>	<u>2013</u>
Assets	\$35,402,177	\$34,411,883
Liabilities	(12,363,257)	(12,760,194)
Net Position	\$23,038,920	\$21,651,689

At December 31, 2014 and 2013, respectively, the liabilities above include approximately \$11.1 million and \$11.6 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million and \$11.1 million of unpaid claims to be billed. The Pool’s membership increased from 475 members in 2013 to 488 members in 2014. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the City’s share of these unpaid claims collectible in future years is approximately \$90,000.

**CITY OF URBANA, OHIO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014**

**NOTE 11 – RISK MANAGEMENT (Continued)**

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

Contributions to PEP	
2014	\$ 136,581
2013	135,410

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year’s contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**NOTE 12 – PENSION BENEFITS**

**A. Ohio Public Employees Retirement System**

All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as described below:

1. The Traditional Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan.
2. The Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon.
3. The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Plan and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-PERS (7377).

**CITY OF URBANA, OHIO**  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

**NOTE 12 – PENSION BENEFITS (Continued)**

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2014, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Separate divisions for law enforcement and public safety exist only within the Traditional Plan. The 2014 member contribution rate for City employees was 10.00% of covered payroll. The 2014 employer contribution rate for the City was 14.00% of covered payroll. The City's required contributions to OPERS for the years ended December 31, 2014, 2013, and 2012 were \$369,083, \$386,731, and \$380,095 respectively. The full amount has been contributed for 2012 and 2013; 92.9 percent has been contributed for 2014 with the remainder being reported as a fund liability.

**B. Ohio Police and Fire Pension Fund**

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple- employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and by Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 11.5 percent of their annual covered salary, while employers are required to contribute 19.50% and 24% respectively for police officers and firefighters. The City's contributions to OP&F for the years ending December 31, 2014, 2013, and 2012 were \$607,835, \$619,532, and \$604,482, respectively. The full amount has been contributed for 2013 and 2012; 92.9 percent has been contributed for 2013 with the remainder being reported as a fund liability.

The City also makes payments to OP&F for its portion of past service cost determined at the time the fund was established in the mid-1930's. As of December 31, 2014, the unfunded liability is payable, including principal and interest, in annual installments for \$16,666 through the year 2035. The principal balance of \$226,849 is accounted for as a non-current liability in the governmental activities column of the Statement of Net Position. The State of Ohio assumed the liability for past service cost at the time PERS was established.

**NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS**

***A. Public Employees Retirement System***

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Plan (TP) – a cost-sharing multiple-employer defined benefit plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

**CITY OF URBANA, OHIO**  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

**NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS (Continued)**

In order to qualify for post-retirement health care coverage, age and service retirees must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the Retirement System is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

The Ohio Revised Code provides statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 2.0% during calendar year 2014. The portion of employer contributions allocated to health care for members in the Combined Plan was 2.0% during calendar year 2014. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OPERS for post-employment benefits for the years ending December 31, 2014, 2013, and 2012 were \$52,705, \$99,676, and \$108,593, respectively. The full amount has been contributed for 2013 and 2012; 92.9 percent has been contributed for 2014 with the remainder being reported as a fund liability.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

**B. Ohio Police and Fire Pension Fund**

The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multi-employer defined postemployment health care plan administered by OP&F. OP&F provide healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 45.

**CITY OF URBANA, OHIO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014**

**NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS (Continued)**

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

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contribution allocated to the health care plan was 0.50% of covered payroll from January 1, 2014 thru December 31, 2014. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F for the years ending December 31, 2014, 2013, and 2012 were \$607,835, \$619,532 and \$604,482, respectively, of which \$14,047, \$99,676 and \$186,255, respectively, was allocated to the healthcare plan.

**NOTE 14 – LANDFILL CLOSURE/ POST CLOSURE COSTS**

State and Federal laws and regulations require the City to perform certain maintenance and monitoring functions at the landfill for thirty years after closure. The City stopped accepting waste at the landfill in 1987. The Ohio EPA approved the final closure and post closure plan in January 1988. With the assistance of Arcadis Engineering, the geological engineers, the \$841,908 reported as landfill post closure liability at December 31, 2014, represents the estimated costs to maintain and monitor the landfill through 2018. Actual costs may change due to inflation, changes in technology, or changes in regulations.

**CITY OF URBANA, OHIO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014**

**NOTE 15 – INTERFUND BALANCES**

Interfund balances at December 31, 2014 consisted of the following:

<u>Fund</u>	<u>Beginning Balance</u>	<u>New Advances</u>	<u>Advance Repayments</u>	<u>Ending Balance</u>
General	56,000	4,000	-	60,000
Mausoleum Trust	(56,000)	(4,000)	-	(60,000)

In accordance with City financial policies, the City’s General Fund allocates administrative costs to various other funds. The Mausoleum Trust Fund amount noted above represents monies advanced from the General Fund to pay debt service on the bonds that were issued to construct the mausoleum.

**NOTE 16 – INTERFUND TRANSFERS**

Interfund transfers during the fiscal year were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$ 255,000
Street	185,000	-
Oak Dale Cemetery	70,000	-
	<u>\$ 255,000</u>	<u>\$ 255,000</u>

Transfers are used to move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers were made in accordance with Ohio Revised Code and grant requirements.

**NOTE 17 – SIGNIFICANT CONSTRUCTION COMMITMENTS**

During 2012, the City began an upgrade of the wastewater treatment facility to address capacity concerns, nutrient removal and equipment needs is critical to the sustainable continued growth of the community and the protection of the Mad River.

The City currently operates a 3 MGD Water Pollution Control Facility, which was constructed in 1955 and 1975 with process improvements (chlorination/de-chlorination and post aeration) added in 1990. With the recent addition a new manufacturer and other local expansions, the current facility is operating at 2.6 MGD (86% of Design Flow). Coupled with the operation of the Septage Receiving Facility, the existing plant is now operating at nearly 88% of Design Flow on a daily basis.

The plant has outdated processes, which require a significant amount of daily operational attention to prevent any violations in solids discharge. Coupled with the process equipment degradation, the system must operate under strict guidelines due to Mad River, its receiving stream, being a Total Maximum Daily Loads (TMDL) area.

The total cost of the project is estimated to be \$22 million.

**CITY OF URBANA, OHIO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014**

**NOTE 18 – CONTINGENT LIABILITIES**

The City was a defendant in a few lawsuits pertaining to matters that are incidental to performing routine governmental and other functions. Legal counsel cannot estimate exact exposure, if any, in these suits. All cases are being defended vigorously by the City. It is the opinion of management and the City's legal counsel that sufficient resources will be available for the payment of such claims, if any, upon ultimate settlement or covered by insurance.

**NOTE 19 – RESTATEMENT OF NET POSITION**

The City's 2013 financial statements were restated due to an accounting change for depreciation. The net effect of the restatement on net position is \$760,741. A summary of changes in net position for the year ended December 31, 2013 is as follows:

	Sewer Fund	Business-Type Activities
	<u>                    </u>	<u>                    </u>
Net Position, December 31, 2013	\$ 4,530,208	\$ 8,450,165
Capital Assets, Net	(760,741)	(760,741)
Net Position, January 1, 2014	<u>\$ 3,769,467</u>	<u>\$ 7,689,424</u>

**CITY OF URBANA, OHIO  
CHAMPAIGN COUNTY**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014

	Original Budget	Final Budget	Actual	Variance Over/(Under)
<b>Revenues:</b>				
Income Taxes	\$ 3,032,000	\$ 3,032,000	\$ 3,295,638	\$ 263,638
Property Taxes	485,000	485,000	411,569	(73,431)
Intergovernmental	394,915	379,000	348,635	(30,365)
Charges for Services	953,944	915,500	839,944	(75,556)
Fines, Licenses, and Permits	663,957	637,200	520,488	(116,712)
Interest	34,386	33,000	27,620	(5,380)
Miscellaneous	81,275	78,000	176,261	98,261
Reimbursements	849,223	815,000	761,352	(53,648)
<b>Total Revenues</b>	<u>6,494,700</u>	<u>6,374,700</u>	<u>6,381,507</u>	<u>6,807</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>General Government</b>				
City Council				
Personal Services	79,671	74,474	73,293	1,181
Supplies, Materials and Other	2,828	2,828	1,797	1,031
Total City Council	<u>82,499</u>	<u>77,302</u>	<u>75,090</u>	<u>2,212</u>
Mayor/Administration				
Personal Services	325,734	278,582	276,817	1,765
Supplies, Materials and Other	15,825	47,730	43,119	4,611
Total Mayor/Administration	<u>341,559</u>	<u>326,312</u>	<u>319,936</u>	<u>6,376</u>
Municipal Court				
Personal Services	553,757	577,087	576,493	594
Supplies, Materials and Other	85,336	87,442	75,783	11,659
Total Municipal Court	<u>639,093</u>	<u>664,529</u>	<u>652,276</u>	<u>12,253</u>
Engineering				
Personal Services	100,012	136,797	136,646	151
Supplies, Materials and Other	11,477	6,377	3,631	2,746
Total Engineering	<u>111,489</u>	<u>143,174</u>	<u>140,277</u>	<u>2,897</u>
Public Works				
Supplies, Materials and Other	165,471	180,084	168,574	11,510
Total Public Works	<u>165,471</u>	<u>180,084</u>	<u>168,574</u>	<u>11,510</u>
Finance Accounting				
Personal Services	206,935	209,624	209,617	7
Supplies, Materials and Other	22,184	21,781	18,885	2,896
Total Finance Accounting	<u>229,119</u>	<u>231,405</u>	<u>228,502</u>	<u>2,903</u>
Finance Income Tax				
Personal Services	99,349	101,448	101,448	-
Supplies, Materials and Other	19,374	19,103	19,693	(590)
Total Finance Income Tax	<u>118,723</u>	<u>120,551</u>	<u>121,141</u>	<u>(590)</u>

**CITY OF URBANA, OHIO  
CHAMPAIGN COUNTY**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014

Finance Utility Billing				
Personal Services	74,750	73,598	73,525	73
Supplies, Materials and Other	57,925	63,141	56,258	6,883
Total Basic Utilities	<u>132,675</u>	<u>136,739</u>	<u>129,783</u>	<u>6,956</u>
Law Department				
Personal Services	124,743	140,676	141,049	(373)
Supplies, Materials and Other	11,560	18,469	17,545	924
Total Law Department	<u>136,303</u>	<u>159,145</u>	<u>158,594</u>	<u>551</u>
Non-Departmental				
Supplies, Materials and Other	240,708	296,181	286,049	10,132
Total Non-Departmental	<u>240,708</u>	<u>296,181</u>	<u>286,049</u>	<u>10,132</u>
Compost and Mulch				
Personal Services	20,483	23,053	22,897	156
Supplies, Materials and Other	-	860	860	-
Total Compost and Mulch	<u>20,483</u>	<u>23,913</u>	<u>23,757</u>	<u>156</u>
<b>Total General Government</b>	<b><u>2,218,122</u></b>	<b><u>2,359,335</u></b>	<b><u>2,303,979</u></b>	<b><u>55,356</u></b>
Security of Person and Property				
Code Enforcement				
Personal Services	125,294	123,978	123,763	215
Supplies, Materials and Other	23,217	16,367	14,747	1,620
Total Code Enforcement	<u>148,511</u>	<u>140,345</u>	<u>138,510</u>	<u>1,835</u>
Police Services				
Personal Services	1,405,426	1,446,362	1,445,214	1,148
Supplies, Materials and Other	112,748	119,719	110,085	9,634
Total Police Services	<u>1,518,174</u>	<u>1,566,081</u>	<u>1,555,299</u>	<u>10,782</u>
Fire Services				
Personal Services	1,703,097	1,655,512	1,644,208	11,304
Supplies, Materials and Other	68,560	88,513	80,111	8,402
Total Fire Services	<u>1,771,657</u>	<u>1,744,025</u>	<u>1,724,319</u>	<u>19,706</u>
Ambulance Services				
Personal Services	-	122	117	5
Supplies, Materials and Other	53,862	55,410	32,391	23,019
Total Ambulance Services	<u>53,862</u>	<u>55,532</u>	<u>32,508</u>	<u>23,024</u>
<b>Total Security of Person and Property</b>	<b><u>3,492,204</u></b>	<b><u>3,505,983</u></b>	<b><u>3,450,636</u></b>	<b><u>55,347</u></b>
Health				
Supplies, Materials and Other	42,000	42,000	41,995	5
<b>Total Health</b>	<b><u>42,000</u></b>	<b><u>42,000</u></b>	<b><u>41,995</u></b>	<b><u>5</u></b>

**CITY OF URBANA, OHIO  
CHAMPAIGN COUNTY**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014

Leisure Activities				
Recreation Administration				
Personal Services	50,634	50,651	50,249	402
Supplies, Materials and Other	16,781	16,626	15,793	833
Total Recreation Administration	<u>67,415</u>	<u>67,277</u>	<u>66,042</u>	<u>1,235</u>
Recreation Programs				
Supplies, Materials and Other	12,350	12,350	11,283	1,067
Total Recreation Programs	<u>12,350</u>	<u>12,350</u>	<u>11,283</u>	<u>1,067</u>
Recreation-Pool				
Personal Services	47,090	57,079	56,731	348
Supplies, Materials and Other	33,750	35,659	34,817	842
Total Recreation-Pool	<u>80,840</u>	<u>92,738</u>	<u>91,548</u>	<u>1,190</u>
Recreation Parks				
Personal Services	85,348	92,495	90,709	1,786
Supplies, Materials and Other	36,574	42,492	42,034	458
Total Recreation Parks	<u>121,922</u>	<u>134,987</u>	<u>132,743</u>	<u>2,244</u>
Total Leisure Activities	<u><b>282,527</b></u>	<u><b>307,352</b></u>	<u><b>301,616</b></u>	<u><b>5,736</b></u>
Total Expenditures	<u><b>6,034,853</b></u>	<u><b>6,214,670</b></u>	<u><b>6,098,226</b></u>	<u><b>116,444</b></u>
Excess of Revenues Over Expenditures	459,847	160,030	283,281	123,251
Other Financing Sources (Uses)				
Operating Transfers Out	(286,367)	(286,367)	(255,000)	31,367
Advances Out	(4,000)	(4,000)	(4,000)	-
Total Other Financing Sources (Uses)	<u>(290,367)</u>	<u>(290,367)</u>	<u>(259,000)</u>	<u>31,367</u>
Net Change in Fund Balance	169,480	(130,337)	24,281	154,618
Fund Balance January 1, 2014	724,831	724,831	724,831	-
Prior Year Encumbrances	47,853	47,853	47,853	-
Fund Balance December 31, 2014	<u><b>\$ 942,164</b></u>	<u><b>\$ 642,347</b></u>	<u><b>\$ 796,965</b></u>	<u><b>\$ 154,618</b></u>

**CITY OF URBANA, OHIO  
CHAMPAIGN COUNTY**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL  
POLICE AND FIRE LEVY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014

	Original Budget	Final Budget	Actual	Variance Over/(Under)
<b><u>Revenues:</u></b>				
Income Taxes	\$ 1,150,000	\$ 1,150,000	\$ 1,318,255	\$ 168,255
Miscellaneous	-	225,000	208,004	(16,996)
<b>Total Revenues</b>	<u>1,150,000</u>	<u>1,375,000</u>	<u>1,526,259</u>	<u>151,259</u>
<b><u>Expenditures:</u></b>				
<b>Current:</b>				
Public Safety				
Personal Services	1,277,049	1,284,149	1,270,592	13,557
Supplies, Materials and Other	27,667	226,324	213,305	13,019
Total Security of Persons and Property	<u>1,304,716</u>	<u>1,510,473</u>	<u>1,483,897</u>	<u>26,576</u>
Net Change in Fund Balance	(154,716)	(135,473)	42,362	177,835
Fund Balance January 1, 2014	345,808	345,808	345,808	-
Prior Year Encumbrances	1,068	1,068	1,068	-
Fund Balance December 31, 2014	<u><u>\$ 192,160</u></u>	<u><u>\$ 211,403</u></u>	<u><u>\$ 389,238</u></u>	<u><u>\$ 177,835</u></u>

**CITY OF URBANA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**NOTE 1 - BUDGETARY PROCESS**

The City follows procedures prescribed by State law in establishing the budgetary data reflected in the financial statements as follows:

- (1) The City must submit a tax budget of estimated cash receipts and disbursements for all funds to the County Budget Commission by July 20 of each year for the following year, January 1 through December 31.
- (2) The County Budget Commission certifies its actions by September 1 and issues an Official Certificate of Estimated Resources, (the "Certificate") limiting the maximum amount the City may expend from a given fund during the year to the estimated resources available.
- (3) About January 1, the Certificate is amended to reflect the actual unencumbered balances from the preceding year. The City must prepare its appropriations so that the total contemplated expenditures from any fund will not exceed the amount stated in the initial or amended Certificate.
- (4) A temporary appropriation measure may be passed to control cash disbursements for the period January 1 through March 31. Before April 1, a permanent appropriation measure must be passed for the period January 1 through December 31. The budget identifies specific expenditure amounts by object for each division within each fund.
- (5) Unencumbered appropriations lapse at year end. State Statute provides that no contract, agreement or other obligation involving the expenditure of money shall be entered into unless the Director of Finance first certifies that the money required for such contract, agreement, obligation or expenditure is in the treasury, or is anticipated to come into the treasury, before the maturity of such contract.
- (6) Several City funds are deemed appropriated by local ordinance or City Charter and are therefore exempt from the budget process. The City adopts budgets for the following governmental funds: General Fund, Street, Police and Fire Income Tax Levy, Airport, Oak Dale Cemetery, Highway, Police and Fire Pension Levy, Supplemental Investment, CDBG Program Income, Cemetery Trust Income, Fire Trust, Fire Safety Trust, and Police Trust.

The Mayor acts as budget officer for the City and submits a proposed operating budget to the City Council on an annual basis. Public hearings are held to obtain taxpayer comments. The Council enacts the budget through passage of an ordinance. The appropriation ordinance controls expenditures at the object level. Council can amend the budget at functional expense lines, through the passage of supplemental ordinances. Management can amend appropriations below this level without council approval. Supplemental appropriations to the original appropriations ordinance were made during the year.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the governmental funds. Encumbrances outstanding at year end are reported as an assigned fund balance, since they do not constitute expenditures or liabilities.

**CITY OF URBANA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**NOTE 1 - BUDGETARY PROCESS (Continued)**

While reporting financial position, results of operations and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis, as provided by law, is based upon accounting for certain transactions on a basis of cash receipts and disbursements. Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual are presented on the budgetary basis in the Required Supplementary Information to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (1) Revenues are recorded when received in cash (budget) as opposed to when they are both measurable and available (GAAP).
- (2) Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
- (3) Encumbrances are recorded as the equivalent of expenditures (budget) as opposed to an assigned fund balance (GAAP).
- (4) Due to the implementation of GASB 54, some funds were reclassified to the General Fund. These funds are not required to be included in the General Fund Budgetary Statement. Therefore, the activity from these funds is excluded with an adjustment for their change in fund balance.

Reconciliation of the major differences between the budget basis and GAAP basis are as follows:

Net Change in Fund Balance		
	General Fund	Police & Fire Levy Fund
GAAP Basis	\$ 8,384	\$ (6,440)
Supplemental Investment Fund Change	(3,754)	-
Revenue Accruals	109,149	47,598
Expenditure Accruals	(51,440)	2,560
Other Financing	(4,000)	-
Encumbrances	(34,058)	(1,356)
Budget Basis	\$ 24,281	\$ 42,362



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

City of Urbana  
Champaign County  
205 S. Main Street  
P.O. Box 747  
Urbana, Ohio 43078

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Urbana, Champaign County, (the City) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 17, 2015. We noted the City restated the Sewer Fund and Business-Type Activities Net Position for December 31, 2013 for an accounting change in depreciation.

### ***Internal Control Over Financial Reporting***

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

***Compliance and Other Matters***

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

***Purpose of this Report***

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 17, 2015

**CITY OF URBANA  
CHAMPAIGN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014**

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

**FINDING NUMBER 2014-001**

**Material Weakness**

**Accounts Payable**

Sound financial reporting is the responsibility of the Finance Director and City Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The City's Business Type Activities and Recycling Fund Accounts Payable balances were understated by \$11,648 as a result of an unrecorded liability for December 2014 services. The accompanying financial statements have been adjusted to include the liability.

The City should implement additional policies and procedures to provide assurance of the accuracy and completeness of information reported within the financial statements. The adjustment identified during the audit should be reviewed to ensure similar errors are not reported on the financial statements in subsequent years.

**Officials' Response:**

We did not receive a response from officials.

**CITY OF URBANA  
CHAMPAIGN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2013-001	<b>Noncompliance/Material Weakness</b> – 24 C.F.R Section 85.21(c) Community Development Block Grant Cash Management	No	Reported in a separate letter to management of the City.



# Dave Yost • Auditor of State

**CITY OF URBANA**

**CHAMPAIGN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 13, 2015**