

***CITY OF URBANA  
CHAMPAIGN COUNTY***

***AUDIT REPORT***

***FOR THE YEAR ENDED DECEMBER 31, 2016***





# Dave Yost • Auditor of State

City Council  
City of Urbana  
205 South Main Street  
Urbana, Ohio 43078

We have reviewed the *Independent Auditor's Report* of the City of Urbana, Champaign County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2016 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

August 21, 2017

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**CITY OF URBANA  
CHAMPAIGN COUNTY  
AUDIT REPORT  
For the Year Ended December 31, 2016**

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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**INDEPENDENT AUDITOR'S REPORT**

City of Urbana  
Champaign County  
205 S. Main Street  
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, 2016, 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, 2016, 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.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2017, 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.



**Charles E. Harris & Associates, Inc.**  
June 24, 2017



**CITY OF URBANA, OHIO  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(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, 2016.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by approximately \$30.3 million (net position). Of this amount, approximately \$1.1 million (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net position increased by approximately \$1.4 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 \$7.1 million, an increase of \$790,765 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was approximately \$2.2 million, or 41% 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, deferred outflows of resources, 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.

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

**CITY OF URBANA, OHIO  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS  
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(UNAUDITED)**

**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 16-23 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 24-27 of this report.

**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 28 of this report.

**CITY OF URBANA, OHIO  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(UNAUDITED)**

*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 29-63 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, as well as the City's progress in funding its obligations to provide pension benefits to its employees. Required supplementary information can be found on pages 64-74 of this report.

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**CITY OF URBANA, OHIO  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(UNAUDITED)**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Table 1 shows the detail of the City's net position at December 31, 2016 and 2015.

**TABLE 1  
Net Position**

	Governmental Activites		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Assets</b>						
Current and other assets	\$ 12,553,028	\$ 12,872,449	\$ 6,585,782	\$ 6,344,180	\$ 19,138,810	\$ 19,216,629
Capital assets, net	20,631,398	21,417,849	38,757,988	38,100,016	59,389,386	59,517,865
Net pension asset	3,725	-	1,501	-	5,226	-
<b>Total Assets</b>	<b>33,188,151</b>	<b>34,290,298</b>	<b>45,345,271</b>	<b>44,444,196</b>	<b>78,533,422</b>	<b>78,734,494</b>
<b>Deferred Outflows of Resources</b>						
Pension	2,930,085	1,223,816	398,834	125,544	3,328,919	1,349,360
<b>Liabilities</b>						
Current and other liabilities	3,807,093	4,889,686	446,684	649,414	4,253,777	5,539,100
Long-term liabilities:						
Due within one year	471,416	600,356	2,070,509	1,848,167	2,541,925	2,448,523
Due in more than one year:						
Net pension liability	11,124,913	9,281,413	980,731	662,830	12,105,644	9,944,243
Other amounts	2,501,696	2,665,237	29,084,327	30,015,737	31,586,023	32,680,974
<b>Total Liabilities</b>	<b>17,905,118</b>	<b>17,436,692</b>	<b>32,582,251</b>	<b>33,176,148</b>	<b>50,487,369</b>	<b>50,612,840</b>
<b>Deferred Inflows of Resources</b>						
Property Taxes	568,268	557,671	-	-	568,268	557,671
Pension	528,024	33,018	20,437	11,644	548,461	44,662
<b>Total Deferred Inflows of Resources</b>	<b>1,096,292</b>	<b>590,689</b>	<b>20,437</b>	<b>11,644</b>	<b>1,116,729</b>	<b>602,333</b>
<b>Net Position:</b>						
Net Investment in Capital Assets	19,512,453	20,111,659	7,748,321	6,305,212	27,260,774	26,416,871
Restricted	1,934,944	1,722,675	-	-	1,934,944	1,722,675
Unrestricted	(4,330,571)	(4,347,601)	5,393,096	5,076,736	1,062,525	729,135
<b>Total Net Position</b>	<b>\$ 17,116,826</b>	<b>\$ 17,486,733</b>	<b>\$ 13,141,417</b>	<b>\$ 11,381,948</b>	<b>\$ 30,258,243</b>	<b>\$ 28,868,681</b>

**CITY OF URBANA, OHIO  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(UNAUDITED)**

***Governmental Activities***

Capital assets, net, decreased significantly in comparison with the prior fiscal year-end. This decrease is primarily represents the amount in which capital asset depreciation exceeded capital asset additions during the year.

Current and other liabilities also decreased significantly. This decrease primarily represents prepaid income taxes earned by the City during the year.

Other amounts due in more than one year decreased significantly. This decrease represents debt principal payments made during the year.

***Business-Type Activities***

Capital assets increased significantly in comparison with the prior year. This increase relates to water tank renovations that took place during the year.

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

Net pension liability and related deferred outflows of resources and deferred inflows of resources all increased significantly in comparison with the prior fiscal year-end. These increases are primarily the result of lower than expected returns on pension plan investments, as reported by the pension systems, offset by a decrease in the City's proportionate shares of the pension systems unfunded liabilities.

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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by approximately \$30.3 million at the close of the most recent fiscal year.

By far the largest portion of the City's net position (90 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 (6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (approximately \$1.1 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, 2016  
(UNAUDITED)**

Table 2 details the changes in net position for the fiscal years ended December 31, 2016 and 2015.

**TABLE 2  
Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Program Revenues:						
Charges for Service	\$ 2,203,825	\$ 2,206,226	\$ 6,228,458	\$ 6,040,793	\$ 8,432,283	\$ 8,247,019
Operating Grants	892,738	945,276	-	-	892,738	945,276
Capital Grants	189,488	402,400	-	-	189,488	402,400
General Revenues:						
Income Taxes	6,219,626	6,233,336	-	-	6,219,626	6,233,336
Property Taxes	567,232	547,160	-	-	567,232	547,160
Unrestricted Grants	396,413	392,549	-	-	396,413	392,549
Investment Earnings	49,301	40,046	51	149	49,352	40,195
Other	160,280	118,840	-	-	160,280	118,840
Total Revenues	<u>10,678,903</u>	<u>10,885,833</u>	<u>6,228,509</u>	<u>6,040,942</u>	<u>16,907,412</u>	<u>16,926,775</u>
Expenses:						
General Government	2,553,409	2,156,039	-	-	2,553,409	2,156,039
Public Safety	5,621,508	5,158,620	-	-	5,621,508	5,158,620
Health	246,330	225,816	-	-	246,330	225,816
Transportation	2,045,739	1,993,562	-	-	2,045,739	1,993,562
Community Development	92,070	319,204	-	-	92,070	319,204
Leisure Time	436,291	425,519	-	-	436,291	425,519
Interest on Long-Term Debt	53,463	62,583	-	-	53,463	62,583
Water	-	-	1,901,803	1,642,179	1,901,803	1,642,179
Sewer	-	-	2,426,651	1,999,852	2,426,651	1,999,852
Recycling Program	-	-	140,586	151,436	140,586	151,436
Total Expenses	<u>11,048,810</u>	<u>10,341,343</u>	<u>4,469,040</u>	<u>3,793,467</u>	<u>15,517,850</u>	<u>14,134,810</u>
Change in Net Position	<u>(369,907)</u>	<u>544,490</u>	<u>1,759,469</u>	<u>2,247,475</u>	<u>1,389,562</u>	<u>2,791,965</u>
Net position, Beginning	17,486,733	16,942,243	11,381,948	9,134,473	28,868,681	26,076,716
Net position, Ending	<u>\$ 17,116,826</u>	<u>\$ 17,486,733</u>	<u>\$ 13,141,417</u>	<u>\$ 11,381,948</u>	<u>\$ 30,258,243</u>	<u>\$ 28,868,681</u>

**Governmental Activities.** Governmental activities decreased the City's net position by \$369,907. This decrease is primarily the result of an increase in pension expense, as reported by the pension systems.

**Business-type Activities.** Business-type activities increased the City's net position by approximately \$1.8 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, 2016  
(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**

	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
<b>Governmental Activities:</b>				
General Government	\$ (2,553,409)	\$ (2,156,039)	\$ (1,765,107)	\$ (1,394,364)
Public Safety	(5,621,508)	(5,158,620)	(4,505,956)	(4,236,558)
Transportation	(2,045,739)	(1,993,562)	(896,829)	(638,645)
Community Development	(92,070)	(319,204)	(79,245)	(892)
Leisure Time	(436,291)	(425,519)	(349,702)	(363,303)
All Other	(299,793)	(288,399)	(165,920)	(153,679)
<b>Total Governmental Activities</b>	<b><u>(11,048,810)</u></b>	<b><u>(10,341,343)</u></b>	<b><u>(7,762,759)</u></b>	<b><u>(6,787,441)</u></b>
<b>Business-Type Activities:</b>				
Water	(1,901,803)	(1,642,179)	445,150	760,498
Sewer	(2,426,651)	(1,999,852)	1,307,791	1,492,901
Recycling Program	(140,586)	(151,436)	6,477	(6,073)
<b>Total Business-Type Activities</b>	<b><u>(4,469,040)</u></b>	<b><u>(3,793,467)</u></b>	<b><u>1,759,418</u></b>	<b><u>2,247,326</u></b>
<b>Total Expenses</b>	<b><u>\$ (15,517,850)</u></b>	<b><u>\$ (14,134,810)</u></b>	<b><u>\$ (6,003,341)</u></b>	<b><u>\$ (4,540,115)</u></b>

**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 \$7.1 million, a \$790,765 increase from the previous year.

**CITY OF URBANA, OHIO  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(UNAUDITED)**

The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2016 and 2015.

	<b>Fund Balance 12/31/2016</b>	<b>Fund Balance 12/31/2015</b>	<b>Increase (Decrease)</b>
General	\$ 2,312,549	\$ 1,780,817	\$ 531,732
Police and Fire Levy	457,290	415,675	41,615
Capital improvement	960,700	898,122	62,578
Perpetual Investment	1,827,348	1,827,348	-
Other Governmental	1,515,079	1,360,239	154,840
Total	<u>\$ 7,072,966</u>	<u>\$ 6,282,201</u>	<u>\$ 790,765</u>

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 \$2.2 million, or 94% of the total fund balance.

The fund balance of the City's general fund increased \$531,732 during the current fiscal year. This increase represents the amount in which revenues exceeded expenditures and transfers to other funds. Revenues and expenditures were both fairly consistent with amounts reported in the previous year.

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 increased slightly during the year. This increase represents the amount by which income tax revenues exceeded public safety expenditures during the year.

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 slightly during the year. This increase represents the amount by which income tax and intergovernmental revenues exceeded capital outlays and debt service 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* increased \$154,840 during the year. The most significant contributor to this increase was the Capital Police and Fire Fund, which increased \$96,373 during the year. This increase represents the amount by which income tax revenues exceed expenditures related to capital outlay and debt payments.



**CITY OF URBANA, OHIO  
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**MANAGEMENT'S DISCUSSION & ANALYSIS  
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***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 \$1.9 million. Total net position increased \$445,154 from the previous year. This increase represents the amount in which operating income exceeded interest expense during the year.

Unrestricted net position in the Sewer Revenue fund at the end of the year amounted to \$3.4 million. Total net position increased approximately \$1.3 million from the previous year. The increase is due to the increase in revenues due to rate increases in 2015 and 2016 of 7.25% and 8%, respectively. These incremental rate increases were approved by City Council in July 2013 in anticipation of an increase in debt service payments.

Unrestricted net position in the Recycling Program Fund at the end of the year amounted to \$63,749. Total net position increased \$6,477 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 variance between the original and final revenue estimates was insignificant. Actual revenue estimates exceeded final revenue estimates by \$514,035 as a result of greater than expected income taxes. Original appropriations exceeded the final resolution by \$57,600, or 1%, and the final amended appropriations exceeded actual expenditures by \$176,261, or 3%.

### **Capital Assets**

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2016, amounts to approximately \$59.4 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 \$1.8 million and depreciation was approximately \$1.9 million.

Detailed information regarding capital asset activity is included in the Note 9 to the basic financial statements.

**CITY OF URBANA, OHIO  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(UNAUDITED)**

**Debt**

At the end of the current fiscal year, the City had total debt outstanding of approximately \$32.1 million. Of this amount, approximately \$1.4 million represents bonds backed by the full faith and credit of the City. The remaining \$30.7 million of the City's debt represents loans in the City's name.

Detailed information regarding long-term debt is included in Note 10 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.

**CITY OF URBANA, OHIO  
CHAMPAIGN COUNTY**

STATEMENT OF NET POSITION  
AS OF DECEMBER 31, 2016

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Pooled Cash and Investments	\$ 9,215,181	\$ 5,627,507	\$ 14,842,688
Receivables:			
Income Tax	894,148	-	894,148
Property Tax	621,870	-	621,870
Accounts	374,715	777,355	1,152,070
Notes	727,253	-	727,253
Due From Other Governments	534,326	-	534,326
Inventory	150,602	170,527	321,129
Prepaid Assets	34,933	10,393	45,326
Capital Assets:			
Non-Depreciable	3,644,359	22,100,917	25,745,276
Depreciable, Net	16,987,039	16,657,071	33,644,110
Net Pension Asset	3,725	1,501	5,226
<b>Total Assets</b>	<b>33,188,151</b>	<b>45,345,271</b>	<b>78,533,422</b>
<b>Deferred Outflows of Resources</b>			
Pension	2,930,085	398,834	3,328,919
<b>Total Deferred Outflows of Resources</b>	<b>2,930,085</b>	<b>398,834</b>	<b>3,328,919</b>
<b>Liabilities</b>			
Accounts Payable	152,031	21,574	173,605
Accrued Wages and Benefits	273,543	47,130	320,673
Due To Other Governments	84,362	11,895	96,257
Interest Payable	3,990	366,085	370,075
Unearned Revenue	3,293,167	-	3,293,167
Long-term Liabilities			
Due within one year	471,416	2,070,509	2,541,925
Due in more than one year	2,501,696	29,084,327	31,586,023
Net Pension Liability	11,124,913	980,731	12,105,644
<b>Total Liabilities</b>	<b>17,905,118</b>	<b>32,582,251</b>	<b>50,487,369</b>
<b>Deferred Inflows of Resources</b>			
Property and Other Local Taxes	568,268	-	568,268
Pension	528,024	20,437	548,461
<b>Total Deferred Inflows of Resources</b>	<b>1,096,292</b>	<b>20,437</b>	<b>1,116,729</b>
<b>Net Position</b>			
Net Investment in Capital Assets	19,512,453	7,748,321	27,260,774
Restricted for:			
Capital Projects	462,425	-	462,425
Transportation Programs	393,972	-	393,972
Public Safety Programs	755,020	-	755,020
Debt Service	116,861	-	116,861
Permanent Endowments	102,465	-	102,465
Grant Programs	83,856	-	83,856
Other	20,345	-	20,345
Unrestricted	(4,330,571)	5,393,096	1,062,525
<b>Total Net Position</b>	<b>\$ 17,116,826</b>	<b>\$ 13,141,417</b>	<b>\$ 30,258,243</b>

See accompanying notes to the basic financial statements.

**CITY OF URBANA, OHIO  
CHAMPAIGN COUNTY**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Public Safety	\$ 5,621,508	\$ 783,880	\$ 331,672	\$ -
Health	246,330	133,873	-	-
Leisure Time	436,291	86,589	-	-
Community Development	92,070	12,825	-	-
Transportation	2,045,739	398,356	561,066	189,488
General Government	2,553,409	788,302	-	-
Interest on Debt	53,463	-	-	-
Total Governmental Activities	<u>11,048,810</u>	<u>2,203,825</u>	<u>892,738</u>	<u>189,488</u>
Business-type Activities:				
Water	1,901,803	2,346,953	-	-
Sewer	2,426,651	3,734,442	-	-
Recycling Program	140,586	147,063	-	-
Total Business-type Activities	<u>4,469,040</u>	<u>6,228,458</u>	<u>-</u>	<u>-</u>
Total Government	<u>\$ 15,517,850</u>	<u>\$ 8,432,283</u>	<u>\$ 892,738</u>	<u>\$ 189,488</u>

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  
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
\$ (4,505,956)	\$ -	\$ (4,505,956)
(112,457)	-	(112,457)
(349,702)	-	(349,702)
(79,245)	-	(79,245)
(896,829)	-	(896,829)
(1,765,107)	-	(1,765,107)
(53,463)	-	(53,463)
<u>(7,762,759)</u>	<u>-</u>	<u>(7,762,759)</u>
-	445,150	445,150
-	1,307,791	1,307,791
-	6,477	6,477
<u>-</u>	<u>1,759,418</u>	<u>1,759,418</u>
<u>\$ (7,762,759)</u>	<u>\$ 1,759,418</u>	<u>\$ (6,003,341)</u>
567,232	-	567,232
6,219,626	-	6,219,626
49,301	51	49,352
396,413	-	396,413
160,280	-	160,280
<u>7,392,852</u>	<u>51</u>	<u>7,392,903</u>
(369,907)	1,759,469	1,389,562
17,486,733	11,381,948	28,868,681
<u>\$ 17,116,826</u>	<u>\$ 13,141,417</u>	<u>\$ 30,258,243</u>

See accompanying notes to the basic financial statements.

**CITY OF URBANA, OHIO  
CHAMPAIGN COUNTY**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
AS OF DECEMBER 31, 2016

	General Fund	Police and Fire Levy Fund	Capital Improvement Fund	Perpetual Investment Fund
<b>Assets:</b>				
Pooled Cash and Investments	\$ 5,332,738	\$ 443,371	\$ 938,727	\$ 1,101,172
Receivables:				
Income Tax	479,008	191,603	159,669	-
Property Tax	473,502	-	-	-
Accounts	311,285	-	-	-
Notes	-	-	-	726,176
Due From Other Governments	160,584	-	-	-
Due From Other Funds	64,781	-	-	-
Inventory	31,457	-	-	-
Prepaid Assets	28,276	-	-	-
Advances To Other Funds	70,500	-	-	-
<b>Total Assets</b>	<u>\$ 6,952,131</u>	<u>\$ 634,974</u>	<u>\$ 1,098,396</u>	<u>\$ 1,827,348</u>
<b>Liabilities:</b>				
Accounts Payable	\$ 53,704	\$ 7,386	\$ 61,985	\$ -
Accrued Wages and Benefits	174,098	62,602	-	-
Due To Other Governments	58,270	16,842	-	-
Due To Other Funds	-	-	-	-
Advances From Other Funds	-	-	-	-
Unearned Revenue	3,293,167	-	-	-
<b>Total Liabilities</b>	<u>3,579,239</u>	<u>86,830</u>	<u>61,985</u>	<u>-</u>
<b>Deferred Inflows of Resources:</b>				
Unavailable Revenue	630,696	90,854	75,711	-
Property and Other Local Taxes	429,647	-	-	-
<b>Total Deferred Inflows of Resources</b>	<u>1,060,343</u>	<u>90,854</u>	<u>75,711</u>	<u>-</u>
<b>Fund Balances:</b>				
Nonspendable:				
Inventory	31,457	-	-	-
Advances	70,500	-	-	-
Prepays	28,276	-	-	-
Restricted:				
Capital Projects	-	-	-	-
Transportation Programs	-	-	-	-
Public Safety Programs	-	457,290	-	-
Debt Service	-	-	-	-
Permanent Endowments	-	-	-	-
Grant Programs	-	-	-	-
Other	-	-	-	-
Committed:				
Transportation Programs	-	-	-	-
Assigned:				
Leisure Activity	551	-	-	-
Capital Projects	-	-	960,700	1,827,348
Unassigned	2,181,765	-	-	-
<b>Total Fund Balances</b>	<u>2,312,549</u>	<u>457,290</u>	<u>960,700</u>	<u>1,827,348</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 6,952,131</u>	<u>\$ 634,974</u>	<u>\$ 1,098,396</u>	<u>\$ 1,827,348</u>

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 1,399,173	\$ 9,215,181
63,868	894,148
148,368	621,870
63,430	374,715
1,077	727,253
373,742	534,326
-	64,781
119,145	150,602
6,657	34,933
-	70,500
<u>\$ 2,175,460</u>	<u>\$ 12,688,309</u>
\$ 28,956	\$ 152,031
36,843	273,543
9,250	84,362
64,781	64,781
70,500	70,500
-	3,293,167
<u>210,330</u>	<u>3,938,384</u>
311,430	1,108,691
138,621	568,268
<u>450,051</u>	<u>1,676,959</u>
119,145	150,602
-	70,500
6,657	34,933
431,595	431,595
127,700	127,700
190,534	647,824
116,861	116,861
102,465	102,465
84,401	84,401
24,993	24,993
402,286	402,286
-	551
-	2,788,048
(91,558)	2,090,207
<u>1,515,079</u>	<u>7,072,966</u>
<u>\$ 2,175,460</u>	<u>\$ 12,688,309</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, 2016

<b>Total Governmental Fund Balances</b>	\$ 7,072,966
<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.	20,631,398
The net pension asset is not a financial resource and therefore is not reported in the funds.	3,725
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	
Income Taxes Receivable	423,985
Property Taxes Receivable	53,602
Due From Other Governments	349,351
Accounts Receivable - Ambulance	242,897
Accounts Receivable - Cemetery	38,856
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:	
Deferred outflows - pension	2,930,085
Deferred inflows - pension	(528,024)
Net pension liability	(11,124,913)
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	(1,008,794)
General Obligation Debt	(1,964,318)
Accrued Interest Payable	(3,990)
<b>Net Position of Governmental Activities</b>	<u><u>\$ 17,116,826</u></u>

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, 2016

	General Fund	Police and Fire Levy Fund	Capital Improvement Fund	Perpetual Investment Fund
<b>Revenues:</b>				
Income Taxes	\$ 3,321,224	\$ 1,327,686	\$ 1,106,406	\$ -
Property Taxes	431,208	-	-	-
Intergovernmental	397,383	-	70,238	-
Charges for Services	916,751	-	-	-
Fines, Licenses, and Permits	567,337	-	-	-
Interest	48,739	-	-	-
Miscellaneous	160,280	60,305	78,725	-
Total revenues	<u>5,842,922</u>	<u>1,387,991</u>	<u>1,255,369</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Public Safety	3,170,467	1,284,287	-	-
Health	42,006	-	-	-
Leisure Time	325,464	-	-	-
Community Development	-	-	22,348	-
Transportation	-	-	340,264	-
General Government	1,658,253	-	180,492	-
Capital Outlay	-	62,089	535,441	-
Debt service:				
Principal Retirement	-	-	99,592	-
Interest and Fiscal Charges	-	-	14,654	-
Total Expenditures	<u>5,196,190</u>	<u>1,346,376</u>	<u>1,192,791</u>	<u>-</u>
Excess of Revenues Over Expenditures	646,732	41,615	62,578	-
<b>Other Financing Sources (Uses):</b>				
Transfers In	-	-	-	-
Transfers Out	(115,000)	-	-	-
Total Other Financing Sources (Uses)	<u>(115,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	531,732	41,615	62,578	-
Fund Balance at Beginning of Year	1,780,817	415,675	898,122	1,827,348
Fund Balance at End of Year	<u>\$ 2,312,549</u>	<u>\$ 457,290</u>	<u>\$ 960,700</u>	<u>\$ 1,827,348</u>

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 442,563	\$ 6,197,879
138,949	570,157
971,284	1,438,905
296,073	1,212,824
187,896	755,233
562	49,301
191,174	490,484
<u>2,228,501</u>	<u>10,714,783</u>
473,513	4,928,267
157,721	199,727
-	325,464
69,722	92,070
815,432	1,155,696
46,559	1,885,304
496,748	1,094,278
88,652	188,244
40,314	54,968
<u>2,188,661</u>	<u>9,924,018</u>
39,840	790,765
115,000	115,000
-	(115,000)
<u>115,000</u>	<u>-</u>
154,840	790,765
1,360,239	6,282,201
<u>\$ 1,515,079</u>	<u>\$ 7,072,966</u>

See accompanying notes to the basic financial statements.

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**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, 2016

<b>Net Change in Fund Balances - Total Governmental Funds</b>		<b>\$ 790,765</b>
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
	Capital Outlays	503,390
	Depreciation Expense	(1,289,841)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(35,880)
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.		301,572
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		797,880
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		(1,430,207)
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	(9,091)
	Accrued interest	1,505
<b>Change in Net Position of Governmental Activities</b>		<b><u>\$ (369,907)</u></b>

See accompanying notes to the basic financial statements.

**CITY OF URBANA, OHIO  
CHAMPAIGN COUNTY**

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
AS OF DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds			
	Water Revenue	Sewer Revenue	Recycling Program	Total Enterprise Funds
<b>Assets</b>				
Current Assets:				
Pooled Cash and Investments	\$ 1,918,711	\$ 3,636,649	\$ 72,147	\$ 5,627,507
Receivables:				
Accounts	279,225	494,866	3,264	777,355
Inventory	125,674	44,853	-	170,527
Prepaid Assets	3,040	7,353	-	10,393
Total Current Assets	<u>2,326,650</u>	<u>4,183,721</u>	<u>75,411</u>	<u>6,585,782</u>
Noncurrent Assets:				
Depreciable Capital Assets, Net	12,660,811	3,996,260	-	16,657,071
Non-Depreciable Capital Assets	460,028	21,640,889	-	22,100,917
Net Pension Asset	637	864	-	1,501
Total Noncurrent Assets	<u>13,121,476</u>	<u>25,638,013</u>	<u>-</u>	<u>38,759,489</u>
Total Assets	<u>15,448,126</u>	<u>29,821,734</u>	<u>75,411</u>	<u>45,345,271</u>
<b>Deferred Outflows of Resources</b>				
Pension	171,344	227,490	-	398,834
Total Deferred Outflows of Resources	<u>171,344</u>	<u>227,490</u>	<u>-</u>	<u>398,834</u>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	2,462	7,450	11,662	21,574
Accrued Wages and Benefits	20,492	26,638	-	47,130
Due to Other Governments	5,189	6,706	-	11,895
Accrued Interest payable	89,988	276,097	-	366,085
Accrued Vacation and Sick Leave	17,660	28,016	-	45,676
Bonds Payable	10,724	21,034	-	31,758
Loan Payable	744,931	1,248,144	-	1,993,075
Total Current Liabilities	<u>891,446</u>	<u>1,614,085</u>	<u>11,662</u>	<u>2,517,193</u>
Noncurrent Liabilities:				
Accrued Vacation and Sick Leave	29,783	69,710	-	99,493
Bonds Payable	186,966	370,338	-	557,304
Loan Payable	8,577,398	19,850,132	-	28,427,530
Net Pension Liability	416,403	564,328	-	980,731
Total Noncurrent Liabilities	<u>9,210,550</u>	<u>20,854,508</u>	<u>-</u>	<u>30,065,058</u>
Total Liabilities	<u>10,101,996</u>	<u>22,468,593</u>	<u>11,662</u>	<u>32,582,251</u>
<b>Deferred Inflows of Resources</b>				
Pension	8,678	11,759	-	20,437
Total Deferred Inflows of Resources	<u>8,678</u>	<u>11,759</u>	<u>-</u>	<u>20,437</u>
<b>Net Position</b>				
Net Investment in Capital Assets	3,600,820	4,147,501	-	7,748,321
Unrestricted	1,907,976	3,421,371	63,749	5,393,096
Total Net Position	<u>\$ 5,508,796</u>	<u>\$ 7,568,872</u>	<u>\$ 63,749</u>	<u>\$ 13,141,417</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, 2016

	Business-type Activities - Enterprise Funds			
	Water Revenue	Sewer Revenue	Recycling Program	Total Enterprise Funds
<b>Operating Revenues</b>				
Charges for Services	\$ 2,346,953	\$ 3,734,442	\$ 147,063	\$ 6,228,458
Total Operating Revenues	<u>2,346,953</u>	<u>3,734,442</u>	<u>147,063</u>	<u>6,228,458</u>
<b>Operating Expenses</b>				
Personal Services	489,337	735,749	-	1,225,086
Contractual Services	398,102	527,190	140,586	1,065,878
Supplies and Materials	86,864	81,057	-	167,921
Administrative Fees	333,553	281,598	-	615,151
Depreciation	403,839	263,787	-	667,626
Total Operating Expenses	<u>1,711,695</u>	<u>1,889,381</u>	<u>140,586</u>	<u>3,741,662</u>
Operating Income	<u>635,258</u>	<u>1,845,061</u>	<u>6,477</u>	<u>2,486,796</u>
<b>Nonoperating Revenues (Expenses)</b>				
Other Non-Operating Revenue	4	47	-	51
Interest Expense	(190,108)	(537,270)	-	(727,378)
Total Non-Operating Revenues (Expenses)	<u>(190,104)</u>	<u>(537,223)</u>	<u>-</u>	<u>(727,327)</u>
Change in Net Position	445,154	1,307,838	6,477	1,759,469
Net Position at Beginning of Year	5,063,642	6,261,034	57,272	11,381,948
Net Position at End of Year	<u>\$ 5,508,796</u>	<u>\$ 7,568,872</u>	<u>\$ 63,749</u>	<u>\$ 13,141,417</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, 2016

	Business-type Activities - Enterprise Funds			Total Enterprise Funds
	Water Revenue	Sewer Revenue	Recycling Program	
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$ 2,332,135	\$ 3,661,917	\$ 147,099	\$ 6,141,151
Cash Paid to Employees	(463,231)	(710,852)	-	(1,174,083)
Cash Paid to Suppliers	(515,271)	(632,335)	(152,225)	(1,299,831)
Cash Paid for Other Expenses	(333,553)	(281,598)	-	(615,151)
Net Cash Flows from Operating Activities	<u>1,020,080</u>	<u>2,037,132</u>	<u>(5,126)</u>	<u>3,052,086</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Purchase of Capital Assets	-	(269,552)	-	(269,552)
Capital grants	4	47	-	51
Payment of Debt	(637,897)	(1,306,788)	-	(1,944,685)
Payment of Interest	(195,052)	(555,514)	-	(750,566)
Proceeds from Loans	18,530	87,185	-	105,715
Net Cash Flows from Capital and Related Financing Activities	<u>(814,415)</u>	<u>(2,044,622)</u>	<u>-</u>	<u>(2,859,037)</u>
Net Change in Cash	205,665	(7,490)	(5,126)	193,049
Cash and Cash Equivalents at Beginning of Year	1,713,046	3,644,139	77,273	5,434,458
Cash and Cash equivalents at End of Year	<u>\$ 1,918,711</u>	<u>\$ 3,636,649</u>	<u>\$ 72,147</u>	<u>\$ 5,627,507</u>

(continued)

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, 2016

	Business-type Activities - Enterprise Funds			Total Enterprise Funds
	Water Revenue	Sewer Revenue	Recycling Program	
<b>Cash Flows from Operating Activities</b>				
<b>Reconciliation of Operating Income to Net Cash Flows from Operating Activities:</b>				
Operating Income	\$ 635,258	\$ 1,845,061	\$ 6,477	\$ 2,486,796
Add: Depreciation Expense	403,839	263,787	-	667,626
(Increase)/Decrease in Current Assets				
Accounts Receivable	(14,818)	(72,525)	36	(87,307)
Prepaid Items	(294)	(638)	-	(932)
Material and Supply Inventory	44,909	(5,223)	-	39,686
Net Pension Asset	(637)	(864)	-	(1,501)
Increase in Deferred Outflows of Resources - Pension	(118,200)	(155,090)	-	(273,290)
Increase/(Decrease) in Current Liabilities				
Accounts Payable	(21,133)	(18,227)	(11,639)	(50,999)
Accrued Wages and Benefits	3,773	3,432	-	7,205
Accrued Vacation and Sick Leave	5,457	(1,601)	-	3,856
Due to Other Governments	(4,968)	(6,993)	-	(11,961)
Retainage Payable	(53,787)	-	-	(53,787)
Net Pension Liability	136,913	180,988	-	317,901
Increase in Deferred Inflows of Resources - Pension	3,768	5,025	-	8,793
Net Cash Flows from Operating Activities	<u>\$ 1,020,080</u>	<u>\$ 2,037,132</u>	<u>\$ (5,126)</u>	<u>\$ 3,052,086</u>

**Schedule of Noncash Transactions:**

During the year, the City financed water tower renovations totaling \$1,126,046.

See accompanying notes to the basic financial statements.

**CITY OF URBANA, OHIO  
CHAMPAIGN COUNTY**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
AS OF DECEMBER 31, 2016

	<u>Agency Funds</u>
<b>Assets</b>	
Pooled Cash and Investments	\$ 114,211
Total Assets	<u>114,211</u>
<b>Liabilities</b>	
Due to Others	114,211
Total Liabilities	<u>\$ 114,211</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, 2016**

**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, 2016.

*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, 2016

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

***(a) Basis of Presentation***

Government-Wide 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.

Fund Financial Statements - 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, 2016

**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.

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.

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.

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, 2016

**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.

The City did not have any investments at year end.

***(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, 2016**

**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
Vehicles	3-5
Machinery and equipment	5-20
Infrastructure	25-50

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

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide and proprietary statements of net position for pension. The deferred outflows of resources related to pension are explained in Note 12.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2016, but which were levied to finance 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements.

**CITY OF URBANA, OHIO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016**

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

Unavailable revenue is reported only on the governmental funds balance sheet, and represent receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, income taxes, charges for services and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pensions are reported on the government-wide statement of net position (See Note 12).

***(i) Pensions***

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

***(j) 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, 2016, are recorded as unavailable revenue in the governmental funds and as revenue on the statement of activities.

***(k) 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.

***(l) 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 statements 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.



**CITY OF URBANA, OHIO**  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

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

**(m) 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.

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 deferred outflows of resources 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.

**CITY OF URBANA, OHIO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016**

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

*(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.

**NOTE 3 – COMPLIANCE AND ACCOUNTABILITY**

*Deficit Fund Balances* – The following deficit fund balances are 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.

<u>Fund</u>	<u>Balance</u>
West Market Street	\$ (251)
Victim Assistance Grant	(4,337)
Safer Grant	(20,646)
Probation Grant	(11,921)
Mausoleum Trust	(54,403)

**CITY OF URBANA, OHIO**  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

**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.

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.

**CITY OF URBANA, OHIO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016**

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

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”.

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

At year-end, the carrying amount of the City’s deposits was \$14,955,890, which includes certificates of deposit totaling \$2,326,992, and the bank balance was \$15,071,871. Of the bank balance, \$4,835,570 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, \$10,236,301 of the City’s bank balance was collateralized by securities held by a third party trustee in the City’s name.

***(c) Investments***

As of December 31, 2016, the City did not have any investments.

**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.

**CITY OF URBANA, OHIO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016**

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

*Credit Risk:* 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. The City was not exposed to custodial credit risk.

**(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, 2016:

<u>Cash and Investments Per Note</u>	
Carrying Amount of Deposits	\$ 14,955,890
Cash on Hand	1,009
Total	<u>\$ 14,956,899</u>
 <u>Cash and Investments Per Statements of Net Position</u>	
Governmental and Business-type Activities	\$ 14,842,688
Agency Funds	114,211
Total	<u>\$ 14,956,899</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 \$58,714 during 2016. At December 31, 2016, the balance of the note was \$726,176.

**CITY OF URBANA, OHIO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016**

**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 2016 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.

**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 2013.

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.

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 2015, which were used to collect taxes in calendar year 2016, are as follows:

	<u>Amount</u>	<u>Percent</u>
Real Estate (Other Than Public Utility)	\$173,273,550	96.2 %
Public Utility	<u>6,896,970</u>	<u>3.8 %</u>
Total Assessed Value	<u>\$180,170,520</u>	<u>100.0%</u>

**CITY OF URBANA, OHIO**  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

**NOTE 8 – TAX ABATEMENTS**

***Community Reinvestment Area***

Description – Under the authority of ORC 3735.65 – 3735.70, the City created a Community Reinvestment Area (CRA). Legislation established that the remodeling of existing and construction of new structures within this CRA constituted a public purpose for which real property tax exemptions may be granted. The specific tax being abated is the property tax. These taxes are abated through a reduction in assessed value.

Recipient Commitment – The company is committed to purchasing, remodeling, and/or constructing properties within the CRA that will improve property value and potentially bring jobs to the City.

The gross dollar amount for the total abated value of the CRA parcels for 2016 was as follows:

Company	Term	Percent	Amount
Gerald Shiffer	2002-2016	50	\$ 2,881
Muzzy Properties, LLC (Marshall Plastics)	2003-2017	100	6,379
Interstate Truckers Inc.	2005-2019	100	6,377
Phoenix Drive Properties, LLC	2009-2018	75	24,389
			\$ 40,026

***Enterprise Zone***

Description – Under the authority of ORC 5709.61, the City created an Enterprise Zone (EZ) within city limits. Legislation established that the remodeling of existing and construction of new structures within this EZ constituted a public purpose for which real property tax exemptions may be granted. The specific tax being abated is the property tax. These taxes are abated through a reduction in assessed value.

Recipient Commitment – The company is committed to purchasing, remodeling, and/or constructing properties within the EZ that will improve property value and bring jobs to the City.

Provisions for recapturing abated taxes - If the owner or lessee materially fails to fulfill its obligation, reimbursement level will be 100 percent (less than year one), 80 percent (year one to year two), 60 percent (year two to year three), 40 percent (year three to year four), and 20 percent (year four to year ten).

The gross dollar amount for the total abated value of the EZ parcel for 2016 was as follows:

Company	Term	Percent	Amount
Ultra Met Company	2009-2018	75	\$ 4,143
Willow Run Realty and American Pan Company	2013-2022	75	55,182
			\$ 59,325

**CITY OF URBANA, OHIO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016**

**NOTE 9 – CAPITAL ASSETS**

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

*Governmental Activities*

	Beginning Balance	Additions	Deductions	Ending Balance
<b>Nondepreciable Capital Assets</b>				
Land	\$ 3,609,111	\$ -	\$ -	\$ 3,609,111
Construction in Progress	-	35,248	-	35,248
<b>Total Nondepreciable Assets</b>	<b>3,609,111</b>	<b>35,248</b>	<b>-</b>	<b>3,644,359</b>
<b>Depreciable Capital Assets</b>				
Building and Improvements	15,845,614	29,009	-	15,874,623
Vehicles	3,276,557	350,162	(30,761)	3,595,958
Machinery and Equipment	1,619,979	88,971	(76,949)	1,632,001
Infrastructure	20,437,285	-	-	20,437,285
<b>Total Depreciable Assets</b>	<b>41,179,435</b>	<b>468,142</b>	<b>(107,710)</b>	<b>41,539,867</b>
<b>Less accumulated depreciation</b>				
Building and Improvements	13,323,377	437,705	-	13,761,082
Vehicles	2,598,004	243,048	(30,761)	2,810,291
Machinery and Equipment	1,294,969	128,428	(76,949)	1,346,448
Infrastructure	6,154,346	480,661	-	6,635,007
<b>Total accumulated depreciation</b>	<b>23,370,696</b>	<b>1,289,842</b>	<b>(107,710)</b>	<b>24,552,828</b>
<b>Depreciable Capital Assets, Net of accumulated depreciation</b>	<b>17,808,739</b>	<b>(821,700)</b>	<b>-</b>	<b>16,987,039</b>
<b>Total Capital Assets, Net</b>	<b>\$ 21,417,850</b>	<b>\$ (786,452)</b>	<b>\$ -</b>	<b>\$ 20,631,398</b>

Depreciation expense was charged to the governmental functions as follows:

General Government	\$ 288,055
Public Safety	186,399
Transportation	645,899
Health	42,510
Leisure Activities	126,978
<b>Total depreciation expense</b>	<b>\$ 1,289,841</b>



**CITY OF URBANA, OHIO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016**

**NOTE 9 – CAPITAL ASSETS (Continued)**

*Business Type Activities*

	Beginning Balance	Additions	Deductions	Ending Balance
Land	\$ 949,796	\$ -	\$ -	\$ 949,796
Construction in Progress	21,063,783	87,338	-	21,151,121
Total Nondepreciable Assets	<u>22,013,579</u>	<u>87,338</u>	<u>-</u>	<u>22,100,917</u>
Depreciable Capital Assets				
Buildings	33,650,305	1,126,046	(1,967,478)	32,808,873
Vehicles	650,881	112,214	(25,000)	738,095
Machinery and Equipment	3,635,520	-	(742,100)	2,893,420
Infrastructure	14,700,662	-	-	14,700,662
Total Depreciable Assets	<u>52,637,368</u>	<u>1,238,260</u>	<u>(2,734,578)</u>	<u>51,141,050</u>
Less accumulated depreciation				
Buildings	31,541,505	237,943	(1,967,478)	29,811,970
Vehicles	473,348	71,203	(25,000)	519,551
Machinery and Equipment	3,182,596	48,919	(742,100)	2,489,415
Infrastructure	1,353,482	309,561	-	1,663,043
Total accumulated depreciation	<u>36,550,931</u>	<u>667,626</u>	<u>(2,734,578)</u>	<u>34,483,979</u>
Depreciable Assets, Net	<u>16,086,437</u>	<u>570,634</u>	<u>-</u>	<u>16,657,071</u>
Total Capital Assets, Net	<u>\$ 38,100,016</u>	<u>\$ 657,972</u>	<u>\$ -</u>	<u>\$ 38,757,988</u>

**CITY OF URBANA, OHIO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016**

**NOTE 10 – LONG TERM LIABILITIES**

The following is a summary of changes in long-term liabilities of the governmental activities for the year ended December 31, 2016:

<i>Governmental Activities</i>	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
9-1-1 Radio Equipment GO Bonds 2006-2016 4.25%-4.3% Police & Fire Capital Improve. Fund	60,000	-	(60,000)	-	-
2010 Various Purpose Bonds GO Bonds 2011-2030 2.0-5.0%	449,009	-	(23,072)	425,937	23,242
Mausoleum Refunding Bonds 2011-2030 6.75%	450,000	-	(20,000)	430,000	20,000
HB300 Energy Savings	72,240	-	(72,240)	-	-
OPWC Loan - Phoenix Dr (CK11P) 2013-2033	226,293	-	(12,932)	213,361	12,932
Stryker Power Load Systems Financing 2016-2019	44,648	-	-	44,648	14,883
<b>Total</b>	<b>1,302,190</b>	<b>-</b>	<b>(188,244)</b>	<b>1,113,946</b>	<b>71,057</b>
Net Pension Liability					
OPERS	1,813,199	620,958	-	2,434,157	-
OP&F	7,468,214	1,222,542	-	8,690,756	-
Compensated Absences	999,703	289,575	(280,484)	1,008,794	275,257
Landfill Post Closure Liability	743,876	-	(106,005)	637,871	117,467
Unfunded P & F Pension Obligation Police & Fire Pension Levy Fund	219,824	-	(7,323)	212,501	7,635
<b>Total Governmental Activities Long Term Liabilities</b>	<b>\$ 12,547,006</b>	<b>\$ 2,133,075</b>	<b>\$ (582,056)</b>	<b>\$ 14,098,025</b>	<b>\$ 471,416</b>

**CITY OF URBANA, OHIO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016**

**NOTE 10 – 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, 2016:

<i>Business-Type Activities</i>	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Water Fund:</b>					
OPWC 0% Interest Loan- CK26C	145,041	-	(22,314)	122,727	22,314
OPWC 0% Interest Loan Well Field	56,804	-	(4,734)	52,070	4,734
OWDA Loan 2008-2029 3.0% North 29 Water System Improvement	4,360,282	-	(248,550)	4,111,732	256,971
OPWC 0% Interest Loan Well Field	675,000	-	(50,000)	625,000	50,000
OPWC 0% Interest Loan- CT Communication Utility Extension	60,832	-	(4,112)	56,720	4,112
OPWC - South Main Water Main (CK190) 2013-2033	328,303	-	(19,312)	308,991	19,312
2010 Various Purpose Bonds 2011-2030 2.0-5.0%	208,402	-	(10,712)	197,690	10,724
ODWA Phase I Water Main Replacement (#6731) 2016-2035	2,608,676	18,530	(118,274)	2,508,932	120,651
OPWC 0% Interest Loan Wooddale Amherst 2016-2036	570,000	-	(14,250)	555,750	28,500
East Lawn Avenue Tank Loan 2016-2019	-	422,556	(105,639)	316,917	105,639
Gwynne Street Tank Loan 2016-2021	-	703,490	(40,000)	663,490	132,698
Net Pension Liability OPERS	279,490	136,913	-	416,403	-
Accrued Vacation and Sick Leave	41,986	26,939	(21,482)	47,443	17,660
<b>Total Water Fund</b>	<u><u>\$ 9,334,816</u></u>	<u><u>\$ 1,308,428</u></u>	<u><u>\$ (659,379)</u></u>	<u><u>\$ 9,983,865</u></u>	<u><u>\$ 773,315</u></u>

**CITY OF URBANA, OHIO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016**

**NOTE 10 – 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 1996-2016 4.04% N-Viro Project	59,809	-	(59,809)	-	-
OPWC 0% Interest Loan	15,000	-	(15,000)	-	-
OWDA Loan 2008-2018 4.0% Sludge Handling Improvements	426,541	-	(165,429)	261,112	172,298
OWDA Loan 2008-2029 3.0% Sludge Handling Facility	240,267	-	(76,977)	163,290	80,049
OWDA Loan 2008-2018 4.0% Septage Receiving Facility	192,370	-	(61,119)	131,251	64,075
OWDA Loan 2008-2018 4.0% Northwest Sanitary Replacement	226,908	-	(72,332)	154,576	75,587
OPWC 0% Northwest Sanitary	135,000	-	(10,000)	125,000	10,000
OPWC 0% CT Communication Utility Extension	66,645	-	(4,112)	62,533	4,112
OWDA - WPCLF Upgrade Design - 2.57%- 2.6% (#6036 rolled into #6497) 2013-2035	20,934,122	87,185	(820,793)	20,200,514	842,023
2010 Various Purpose Bonds 2011-2030 2.0-5.0%	412,589	-	(21,217)	391,372	21,034
Net Pension Liability OPERS	383,340	180,988	-	564,328	-
Accrued Vacation and Sick Leave	99,327	27,829	(29,430)	97,726	28,016
<b>Total Sewer Fund</b>	<b><u>\$ 23,191,918</u></b>	<b><u>\$ 296,002</u></b>	<b><u>\$ (1,336,218)</u></b>	<b><u>\$ 22,151,702</u></b>	<b><u>\$ 1,297,194</u></b>

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.

In 2010, 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, 2016**

**NOTE 10 – 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, 2016, the City has drawn down \$20,567,919. An additional \$453,388 in capitalized interest has been added to the principal balance since inception, making the total outstanding balance at December 31, 2016 \$20,200,514.

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, 2016, the City has drawn down \$2,612,525. An additional \$14,681 in capitalized interest has been added to the principal balance since inception, making the total outstanding balance at December 31, 2016 \$2,508,932.

During 2015, the City entered into a loan arrangement with the OPWC and a financing arrangement with Stryker Flex Financial. The OPWC loan was to fund the Wooddale Amherst Phase One Water Replacement Project for \$570,000. The financing arrangement with Stryker Flex Financing was to finance the remaining balance for the equipment bought by the City, totaling \$44,648, over a three-year period.

During 2016, the City entered into financing agreements with the Utility Services Co., Inc. for renovations of the East Lawn Avenue Water Tank and Gwynne Street Water Tank, totaling \$422,556 and \$703,490, respectively. The East Lawn Avenue Water Tank financing matures in 2019 and the Gwynne Street Water Tank financing matures 2021.

Annual requirements to pay principal and interest on long-term debt at December 31, 2016:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Water</u>		<u>Sewer</u>	
			<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 71,057	\$ 47,877	\$ 755,655	\$ 184,759	\$ 1,269,178	\$ 558,890
2018	72,983	45,672	767,749	174,163	1,219,280	520,522
2019	75,080	43,391	780,198	163,220	925,331	488,669
2020	65,198	41,034	686,389	151,920	948,252	464,823
2021	65,197	34,576	698,586	140,285	971,765	440,382
2022-2026	370,673	145,820	2,932,441	513,112	5,246,867	1,810,640
2027-2031	374,379	47,797	2,330,485	177,747	5,902,984	1,089,378
2032-2036	19,379	-	568,516	30,516	5,005,991	301,360
Total	<u>\$ 1,113,946</u>	<u>\$ 406,167</u>	<u>\$ 9,520,019</u>	<u>\$ 1,535,722</u>	<u>\$ 21,489,648</u>	<u>\$ 5,674,664</u>

**CITY OF URBANA, OHIO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016**

**NOTE 10 – LONG TERM LIABILITIES (Continued)**

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, 2016, 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, 2016, these entities have complied with the requirement that overlapping debt must not exceed 1% (10 mills) of the assessed property value.

**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, 2016, 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 auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016 and 2015:

<u>Casualty &amp; Property Coverage</u>	<u>2016</u>	<u>2015</u>
Assets	\$42,182,281	\$38,307,677
Liabilities	<u>(13,396,700)</u>	<u>(12,759,127)</u>
Net Position	\$28,785,581	\$25,548,550

**CITY OF URBANA, OHIO**  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

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

At December 31, 2014 and 2015, respectively, the liabilities above include approximately \$11.5 million and \$11.1 million of estimated incurred claims payable. The assets above also include approximately \$11.0 million and \$10.8 million of unpaid claims to be billed to approximately 499 and 488 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the City's share of these unpaid claims collectible in future years is approximately \$93,000.

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	
2016	\$ 147,580
2015	\$ 135,354

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.

**CITY OF URBANA, OHIO**  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

**NOTE 12 – DEFINED BENEFIT PENSION PLANS**

***Net Pension (Asset)/Liability***

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

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

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

GASB 68 assumes the net pension (asset)/liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension (asset)/liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term net pension (asset)/liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual basis of accounting.

***Plan Description – Ohio Public Employees Retirement System (OPERS)***

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



**CITY OF URBANA, OHIO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016**

**NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

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

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

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

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

**CITY OF URBANA, OHIO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

<b>2016 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
<b>2016 Actual Contribution Rates</b>	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contribution was \$333,734 for 2016. Of this amount, \$31,345 is reported as an intergovernmental payable.

***Plan Description – Ohio Police & Fire Pension Fund (OPF)***

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

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

**CITY OF URBANA, OHIO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)**

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

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

	Police	Firefighters
<b>2016 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 <b>2016 Actual Contribution Rates</b>		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
 Total Employer	 19.50 %	 24.00 %
 Employee	 12.25 %	 12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OPF was \$560,816 for 2016. Of this amount \$53,819 is reported as an intergovernmental payable.

In addition to current contributions, the City pays installments on a specific liability of the City incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967.

As of December 31, 2016, the specific liability of the City was \$212,501 payable in semi-annual payments through the year 2035.

**CITY OF URBANA, OHIO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016**

**NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

The net pension (asset)/liability for OPERS was measured as of December 31, 2015, and the total pension liability used to calculate the net pension (asset)/liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2015, and was determined by rolling forward the total pension liability as of January 1, 2015, to December 31, 2015. The City's proportion of the net pension (asset)/liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Proportionate Share of the Net Pension (Asset)/Liability	\$3,414,888	(\$5,226)	\$8,690,756	\$12,100,418
Proportion of the Net Pension Liability/(Asset)	0.019715%	0.010740%	0.135095%	
Change in Proportion	-0.000814%	0.000833%	-0.009067%	
Pension Expense	\$462,564	\$2,912	\$1,113,302	\$1,578,778

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
<b>Deferred Outflows of Resources</b>				
Net difference between projected and actual earnings on pension plan investments	\$1,003,763	\$2,258	\$1,414,522	\$2,420,543
Change in proportionate share	13,242	585	0	13,827
City contributions subsequent to the measurement date	320,099	13,634	560,816	894,549
<b>Total Deferred Outflows of Resources</b>	<b>\$1,337,104</b>	<b>\$16,477</b>	<b>\$1,975,338</b>	<b>\$3,328,919</b>
<b>Deferred Inflows of Resources</b>				
Differences between expected and actual experience	\$65,983	\$2,385	\$24,402	\$92,770
Change in proportionate share	78,019	803	376,869	455,691
<b>Total Deferred Inflows of Resources</b>	<b>\$144,002</b>	<b>\$3,188</b>	<b>\$401,271</b>	<b>\$548,461</b>

\$894,549 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as pension expense in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

**CITY OF URBANA, OHIO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)**

Year Ending December 31:	OPERS		OP&F	Total
	Traditional Plan	Combined Plan		
2017	\$ 189,644	\$ 253	\$ 295,165	\$ 485,062
2018	205,696	253	295,165	501,114
2019	220,536	253	295,166	515,955
2020	257,127	499	219,758	477,384
2021	-	(396)	(77,317)	(77,713)
Thereafter	-	(1,207)	(14,686)	(15,893)
Total	<u>\$ 873,003</u>	<u>\$ (345)</u>	<u>\$ 1,013,251</u>	<u>\$ 1,885,909</u>

**Actuarial Assumptions - OPERS**

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

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

The most recent experience study was completed for the five-year period ended December 31, 2010.

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

**CITY OF URBANA, OHIO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016**

**NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)**

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.40 percent for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other investments	18.00	4.59
Total	<u>100.00 %</u>	<u>5.27 %</u>

**Discount Rate** The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension (asset)/liability.

**Sensitivity of the City’s Proportionate Share of the Net Pension Asset/Liability to Changes in the Discount Rate** The following table presents the City’s proportionate share of the net pension (asset)/liability calculated using the current period discount rate assumption of 8 percent, as well as what the City’s proportionate share of the net pension asset/liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

**CITY OF URBANA, OHIO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)**

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension (asset)/liability			
Traditional Plan	\$5,440,749	\$3,414,888	\$1,706,136
Combined Plan	(\$107)	(\$5,226)	(\$9,344)

In October 2016, the OPERS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8.0 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the Government's net pension liability is expected to be significant.

***Actuarial Assumptions – OPF***

OPF's total pension liability as of December 31, 2015 is based on the results of an actuarial valuation date of January 1, 2015, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2015, are presented below:

Valuation Date	January 1, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA. The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2015 are summarized below:

**CITY OF URBANA, OHIO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)**

Asset Class	Target Allocation	10 Year Expected Real Rate of Return**	30 Year Expected Real Rate of Return**
Cash and Cash Equivalents	- %	0.00 %	0.00 %
Domestic Equity	16.00	6.50	7.80
Non-US Equity	16.00	6.70	8.00
Core Fixed Income *	20.00	3.50	5.35
Global Inflation Protected *	20.00	3.50	4.73
High Yield	15.00	6.35	7.21
Real Estate	12.00	5.80	7.43
Private Markets	8.00	9.50	10.73
Timber	5.00	6.55	7.35
Master Limited Partnerships	8.00	9.65	10.75
Total	<u>120.00 %</u>		

\* levered 2x

\*\* numbers are net of expected inflation.

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

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

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$11,461,943	\$8,690,756	\$6,343,288



**CITY OF URBANA, OHIO**  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

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

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

Plan Description - 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.

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2016, OPERS maintains a cost sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants can be reimbursed for qualified medical expenses for qualified medical expenses from their vested RMA balance.

In order to qualify for coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45. See the Plan Statement in the OPERS 2015 CAFR for details.

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, state and local employers contributed at a rate of 14.0% of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members of the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2016.

**CITY OF URBANA, OHIO**  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

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

As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 decreased to 1.0% for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the RMA for participants in the Member-Direction Plan for 2016 was 4.0%.

The City's contributions to OPERS to fund health care for the years ending December 31, 2016, 2015, and 2014 were \$55,622, \$52,167, and \$52,705, respectively. The full amount has been contributed for 2015 and 2014. 90 percent has been contributed for 2016 with the remainder being reported as a fund liability

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

Plan Description - 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 provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term 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 statutory survivor benefit or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45.

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.

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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at [www.op-f.org](http://www.op-f.org).

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% 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.

**CITY OF URBANA, OHIO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS (Continued)**

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 contributions allocated to health care was .50% of covered payroll from January 1, 2016 thru December 31, 2016. 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, 2016, 2015, and 2014 were \$560,816, \$582,136, and \$607,835, respectively, of which \$13,082, \$13,607, and \$14,047, respectively, was allocated to the healthcare plan. The full amount has been contributed for 2015 and 2014. 90% has been contributed for police and firefighters for 2016 with the remainder reported as a fund liability.

**NOTE 14 – INTERFUND BALANCES**

Interfund balances at December 31, 2016 consisted of the following:

<u>Fund</u>	<u>Beginning Balance</u>	<u>New Advances</u>	<u>Advance Repayments</u>	<u>Ending Balance</u>
General	\$ 74,047	\$ 64,781	\$ (3,547)	\$ 135,281
Mausoleum Trust	(70,500)	-	-	(70,500)
West Market Street	-	(251)	-	(251)
Victim Assistance Grant	-	(6,836)	-	(6,836)
Safer Grant	(3,547)	(52,255)	3,547	(52,255)
Probation Grant	-	(5,439)	-	(5,439)

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. The West Market Street, Victim Assistance Grant, Safer Grant, and Probation Grant amounts represents accrual entries to eliminate negative cash balances in those funds.

**CITY OF URBANA, OHIO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016**

**NOTE 15 – INTERFUND TRANSFERS**

Interfund transfers during the fiscal year were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$ 115,000
Street	35,000	-
Oak Dale Cemetery	80,000	-
	<u>\$ 115,000</u>	<u>\$ 115,000</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 16 – 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 \$637,871 reported as landfill post closure liability at December 31, 2016, 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.

**NOTE 17 – 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 18 – CHANGES IN ACCOUNTING PRINCIPLES**

For fiscal year 2016, the City implemented GASB Statement No. 72 “*Fair Value Measurement and Application*” which enhances comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptor valuation techniques. This statement also enhances fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government’s financial position. The implementation of this statement did not have a significant effect on the financial statements of the City.

**CITY OF URBANA, OHIO**  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

**NOTE 18 – CHANGES IN ACCOUNTING PRINCIPLES (Continued)**

For fiscal year 2016, the City implemented GASB Statement No. 76 “*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*” which improves financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in non-authoritative literature. The implementation of this statement did not have an effect on the financial statements of the City.

For fiscal year 2016, the City implemented GASB Statement No. 77 “*Tax Abatement Disclosures*” which improves disclosure of tax abatement information, such as how the tax abatements affect their financial statements and operations and the government’s ability to raise resources in the future, by reporting (1) the government’s own tax abatement agreements; and (2) those that are entered into by other governments and that reduce the reporting government’s tax revenues. The implementation of this statement did not have an effect on the financial statements of the City.

For fiscal year 2016, the City implemented GASB Statement No. 78 “*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*”, which amended the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer. The implementation of this statement did not have an effect on the financial statements of the City.

For fiscal year 2016, the City implemented GASB Statement No. 79 “*Certain External Investment Pools and Pool Participants*” which establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of this statement did not have a significant effect on the financial statements of the City.

**REQUIRED SUPPLEMENTARY INFORMATION**

**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, 2016

	Original Budget	Final Budget	Actual	Variance Over/(Under)
<b>Revenues:</b>				
Income Taxes	\$ 3,195,000	\$ 3,195,000	\$ 3,523,885	\$ 328,885
Property Taxes	449,977	449,977	431,208	(18,769)
Intergovernmental	327,050	327,050	397,769	70,719
Charges for Services	868,647	868,647	971,862	103,215
Fines, Licenses, and Permits	580,650	580,650	574,364	(6,286)
Interest	35,570	35,570	46,833	11,263
Miscellaneous	81,500	81,500	161,210	79,710
Reimbursements	754,338	754,338	699,636	(54,702)
<b>Total Revenues</b>	<u>6,292,732</u>	<u>6,292,732</u>	<u>6,806,767</u>	<u>514,035</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>General Government</b>				
City Council				
Personal Services	79,530	78,430	78,247	183
Supplies, Materials and Other	20,836	12,836	11,141	1,695
Total City Council	<u>100,366</u>	<u>91,266</u>	<u>89,388</u>	<u>1,878</u>
Mayor/Administration				
Personal Services	240,810	264,410	261,976	2,434
Supplies, Materials and Other	17,794	17,794	15,732	2,062
Total Mayor/Administration	<u>258,604</u>	<u>282,204</u>	<u>277,708</u>	<u>4,496</u>
Municipal Court				
Personal Services	601,618	590,518	583,390	7,128
Supplies, Materials and Other	87,022	80,522	72,016	8,506
Total Municipal Court	<u>688,640</u>	<u>671,040</u>	<u>655,406</u>	<u>15,634</u>
Engineering				
Personal Services	149,921	130,921	123,316	7,605
Supplies, Materials and Other	9,889	8,389	9,123	(734)
Total Engineering	<u>159,810</u>	<u>139,310</u>	<u>132,439</u>	<u>6,871</u>
Public Works				
Supplies, Materials and Other	161,730	154,730	147,992	6,738
Total Public Works	<u>161,730</u>	<u>154,730</u>	<u>147,992</u>	<u>6,738</u>
Finance Accounting				
Personal Services	216,797	221,797	214,619	7,178
Supplies, Materials and Other	20,812	20,812	23,821	(3,009)
Total Finance Accounting	<u>237,609</u>	<u>242,609</u>	<u>238,440</u>	<u>4,169</u>
Finance Income Tax				
Personal Services	82,006	82,006	76,362	5,644
Supplies, Materials and Other	19,012	19,012	14,674	4,338
Total Finance Income Tax	<u>101,018</u>	<u>101,018</u>	<u>91,036</u>	<u>9,982</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, 2016

	Original Budget	Final Budget	Actual	Variance Over/(Under)
Finance Utility Billing				
Personal Services	76,838	76,838	73,902	2,936
Supplies, Materials and Other	57,940	57,940	56,825	1,115
Total Basic Utilities	<u>134,778</u>	<u>134,778</u>	<u>130,727</u>	<u>4,051</u>
Law Department				
Personal Services	120,700	170,700	168,477	2,223
Supplies, Materials and Other	17,346	20,346	19,202	1,144
Total Law Department	<u>138,046</u>	<u>191,046</u>	<u>187,679</u>	<u>3,367</u>
Non-Departmental				
Supplies, Materials and Other	416,555	396,555	374,229	22,326
Total Non-Departmental	<u>416,555</u>	<u>396,555</u>	<u>374,229</u>	<u>22,326</u>
Compost and Mulch				
Personal Services	21,152	24,152	24,970	(818)
Supplies, Materials and Other	3,500	3,500	925	2,575
Total Compost and Mulch	<u>24,652</u>	<u>27,652</u>	<u>25,895</u>	<u>1,757</u>
<b>Total General Government</b>	<b><u>2,421,808</u></b>	<b><u>2,432,208</u></b>	<b><u>2,350,939</u></b>	<b><u>81,269</u></b>
Security of Person and Property				
Code Enforcement				
Personal Services	120,749	120,749	121,565	(816)
Supplies, Materials and Other	61,157	61,157	58,443	2,714
Total Code Enforcement	<u>181,906</u>	<u>181,906</u>	<u>180,008</u>	<u>1,898</u>
Police Services				
Personal Services	1,457,323	1,371,823	1,275,964	95,859
Supplies, Materials and Other	124,357	115,357	161,007	(45,650)
Total Police Services	<u>1,581,680</u>	<u>1,487,180</u>	<u>1,436,971</u>	<u>50,209</u>
Fire Services				
Personal Services	1,639,472	1,624,472	1,565,272	59,200
Supplies, Materials and Other	116,574	111,574	132,175	(20,601)
Total Fire Services	<u>1,756,046</u>	<u>1,736,046</u>	<u>1,697,447</u>	<u>38,599</u>
<b>Total Security of Person and Property</b>	<b><u>3,519,632</u></b>	<b><u>3,405,132</u></b>	<b><u>3,314,426</u></b>	<b><u>90,706</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, 2016

	Original Budget	Final Budget	Actual	Variance Over/(Under)
Leisure Activities				
Recreation Administration				
Personal Services	53,081	58,081	60,615	(2,534)
Supplies, Materials and Other	16,528	16,528	12,009	4,519
Total Recreation Administration	<u>69,609</u>	<u>74,609</u>	<u>72,624</u>	<u>1,985</u>
Recreation Programs				
Supplies, Materials and Other	11,650	17,650	17,444	206
Total Recreation Programs	<u>11,650</u>	<u>17,650</u>	<u>17,444</u>	<u>206</u>
Recreation-Pool				
Personal Services	47,238	55,238	57,279	(2,041)
Supplies, Materials and Other	37,750	37,750	35,419	2,331
Total Recreation-Pool	<u>84,988</u>	<u>92,988</u>	<u>92,698</u>	<u>290</u>
Recreation Parks				
Personal Services	85,623	108,123	107,625	498
Supplies, Materials and Other	36,145	41,145	39,838	1,307
Total Recreation Parks	<u>121,768</u>	<u>149,268</u>	<u>147,463</u>	<u>1,805</u>
<b>Total Leisure Activities</b>	<b><u>288,015</u></b>	<b><u>334,515</u></b>	<b><u>330,229</u></b>	<b><u>4,286</u></b>
<b>Total Expenditures</b>	<b><u>6,229,455</u></b>	<b><u>6,171,855</u></b>	<b><u>5,995,594</u></b>	<b><u>176,261</u></b>
Excess of Revenues Over Expenditures	63,277	120,877	811,173	690,296
Other Financing Uses				
Operating Transfers Out	(115,000)	(115,000)	(115,000)	-
Total Other Financing Uses	<u>(115,000)</u>	<u>(115,000)</u>	<u>(115,000)</u>	<u>-</u>
Net Change in Fund Balance	(51,723)	5,877	696,173	690,296
Fund Balance January 1, 2016	901,907	901,907	901,907	-
Prior Year Encumbrances	57,022	57,022	57,022	-
Fund Balance December 31, 2016	<b><u>\$ 907,206</u></b>	<b><u>\$ 964,806</u></b>	<b><u>\$ 1,655,102</u></b>	<b><u>\$ 690,296</u></b>

**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, 2016

	Original Budget	Final Budget	Actual	Variance Over/(Under)
<b><u>Revenues:</u></b>				
Income Taxes	\$ 1,251,459	\$ 1,305,000	\$ 1,409,553	\$ 104,553
Miscellaneous	53,541	25,000	60,306	35,306
<b>Total Revenues</b>	<b>1,305,000</b>	<b>1,330,000</b>	<b>1,469,859</b>	<b>139,859</b>
<b><u>Expenditures:</u></b>				
<b>Current:</b>				
Public Safety				
Personal Services	1,309,969	1,276,969	1,243,345	33,624
Supplies, Materials and Other	84,512	84,512	92,466	(7,954)
Total Security of Persons and Property	<b>1,394,481</b>	<b>1,361,481</b>	<b>1,335,811</b>	<b>25,670</b>
Net Change in Fund Balance	(89,481)	(31,481)	134,048	165,529
Fund Balance January 1, 2016	249,406	249,406	249,406	-
Prior Year Encumbrances	59,113	59,113	59,113	-
Fund Balance December 31, 2016	<b>\$ 219,038</b>	<b>\$ 277,038</b>	<b>\$ 442,567</b>	<b>\$ 165,529</b>

**CITY OF URBANA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**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, 2016**

**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	\$ 531,732	\$ 41,615
Supplemental Investment Fund Change	(1,906)	-
Income Tax Revenue Fund Change	(2,005)	-
Revenue Accruals	967,756	81,868
Expenditure Accruals	(752,815)	11,369
Encumbrances	(46,589)	(804)
Budget Basis	\$ 696,173	\$ 134,048

**City of Urbana, Ohio**  
 Required Supplementary Information  
 Schedule of City's Proportionate Share of the Net Pension (Asset)/Liability  
 Ohio Public Employees Retirement System

Last Three Years

	<u>2016</u>	<u>2015</u>	<u>2014 (1)</u>
City's Proportion of the Net Pension (Asset)/Liability			
Traditional Plan	0.019715%	0.020529%	0.020529%
Combined Plan	0.010740%	0.009907%	0.009907%
City's Proportionate Share of the Net Pension			
Traditional Plan	\$ 3,414,888	\$ 2,476,029	\$ 2,420,102
Combined Plan	(5,226)	(3,815)	(1,040)
City's Covered-Employee Payroll	\$ 2,608,371	\$ 2,561,683	\$ 2,208,115
City's Proportionate Share of the Net Pension (Asset)/Liability as a Percentage of its Covered-Employee Payroll	130.72%	96.51%	109.55%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability			
Traditional Plan	81.08%	86.45%	86.36%
Combined Plan	116.90%	114.83%	104.56%

(1) Information prior to 2014 is not available.

Amounts presented as of the City's measurement date, which is the prior fiscal year-end.

**City of Urbana, Ohio**  
 Required Supplementary Information  
 Schedule of City's Proportionate Share of the Net Pension Liability  
 Ohio Police and Fire Pension Fund

Last Three Years

	<u>2016</u>	<u>2015</u>	<u>2014 (1)</u>
City's Proportion of the Net Pension Liability	0.135095%	0.144162%	0.144162%
City's Proportionate Share of the Net Pension Liability	\$ 8,690,756	\$ 7,468,214	\$ 7,021,161
City's Covered-Employee Payroll	\$ 2,721,320	\$ 2,784,088	\$ 2,828,327
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	319.36%	268.25%	248.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.77%	72.20%	73.00%

(1) Information prior to 2014 is not available.

Amounts presented as of the City's measurement date, which is the prior fiscal year-end.

**City of Urbana, Ohio**  
 Required Supplementary Information  
 Schedule of City Contributions  
 Ohio Public Employees Retirement System

Last Four Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013 (1)</u>
Contractually Required Contribution	\$ 333,734	\$ 313,004	\$ 307,402	\$ 287,055
Contributions in relation to the contractually required contribution	\$ 333,734	\$ 313,004	\$ 307,402	\$ 287,055
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 2,781,113	\$ 2,608,371	\$ 2,561,683	\$ 2,208,115
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available.

**City of Urbana, Ohio**  
 Required Supplementary Information  
 Schedule of City Contributions  
 Ohio Police and Fire Pension Fund

Last Six Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011 (1)</u>
Contractually Required Contribution	\$ 560,816	\$ 582,135	\$ 603,310	\$ 519,856	\$ 418,227	\$ 448,255
Contributions in relation to the contractually required contribution	\$ 560,816	\$ 582,135	\$ 603,310	\$ 519,856	\$ 418,227	\$ 448,255
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$2,616,381	\$2,721,320	\$2,784,088	\$2,828,327	\$2,672,123	\$2,861,247
Contributions as a percentage of covered-employee payroll	21.43%	21.39%	21.67%	18.38%	15.65%	15.67%

(1) Information prior to 2011 is not available.



**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  
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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 24, 2017.

***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.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City'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.

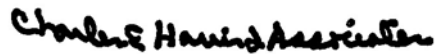
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies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

***Compliance and Other Matters***

As part of reasonably assuring whether the City'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.



***Charles E. Harris & Associates, Inc.***

June 24, 2017



# 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  
AUGUST 31, 2017