



Dave Yost • Auditor of State

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**CITY OF URBANA
CHAMPAIGN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Urbana, Champaign County, Ohio (the City), as of and for the year ended December 31, 2013, 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, 2013, 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* and *Required budgetary comparison schedules* listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the City's basic financial statements taken as a whole.

The Schedule of Federal Award Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2014, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

August 8, 2014

**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(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, 2013.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by approximately \$37.1 million (net position). Of this amount, approximately \$5.0 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 \$2.7 million, or 8%, during the fiscal year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of approximately \$5.9 million, an increase of \$517,829 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was approximately \$1.4 million, or 25% of total general fund expenditures including transfers.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)**

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

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

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

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

The City maintains 35 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 31 governmental funds are combined into a single, aggregated presentation.

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

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

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

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

**CITY OF URBANA, OHIO
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FOR THE YEAR ENDED DECEMBER 31, 2013
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Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 shows the detail of the City's net position at December 31, 2013 and 2012.

**TABLE 1
Net Position**

	Governmental Activities		Business-type Activities		Total	
	2012	2013	2012	2013	2012	2013
Current and other assets	\$ 8,272,819	\$ 9,213,036	\$ 2,000,382	\$ 2,990,137	\$ 10,273,201	\$ 12,203,173
Capital assets	25,966,379	25,783,427	16,465,452	19,541,099	42,431,831	45,324,526
Total Assets	34,239,198	34,996,463	18,465,834	22,531,236	52,705,032	57,527,699
Current and other liabilities	1,056,153	1,451,031	533,974	968,018	1,590,127	2,419,049
Long-term liabilities	4,817,884	4,387,772	11,439,090	13,113,053	16,256,974	17,500,825
Total Liabilities	5,874,037	5,838,803	11,973,064	14,081,071	17,847,101	19,919,874
Deferred Inflows of Resources	535,837	536,025	-	-	535,837	536,025
Total Deferred Inflows of Resources	535,837	536,025	-	-	535,837	536,025
Net Position:						
Net Investment in Capital Assets	23,370,225	23,613,298	5,165,122	6,567,100	28,535,347	30,180,398
Restricted	1,637,052	1,868,288	-	-	1,637,052	1,868,288
Unrestricted	2,822,047	3,140,049	1,327,648	1,883,065	4,149,695	5,023,114
Total Net Position	\$ 27,829,324	\$ 28,621,635	\$ 6,492,770	\$ 8,450,165	\$ 34,322,094	\$ 37,071,800

**CITY OF URBANA, OHIO
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**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)**

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City, assets exceeded liabilities and deferred inflows of resources by approximately \$37.1 million at the close of the most recent fiscal year.

The City had an increase in pooled cash and investments of \$1.2 million and \$986,959, respectively, to Governmental Activities and to Business-type Activities during 2013. The increase in pooled cash and investments of the Governmental Activities is related to increase of income tax for businesses paid in advance. The Business-type Activities increase is result of favorable operating results during the year.

The significant increase in capital assets is the result of additions exceeding depreciation and deletions by \$2.9 million. The City's major additions during 2013 mainly included the Water Pollution Control Facility Update in the amount of \$3.3 million.

By far the largest portion of the City's net position (81 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (approximately \$5.0 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.

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**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)**

Table 2 details the changes in net position for the fiscal years ended December 31, 2013 and 2012.

**TABLE 2
Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2012	2013	2012	2013	2012	2013
Program Revenues:						
Charges for Service	\$ 2,374,231	\$ 2,226,075	\$ 4,985,093	\$ 5,449,818	\$ 7,359,324	\$ 7,675,893
Operating Grants	1,579,309	1,249,515	-	-	1,579,309	1,249,515
Capital Grants	1,368,362	517,379	-	-	1,368,362	517,379
General Revenues:						
Income Taxes	5,811,005	6,160,561	-	-	5,811,005	6,160,561
Property Taxes	578,640	456,767	-	-	578,640	456,767
Unrestricted Grants	574,513	463,487	-	-	574,513	463,487
Investment Earnings	32,844	37,770	-	-	32,844	37,770
Other	202,021	161,413	-	-	202,021	161,413
Total Revenues	12,520,925	11,272,967	4,985,093	5,449,818	17,506,018	16,722,785
Expenses:						
General Government	2,327,883	2,261,141	-	-	2,327,883	2,261,141
Public Safety	5,047,892	5,110,936	-	-	5,047,892	5,110,936
Health	274,858	259,919	-	-	274,858	259,919
Transportation	2,497,916	1,938,405	-	-	2,497,916	1,938,405
Community Development	422,262	359,279	-	-	422,262	359,279
Leisure Activities	383,817	453,052	-	-	383,817	453,052
Interest on Long-Term Debt	164,177	97,924	-	-	164,177	97,924
Water	-	-	1,698,788	1,682,135	1,698,788	1,682,135
Sewer	-	-	1,771,563	1,672,263	1,771,563	1,672,263
Recycling Program	-	-	148,340	138,025	148,340	138,025
Total Expenses	11,118,805	10,480,656	3,618,691	3,492,423	14,737,496	13,973,079
Change in Net Position	1,402,120	792,311	1,366,402	1,957,395	2,768,522	2,749,706
Net position, Beginning	26,427,204	27,829,324	5,126,368	6,492,770	31,553,572	34,322,094
Net position, Ending	\$ 27,829,324	\$ 28,621,635	\$ 6,492,770	\$ 8,450,165	\$ 34,322,094	\$ 37,071,800

Governmental Activities. Governmental activities increased the City's net position by \$792,311, thereby accounting for 29 percent of the total growth in net position of the City. Capital grants decreased \$850,983 primarily due to the City wrapping up the Clean Ohio Revitalization project during 2013. Income taxes increased \$349,556 due to the additional business income tax estimated payments. Operating Grants decreased \$329,794 due to a decrease in revenue relating to Community Housing Improvement Program funding and the loss of grant revenue for additional firefighters.

**CITY OF URBANA, OHIO
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**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)**

Expenses decreased \$638,149 from 2012 to 2013 for a decrease of approximately 6 percent. The decrease is mainly related to reducing capital improvements from 2012 to 2013 for the Transportation department .

Business-type Activities. Business-type activities increased the City's net position by approximately \$2.0 million, accounting for 71 percent of the total growth in the City's net position. This increase was primarily the result of a rate increase for water and sewer charges offset by expenses.

During the fiscal year, expenses of the City's business-type activities remained relatively consistent with a decrease of \$126,268, or 3%.

Total versus Net Cost of Services

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

TABLE 3

Functions/Programs	Total Cost of Services		Net Cost of Services	
	2012	2013	2012	2013
Governmental Activities:				
General Government	\$ (2,327,883)	\$ (2,261,141)	\$ (1,374,517)	\$ (1,399,976)
Public Safety	(5,047,892)	(5,110,936)	(4,095,031)	(4,154,951)
Transportation	(2,497,916)	(1,938,405)	(502,411)	(612,715)
Community Development	(422,262)	(359,279)	657,600	308,608
Leisure Activities	(383,817)	(453,052)	(161,154)	(396,813)
All Other	(439,035)	(357,843)	(321,390)	(231,840)
Total Governmental Activities	(11,118,805)	(10,480,656)	(5,796,903)	(6,487,687)
Business-Type Activities:				
Water	(1,698,788)	(1,682,135)	301,650	614,639
Sewer	(1,771,563)	(1,672,263)	1,051,028	1,341,495
Recycling Program	(148,340)	(138,025)	13,724	1,261
Total Business-Type Activities	(3,618,691)	(3,492,423)	1,366,402	1,957,395
Grand Total	\$ (14,737,496)	\$ (13,973,079)	\$ (4,430,501)	\$ (4,530,292)

**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of approximately \$5.9 million, a \$517,829 increase from the previous year.

The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2013 and 2012.

	Fund Balance 12/31/2012	Fund Balance 12/31/2013	Increase (Decrease)
General	\$ 1,495,821	\$ 1,567,006	\$ 71,185
Police and Fire Levy	343,386	470,872	127,486
Capital improvement	608,698	727,768	119,070
Perpetual Investment	1,827,353	1,827,353	-
Other Governmental	1,139,219	1,339,307	200,088
Total	\$ 5,414,477	\$ 5,932,306	\$ 517,829

The *General Fund* is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was approximately \$1.4 million, or 92% of the total fund balance. The fund balance of the City's general fund increased \$71,185 during the current fiscal year, or 5%, from the previous year.

Revenues decreased \$53,236, or 1%. Intergovernmental revenues decreased \$150,788, or 25%, primarily as a result of a decrease in estate tax receipts and the continued decrease in state funding. This decrease was offset by a \$105,934 increase in income tax receipts from the prior year.

Expenditures increased \$65,646, or 1%, primarily as a result of increased spending for leisure time expenditures.

The *Police and Fire Levy Fund* accounts for the income tax for additional patrolmen and firefighters that the General Fund is unable to financially support. The police and fire levy funds' fund balance increased \$127,486 during the fiscal year. This increase represents the amount by which income tax revenues outstripped expenditures.

**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

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

The *Capital Improvements Fund* accounts for the accumulation of financial resources to be used for the acquisition or construction of capital assets as well as to service debt. The Capital Improvement Funds' fund balance increased \$119,070 during the fiscal year. This increase mainly due to the City decreasing spending relating to transportation projects in comparison with the prior year.

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 \$200,088 during the fiscal year. A significant portion of this increase is the result of the City being reimbursed for grant expenditures made in previous years.

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 \$1.0 million. Total net position increased \$614,639, or 19%, from the previous year. The increase is due to the increase in revenues due to a rate increase being fully collected in 2013.

Unrestricted net position in the Sewer Revenue fund at the end of the year amounted to \$845,947. Total net position increased approximately \$1.3 million, or 42%, from the previous year. The increase is due to the increase in revenues due to a rate increase being fully collected in 2013.

Unrestricted net position in the Recycling Program Fund at the end of the year amounted to \$57,842. Total net position increased \$1,261 or 2%, 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 original amended revenue estimate equaled the final amended revenue estimate. Final appropriations exceeded the original resolution by \$267,374, or 4%. The City's actual revenues and other sources exceeded final amended revenue and other sources by \$333,785, or 6%, and final amended appropriations exceeded actual expenditures and other uses by \$123,330, or 2%.

**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)**

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2013, amounts to approximately \$45.3 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 \$4.4 million, deletions were \$16,764 (net accumulated depreciation), and depreciation was approximately \$1.5 million.

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

Debt

At the end of the current fiscal year, the City had total debt outstanding of approximately \$15.1 million. Of this amount, approximately \$2.6 million represents bonds backed by the full faith and credit of the City. The remaining \$12.5 million of the City's debt represents loans in the City's name.

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

Contacting the City Finance Department

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

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**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2013

	Governmental Activities	Business-type Activities	Total
Assets			
Pooled Cash and Investments	\$ 5,323,109	\$ 2,148,647	\$ 7,471,756
Receivables:			
Income Tax	1,373,779	-	1,373,779
Property Tax	644,183	-	644,183
Accounts	428,680	692,257	1,120,937
Notes	857,369	-	857,369
Due From Other Governments	451,848	-	451,848
Inventory	102,412	139,746	242,158
Prepaid Assets	31,656	9,487	41,143
Capital Assets:			
Non-Depreciable	6,877,820	5,330,453	12,208,273
Depreciable	18,905,607	14,210,646	33,116,253
Total Assets	<u>34,996,463</u>	<u>22,531,236</u>	<u>57,527,699</u>
Liabilities			
Accounts Payable	51,400	720,910	772,310
Retainage Payable	9,072	49,684	58,756
Accrued Wages and Benefits	220,353	31,516	251,869
Due To Other Governments	292,600	39,077	331,677
Interest Payable	17,606	126,831	144,437
Unearned Revenue	860,000	-	860,000
Long-term Liabilities			
Due within one year	826,325	1,011,102	1,837,427
Due in more than one year	3,561,447	12,101,951	15,663,398
Total Liabilities	<u>5,838,803</u>	<u>14,081,071</u>	<u>19,919,874</u>
Deferred Inflows of Resources			
Unearned Revenue	536,025	-	536,025
Total Deferred Inflows of Resources	<u>536,025</u>	<u>-</u>	<u>536,025</u>
Net Position			
Net Investment in Capital Assets	23,613,298	6,567,100	30,180,398
Restricted for:			
Capital Projects	436,540	-	436,540
Transportation Programs	273,293	-	273,293
Public Safety Programs	851,320	-	851,320
Debt Service	46,022	-	46,022
Permanent Endowments	110,163	-	110,163
Grant Programs	145,966	-	145,966
Other	4,984	-	4,984
Unrestricted	3,140,049	1,883,065	5,023,114
Total Net Position	<u>\$ 28,621,635</u>	<u>\$ 8,450,165</u>	<u>\$ 37,071,800</u>

See accompanying notes to the basic financial statements.

**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
Public Safety	\$ 5,110,936	\$ 798,728	\$ 157,257	\$ -
Health	259,919	126,003	-	-
Leisure Time	453,052	56,239	-	-
Community Development	359,279	389	335,234	332,264
Basic Utilities	-	-	-	-
Transportation	1,938,405	383,551	757,024	185,115
General Government	2,261,141	861,165	-	-
Interest on Debt	97,924	-	-	-
Total Governmental Activities	<u>10,480,656</u>	<u>2,226,075</u>	<u>1,249,515</u>	<u>517,379</u>
Business-type Activities:				
Water	1,682,135	2,296,774	-	-
Sewer	1,672,263	3,013,758	-	-
Recycling Program	138,025	139,286	-	-
Total Business-type Activities	<u>3,492,423</u>	<u>5,449,818</u>	<u>-</u>	<u>-</u>
Total Government	<u>\$ 13,973,079</u>	<u>\$ 7,675,893</u>	<u>\$ 1,249,515</u>	<u>\$ 517,379</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
\$ (4,154,951)	\$ -	\$ (4,154,951)
(133,916)	-	(133,916)
(396,813)	-	(396,813)
308,608	-	308,608
-	-	-
(612,715)	-	(612,715)
(1,399,976)	-	(1,399,976)
(97,924)	-	(97,924)
<u>(6,487,687)</u>	<u>-</u>	<u>(6,487,687)</u>
-	614,639	614,639
-	1,341,495	1,341,495
-	1,261	1,261
<u>-</u>	<u>1,957,395</u>	<u>1,957,395</u>
\$ (6,487,687)	\$ 1,957,395	\$ (4,530,292)
456,767	-	456,767
6,160,561	-	6,160,561
37,770	-	37,770
463,487	-	463,487
161,413	-	161,413
<u>7,279,998</u>	<u>-</u>	<u>7,279,998</u>
792,311	1,957,395	2,749,706
27,829,324	6,492,770	34,322,094
<u>\$ 28,621,635</u>	<u>\$ 8,450,165</u>	<u>\$ 37,071,800</u>

See accompanying notes to the basic financial statements.

**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2013

	General Fund	Police & Fire Levy Fund	Capital Improvement Fund	Perpetual Investment Fund
Assets:				
Pooled Cash and Investments	\$ 2,248,344	\$ 346,876	\$ 560,349	\$ 976,397
Receivables:				
Income Tax	735,953	294,381	245,318	-
Property Tax	494,793	-	-	-
Accounts	375,185	-	-	-
Notes	-	-	-	850,956
Due From Other Governments	171,833	472	15,049	-
Due From Other Funds	-	48,214	40,179	-
Inventory	22,652	-	-	-
Prepaid Assets	25,569	-	-	-
Advances To Other Funds	56,000	-	-	-
Total Assets	\$ 4,130,329	\$ 689,943	\$ 860,895	\$ 1,827,353
Liabilities:				
Accounts Payable	\$ 27,323	\$ 692	\$ 10,197	\$ -
Retainage Payable	-	-	-	-
Accrued Wages and Benefits	154,712	39,037	-	-
Due To Other Governments	208,807	49,413	-	-
Due To Other Funds	104,464	-	-	-
Matured Compensated Absences	17,276	-	-	-
Advances From Other Funds	-	-	-	-
Unearned Revenue	860,000	-	-	-
Total Liabilities	1,372,582	89,142	10,197	-
Deferred Inflows of Resources:				
Unavailable Revenue	784,410	129,929	122,930	-
Unearned Revenue	406,331	-	-	-
Total Deferred Inflows of Resources	1,190,741	129,929	122,930	-
Fund Balances:				
Nonspendable:				
Inventory	22,652	-	-	-
Advances	56,000	-	-	-
Prepays	25,569	-	-	-
Restricted:				
Capital Projects	-	-	-	-
Transportation Programs	-	-	-	-
Public Safety Programs	-	470,872	-	-
Debt Service	-	-	-	-
Permanent Endowments	-	-	-	-
Grant Programs	-	-	-	-
Other	-	-	-	-
Committed:				
Transportation Programs	-	-	-	-
Assigned:				
General Government	14,838	-	-	-
Security of Person and Property	6,196	-	-	-
Capital Projects	-	-	727,768	1,827,353
Unassigned	1,441,751	-	-	-
Total Fund Balances	1,567,006	470,872	727,768	1,827,353
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 4,130,329	\$ 689,943	\$ 860,895	\$ 1,827,353

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 1,191,143	\$ 5,323,109
98,127	1,373,779
149,390	644,183
53,495	428,680
6,413	857,369
264,494	451,848
16,071	104,464
79,760	102,412
6,087	31,656
-	56,000
<u>\$ 1,864,980</u>	<u>\$ 9,373,500</u>
\$ 13,188	\$ 51,400
9,072	9,072
26,604	220,353
34,380	292,600
-	104,464
-	17,276
56,000	56,000
-	860,000
<u>139,244</u>	<u>1,611,165</u>
256,735	1,294,004
129,694	536,025
<u>386,429</u>	<u>1,830,029</u>
43,287	65,939
-	56,000
6,087	31,656
392,843	392,843
63,905	63,905
230,925	701,797
46,022	46,022
110,163	110,163
146,511	146,511
8,704	8,704
335,160	335,160
-	14,838
-	6,196
-	2,555,121
(44,300)	1,397,451
<u>1,339,307</u>	<u>5,932,306</u>
<u>\$ 1,864,980</u>	<u>\$ 9,373,500</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, 2013

Total Governmental Fund Balances	\$ 5,932,306
 <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.	25,783,427
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	
Income Taxes Receivable	604,133
Property Taxes Receivable	70,812
Intergovernmental Receivable	315,609
Accounts Receivable - Ambulance	278,341
Accounts Receivable - Cemetery	25,109
Governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of net position.	
Unamortized Premium on Bonds	(9,461)
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	(1,024,897)
General Obligation Debt	(3,336,138)
Accrued Interest Payable	(17,606)
 Net Position of Governmental Activities	 <u><u>\$ 28,621,635</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, 2013

	General Fund	Police & Fire Levy Fund	Capital Improvement Fund	Perpetual Investment Fund
Revenues:				
Income Taxes	\$ 3,204,778	\$ 1,281,911	\$ 1,068,260	\$ -
Property Taxes	446,376	-	-	-
Intergovernmental	460,974	-	204,939	-
Charges for Services	839,529	-	-	-
Fines, Licenses, and Permits	596,701	-	-	-
Interest	45,501	-	-	-
Miscellaneous	140,727	25,692	48,087	-
Total revenues	<u>5,734,586</u>	<u>1,307,603</u>	<u>1,321,286</u>	<u>-</u>
Expenditures:				
Current:				
Public Safety	3,294,705	1,176,691	375	-
Health	41,925	-	-	-
Leisure Time	315,345	-	-	-
Community Development	-	-	-	-
Transportation	-	-	278,327	-
General Government	1,791,426	-	133,110	-
Capital Outlay	-	3,426	682,987	-
Debt service:				
Principal Retirement	-	-	83,160	-
Interest and Fiscal Charges	-	-	24,257	-
Total Expenditures	<u>5,443,401</u>	<u>1,180,117</u>	<u>1,202,216</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	291,185	127,486	119,070	-
Other Financing Sources (Uses):				
Transfers In	-	-	-	-
Transfers Out	(220,000)	-	-	-
Total Other Financing Sources (Uses)	<u>(220,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	71,185	127,486	119,070	-
Fund Balance at Beginning of Year	1,495,821	343,386	608,698	1,827,353
Fund Balance at End of Year	<u>\$ 1,567,006</u>	<u>\$ 470,872</u>	<u>\$ 727,768</u>	<u>\$ 1,827,353</u>

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 427,303	\$ 5,982,252
144,217	590,593
1,554,862	2,220,775
353,114	1,192,643
204,929	801,630
955	46,456
219,804	434,310
<u>2,905,184</u>	<u>11,268,659</u>
323,143	4,794,914
148,074	189,999
-	315,345
359,279	359,279
978,709	1,257,036
96,850	2,021,386
592,042	1,278,455
342,865	426,025
84,134	108,391
<u>2,925,096</u>	<u>10,750,830</u>
(19,912)	517,829
220,000	220,000
-	(220,000)
<u>220,000</u>	<u>-</u>
200,088	517,829
1,139,219	5,414,477
<u>\$ 1,339,307</u>	<u>\$ 5,932,306</u>

See accompanying notes to the basic financial statements.

**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

Net Change in Fund Balances - Total Governmental Funds \$ 517,829

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

Governmental funds report capital outlays as expenditures.

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

Capital Outlays	1,008,180
Depreciation Expense	(1,184,517)

The effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and disposals) is to decrease net position.	(6,615)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	4,308
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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.	515,915
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Amortization of premium on bonds	4,729
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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	(73,256)
Accrued interest	5,738

Change in Net Position of Governmental Activities	\$ 792,311
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See accompanying notes to the basic financial statements.

**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF DECEMBER 31, 2013

	Business-type Activities - Enterprise Funds			
	Water Revenue	Sewer Revenue	Recycling Program	Total Enterprise Funds
Assets				
Current Assets:				
Pooled Cash and Investments	\$ 741,342	\$ 1,341,524	\$ 65,781	\$ 2,148,647
Receivables:				
Accounts	296,196	392,358	3,703	692,257
Inventory	107,662	32,084	-	139,746
Prepaid Assets	2,771	6,716	-	9,487
Total Current Assets	<u>1,147,971</u>	<u>1,772,682</u>	<u>69,484</u>	<u>2,990,137</u>
Noncurrent Assets:				
Depreciable Capital Assets, Net	9,177,772	5,032,874	-	14,210,646
Non-Depreciable Capital Assets	460,028	4,870,425	-	5,330,453
Total Noncurrent Assets	<u>9,637,800</u>	<u>9,903,299</u>	<u>-</u>	<u>19,541,099</u>
Total Assets	<u>10,785,771</u>	<u>11,675,981</u>	<u>69,484</u>	<u>22,531,236</u>
Liabilities				
Current Liabilities:				
Accounts Payable	2,971	706,297	11,642	720,910
Accrued Wages and Benefits	14,282	17,234	-	31,516
Due to Other Governments	16,785	22,292	-	39,077
Accrued Interest payable	82,894	43,937	-	126,831
Accrued Vacation and Sick Leave	20,923	21,409	-	42,332
Retainage Payable	-	49,684	-	49,684
Bonds Payable	120,723	21,034	-	141,757
Loan Payable	332,998	494,015	-	827,013
Total Current Liabilities	<u>591,576</u>	<u>1,375,902</u>	<u>11,642</u>	<u>1,979,120</u>
Noncurrent Liabilities:				
Accrued Vacation and Sick Leave	30,840	65,881	-	96,721
Bonds Payable	334,101	433,989	-	768,090
Loan Payable	5,967,139	5,270,001	-	11,237,140
Total Noncurrent Liabilities	<u>6,332,080</u>	<u>5,769,871</u>	<u>-</u>	<u>12,101,951</u>
Total Liabilities	<u>6,923,656</u>	<u>7,145,773</u>	<u>11,642</u>	<u>14,081,071</u>
Net Position				
Net Investment in Capital Assets	2,882,839	3,684,261	-	6,567,100
Unrestricted	979,276	845,947	57,842	1,883,065
Total Net Position	<u>\$ 3,862,115</u>	<u>\$ 4,530,208</u>	<u>\$ 57,842</u>	<u>\$ 8,450,165</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, 2013

	Business-type Activities - Enterprise Funds			
	Water Revenue	Sewer Revenue	Recycling Program	Total Enterprise Funds
Operating Revenues				
Charges for Services	\$ 2,296,774	\$ 3,013,758	\$ 139,286	\$ 5,449,818
Total Operating Revenues	<u>2,296,774</u>	<u>3,013,758</u>	<u>139,286</u>	<u>5,449,818</u>
Operating Expenses				
Personal Services	424,889	626,106	-	1,050,995
Contractual Services	434,896	454,652	138,025	1,027,573
Supplies and Materials	34,829	144,406	-	179,235
Administrative Fees	349,978	252,411	-	602,389
Depreciation	248,146	47,320	-	295,466
Total Operating Expenses	<u>1,492,738</u>	<u>1,524,895</u>	<u>138,025</u>	<u>3,155,658</u>
Operating Income	<u>804,036</u>	<u>1,488,863</u>	<u>1,261</u>	<u>2,294,160</u>
Nonoperating Revenues (Expenses)				
Loss on Disposal of Assets	-	(10,149)	-	(10,149)
Interest Expense	(189,397)	(137,219)	-	(326,616)
Total Non-Operating Revenues (Expenses)	<u>(189,397)</u>	<u>(147,368)</u>	<u>-</u>	<u>(336,765)</u>
Change in Net Position	<u>614,639</u>	<u>1,341,495</u>	<u>1,261</u>	<u>1,957,395</u>
Net Position at Beginning of Year	3,247,476	3,188,713	56,581	6,492,770
Net Position at End of Year	<u>\$ 3,862,115</u>	<u>\$ 4,530,208</u>	<u>\$ 57,842</u>	<u>\$ 8,450,165</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, 2013

	Business-type Activities - Enterprise Funds			
	Water Revenue	Sewer Revenue	Recycling Program	Total Enterprise Funds
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 2,252,460	\$ 3,061,856	\$ 144,150	\$ 5,458,466
Cash Paid to Employees	(424,620)	(632,118)	-	(1,056,738)
Cash Paid to Suppliers	(500,157)	(592,824)	(137,834)	(1,230,815)
Cash Paid for Other Expenses	(352,378)	(252,411)	-	(604,789)
Net Cash Flows from Operating Activities	<u>975,305</u>	<u>1,584,503</u>	<u>6,316</u>	<u>2,566,124</u>
Cash Flows from Capital and Related Financing Activities				
Purchase of Capital Assets	(16,877)	(2,894,325)	-	(2,911,202)
Payment of Debt	(440,116)	(604,911)	-	(1,045,027)
Payment of Interest	(193,606)	(130,290)	-	(323,896)
Proceeds from Loans	-	2,700,960	-	2,700,960
Net Cash Flows from Capital and Related Financing Activities	<u>(650,599)</u>	<u>(928,566)</u>	<u>-</u>	<u>(1,579,165)</u>
Net Change in Cash	324,706	655,937	6,316	986,959
Cash and Cash Equivalents at Beginning of Year	416,636	685,587	59,465	1,161,688
Cash and Cash equivalents at End of Year	<u>\$ 741,342</u>	<u>\$ 1,341,524</u>	<u>\$ 65,781</u>	<u>\$ 2,148,647</u>
Reconciliation of Operating Income to Net Cash Flows from Operating Activities:				
Operating Income	\$ 804,036	\$ 1,488,863	\$ 1,261	\$ 2,294,160
Add: Depreciation Expense	248,146	47,320	-	295,466
(Increase)/Decrease in Current Assets				
Accounts Receivable	(44,314)	48,098	4,864	8,648
Prepaid Items	(374)	(961)	-	(1,335)
Material and Supply Inventory	(27,725)	17,616	-	(10,109)
Increase/(Decrease) in Current Liabilities				
Accounts Payable	(4,733)	(10,421)	191	(14,963)
Accrued Wages and Benefits	872	406	-	1,278
Accrued Vacation and Sick Leave	1,651	(1,358)	-	293
Due to Other Governments	(2,254)	(5,060)	-	(7,314)
Net Cash Flows from Operating Activities	<u>\$ 975,305</u>	<u>\$ 1,584,503</u>	<u>\$ 6,316</u>	<u>\$ 2,566,124</u>

See accompanying notes to the basic financial statements.

**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AS OF DECEMBER 31, 2013

	<u>Agency Funds</u>
Assets	
Pooled Cash and Investments	\$ 112,091
Total Assets	<u>112,091</u>
Liabilities	
Due to Others	112,091
Total Liabilities	<u>\$ 112,091</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, 2013

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, 2013.

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, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Interfund activity, and related interfund receivables and payables, have been eliminated in the government-wide statements. These eliminations remove the duplicating effect on assets, liabilities, revenues, expenses that would otherwise occur. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

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

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

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

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

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

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 can not financially support.

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

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

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

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

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

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 short-term investments with original maturities of three months or less from the date of acquisition.

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

(d) Receivables and Payables

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

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

(e) Notes Receivable

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

(f) Inventory and Prepaid Assets

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

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

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

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Capital Assets and Depreciation

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

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

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

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

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

(h) Deferred Outflows/Inflows of Resources

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

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

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Unearned Revenue

Other revenues received in advance of the year for which they were intended to finance, have been recorded as unearned revenue on the statement of net position and governmental fund balance sheet. Income taxes not received within the available period due at December 31, 2013, are recorded as unavailable revenue in the governmental funds and as revenue on the statement of activities.

(j) Compensated Absences

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

(k) Long Term Obligations

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

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

(l) Fund Balance

GASB Statement No. 54, *Fund Balance Reporting* became effective for years beginning after June 15, 2010. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

(m) Net Position

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

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

(n) Estimates

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

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES/ACCOUNTABILITY

(a) Change in Accounting Principles

For the year ended December 31, 2013, the City has implemented the following:

GASB Statement No. 61 “The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34” improves financial reporting for a government financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements-and Management’s Discussion and Analysis-for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The implementation of this statement did not have a significant effect on the financial statements of the City.

GASB Statement No. 66 “Technical Corrections – 2012 - an Amendment of GASB Statements No. 10 and No. 62 resolves conflicting guidance that results from the issuance of GASB Statements No. 54 and No. 62. This Statement also amend GASB Statement No. 10 by removing the provision that limits fund-based reporting of an entity’s risk financing activities to the general fund and the internal service fund type. This Statement also amends GASB Statement No. 62 to clarify how to apply GASB Statement No. 13 and results in guidance that is consistent with GASB Statement No. 48. The implementation of this statement did not have a significant effect on the financial statements of the City.

(b) Deficit Fund Balances

The following individual fund had deficit fund balances/net position at December 31, 2013:

Masoleum Trust Fund	\$ (44,300)
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These 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.

NOTE 4 – DEPOSITS AND INVESTMENTS

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

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

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

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

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

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

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

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

(a) Cash on Hand

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

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

(b) Deposits with Financial Institutions

At year-end, the carrying amount of the City’s deposits was \$6,495,550, which includes certificates of deposit totaling \$2,110,538, and the bank balance was \$6,727,620. Of the bank balance, \$669,715 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, \$6,057,905 of the City’s bank balance was exposed to custodial credit risk because it was uninsured and collateralized by securities held by a pledging financial institution’s trust department or agent, but not in the City’s name.

(c) Investments

As of December 31, 2013, the City had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities		
		1 year or less	1 to 3 years	Greater than 3 years
Money Market	\$ 1,087,288	\$ 1,087,288	\$ -	\$ -
Total	\$ 1,087,288	\$ 1,087,288	\$ -	\$ -

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

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

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Finance Director or qualified trustee.

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk: The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2013:

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Total</u>
Money Market	\$ 1,087,288	100%
Total	<u>\$ 1,087,288</u>	<u>100%</u>

(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, 2013:

<u>Cash and Investments Per Note</u>	
Carrying Amount of Deposits	\$ 6,495,550
Investments	1,087,288
Cash on Hand	1,009
Total	<u>\$ 7,583,847</u>
<u>Cash and Investments Per Statements of Net Position</u>	
Governmental and Business-type Activities	\$ 7,471,756
Agency Funds	112,091
Total	<u>\$ 7,583,847</u>

NOTE 5- NOTES RECEIVABLE

During 2011, the City loaned Sarica/Hughley and Phillips LLC, \$950,000, to assist in financing the cost to retain and expand their company within the City. In consideration of the repayment of the note, monthly payments of \$4,806 began on July 1, 2011 and continue on the first day of each month until June 1, 2031 when the remaining principal at that time on the note shall become due and payable in full. Sarica/Hughley and Phillips LLC made twelve payments, totaling \$57,671 during 2013. At December 31, 2013, the balance of the note was \$850,956.

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.

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

NOTE 6 – INCOME TAXES (Continued)

The tax rate applied in 2013 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 2008.

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

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

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

The assessed value of the City for tax years 2012 and 2011, upon which the 2013 and 2012 levies were based, were \$178,787,290 and \$183,024,970, respectively.

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 2012, which were used to collect taxes in calendar year 2013, are as follows:

	<u>Amount</u>	<u>Percent</u>
Real Estate (Other Than Public Utility)	\$173,976,570	97.3 %
Public Utility	<u>4,810,720</u>	<u>2.7 %</u>
Total Assessed Value	<u>\$178,787,290</u>	<u>100.0%</u>

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

NOTE 8 – CAPITAL ASSETS

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

Governmental Activities

	Beginning Balance	Additions	Deductions	Ending Balance
Nondepreciable Capital Assets				
Land	\$ 6,520,919	\$ 329,457	\$ -	\$ 6,850,376
Construction in Progress	-	27,444	-	27,444
Total Nondepreciable Assets	6,520,919	356,901	-	6,877,820
Depreciable Capital Assets				
Building and Improvements	15,871,159	35,169	-	15,906,328
Machinery and Equipment	4,386,376	293,074	(222,166)	4,457,284
Infrastructure	19,317,758	323,036	-	19,640,794
Total Depreciable Assets	39,575,293	651,279	(222,166)	40,004,406
Less accumulated depreciation				
Building and Improvements	11,934,713	468,054	-	12,402,767
Machinery and Equipment	3,467,479	256,512	(215,551)	3,508,440
Infrastructure	4,727,641	459,951	-	5,187,592
Total accumulated depreciation	20,129,833	1,184,517	(215,551)	21,098,799
Depreciable Capital Assets, Net of accumulated depreciation	19,445,460	(533,238)	(6,615)	18,905,607
Total Capital Assets, Net	\$ 25,966,379	\$ (176,337)	\$ (6,615)	\$ 25,783,427

Depreciation expense was charged to the governmental functions as follows:

General Government	\$ 243,578
Public Safety	186,334
Transportation	585,590
Health	53,906
Leisure Activities	115,109
Total depreciation expense	\$ 1,184,517

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CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

NOTE 8 – CAPITAL ASSETS (Continued)

Business Type Activities

Water Revenue Fund	Beginning			Ending
	Balance	Additions	Deductions	Balance
Land	\$ 460,028	-	-	\$ 460,028
Total Nondepreciable Assets	460,028	-	-	460,028
Depreciable Capital Assets				
Buildings	10,555,736	-	(9,579)	10,546,157
Equipment	2,784,778	16,921	-	2,801,699
Infrastructure	9,284,385	-	-	9,284,385
Total Depreciable Assets	22,624,899	16,921	(9,579)	22,632,241
Less accumulated depreciation				
Buildings	10,535,721	12,952	(9,579)	10,539,094
Equipment	2,195,139	57,239	-	2,252,378
Infrastructure	485,042	177,955	-	662,997
Total accumulated depreciation	13,215,902	248,146	(9,579)	13,454,469
Depreciable Capital Assets, Net of accumulated depreciation	9,408,997	(231,225)	-	9,177,772
Total Water Revenue Fund Capital Assets, Net	\$ 9,869,025	\$ (231,225)	\$ -	\$ 9,637,800

Sewer Revenue Fund	Beginning			Ending
	Balance	Additions	Deductions	Balance
Land	\$ 489,768	\$ -	\$ -	\$ 489,768
Construction in Progress	1,048,012	3,332,645	-	4,380,657
Total Nondepreciable Assets	1,537,780	3,332,645	-	4,870,425
Depreciable Capital Assets				
Buildings	20,846,842	7,000	(69,592)	20,784,250
Equipment	3,692,701	24,696	(162,444)	3,554,953
Infrastructure	2,068,428	-	-	2,068,428
Total Depreciable Assets	26,607,971	31,696	(232,036)	26,407,631
Less accumulated depreciation				
Buildings	20,124,892	33,445	(69,592)	20,088,745
Equipment	1,339,316	-	(152,295)	1,187,021
Infrastructure	85,116	13,875	-	98,991
Total accumulated depreciation	21,549,324	47,320	(221,887)	21,374,757
Depreciable Capital Assets, Net of accumulated depreciation	5,058,647	(15,624)	(10,149)	5,032,874
Total Sewer Revenue Fund Capital Assets, Net	\$ 6,596,427	\$ 3,317,021	\$ (10,149)	\$ 9,903,299

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

NOTE 9 – LONG TERM LIABILITIES

The following is a summary of changes in long-term liabilities of the governmental activities for the year ended December 31, 2013:

<i>Governmental Activities</i>	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Municipal Bldg Renovation GO Bonds 2006-2015 3.25%-4% Police & Fire Capital Improve. Fund	\$ 830,000	\$ -	\$ (265,000)	\$ 565,000	\$ 275,000
Refunding Bonds Premium 2006-2015	14,190	-	(4,729)	9,461	-
9-1-1 Radio Equipment GO Bonds 2006-2016 4.25%-4.3% Police & Fire Capital Improve. Fund	225,000	-	(55,000)	170,000	55,000
2010 Various Purpose Bonds GO Bonds 2011-2030 2.0-5.0%	516,127	-	(20,974)	495,153	23,243
Mausoleum Refunding Bonds 2011-2030 6.75%	495,000	-	(15,000)	480,000	15,000
HB300 Energy Savings	271,404	-	(63,585)	207,819	66,348
OPWC Loan - Phoenix Dr (CK11P) 2013-2033	258,623	-	(6,466)	252,157	12,932
Total	2,610,344	-	(430,754)	2,179,590	447,523
Compensated Absences	951,641	312,358	(221,826)	1,042,173	270,772
Landfill Post Closure Liability	1,015,846	-	(83,425)	932,421	101,291
Unfunded P & F Pension Obligation Police & Fire Pension Levy Fund	240,053	-	(6,465)	233,588	6,739
Total Governmental Activities	4,817,884	312,358	(742,470)	4,387,772	826,325
Long Term Liabilities	\$ 4,817,884	\$ 312,358	\$ (742,470)	\$ 4,387,772	\$ 826,325

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CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

NOTE 9 – LONG TERM LIABILITIES (Continued)

The following is a summary of changes in long-term liabilities of the business-type activities for the year ended December 31, 2013:

<i>Business-Type Activities</i>	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Water Fund:					
GO Bonds 2006-2015 4%-4.75% Water System Improvements	\$ 330,000	\$ -	\$ (105,000)	\$ 225,000	\$ 110,000
OPWC 0% Interest Loan- CK26C	211,983	-	(22,314)	189,669	22,314
OPWC 0% Interest Loan Well Field	71,006	-	(4,734)	66,272	4,734
OWDA Loan 2008-2029 3.36% North 29 Water System Improvement	5,058,119	-	(224,906)	4,833,213	232,526
OPWC 0% Interest Loan Well Field	825,000	-	(50,000)	775,000	50,000
OPWC 0% Interest Loan- CT Communication Utility Extension	73,168	-	(4,112)	69,056	4,112
OPWC - South Main Water Main (CK190) 2013-2033	386,239	-	(19,312)	366,927	19,312
2010 Various Purpose Bonds 2011-2030 2.0-5.0%	239,562	-	(9,738)	229,824	10,723
Accrued Vacation and Sick Leave	50,112	25,506	(23,855)	51,763	20,923
Total Water Fund	\$ 7,245,189	\$ 25,506	\$ (463,971)	\$ 6,806,724	\$ 474,644

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CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

NOTE 9 – LONG TERM LIABILITIES (Continued)

<i>Business-Type Activities</i>	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Sewer Fund:					
OWDA Loan 1995-2015 4.56% N-Viro Project	\$ 152,956	\$ -	\$ (52,364)	\$ 100,592	\$ 49,162
OWDA Loan 1996-2016 4.04% N-Viro Project	225,521	-	(53,043)	172,478	55,208
OPWC 0% Interest Loan	105,000	-	(30,000)	75,000	30,000
OWDA Loan 2008-2018 4.11% Sludge Handling Improvements	884,296	-	(146,421)	737,875	152,501
OWDA Loan 2008-2029 3.95% Sludge Handling Facility	453,932	-	(68,455)	385,477	71,186
OWDA Loan 2008-2018 4.78% Septage Receiving Facility	359,322	-	(53,044)	306,278	55,609
OWDA Loan 2008-2018 4.78% Septage Receiving Facility	425,748	-	(63,385)	362,363	66,237
OPWC 0% Northwest Sanitary	165,000	-	(10,000)	155,000	10,000
OPWC 0% CT Communication Utility Extension	78,981	-	(4,112)	74,869	4,112
OWDA - WPCLF Upgrade Design - 2.57%- 2.6% (#6036 rolled into #6497) 2013-2035	780,186	2,718,697	(104,799)	3,394,084	-
2010 Various Purpose Bonds 2011-2030 2.0-5.0%	474,311	-	(19,288)	455,023	21,034
Accrued Vacation and Sick Leave	88,648	29,991	(31,349)	87,290	21,409
Total Sewer Fund	\$ 4,193,901	\$ 2,748,688	\$ (636,260)	\$ 6,306,329	\$ 536,458

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

NOTE 9 – LONG TERM LIABILITIES (Continued)

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

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

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 the South Main Water Main (\$386,239) projects. The OWDA loan was entered into to fund a Water Plant Upgrade project. The OWDA approved a loan in the amount \$20,697,045 for the project and as of December 31, 2013, the City has drawn down \$3,378,140. An additional \$15,944 in capitalized interest was added to principal balance during the year, making the total outstanding balance at December 31, 2013 \$3,394,084.

Annual requirements to pay principal and interest on long-term debt at December 31, 2013:

	<u>Governmental Activities</u>		<u>Business Type-Activities</u>			
	Principal	Interest	<u>Water</u>		<u>Sewer**</u>	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	447,523	91,413	453,721	172,936	515,049	102,094
2015	465,235	73,503	466,588	167,460	534,594	82,424
2016	188,244	54,967	359,734	153,584	485,995	62,299
2017	56,003	47,877	368,155	144,766	427,338	43,547
2018	58,100	45,672	377,836	135,663	355,478	25,913
2019-2023	328,088	190,895	2,002,831	529,575	197,864	68,784
2024-2028	401,159	110,394	2,197,145	248,890	219,082	39,757
2029-2033	225,777	23,865	528,951	12,461	89,555	5,497
Total	2,170,129	638,586	6,754,961	1,565,335	2,824,955	430,315

** - The OWDA – WPCLF Upgrade Design (#6497) loan did not have a debt to maturity as of December 31, 2013 due to the project being still being in process and therefore was omitted from the annual debt requirement schedule.

The Ohio Revised Code provides that the net debt of a municipal corporation whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The statutory limitations of debt are measured by a direct ratio of net debt to tax valuation in terms of a percentage. On December 31, 2013, the City's total net debt amounted to 8.5% 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, 2013, these entities have complied with the requirement that overlapping debt must not exceed 1% (10 mills) of the assessed property value.

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

NOTE 10 – ADVANCE REFUNDINGS

On February 1, 1995, the City of Urbana advance-refunded the 1991 Wastewater Treatment Plant Upgrade Bonds with an Ohio Water Department Authority (OWDA) Loan. The City signed a loan agreement for \$2,600,000 from the OWDA to provide resources to purchase U.S. Government Securities that were placed in an irrevocable trust to provide for all future debt service payments on the refunded debt. As a result, the refunded bonds are considered defeased and the liability has been removed from the City's financial statements. The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$105,661. This difference reported in the accompanying financial statements was being charged to operations through the year 2012 using the effective interest method. The advanced refund was taken to reduce total debt service payments over the remaining 17 years by \$655,522 and to obtain an economic gain (difference between present value of the debt service payments of the refunded and refunding bonds) of \$414,214. As of December 31, 2013, the debt service requirement to maturity of the defeased bonds was \$0.

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

The net proceeds of the refunding bonds (\$1,662,373) plus \$341,172 of the 1979 Revenue Bonds' sinking funds were used to purchase U.S. government securities that were placed in an irrevocable trust to provide for all future debt service payments on the refunded bonds. As a result, the 1979 revenue bonds are considered defeased and the liability for those bonds has been removed from the City's financial statements. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$191,833. This difference, reported in the accompanying financial statements, is being charged to operations through the year 2009 using the effective interest method. The advance refunding reduces its total debt service over the next 14 years by \$655,262 and to obtain an economic gain (difference between present values of the old and new debt service payments) of \$120,593. As of December 31, 2013, the debt service requirement to maturity of the defeased bonds was \$0.

On August 1, 2005, the City issued \$2.645 million in General Obligation Bonds to currently refund the 1995 Municipal Building Bonds, Airport Runway Realignment Bonds, and Water Tower Maintenance Bonds. The net proceeds of the refunding bonds were used to purchase U.S. Government Securities that were placed in an irrevocable trust to provide for all future debt service payments on the refunded bonds. As a result, the 1995 Municipal Building Bonds, Airport Runway Realignment Bonds, and Water Tower Maintenance Bonds are considered defeased and the liability for those bonds has been removed from the City's financial statements. The current refunding reduced resulting in net present value cash flow savings of \$156,649. As of December 31, 2013, the debt service requirement to maturity of the defeased bonds was \$0.

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

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.

The City belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.), 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, 2013, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP’s financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2013 and 2012:

<u>Casualty & Property Coverage</u>	<u>2013</u>	<u>2012</u>
Assets	\$34,411,883	\$34,389,569
Liabilities	\$12,760,194	\$14,208,353
Net Position	\$21,651,689	\$20,181,216

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$11.6 million and \$13.1 million of estimated incurred claims payable. The assets above also include approximately \$11.1 million and \$12.6 million of unpaid claims to be billed to approximately 466 and 455 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the City’s share of these unpaid claims collectible in future years is approximately \$95,000.

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

NOTE 11 – RISK MANAGEMENT (Continued)

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

Contributions to PEP	
2013	\$ 135,410
2012	116,469

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

NOTE 12 – PENSION BENEFITS

A. Ohio Public Employees Retirement System

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

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

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

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

NOTE 12 – PENSION BENEFITS (Continued)

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2013, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Separate divisions for law enforcement and public safety exist only within the Traditional Plan. The 2013 member contribution rate for City employees was 10.00% of covered payroll. The 2013 employer contribution rate for the City was 14.00% of covered payroll. The City's required contributions to OPERS for the years ended December 31, 2013, 2012, and 2011 were \$386,731, \$380,095, and \$361,429 respectively. The full amount has been contributed for 2012 and 2011; 92.6 percent has been contributed for 2013 with the remainder being reported as a fund liability.

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10.00 percent of their annual covered salary, while employers are required to contribute 19.50% and 24% respectively for police officers and firefighters. The City's contributions to OP&F for the years ending December 31, 2013, 2012, and 2011 were \$619,532, \$604,482, and \$646,142, respectively. The full amount has been contributed for 2012 and 2011; 92.3 percent has been contributed for 2013 with the remainder being reported as a fund liability.

The City also makes payments to OP&F for its portion of past service cost determined at the time the fund was established in the mid-1930's. As of December 31, 2013, the unfunded liability is payable, including principal and interest, in annual installments for \$16,666 through the year 2035. The principal balance of \$233,588 is accounted for as a non-current liability in the governmental activities column of the Statement of Net Position. The State of Ohio assumed the liability for past service cost at the time PERS was established.

NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS

A. Public Employees Retirement System

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

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

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

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

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

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 1.0% during calendar year 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 1.0% during calendar year 2013. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OPERS for post-employment benefits for the years ending December 31, 2013, 2012, and 2011 were \$99,676, \$108,593, and \$103,260, respectively. The full amount has been contributed for 2012 and 2011; 92.3 percent has been contributed for 2013 with the remainder being reported as a fund liability.

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

B. Ohio Police and Fire Pension Fund

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

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

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contribution allocated to the health care plan was 4.69% of covered payroll from January 1, 2013 thru May 31, 2013 and 2.85% of covered payroll from June 1, 2013 thru December 31, 2013. 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, 2013, 2012, and 2011 were \$619,532, \$604,482 and \$646,142, respectively, of which \$99,676, \$186,255 and \$197,887, respectively, was allocated to the healthcare plan.

NOTE 14 – LANDFILL CLOSURE/ POST CLOSURE COSTS

State and Federal laws and regulations require the City to perform certain maintenance and monitoring functions at the landfill for thirty years after closure. The City stopped accepting waste at the landfill in 1987. The Ohio EPA approved the final closure and post closure plan in January 1988. With the assistance of Arcadis Engineering, the geological engineers, the \$932,421 reported as landfill post closure liability at December 31, 2013, represents the estimated costs to maintain and monitor the landfill through 2018. Actual costs may change due to inflation, changes in technology, or changes in regulations.

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

NOTE 15 – INTERFUND BALANCES

Interfund balances at December 31, 2013 consisted of the following:

<u>Fund</u>	<u>Beginning Balance</u>	<u>New Advances</u>	<u>Advance Repayments</u>	<u>Ending Balance</u>
General	35,000	21,000	-	56,000
Mausoleum Trust	(35,000)	(21,000)	-	(56,000)

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

NOTE 16 – INTERFUND TRANSFERS

Interfund transfers during the fiscal year were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$ 220,000
Street	165,000	-
State Highway	55,000	-
	<u>\$ 220,000</u>	<u>\$ 220,000</u>

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

NOTE 17 – SIGNIFICANT CONSTRUCTION COMMITMENTS

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

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

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

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

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

NOTE 18 – CONTINGENT LIABILITIES

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

NOTE 19 – SUBSEQUENT EVENT

On April 8, 2014, the City approved a 20 year loan with Ohio EPA and OWDA for the Phase 1 Water project in the amount of \$3,486,465.60 (including principal, contingency, application fee, and interest) at 2%. On April 22, 2014, the City approved a 5% increase in water rates as a repayment source.

**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, 2013

	Original Budget	Final Budget	Actual	Variance Over/(Under)
Revenues:				
Income Taxes	\$ 2,759,000	\$ 2,759,000	\$ 3,078,865	\$ 319,865
Property Taxes	498,000	498,000	437,771	(60,229)
Intergovernmental	399,000	399,000	459,930	60,930
Charges for Services	822,000	822,000	835,224	13,224
Fines, Licenses, and Permits	684,500	684,500	628,387	(56,113)
Interest	30,000	30,000	45,125	15,125
Miscellaneous	66,500	66,500	143,427	76,927
Reimbursements	772,000	772,000	736,056	(35,944)
Total Revenues	<u>6,031,000</u>	<u>6,031,000</u>	<u>6,364,785</u>	<u>333,785</u>
Expenditures:				
Current:				
General Government				
City Council				
Personal Services	78,475	78,475	78,264	211
Supplies, Materials and Other	3,081	3,081	2,505	576
Total City Council	<u>81,556</u>	<u>81,556</u>	<u>80,769</u>	<u>787</u>
Mayor/Administration				
Personal Services	322,372	322,372	311,692	10,680
Supplies, Materials and Other	13,431	22,511	24,536	(2,025)
Total Mayor/Administration	<u>335,803</u>	<u>344,883</u>	<u>336,228</u>	<u>8,655</u>
Municipal Court				
Personal Services	581,555	590,540	595,379	(4,839)
Supplies, Materials and Other	75,226	76,559	69,367	7,192
Total Municipal Court	<u>656,781</u>	<u>667,099</u>	<u>664,746</u>	<u>2,353</u>
Engineering				
Personal Services	152,411	175,711	175,813	(102)
Supplies, Materials and Other	19,805	6,823	4,620	2,203
Total Engineering	<u>172,216</u>	<u>182,534</u>	<u>180,433</u>	<u>2,101</u>
Public Works				
Supplies, Materials and Other	136,755	194,949	192,424	2,525
Total Public Works	<u>136,755</u>	<u>194,949</u>	<u>192,424</u>	<u>2,525</u>
Finance Accounting				
Personal Services	204,770	213,315	222,598	(9,283)
Supplies, Materials and Other	19,526	19,845	19,380	465
Total Finance Accounting	<u>224,296</u>	<u>233,160</u>	<u>241,978</u>	<u>(8,818)</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, 2013

Finance Income Tax				
Personal Services	98,380	101,030	100,674	356
Supplies, Materials and Other	19,157	19,316	18,712	604
Total Finance Income Tax	<u>117,537</u>	<u>120,346</u>	<u>119,386</u>	<u>960</u>
Finance Utility Billing				
Personal Services	91,806	80,806	80,375	431
Supplies, Materials and Other	50,906	53,660	49,467	4,193
Total Basic Utilities	<u>142,712</u>	<u>134,466</u>	<u>129,842</u>	<u>4,624</u>
Law Department				
Personal Services	131,730	149,765	150,774	(1,009)
Supplies, Materials and Other	17,300	26,950	23,922	3,028
Total Law Department	<u>149,030</u>	<u>176,715</u>	<u>174,696</u>	<u>2,019</u>
Non-Departmental				
Supplies, Materials and Other	313,018	308,119	302,764	5,355
Total Non-Departmental	<u>313,018</u>	<u>308,119</u>	<u>302,764</u>	<u>5,355</u>
Compost and Mulch				
Personal Services	-	20,469	20,029	440
Supplies, Materials and Other	-	1,086	1,216	(130)
Total Compost and Mulch	<u>-</u>	<u>21,555</u>	<u>21,245</u>	<u>310</u>
Total General Government	<u>2,329,704</u>	<u>2,465,382</u>	<u>2,444,511</u>	<u>20,871</u>
Security of Person and Property				
Code Enforcement				
Personal Services	113,200	107,417	108,362	(945)
Supplies, Materials and Other	8,151	10,672	9,521	1,151
Total Code Enforcement	<u>121,351</u>	<u>118,089</u>	<u>117,883</u>	<u>206</u>
Police Services				
Personal Services	1,451,188	1,483,948	1,496,542	(12,594)
Supplies, Materials and Other	106,281	121,556	103,078	18,478
Total Police Services	<u>1,557,469</u>	<u>1,605,504</u>	<u>1,599,620</u>	<u>5,884</u>
Fire Services				
Personal Services	1,706,114	1,706,113	1,700,126	5,987
Supplies, Materials and Other	68,421	70,136	56,664	13,472
Total Fire Services	<u>1,774,535</u>	<u>1,776,249</u>	<u>1,756,790</u>	<u>19,459</u>
Ambulance Services				
Personal Services	7,519	5,419	3,500	1,919
Supplies, Materials and Other	57,456	59,617	48,184	11,433
Total Ambulance Services	<u>64,975</u>	<u>65,036</u>	<u>51,684</u>	<u>13,352</u>
Total Security of Person and Property	<u>3,518,330</u>	<u>3,564,878</u>	<u>3,525,977</u>	<u>38,901</u>
Health				
Supplies, Materials and Other	-	41,995	41,995	-
Total Health	<u>-</u>	<u>41,995</u>	<u>41,995</u>	<u>-</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, 2013

Leisure Activities				
Recreation Administration				
Personal Services	50,384	50,384	49,314	1,070
Supplies, Materials and Other	15,197	15,558	14,844	714
Total Recreation Administration	<u>65,581</u>	<u>65,942</u>	<u>64,158</u>	<u>1,784</u>
Recreation Programs				
Supplies, Materials and Other	13,700	15,500	15,516	(16)
Total Recreation Programs	<u>13,700</u>	<u>15,500</u>	<u>15,516</u>	<u>(16)</u>
Recreation-Pool				
Personal Services	43,780	43,781	43,588	193
Supplies, Materials and Other	36,050	45,950	41,518	4,432
Total Recreation-Pool	<u>79,830</u>	<u>89,731</u>	<u>85,106</u>	<u>4,625</u>
Recreation Parks				
Personal Services	86,347	97,947	98,341	(394)
Supplies, Materials and Other	37,142	55,633	52,048	3,585
Total Recreation Parks	<u>123,489</u>	<u>153,580</u>	<u>150,389</u>	<u>3,191</u>
 Total Leisure Activities	 282,600	 324,753	 315,169	 9,584
 Total Expenditures	 <u>6,130,634</u>	 <u>6,397,008</u>	 <u>6,327,652</u>	 <u>69,356</u>
 Excess of Revenues Over/(Under) Expenditures	 (99,634)	 (366,008)	 37,133	 403,141
 Other Financing Sources (Uses)				
Operating Transfers Out	(220,000)	(220,000)	(220,000)	-
Advances In		-	52,974	52,974
Advances Out	(21,000)	(22,000)	(21,000)	1,000
Total Other Financing Sources (Uses)	<u>(241,000)</u>	<u>(242,000)</u>	<u>(188,026)</u>	<u>53,974</u>
 Net Change in Fund Balance	 (340,634)	 (608,008)	 (150,893)	 457,115
 Fund Balance January 1, 2013	 843,956	 843,956	 843,956	 -
Prior Year Encumbrances	31,768	31,768	31,768	-
Fund Balance December 31, 2013	<u>\$ 535,090</u>	<u>\$ 267,716</u>	<u>\$ 724,831</u>	<u>\$ 457,115</u>

See accompanying notes to the Schedule

**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, 2013

	Original Budget	Final Budget	Actual	Variance Over/(Under)
<u>Revenues:</u>				
Income Taxes	\$ 1,150,000	\$ 1,300,000	\$ 1,257,238	\$ (42,762)
Total Revenues	<u>1,150,000</u>	<u>1,300,000</u>	<u>1,257,238</u>	<u>(42,762)</u>
<u>Expenditures:</u>				
Current:				
Public Safety				
Personal Services	1,064,864	1,169,999	1,167,370	2,629
Supplies, Materials and Other	32,858	32,858	24,232	8,626
Total Security of Persons and Property	<u>1,097,722</u>	<u>1,202,857</u>	<u>1,191,602</u>	<u>11,255</u>
Net Change in Fund Balance	52,278	97,143	65,636	(31,507)
Fund Balance January 1, 2013	278,013	278,013	278,013	-
Prior Year Encumbrances	2,159	2,159	2,159	-
Fund Balance December 31, 2013	<u><u>\$ 332,450</u></u>	<u><u>\$ 377,315</u></u>	<u><u>\$ 345,808</u></u>	<u><u>\$ (31,507)</u></u>

See accompanying notes to the Schedule

CITY OF URBANA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2013

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, 2013

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	\$ 71,185	\$ 127,486
Supplemental Investment Fund Change	(376)	-
Revenue Accruals	(105,481)	(50,365)
Expenditure Accruals	(100,342)	(10,417)
Other Financing	31,974	-
Encumbrances	(47,853)	(1,068)
Budget Basis	\$ (150,893)	\$ 65,636

**CITY OF URBANA
CHAMPAIGN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2013**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>(Passed through Ohio Department of Development)</i>			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	A-F-11-2EE-1	14.228	\$1,459
	A-F-12-2EE-1		49,552
	A-C-11-2EE-1		223,182
Total Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii			<u>274,193</u>
Home Investment Partnerships Program	A-C-11-2EE-2	14.239	54,985
Total U.S. Department of Housing and Urban Development			<u>329,178</u>
U.S. DEPARTMENT OF JUSTICE			
<i>(Passed through Ohio Attorney General)</i>			
Crime Victim Assistance	2013VAGENE591	16.575	12,677
	2014VAGENE591		3,645
Total Crime Victim Assistance			<u>16,322</u>
<i>(Direct:)</i>			
Bullet Proof Vests Partnership Program	10-052833	16.607	473
Total U.S. Department of Justice			<u>16,795</u>
U.S. DEPARTMENT OF TRANSPORTATION			
<i>(Direct)</i>			
Airport Improvement Program	AIP-3-39-0080-1509	20.106	9,839
	AIP-3-39-0080-1610	20.106	15,128
	AIP-3-39-0080-1711	20.106	227,941
	AIP-3-39-0080-1812	20.106	135,057
Total Airport Improvement Program			<u>387,965</u>
Total U.S. Department of Transportation			<u>387,965</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>(Direct)</i>			
Assistance to Firefighters Grant	EMW-2010-FH-01048	97.044	55,292
Total U.S. Department of Homeland Security			<u>55,292</u>
Total Federal Financial Assistance			<u>\$789,230</u>

The accompanying notes to this schedule are an integral part of the schedule.

**CITY OF URBANA
CHAMPAIGN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED DECEMBER 31, 2013**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) reports the City of Urbana's (the City's) federal award programs' disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B – COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS

The City has a revolving loan fund (RLF) program to provide low-interest loans to businesses to create jobs for low to moderate income persons and also to lend money to eligible persons to rehabilitate homes. The federal Department of Housing and Urban Development (HUD) grants money for these loans to the City. The initial loan of this money is recorded as a disbursement on the Schedule. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans.

These loans are collateralized by second mortgages on the property.

Activity in the CDBG revolving loan fund during 2013 is as follows:

Beginning loans receivable balance as of January 1, 2013 (Restated)	\$10,551
Loans made:	
Uncollectible loan principal	
Loan principal repaid	4,139
Ending loans receivable balance as of December 31, 2013	<u>\$6,412</u>
Cash balance on hand in the revolving loan fund as of December 31, 2013	61,193
Administrative costs expended during 2013	\$0

The table above reports gross loans receivable. The beginning balance January 1, 2013 was modified to correct interest paid in 2012 and recorded as a principal payment. Of the loans receivable as of December 31, 2013, the City estimates \$1,077 to be uncollectible and are past due.

Beginning balance was restated from \$9,993 to \$10,551 to account for an error in the prior year.

NOTE C – MATCHING REQUIREMENTS

Certain Federal programs require the City to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



Dave Yost • Auditor of State

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

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

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Urbana, Champaign County, (the City) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 8, 2014.

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 deficiencies in internal control 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.

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

Dave Yost
Auditor of State

Columbus, Ohio

August 8, 2014



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the City Council:

Report on Compliance for Each Major Federal Program

We have audited the City of Urbana's (the City) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the City's major federal programs for the year ended December 31, 2013. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the City's major federal programs.

Management's Responsibility

The City's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the City's compliance for each of the City's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the City's major programs. However, our audit does not provide a legal determination of the City's compliance.

Basis for Qualified Opinion on the Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii Major Program

As described in finding 2013-001 in the accompanying schedule of findings, the City did not comply with requirements regarding cash management applicable to its Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii major federal program. Compliance with this requirement is necessary, in our opinion, for the City to comply with requirements applicable to this program.

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www.ohioauditor.gov

Qualified Opinion on the Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii Major Program

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii Major Program* paragraph, the City of Urbana complied, in all material respects, with the requirements referred to above that could directly and materially affect its Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii major program for the year ended December 31, 2013.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the City of Urbana complied in all material respects with the requirements referred to above that could directly and materially affect its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings for the year ended December 31, 2013.

Report on Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the City's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency* in internal control over compliance is a deficiency or a combination of deficiencies in internal control over compliance with its federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2013-001 to be a material weakness.

The City's response to our noncompliance and internal control over compliance finding is described in the accompanying schedule of findings. We did not audit the City's response and, accordingly, we express no opinion on it.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State

Columbus, Ohio

August 8, 2014

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**CITY OF URBANA
CHAMPAIGN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified for Airport Improvement Program and Qualified for Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	CFDA 14.228 - Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii CFDA 20.106 – Airport Improvement Program
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None

3. FINDINGS FOR FEDERAL AWARDS

Cash Management

Finding Number	2013-001
CFDA Title and Number	CFDA 14.228 – Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii
Federal Award Number / Year	A-C-11-2EE-1 / 2011
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Noncompliance and Material Weakness

24 C.F.R Section 85.21(c) states grantees and sub-grantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or sub-grantee. **Section (A)(3)(f) of the Ohio Department of Development, Office of Housing and Community Partnership's Financial Management Rules and Regulations Handbook**, require grantees to develop a cash management system to ensure compliance with the Fifteen Day Rule relating to prompt disbursement of funds. This rule states that fund draw-downs should be limited to amounts that will enable the grantee to disburse the funds on hand to a balance of less than \$5,000 within fifteen days of receipt.

The City had six draws during 2013 for Grant A-C-11-2EE-1. The following was noted:

- \$10,150 was held for 28 days between January and March
- \$25,250 was held for 33 days between October and December
- \$57,605 was held for 17 days in June
 - \$37,302 of the \$57,605 was held for 48 days between June and July
 - \$13,647 of the \$57,605 was held for 78 days between June and August

The failure to comply with the cash management requirements per the Ohio Department of Development Rules and Regulations could result in a loss of grant funding.

Procedures should be implemented by the Administration and Finance Offices to monitor Ohio Department of Development cash management requirements. A cash management system should be developed to monitor the fifteen day rule regarding the prompt disbursement of funds. Requests for Payments should be submitted for current cash needs. Procedures should be established to monitor the receipts, disbursements, and balances of the Community Development Block Grant funds to avoid excessive federal fund cash balances.

Officials' Response:

We understand and agree that CDBG funds disbursed should draw down to a \$5,000 floor level within 15 days and will strive to comply with that rule.

See also Corrective Action Plan

**CITY OF URBANA
CHAMPAIGN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-01	Noncompliance - Ohio Rev. Code Section 5705.10(H) – Negative fund cash balances	Yes	
2012-02	Noncompliance/Material Weakness – 24 C.F.R Section 85.21(c) Community Development Block Grant Cash Management	No	Repeated as Finding 2013-001

**CITY OF URBANA
CHAMPAIGN COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
DECEMBER 31, 2013**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2013-001	The City of Urbana will not request funds until contracted and will work to expend the funds in a timely manner. The City of Urbana files quarterly with ODOD on funds that are held longer than 15 days and reports any accrued interest after the 15 day period. The City of Urbana did not exceed the \$100 allowable interest during the grant period. The City of Urbana plans to pay disbursements from City funds, as cash flow permits, and reimburse the funds when grant monies are disbursed.	2014 Grant Period	Amy Schocken



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
SEPTEMBER 4, 2014**