CITY OF URBANA
CHAMPAIGN COUNTY

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2015

Charles E. Harris
& Associates
certified public accountants & government consultants

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Dave Yost · Auditor of State

City Council
City of Urbana
205 S. Main Street
Urbana, Ohio 43078

We have reviewed the *Independent Auditor's Report* of the City of Urbana, Champaign County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2015 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost
Auditor of State

August 2, 2016

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CITY OF URBANA
CHAMPAIGN COUNTY
AUDIT REPORT
For the Year Ended December 31, 2015

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CHAMPAIGN COUNTY
AUDIT REPORT
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INDEPENDENT AUDITOR'S REPORT

City of Urbana
Champaign County
205 S. Main Street
Urbana, Ohio 43078

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Urbana, Champaign County, Ohio (the City), as of and for the year ended December 31, 2015, 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 12 to the financial statements, during the year ended December 31, 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. We did not modify our opinion regarding these matters.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2016, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Charles E Harris Associates

Charles E. Harris & Associates, Inc.
June 15, 2016

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(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, 2015.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by approximately $28.9 million (net position). Of this amount, approximately $729,135 (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 $2.8 million, or 11%, 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 $6.3 million, an increase of $477,995 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was approximately $1.6 million, or 30% of total general fund expenditures including transfers.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

The government-wide financial statements can be found on pages 15-17 of this report.

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

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

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

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

The basic governmental fund financial statements can be found on pages 18-25 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 26-28 of this report.

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

The basic fiduciary fund financial statement can be found on page 29 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 31-64 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's compliance with budgetary law, as well as the City's progress in funding its obligations to provide pension benefits to its employees. Required supplementary information can be found on pages 65-74 of this report.

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GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 shows the detail of the City's net position at December 31, 2015 and 2014.

TABLE 1
Net Position

	Governmental Activites		Business-type Activities		Total	
	2014	2015	2014	2015	2014	2015
Assets						
Current and other assets	$ 10,231,033	$ 12,872,449	$ 4,468,892	$ 6,344,180	$ 14,699,925	$ 19,216,629
Capital assets, net	21,773,206	21,417,849	32,787,783	38,100,016	54,560,989	59,517,865
Total Assets	32,004,239	34,290,298	37,256,675	44,444,196	69,260,914	78,734,494
Deferred Outflows of Resources						
Pension	829,593	1,223,816	81,119	125,544	910,712	1,349,360
Liabilities						
Current and other liabilities	2,723,031	4,889,686	2,227,011	649,414	4,950,042	5,539,100
Long-term liabilities:						
Due within one year	828,621	600,356	1,049,282	1,848,167	1,877,903	2,448,523
Due in more than one year:						
Net pension liability	8,793,405	9,281,413	647,858	662,830	9,441,263	9,944,243
Other amounts	3,003,709	2,665,237	24,279,170	30,015,737	27,282,879	32,680,974
Total Liabilities	15,348,766	17,436,692	28,203,321	33,176,148	43,552,087	50,612,840
Deferred Inflows of Resources						
Property Taxes	542,823	557,671	-	-	542,823	557,671
Pension	-	33,018	-	11,644	-	44,662
Total Deferred Inflows of Resources	542,823	590,689	-	11,644	542,823	602,333
Net Position:						
Net Investment in Capital Assets	20,050,429	20,111,659	5,722,795	6,305,212	25,773,224	26,416,871
Restricted	1,601,092	1,722,675	-	-	1,601,092	1,722,675
Unrestricted	(4,709,278)	(4,347,601)	3,411,678	5,076,736	(1,297,600)	729,135
Total Net Position	$ 16,942,243	$ 17,486,733	$ 9,134,473	$ 11,381,948	$ 26,076,716	$ 28,868,681

During 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement 68, "*Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27*," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting the net pension asset and deferred outflows related to pension.

GASB standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension asset/liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension asset and net pension liability equal the City's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise, if applicable, is a present obligation of the City, part of a bargained-for benefit to the employee, and should accordingly be reported by the City as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribute rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by the contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with the required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the City statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension asset/liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the City is reporting a net pension asset, net pension liability, and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, from $24,905,015 to $16,942,243 for governmental activities and from $9,701,212 to $9,134,473 for business type activities.

Governmental Activities

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

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

Business-Type Activities

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

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

Current and other liabilities decreased significantly in comparison with the prior year. This decrease is primarily the result of no construction in progress payables at year end relating to sewer projects.

Governmental and Business-Type Activities

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by approximately $28.9 million at the close of the most recent fiscal year.

By far the largest portion of the City's net position (92 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position ($729,135) 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.

Table 2 details the changes in net position for the fiscal years ended December 31, 2015 and 2014.

TABLE 2
Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2015	2014	2015	2014	2015
Program Revenues:						
Charges for Service	$ 2,276,073	$ 2,206,226	$ 5,814,440	$ 6,040,793	$ 8,090,513	$ 8,247,019
Operating Grants	897,263	945,276	-	-	897,263	945,276
Capital Grants	135,341	402,400	-	-	135,341	402,400
General Revenues:						
Income Taxes	5,744,939	6,233,336	-	-	5,744,939	6,233,336
Property Taxes	512,680	547,160	-	-	512,680	547,160
Unrestricted Grants	335,861	392,549	-	-	335,861	392,549
Investment Earnings	31,921	40,046	-	149	31,921	40,195
Other	182,870	118,840	-	-	182,870	118,840
Total Revenues	10,116,948	10,885,833	5,814,440	6,040,942	15,931,388	16,926,775
Expenses:						
General Government	2,339,927	2,156,039	-	-	2,339,927	2,156,039
Public Safety	5,315,629	5,158,620	-	-	5,315,629	5,158,620
Health	264,680	225,816	-	-	264,680	225,816
Transportation	2,009,732	1,993,562	-	-	2,009,732	1,993,562
Community Development	3,354,682	319,204	-	-	3,354,682	319,204
Leisure Activities	468,310	425,519	-	-	468,310	425,519
Interest on Long-Term Debt	80,608	62,583	-	-	80,608	62,583
Water	-	-	1,692,588	1,642,179	1,692,588	1,642,179
Sewer	-	-	1,970,356	1,999,852	1,970,356	1,999,852
Recycling Program	-	-	139,708	151,436	139,708	151,436
Total Expenses	13,833,568	10,341,343	3,802,652	3,793,467	17,636,220	14,134,810
Change in Net Position	(3,716,620)	544,490	2,011,788	2,247,475	(1,704,832)	2,791,965
Net position, Beginning	N/A	16,942,243	N/A	9,134,473	N/A	26,076,716
Net position, Ending	$ 16,942,243	$ 17,486,733	$ 9,134,473	$ 11,381,948	$ 26,076,716	$ 28,868,681

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of $910,712 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of approximately $1.0 million. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	Governmental Activities	Business-Type Activities	Total
Total 2015 program expenses under GASB 68	$ 10,341,343	$ 3,793,467	$ 14,134,810
Pension expense under GASB 68	(928,991)	(72,368)	(1,001,359)
2015 contractually required contribution	804,963	90,177	895,140
Adjusted 2015 program expenses	10,217,315	3,811,276	14,028,591
Total 2014 program expenses under GASB 27	13,833,568	3,802,652	17,636,220
Increase/(Decrease) in program expenses not related to pension	$ (3,616,253)	$ 8,624	$ (3,607,629)

Governmental Activities. Governmental activities increased the City's net position by $544,490 as a result of a decrease in expenses. The decrease in expenses was primarily the result of the City transferring the Fox River property in 2014.

Business-type Activities. Business-type activities increased the City's net position by approximately $2.2 million. This increase represents the amount in which user charges exceeded operating costs. Surplus funds will be used for future capital projects and debt payments.

Total versus Net Cost of Services

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

TABLE 3

	Total Cost of Services		Net Cost of Services	
Functions/Programs	2014	2015	2014	2015
Governmental Activities:				
General Government	$ (2,339,927)	$ (2,156,039)	$ (1,615,801)	$ (1,394,364)
Public Safety	(5,315,629)	(5,158,620)	(4,129,571)	(4,236,558)
Transportation	(2,009,732)	(1,993,562)	(903,030)	(638,645)
Community Development	(3,354,682)	(319,204)	(3,253,392)	(892)
Leisure Activities	(468,310)	(425,519)	(403,549)	(363,303)
All Other	(345,288)	(288,399)	(219,548)	(153,679)
Total Governmental Activities	(13,833,568)	(10,341,343)	(10,524,891)	(6,787,441)
Business-Type Activities:				
Water	(1,692,588)	(1,642,179)	679,958	760,498
Sewer	(1,970,356)	(1,999,852)	1,326,327	1,492,901
Recycling Program	(139,708)	(151,436)	5,503	(6,073)
Total Business-Type Activities	(3,802,652)	(3,793,467)	2,011,788	2,247,326
Grand Total	$ (17,636,220)	$ (14,134,810)	$ (8,513,103)	$ (4,540,115)

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of approximately $6.3 million, a $477,995 increase from the previous year.

The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2015 and 2014.

	Fund Balance 12/31/2014	Fund Balance 12/31/2015	Increase (Decrease)
General	$ 1,575,390	$ 1,780,817	$ 205,427
Police and Fire Levy	464,432	415,675	(48,757)
Capital improvement	768,569	898,122	129,553
Perpetual Investment	1,827,348	1,827,348	-
Other Governmental	1,168,467	1,360,239	191,772
Total	$ 5,804,206	$ 6,282,201	$ 477,995

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 $1.6 million, or 93% of the total fund balance.

The fund balance of the City's general fund increased $205,427 during the current fiscal year. This increase represents the amount in which revenues exceeded expenditures and transfers to other funds. Revenues and expenditures were both fairly consistent with amounts reported in the previous year.

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

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 $129,553 during the year. This increase represents the amount by which income tax and intergovernmental revenues exceeded expenditures.

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

The fund balance of the City's *Other Governmental Funds* increased $191,772 during the year. The most significant contributor to this increase was the Street Fund, which increased $56,206 during the year. This increase was the result of transfers in from the General Fund totaling $160,000.

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 $1.8 million. Total net position increased $760,541 from the previous year. This increase is the amount by which charges for services exceeded program expenses and interest expense during the year.

Unrestricted net position in the Sewer Revenue fund at the end of the year amounted to $3.3 million. Total net position increased approximately $1.5 million from the previous year. The increase is due to the increase in revenues due to rate increases in 2014 and 2015 of 15% and 7.25%, respectively. The rate will increase an additional 8% in 2016. These incremental rate increases were approved by City Council in July 2013 in anticipation of an increase in debt service payments.

Unrestricted net position in the Recycling Program Fund at the end of the year amounted to $57,272. Total net position decreased $6,073 from the previous year. This decrease is the amount by which program expenses exceeded charges for services during the year.

Budget Information

General Fund

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

The variances between the original and final revenue estimates and the final revenue estimates and actual were insignificant. Final appropriations exceeded the original resolution by $75,600, or 1%, and the final amended appropriations exceeded actual expenditures by $66,468, or 1%.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2015, amounts to approximately $59.5 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 $6.6 million and depreciation was approximately $1.7 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 $33.0 million. Of this amount, approximately $1.6 million represents bonds backed by the full faith and credit of the City. The remaining $31.4 million of the City's debt represents loans in the City's name.

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

Contacting the City Finance Department

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

CITY OF URBANA, OHIO
CHAMPAIGN COUNTY

STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2015

	Governmental Activities	Business-type Activities	Total
Assets			
Pooled Cash and Investments	$ 9,090,028	$ 5,434,458	$ 14,524,486
Receivables:			
Income Tax	1,254,445	-	1,254,445
Property Tax	614,198	-	614,198
Accounts	532,752	690,048	1,222,800
Notes	769,146	-	769,146
Due From Other Governments	443,966	-	443,966
Inventory	131,691	210,213	341,904
Prepaid Assets	32,408	9,461	41,869
Capital Assets:			
Non-Depreciable	3,609,111	22,013,579	25,622,690
Depreciable, Net	17,808,738	16,086,437	33,895,175
Net Pension Asset	3,815	-	3,815
Total Assets	34,290,298	44,444,196	78,734,494
Deferred Outflows of Resources			
Pension	1,223,816	125,544	1,349,360
Total Deferred Outflows of Resources	1,223,816	125,544	1,349,360
Liabilities			
Accounts Payable	139,066	72,573	211,639
Retainage Payable	-	123,787	123,787
Accrued Wages and Benefits	231,389	39,925	271,314
Due To Other Governments	164,544	23,856	188,400
Interest Payable	5,495	389,273	394,768
Unearned Revenue	4,349,192	-	4,349,192
Long-term Liabilities			
Due within one year	600,356	1,848,167	2,448,523
Due in more than one year	2,665,237	30,015,737	32,680,974
Net Pension Liability	9,281,413	662,830	9,944,243
Total Liabilities	17,436,692	33,176,148	50,612,840
Deferred Inflows of Resources			
Property and Other Local Taxes	557,671	-	557,671
Pension	33,018	11,644	44,662
Total Deferred Inflows of Resources	590,689	11,644	602,333
Net Position			
Net Investment in Capital Assets	20,111,659	6,305,212	26,416,871
Restricted for:			
Capital Projects	345,178	-	345,178
Transportation Programs	353,162	-	353,162
Public Safety Programs	698,051	-	698,051
Debt Service	89,935	-	89,935
Permanent Endowments	104,155	-	104,155
Grant Programs	114,397	-	114,397
Other	17,797	-	17,797
Unrestricted	(4,347,601)	5,076,736	729,135
Total Net Position	$ 17,486,733	$ 11,381,948	$ 28,868,681

See accompanying notes to the basic financial statements.

CITY OF URBANA, OHIO
CHAMPAIGN COUNTY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Public Safety	$ 5,185,705	$ 851,279	$ 97,868	$ -
Health	225,816	134,720	-	-
Leisure Time	425,519	62,216	-	-
Community Development	319,204	19,565	298,747	-
Transportation	1,966,477	376,771	548,661	402,400
General Government	2,156,039	761,675	-	-
Interest on Debt	62,583	-	-	-
Total Governmental Activities	10,341,343	2,206,226	945,276	402,400
Business-type Activities:				
Water	1,642,179	2,402,677	-	-
Sewer	1,999,852	3,492,753	-	-
Recycling Program	151,436	145,363	-	-
Total Business-type Activities	3,793,467	6,040,793	-	-
Total Government	$ 14,134,810	$ 8,247,019	$ 945,276	$ 402,400

General Revenues:
Property Taxes
Income Taxes
Interest Earnings
Grants and Contributions Unrestricted
Other Unrestricted
Total General Revenues

Change in Net Position

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

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
$ (4,236,558)	$ -	$ (4,236,558)
(91,096)	-	(91,096)
(363,303)	-	(363,303)
(892)	-	(892)
(638,645)	-	(638,645)
(1,394,364)	-	(1,394,364)
(62,583)	-	(62,583)
(6,787,441)	-	(6,787,441)
-	760,498	760,498
-	1,492,901	1,492,901
-	(6,073)	(6,073)
-	2,247,326	2,247,326
$ (6,787,441)	$ 2,247,326	$ (4,540,115)
547,160	-	547,160
6,233,336	-	6,233,336
40,046	149	40,195
392,549	-	392,549
118,840	-	118,840
7,331,931	149	7,332,080
544,490	2,247,475	2,791,965
16,942,243	9,134,473	26,076,716
$ 17,486,733	$ 11,381,948	$ 28,868,681

See accompanying notes to the basic financial statements.

CITY OF URBANA, OHIO
CHAMPAIGN COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2015

	General Fund	Police & Fire Levy Fund	Capital Improvement Fund	Perpetual Investment Fund
Assets:				
Pooled Cash and Investments	$ 5,703,324	$ 308,520	$ 773,042	$ 1,059,279
Receivables:				
Income Tax	672,024	268,810	224,008	-
Property Tax	472,356	-	-	-
Accounts	476,508	-	-	-
Notes	-	-	-	768,069
Due From Other Governments	161,940	-	-	-
Due From Other Funds	3,547	-	-	-
Inventory	31,686	-	-	-
Prepaid Assets	26,294	-	-	-
Advances To Other Funds	70,500	-	-	-
Total Assets	$ 7,618,179	$ 577,330	$ 997,050	$ 1,827,348
Liabilities:				
Accounts Payable	$ 66,185	$ 96	$ 27,100	$ -
Accrued Wages and Benefits	157,666	42,528	-	-
Due To Other Governments	113,647	32,837	-	-
Due To Other Funds	-	-	-	-
Advances From Other Funds	-	-	-	-
Unearned Revenue	4,349,192	-	-	-
Total Liabilities	4,686,690	75,461	27,100	-
Deferred Inflows of Resources:				
Unavailable Revenue	724,561	86,194	71,828	-
Property and Other Local Taxes	426,111	-	-	-
Total Deferred Inflows of Resources	1,150,672	86,194	71,828	-
Fund Balances:				
Nonspendable:				
Inventory	31,686	-	-	-
Advances	70,500	-	-	-
Prepaids	26,294	-	-	-
Restricted:				
Capital Projects	-	-	-	-
Transportation Programs	-	-	-	-
Public Safety Programs	-	415,675	-	-
Debt Service	-	-	-	-
Permanent Endowments	-	-	-	-
Grant Programs	-	-	-	-
Other	-	-	-	-
Committed:				
Transportation Programs	-	-	-	-
Assigned:				
General Government	4,035	-	-	-
Leisure Activity	646	-	-	-
Capital Projects	-	-	898,122	1,827,348
Unassigned	1,647,656	-	-	-
Total Fund Balances	1,780,817	415,675	898,122	1,827,348
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 7,618,179	$ 577,330	$ 997,050	$ 1,827,348

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total Governmental Funds
$ 1,245,863	$ 9,090,028
89,603	1,254,445
141,842	614,198
56,244	532,752
1,077	769,146
282,026	443,966
-	3,547
100,005	131,691
6,114	32,408
-	70,500
$ 1,922,774	$ 12,942,681
$ 45,685	$ 139,066
31,195	231,389
18,060	164,544
3,547	3,547
70,500	70,500
-	4,349,192
168,987	4,958,238
261,988	1,144,571
131,560	557,671
393,548	1,702,242
100,005	131,691
-	70,500
6,114	32,408
315,902	315,902
99,866	99,866
179,261	594,936
89,935	89,935
104,155	104,155
114,942	114,942
26,570	26,570
391,420	391,420
-	4,035
-	646
-	2,725,470
(67,931)	1,579,725
1,360,239	6,282,201
$ 1,922,774	$ 12,942,681

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, 2015

Total Governmental Fund Balances		$ 6,282,201
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		21,417,849
The net pension asset is not a financial resource and therefore is not reported in the funds.		3,815
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
	Income Taxes Receivable	402,238
	Property Taxes Receivable	56,527
	Intergovernmental Receivable	309,617
	Accounts Receivable - Ambulance	345,052
	Accounts Receivable - Cemetery	31,137
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
	Deferred outflows - pension	1,223,816
	Deferred inflows - pension	(33,018)
	Net pension liability	(9,281,413)
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	(999,703)
	General Obligation Debt	(2,265,890)
	Accrued Interest Payable	(5,495)
Net Position of Governmental Activities		$ 17,486,733

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, 2015

	General Fund	Police & Fire Levy Fund	Capital Improvement Fund	Perpetual Investment Fund
Revenues:				
Income Taxes	$ 3,349,547	$ 1,338,873	$ 1,115,727	$ -
Property Taxes	426,387	-	-	-
Intergovernmental	385,917	-	95,000	-
Charges for Services	864,275	-	-	-
Fines, Licenses, and Permits	554,174	-	-	-
Interest	39,510	-	-	-
Miscellaneous	113,120	49,627	32,282	-
Total revenues	5,732,930	1,388,500	1,243,009	-
Expenditures:				
Current:				
Public Safety	3,228,315	1,391,150	-	-
Health	42,006	-	-	-
Leisure Time	311,872	-	-	-
Community Development	-	-	12,470	-
Transportation	-	-	227,021	-
General Government	1,725,310	-	148,789	-
Capital Outlay	-	90,755	616,290	-
Debt service:				
Principal Retirement	-	-	96,583	-
Interest and Fiscal Charges	-	-	18,023	-
Total Expenditures	5,307,503	1,481,905	1,119,176	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	425,427	(93,405)	123,833	-
Other Fnancing Sources (Uses):				
Proceeds from sale of capital assets	-	-	5,720	-
Proceeds from Loans	-	44,648	-	-
Transfers In	-	-	-	-
Transfers Out	(220,000)	-	-	-
Total Other Financing Sources (Uses)	(220,000)	44,648	5,720	-
Net Change in Fund Balances	205,427	(48,757)	129,553	-
Fund Balance at Beginning of Year	1,575,390	464,432	768,569	1,827,348
Fund Balance at End of Year	$ 1,780,817	$ 415,675	$ 898,122	$ 1,827,348

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total Governmental Funds
$ 446,290	$ 6,250,437
134,895	561,282
1,236,301	1,717,218
334,354	1,198,629
190,132	744,306
536	40,046
192,842	387,871
2,535,350	10,899,789
278,494	4,897,959
147,463	189,469
-	311,872
306,734	319,204
954,544	1,181,565
41,393	1,915,492
410,818	1,117,863
368,652	465,235
55,480	73,503
2,563,578	10,472,162
(28,228)	427,627
-	5,720
-	44,648
220,000	220,000
-	(220,000)
220,000	50,368
191,772	477,995
1,168,467	5,804,206
$ 1,360,239	$ 6,282,201

See accompanying notes to the basic financial statements.

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CITY OF URBANA, OHIO
CHAMPAIGN COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

Net Change in Fund Balances - Total Governmental Funds		$ 477,995
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	835,982
	Depreciation Expense	(1,191,339)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(19,676)
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.		570,292
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		804,963
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		(928,991)
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.		
	Proceeds of Loans	(44,648)
	Amortization of premium on bonds	4,732
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	28,992
	Accrued interest	6,188
Change in Net Position of Governmental Activities		$ 544,490

See accompanying notes to the basic financial statements.

CITY OF URBANA, OHIO
CHAMPAIGN COUNTY

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds			
Assets	Water Revenue	Sewer Revenue	Recycling Program	Total Enterprise Funds
Current Assets:				
Pooled Cash and Investments	$ 1,713,046	$ 3,644,139	$ 77,273	$ 5,434,458
Receivables:				
Accounts	264,407	422,341	3,300	690,048
Inventory	170,583	39,630	-	210,213
Prepaid Assets	2,746	6,715	-	9,461
Total Current Assets	2,150,782	4,112,825	80,573	6,344,180
Noncurrent Assets:				
Depreciable Capital Assets, Net	11,938,604	4,147,833	-	16,086,437
Non-Depreciable Capital Assets	460,028	21,553,551	-	22,013,579
Total Noncurrent Assets	12,398,632	25,701,384	-	38,100,016
Total Assets	14,549,414	29,814,209	80,573	44,444,196
Deferred Outflows of Resources				
Pension	53,144	72,400	-	125,544
Total Deferred Outflows of Resources	53,144	72,400	-	125,544
Liabilities				
Current Liabilities:				
Accounts Payable	23,595	25,677	23,301	72,573
Accrued Wages and Benefits	16,719	23,206	-	39,925
Due to Other Governments	10,157	13,699	-	23,856
Accrued Interest payable	94,932	294,341	-	389,273
Accrued Vacation and Sick Leave	16,675	32,617	-	49,292
Retainage Payable	53,787	70,000	-	123,787
Bonds Payable	10,724	21,034	-	31,758
Loan Payable	481,546	1,285,571	-	1,767,117
Total Current Liabilities	708,135	1,766,145	23,301	2,497,581
Noncurrent Liabilities:				
Accrued Vacation and Sick Leave	25,311	66,710	-	92,021
Bonds Payable	197,678	391,555	-	589,233
Loan Payable	8,323,392	21,011,091	-	29,334,483
Net Pension Liability	279,490	383,340	-	662,830
Total Noncurrent Liabilities	8,825,871	21,852,696	-	30,678,567
Total Liabilities	9,534,006	23,618,841	23,301	33,176,148
Deferred Inflows of Resources				
Pension	4,910	6,734	-	11,644
Total Deferred Inflows of Resources	4,910	6,734	-	11,644
Net Position				
Net Investment in Capital Assets	3,312,974	2,992,238	-	6,305,212
Unrestricted	1,750,668	3,268,796	57,272	5,076,736
Total Net Position	$ 5,063,642	$ 6,261,034	$ 57,272	$ 11,381,948

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, 2015

	Business-type Activities - Enterprise Funds			
	Water Revenue	Sewer Revenue	Recycling Program	Total Enterprise Funds
Operating Revenues				
Charges for Services	$ 2,402,677	$ 3,492,753	$ 145,363	$ 6,040,793
Total Operating Revenues	2,402,677	3,492,753	145,363	6,040,793
Operating Expenses				
Personal Services	428,118	666,907	-	1,095,025
Contractual Services	374,509	417,736	151,436	943,681
Supplies and Materials	96,893	118,548	-	215,441
Administrative Fees	292,428	215,458	-	507,886
Depreciation	254,914	238,796	-	493,710
Total Operating Expenses	1,446,862	1,657,445	151,436	3,255,743
Operating Income	955,815	1,835,308	(6,073)	2,785,050
Nonoperating Revenues (Expenses)				
Other Non-Operating Revenue	43	106	-	149
Interest Expense	(195,317)	(342,407)	-	(537,724)
Total Non-Operating Revenues (Expenses)	(195,274)	(342,301)	-	(537,575)
Change in Net Position	760,541	1,493,007	(6,073)	2,247,475
Net Position at Beginning of Year, Restated	4,303,101	4,768,027	63,345	9,134,473
Net Position at End of Year	$ 5,063,642	$ 6,261,034	$ 57,272	$ 11,381,948

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, 2015

	Business-type Activities - Enterprise Funds			
	Water Revenue	Sewer Revenue	Recycling Program	Total Enterprise Funds
Cash Flows from Operating Activities				
Cash Received from Customers	$ 2,456,021	$ 3,523,002	$ 146,223	$ 6,125,246
Cash Paid to Employees	(436,322)	(676,566)	-	(1,112,888)
Cash Paid to Suppliers	(494,001)	(541,316)	(139,783)	(1,175,100)
Cash Paid for Other Expenses	(292,428)	(215,458)	-	(507,886)
Net Cash Flows from Operating Activities	1,233,270	2,089,662	6,440	3,329,372
Cash Flows from Capital and Related Financing Activities				
Purchase of Capital Assets	(2,435,277)	(5,009,313)	-	(7,444,590)
Capital grants	43	106	-	149
Payment of Debt	(466,588)	(534,594)	-	(1,001,182)
Payment of Interest	(178,917)	(306,991)	-	(485,908)
Proceeds from Loans	2,427,710	5,098,177	-	7,525,887
Net Cash Flows from Capital and Related Financing Activites	(653,029)	(752,615)	-	(1,405,644)
Net Change in Cash	580,241	1,337,047	6,440	1,923,728
Cash and Cash Equivalents at Beginning of Year	1,132,805	2,307,092	70,833	3,510,730
Cash and Cash equivalents at End of Year	$ 1,713,046	$ 3,644,139	$ 77,273	$ 5,434,458
Reconciliation of Operating Income to Net Cash Flows from Operating Activities:				
Operating Income	$ 955,815	$ 1,835,308	$ (6,073)	$ 2,785,050
Add: Depreciation Expense	254,914	238,796	-	493,710
(Increase)/Decrease in Current Assets				
Accounts Receivable	53,344	30,249	860	84,453
Prepaid Items	10	44	-	54
Material and Supply Inventory	(22,317)	(13,750)	-	(36,067)
Increase in Deferred Outflows of Resources - Pension	(18,939)	(25,486)	-	(44,425)
Increase/(Decrease) in Current Liabilities				
Accounts Payable	(292)	8,674	11,653	20,035
Accrued Wages and Benefits	1,279	2,975	-	4,254
Accrued Vacation and Sick Leave	4,965	5,782	-	10,747
Due to Other Governments	(6,732)	(8,323)	-	(15,055)
Net Pension Liability	6,313	8,659	-	14,972
Increase in Deferred Inflows of Resources - Pension	4,910	6,734	-	11,644
Net Cash Flows from Operating Activities	$ 1,233,270	$ 2,089,662	$ 6,440	$ 3,329,372

See accompanying notes to the basic financial statements.

CITY OF URBANA, OHIO
CHAMPAIGN COUNTY

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
AS OF DECEMBER 31, 2015

	Agency Funds
Assets	
Pooled Cash and Investments	$ 121,328
Total Assets	121,328
Liabilities	
Due to Others	121,328
Total Liabilities	$ 121,328

See accompanying notes to the basic financial statements.

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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, 2015.

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.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City reports the following major governmental funds:

<u>General Fund</u> - 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.

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

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

<u>Perpetual Investment Fund</u> - 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:

<u>Water Fund</u> – 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.

<u>Sewer Fund</u> – 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.

<u>Recycling Program Fund</u> - 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Cash and Cash Equivalents and Investments

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

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

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

(d) Receivables and Payables

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

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

(e) Notes Receivable

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

(f) Inventory and Prepaid Assets

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

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

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

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:

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2015, but which were levied to finance 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(i) Pensions

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

(j) Unearned Revenue

Other revenues received in advance of the year for which they were intended to finance, have been recorded as unearned revenue on the statement of net position and governmental fund balance sheet. Income taxes not received within the available period due at December 31, 2015, are recorded as unavailable revenue in the governmental funds and as revenue on the statement of activities.

(k) Compensated Absences

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

(l) Long Term Obligations

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Fund Balance

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

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

> Nonspendable - resources that are not in a spendable form (inventory, prepaids, and advances) or have legal or contractual requirements to maintain the balance intact.
>
> Restricted - resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.
>
> Committed - resources that can be used only for specific purposes pursuant to constraints imposed by formal action (resolution) of the City's highest level of decision-making authority (City Council).
>
> Assigned - resources that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. This includes the residual balance of all governmental funds other than the General Fund that were not classified elsewhere above.
>
> Unassigned - residual fund balance within the General Fund not classified elsewhere above and all other governmental fund balances which have a negative fund balance.

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

(m) Net Position

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Estimates

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

NOTE 3 – COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Balances **-** The fund balances in the City's Mausoleum Trust Fund and Safer Grant Fund at December 31, 2015 were negative $58,494 and $9,437, respectively. 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.

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;

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

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".

(b) Deposits with Financial Institutions

At year-end, the carrying amount of the City's deposits was $9,893,517, which includes certificates of deposit totaling $2,250,987, and the bank balance was $10,014,763. Of the bank balance, $1,069,683 was covered by federal depository insurance, and the remaining amount was covered by collateral held by third party trustees pursuant to Section 135.181 Revised Code, in collateralized pools securing all public funds on deposit with the specific depository institutions in amounts equal to at least 105% of the City's carrying value of deposits. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

Custodial Credit Risk – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. As mentioned above, at year end, $8,945,080 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.

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

(c) Investments

As of December 31, 2015, the City had the following investments and maturities:

		Investment Maturities		
Investment Type	Fair Value	1 year or less	1 to 3 years	Greater than 3 years
Money Market	$ 4,751,288	$ 4,751,288	$ -	$ -
Total	$ 4,751,288	$ 4,751,288	$ -	$ -

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.

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, 2015:

Investment Type	Fair Value	% of Total
Money Market	$ 4,751,288	100%

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NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2015:

Cash and Investments Per Note	
Carrying Amount of Deposits	$ 9,893,517
Investments	4,751,288
Cash on Hand	1,009
Total	$ 14,645,814
Cash and Investments Per Statements of Net Position	
Governmental and Business-type Activities	$ 14,524,486
Agency Funds	121,328
Total	$ 14,645,814

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 2015. At December 31, 2015, the balance of the note was $768,069.

NOTE 6 – INCOME TAXES

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

The tax rate applied in 2015 was 1.4% of which 1% was unvoted and 0.4% was voted. The additional 0.4% tax became effective January 1, 1992, and is designated to fund fire and police personnel and capital improvement costs.

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

NOTE 7 – PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the City. All property is required to be revalued every six years with equalization adjustments in the third year following reappraisal. The last revaluation was completed in 2013.

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

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

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

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

The assessed valuations of the City for tax year 2014, which were used to collect taxes in calendar year 2015, are as follows:

	Amount	Percent
Real Estate (Other Than Public Utility)	$173,891,180	96.4 %
Public Utility	6,497,650	3.6 %
Total Assessed Value	$180,388,830	100.0%

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NOTE 8 – CAPITAL ASSETS

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

Governmental Activities

	Beginning Balance	Additions	Deductions	Transfers	Ending Balance
Nondepreciable Capital Assets					
Land	$ 3,609,111	$ -	$ -	$ -	$ 3,609,111
Construction in Progress	39,027	148,232	-	(187,259)	-
Total Nondepreciable Assets	3,648,138	148,232	-	(187,259)	3,609,111
Depreciable Capital Assets					
Building and Improvements	15,639,253	206,361	-	-	15,845,614
Machinery and Equipment	4,648,914	361,677	(114,055)	-	4,896,536
Infrastructure	20,130,314	119,712	-	187,259	20,437,285
Total Depreciable Assets	40,418,481	687,750	(114,055)	187,259	41,179,435
Less accumulated depreciation					
Building and Improvements	12,858,962	464,415	-	-	13,323,377
Machinery and Equipment	3,709,647	297,382	(114,055)	-	3,892,974
Infrastructure	5,724,804	429,542	-	-	6,154,346
Total accumulated depreciation	22,293,413	1,191,339	(114,055)	-	23,370,697
Depreciable Capital Assets, Net of accumulated depreciation	18,125,068	(503,589)	-	187,259	17,808,738
Total Capital Assets, Net	$ 21,773,206	$ (355,357)	$ -	$ -	$ 21,417,849

Depreciation expense was charged to the governmental functions as follows:

General Government	$ 202,864
Public Safety	166,789
Transportation	664,924
Health	42,411
Leisure Activities	114,351
Total depreciation expense	$ 1,191,339

NOTE 8 – CAPITAL ASSETS (Continued)

Business Type Activities

Water Revenue Fund	Beginning Balance	Additions	Deductions	Transfers	Ending Balance
Land	$ 460,028	$ -	$ -	$ -	$ 460,028
Construction in Progress	1,085,835	1,416,252	-	(2,502,087)	-
Total Nondepreciable Assets	1,545,863	1,416,252	-	(2,502,087)	460,028
Depreciable Capital Assets					
Buildings	10,559,207	105,639	-	-	10,664,846
Equipment	2,849,452	22,286	(28,450)	-	2,843,288
Infrastructure	9,286,017	587,204	-	2,502,087	12,375,308
Total Depreciable Assets	22,694,676	715,129	(28,450)	2,502,087	25,883,442
Less accumulated depreciation					
Buildings	10,546,266	5,997	-	-	10,552,263
Equipment	2,315,625	63,198	(28,450)	-	2,350,373
Infrastructure	856,483	185,719	-	-	1,042,202
Total accumulated depreciation	13,718,374	254,914	(28,450)	-	13,944,838
Depreciable Assets, Net	8,976,302	460,215	-	2,502,087	11,938,604
Total Capital Assets, Net	$ 10,522,165	$ 1,876,467	$ -	$ -	$ 12,398,632

Sewer Revenue Fund	Beginning Balance	Additions	Deductions	Transfers	Ending Balance
Land	489,768	$ -	$ -	$ -	$ 489,768
Construction in Progress	17,717,039	3,572,006	-	(225,262)	21,063,783
Total Nondepreciable Assets	18,206,807	3,572,006	-	(225,262)	21,553,551
Depreciable Capital Assets					
Buildings	20,784,250	-	-	-	20,784,250
Equipment	3,554,953	96,368	(6,999)	-	3,644,322
Infrastructure	2,093,904	6,188	-	225,262	2,325,354
Total Depreciable Assets	26,433,107	102,556	(6,999)	225,262	26,753,926
Less accumulated depreciation					
Buildings	20,825,498	163,745	-	-	20,989,243
Equipment	1,279,226	33,343	(6,999)	-	1,305,570
Infrastructure	269,572	41,708	-	-	311,280
Total accumulated depreciation	22,374,296	238,796	(6,999)	-	22,606,093
Depreciable Capital Assets, Net	4,058,811	(136,240)	-	225,262	4,147,833
Total Capital Assets, Net	$ 22,265,618	$ 3,435,766	$ -	$ -	$ 25,701,384

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, 2015:

Governmental Activities	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	$ 290,000	$ -	$ (290,000)	$ -	$ -
Refunding Bonds Premium 2006-2015	4,732	-	(4,732)	-	-
9-1-1 Radio Equipment GO Bonds 2006-2016 4.25%-4.3% Police & Fire Capital Improve. Fund	115,000	-	(55,000)	60,000	60,000
2010 Various Purpose Bonds GO Bonds 2011-2030 2.0-5.0%	472,081	-	(23,072)	449,009	23,243
Mausoleum Refunding Bonds 2011-2030 6.75%	465,000	-	(15,000)	450,000	20,000
HB300 Energy Savings	141,471	-	(69,231)	72,240	72,240
OPWC Loan - Phoenix Dr (CK11P) 2013-2033	239,225	-	(12,932)	226,293	12,932
Stryker Power Load Systems Financing 2016-2018	-	44,648	-	44,648	14,883
Total	1,727,509	44,648	(469,967)	1,302,190	203,298
Net Pension Liability					
OPERS	1,772,244	40,955	-	1,813,199	-
OP&F	7,021,161	447,053	-	7,468,214	-
Compensated Absences	1,036,064	301,855	(338,216)	999,703	277,928
Landfill Post Closure Liability	841,908	-	(98,032)	743,876	111,807
Unfunded P & F Pension Obligation Police & Fire Pension Levy Fund	226,849	-	(7,025)	219,824	7,323
Total Governmental Activities Long Term Liabilities	$ 12,625,735	$ 834,511	$ (913,240)	$ 12,547,006	$ 600,356

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, 2015:

Business-Type Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Water Fund:					
GO Bonds 2006-2015 4%-4.75% Water System Improvements	$ 115,000	$ -	$ (115,000)	$ -	$ -
OPWC 0% Interest Loan- CK26C	167,355	-	(22,314)	145,041	22,314
OPWC 0% Interest Loan Well Field	61,538	-	(4,734)	56,804	4,734
OWDA Loan 2008-2029 3.36% North 29 Water System Improvement	4,600,687	-	(240,405)	4,360,282	248,550
OPWC 0% Interest Loan Well Field	725,000	-	(50,000)	675,000	50,000
OPWC 0% Interest Loan- CT Communication Utility Extension	64,944	-	(4,112)	60,832	4,112
OPWC - South Main Water Main (CK19O) 2013-2033	347,615	-	(19,312)	328,303	19,312
2010 Various Purpose Bonds 2011-2030 2.0-5.0%	219,113	-	(10,711)	208,402	10,724
ODWA Phase I Water Main Replacement (#6731) 2016-2035	750,966	1,857,710	-	2,608,676	118,274
OPWC 0% Interest Loan Wooddale Amherst 2016-2036	-	570,000	-	570,000	14,250
Net Pension Liability OPERS	273,177	6,313	-	279,490	-
Accrued Vacation and Sick Leave	37,021	24,249	(19,284)	41,986	16,675
Total Water Fund	$ 7,362,416	$ 2,458,272	$ (485,872)	$ 9,334,816	$ 508,945

NOTE 9 – LONG TERM LIABILITIES (Continued)

Business-Type Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Sewer Fund:					
OWDA Loan 1995-2015 4.56% N-Viro Project	$ 51,430	$ -	$ (51,430)	$ -	$ -
OWDA Loan 1996-2016 4.04% N-Viro Project	117,270	-	(57,461)	59,809	59,809
OPWC 0% Interest Loan	45,000	-	(30,000)	15,000	15,000
OWDA Loan 2008-2018 4.11% Sludge Handling Improvements	585,374	-	(158,833)	426,541	165,429
OWDA Loan 2008-2029 3.95% Sludge Handling Facilitiy	314,291	-	(74,024)	240,267	76,977
OWDA Loan 2008-2018 4.78% Septage Receiving Facility	250,669	-	(58,299)	192,370	61,119
OWDA Loan 2008-2018 4.78% Northwest Sanitary Replacement	296,126	-	(69,218)	226,908	72,332
OPWC 0% Northwest Sanitary	145,000	-	(10,000)	135,000	10,000
OPWC 0% CT Communication Utility Extension	70,757	-	(4,112)	66,645	4,112
OWDA - WPCLF Upgrade Design - 2.57%-2.6% (#6036 rolled into #6497) 2013-2035	15,835,945	5,098,177	-	20,934,122	820,793
2010 Various Purpose Bonds 2011-2030 2.0-5.0%	433,806	-	(21,217)	412,589	21,034
Net Pension Liability OPERS	374,681	8,659	-	383,340	-
Accrued Vacation and Sick Leave	93,545	33,005	(27,223)	99,327	32,617
Total Sewer Fund	$ 18,613,894	$ 5,139,841	$ (561,817)	$ 23,191,918	$ 1,339,222

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.

NOTE 9 – LONG TERM LIABILITIES (Continued)

During 2012, the City entered into two loan arrangements through the Ohio Public Works Commission (OPWC) and one loan with the Ohio Water Development Agency (OWDA). The two OPWC loans were to fund the Phoenix Drive ($258,623) and South Main Water Main ($386,239) projects. The OWDA loan was entered into to fund a Waste Water Plant Upgrade project. The OWDA approved a loan in the amount $20,697,045 for the project and as of December 31, 2015, the City has drawn down $20,480,734. An additional $453,388 in capitalized interest has been added to the principal balance since inception, making the total outstanding balance at December 31, 2015 $20,934,122.

In 2014, the City entered into another loan with the Ohio Water Development Agency (OWDA) to fund a Water Main Replacement project. The OWDA approved a loan in the amount of $2,861,925 for the project and as of December 31, 2015, the City has drawn down $2,593,995. An additional $14,681 in capitalized interest has been added to the principal balance since inception, making the total outstanding balance at December 31, 2015 $2,608,676.

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

In 2015, the OWDA refinanced debt resulting in reduced interest rates for the City starting with the first payment in 2016. The following table represents the change in rates:

	Prior Interest Rate	New Interest Rate
North SR 29 Water Systems Improvements	3.36%	3.00%
Sludge Facility Upgrade	4.04%	3.00%
NW Sanitary Sewer Replacement	4.450%	4.00%
Septage Receiving Facility	4.780%	4.00%
Sludge Handling Improvements	4.110%	4.00%

Annual requirements to pay principal and interest on long-term debt at December 31, 2015:

	Governmental Activities		Business Type-Activities			
			Water		Sewer	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	$ 203,298	$ 54,967	$ 492,270	$ 195,053	$ 1,306,605	$ 597,408
2017	70,886	47,877	517,306	184,759	1,269,361	558,890
2018	72,982	45,672	529,412	174,163	1,219,280	520,522
2019	60,198	43,391	541,861	163,220	925,331	488,669
2020	65,198	41,034	553,691	151,920	948,252	464,823
2021-2025	356,478	161,848	2,885,911	577,203	5,116,001	1,943,388
2026-2030	440,839	70,107	2,735,676	238,140	5,796,758	1,241,785
2031-2035	32,311	-	742,963	46,319	6,127,663	456,587
2036-2040	-	-	14,250	-	-	-
Total	$ 1,302,190	$ 464,896	$ 9,013,340	$ 1,730,777	$ 22,709,251	$ 6,272,072

NOTE 9 – LONG TERM LIABILITIES (Continued)

The Ohio Revised Code provides that the net debt of a municipal corporation whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The statutory limitations of debt are measured by a direct ratio of net debt to tax valuation in terms of a percentage. On December 31, 2015, the City's total net debt amounted to 5.8% of the total assessed value of all property within the City. The aggregate amount of the City's unvoted debt is also subject to overlapping debt restrictions with Champaign County and the Urbana City School District. As of December 31, 2015, these entities have complied with the requirement that overlapping debt must not exceed 1% (10 mills) of the assessed property value.

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, 2015, 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, 2015, the debt service requirement to maturity of the defeased bonds was $0.

NOTE 10 – ADVANCE REFUNDINGS (Continued)

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, 2015, the debt service requirement to maturity of the defeased bonds was $0.

NOTE 11 – RISK MANAGEMENT

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

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

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

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

Casualty and Property Insurance

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2015, PEP retained $350,000 for casualty claims and $100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2015 and 2014:

Casualty & Property Coverage	2014	2015
Assets	$35,402,177	$38,307,677
Liabilities	(12,363,257)	(12,759,127)
Net Position	$23,038,920	$25,548,550

NOTE 11 – RISK MANAGEMENT (Continued)

At December 31, 2014 and 2015, respectively, the liabilities above include approximately $11.1 million and $11.5 million of estimated incurred claims payable. The assets above also include approximately $10.8 million and $11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the City's share of these unpaid claims collectible in future years is approximately $85,000.

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

Contributions to PEP	
2015	$ 135,354
2014	136,581

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 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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

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

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

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

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

	State and Local
2015 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2015 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was $313,004 for 2015. Of this amount, $14,876 is reported as an intergovernmental payable.

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

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

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

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

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

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

	Police	Firefighters
2015 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %
2015 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was $582,136 for 2015. Of this amount $31,574 is reported as an intergovernmental payable.

In addition to current contributions, the City pays installments on a specific liability of the City incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2015, the specific liability of the City was $219,824 payable in semi-annual payments through the year 2035.

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

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

The net pension liability for OPERS was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset/liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. The City's proportion of the net pension asset/liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Proportionate Share of the Net Pension (Asset)/Liability	$2,476,029	($3,815)	$7,468,214	$9,940,428
Proportion of the Net Pension Liability/(Asset)	0.020529%	0.0009907%	0.1441624%	
Pension Expense	$270,335	$2,535	$728,489	$1,001,359

At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Deferred Outflows of Resources				
Net difference between projected and actual earnings on pension plan investments	$132,114	$233	$321,873	$454,220
City contributions subsequent to the measurement date	0	0	0	895,140
Total Deferred Outflows of Resources	$132,114	$233	$321,873	$1,349,360
Deferred Inflows of Resources				
Differences between expected and actual experience	$43,498	$1,164	$0	$44,662

$895,140 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as pension expense in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Year Ending December 31:				
2016	$ 12,957	$ (80)	$ 80,468	$ 93,345
2017	12,957	(80)	80,468	93,345
2018	29,672	(80)	80,468	110,060
2019	33,030	(80)	80,469	113,419
2020	-	(138)	-	(138)
Thereafter	-	(473)	-	(473)
Total	$ 88,616	$ (931)	$ 321,873	$ 409,558

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other investments	18.00	4.59
Total	100.00 %	5.28 %

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

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

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension (asset)/liability			
Traditional Plan	$4,555,180	$2,476,029	$724,879
Combined Plan	$495	($3,815)	($7,232)

Actuarial Assumptions – OPF

OPF's total pension liability as of December 31, 2014 is based on the results of an actuarial valuation date of January 1, 2014, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2014, are presented below:

Valuation Date	January 1, 2014
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent

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

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2014 are summarized below:

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and Cash Equivalents	- %	(0.25) %
Domestic Equity	16.00	4.47
Non-US Equity	16.00	4.47
Core Fixed Income *	20.00	1.62
Global Inflation Protected *	20.00	1.33
High Yield	15.00	3.39
Real Estate	12.00	3.93
Private Markets	8.00	6.98
Timber	5.00	4.92
Master Limited Partnerships	8.00	7.03
Total	120.00 %	

* levered 2x

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

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

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

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	$10,329,669	$7,468,214	$5,045,431

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 – a cost-sharing multiple-employer defined benefit plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for health care coverage, age and service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and 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. Please see the Plan Statement in the OPERS 2014 CAFR for details.

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, the City contributed at a rate of 14.0% of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three health care trusts. The two main cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans.

NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2015. As recommended by OPER' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0% for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to VEBA for participants in the Member-Directed Plan for 2015 was 4.5%

The City's contributions to OPERS for post-employment benefits for the years ending December 31, 2015, 2014, and 2013 were $52,167, $52,705, and $99,676, respectively. The full amount has been contributed for 2014 and 2013; 95.5 percent has been contributed for 2015 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) 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.

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contribution allocated to the health care plan was 0.50% of covered payroll from January 1, 2015 through December 31, 2015. 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).

NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

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, 2015, 2014, and 2013 were $582,136, $607,835 and $619,532, respectively, of which $13,607, $14,047 and $99,676, respectively, was allocated to the healthcare plan.

NOTE 14 – INTERFUND BALANCES

Interfund balances at December 31, 2015 consisted of the following:

Fund	Beginning Balance	New Advances	Advance Repayments	Ending Balance
General	$ 60,000	$ 14,047	$ -	$ 74,047
Mausoleum Trust	(60,000)	(10,500)	-	(70,500)
Safer Grant	-	(3,547)	-	(3,547)

In accordance with City financial policies, the City's General Fund allocates administrative costs to various other funds. The Mausoleum Trust Fund amount noted above represents monies advanced from the General Fund to pay debt service on the bonds that were issued to construct the mausoleum. The Safer Grant amount represents an accrual entry to eliminate a negative cash balance in the Safer Grant Fund.

NOTE 15 – INTERFUND TRANSFERS

Interfund transfers during the fiscal year were as follows:

Fund	Transfers In	Transfers Out
General	$ -	$ 220,000
Street	160,000	-
Oak Dale Cemetery	60,000	-
	$ 220,000	$ 220,000

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

NOTE 16 – LANDFILL CLOSURE/ POST CLOSURE COSTS

State and Federal laws and regulations require the City to perform certain maintenance and monitoring functions at the landfill for thirty years after closure. The City stopped accepting waste at the landfill in 1987. The Ohio EPA approved the final closure and post closure plan in January 1988. With the assistance of Arcadis Engineering, the geological engineers, the $743,876 reported as landfill post closure liability at December 31, 2015, represents the estimated costs to maintain and monitor the landfill through 2018. Actual costs may change due to inflation, changes in technology, or changes in regulations.

NOTE 17 – CONTINGENT LIABILITIES

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

NOTE 18 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For 2015, the City implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "*Accounting and Financial Reporting for Pensions*" and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.*" GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported December 31, 2014:

	Governmental Activities	Business -Type Activities	Water	Sewer	Total Enterprise
Net position December 31, 2014	$24,905,015	$9,701,212	$4,542,073	$5,095,794	$9,701,212
Adjustments:					
Net Pension Liability	(8,792,365)	(647,858)	(273,177)	(374,681)	(647,858)
Deferred Outflow - Payments Subsequent to Measurement Date	829,593	81,119	34,205	46,914	81,119
Restated Net Position December 31, 2014	$16,942,243	$9,134,473	$4,303,101	$4,768,027	$9,134,473

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

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, 2015

	Original Budget	Final Budget	Actual	Variance Over/(Under)
Revenues:				
Income Taxes	$ 3,160,000	$ 3,160,000	$ 3,304,492	$ 144,492
Property Taxes	449,977	449,977	426,387	(23,590)
Intergovernmental	327,050	327,050	389,668	62,618
Charges for Services	868,314	868,314	868,043	(271)
Fines, Licenses, and Permits	633,706	633,706	555,718	(77,988)
Interest	37,589	37,589	37,540	(49)
Miscellaneous	81,350	81,350	113,000	31,650
Reimbursements	754,338	754,338	655,917	(98,421)
Total Revenues	6,312,324	6,312,324	6,350,765	38,441
Expenditures:				
Current:				
General Government				
City Council				
Personal Services	73,994	73,494	73,489	5
Supplies, Materials and Other	19,000	15,150	14,021	1,129
Total City Council	92,994	88,644	87,510	1,134
Mayor/Administration				
Personal Services	244,993	244,993	241,640	3,353
Supplies, Materials and Other	18,014	42,014	36,373	5,641
Total Mayor/Administration	263,007	287,007	278,013	8,994
Municipal Court				
Personal Services	581,182	586,182	586,753	(571)
Supplies, Materials and Other	85,584	85,584	80,454	5,130
Total Municipal Court	666,766	671,766	667,207	4,559
Engineering				
Personal Services	148,541	138,541	137,183	1,358
Supplies, Materials and Other	9,397	7,897	5,967	1,930
Total Engineering	157,938	146,438	143,150	3,288
Public Works				
Supplies, Materials and Other	161,194	166,194	160,277	5,917
Total Public Works	161,194	166,194	160,277	5,917
Finance Accounting				
Personal Services	208,504	222,504	222,221	283
Supplies, Materials and Other	20,926	22,926	22,674	252
Total Finance Accounting	229,430	245,430	244,895	535
Finance Income Tax				
Personal Services	103,803	85,303	83,585	1,718
Supplies, Materials and Other	17,931	14,931	13,883	1,048
Total Finance Income Tax	121,734	100,234	97,468	2,766

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, 2015

	Original Budget	Final Budget	Actual	Variance Over/(Under)
Finance Utility Billing				
Personal Services	76,716	76,716	75,078	1,638
Supplies, Materials and Other	57,399	57,399	58,514	(1,115)
Total Basic Utilities	134,115	134,115	133,592	523
Law Department				
Personal Services	120,700	136,700	125,881	10,819
Supplies, Materials and Other	16,838	27,838	29,392	(1,554)
Total Law Department	137,538	164,538	155,273	9,265
Non-Departmental				
Supplies, Materials and Other	320,496	399,596	353,590	46,006
Total Non-Departmental	320,496	399,596	353,590	46,006
Compost and Mulch				
Personal Services	21,013	23,013	24,383	(1,370)
Supplies, Materials and Other	3,900	3,900	1,557	2,343
Total Compost and Mulch	24,913	26,913	25,940	973
Total General Government	**2,310,125**	**2,430,875**	**2,346,915**	**83,960**
Security of Person and Property				
Code Enforcement				
Personal Services	108,182	103,882	124,449	(20,567)
Supplies, Materials and Other	61,938	58,438	33,464	24,974
Total Code Enforcement	170,120	162,320	157,913	4,407
Police Services				
Personal Services	1,482,813	1,432,813	1,403,554	29,259
Supplies, Materials and Other	116,368	116,368	103,114	13,254
Total Police Services	1,599,181	1,549,181	1,506,668	42,513
Fire Services				
Personal Services	1,605,368	1,585,368	1,583,898	1,470
Supplies, Materials and Other	70,912	70,912	97,462	(26,550)
Total Fire Services	1,676,280	1,656,280	1,681,360	(25,080)
Ambulance Services				
Supplies, Materials and Other	43,501	43,501	-	43,501
Total Ambulance Services	43,501	43,501	-	43,501
Total Security of Person and Property	**3,489,082**	**3,411,282**	**3,345,941**	**65,341**
Health				
Supplies, Materials and Other	-	-	41,995	(41,995)
Total Health	**-**	**-**	**41,995**	**(41,995)**

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, 2015

	Original Budget	Final Budget	Actual	Variance Over/(Under)
Leisure Activities				
Recreation Administration				
Personal Services	52,509	52,509	52,293	216
Supplies, Materials and Other	16,464	16,464	13,417	3,047
Total Recreation Administration	68,973	68,973	65,710	3,263
Recreation Programs				
Supplies, Materials and Other	11,650	17,300	17,301	(1)
Total Recreation Programs	11,650	17,300	17,301	(1)
Recreation-Pool				
Personal Services	47,086	47,086	53,195	(6,109)
Supplies, Materials and Other	37,789	37,789	28,779	9,010
Total Recreation-Pool	84,875	84,875	81,974	2,901
Recreation Parks				
Personal Services	85,347	107,347	106,664	683
Supplies, Materials and Other	40,798	45,798	42,881	2,917
Total Recreation Parks	126,145	153,145	149,545	3,600
Total Leisure Activities	**291,643**	**324,293**	**314,530**	**9,763**
Total Expenditures	**6,090,850**	**6,166,450**	**6,049,381**	**117,069**
Excess of Revenues Over Expenditures	221,474	145,874	301,384	155,510
Other Financing Uses				
Operating Transfers Out	(245,000)	(245,000)	(220,000)	25,000
Advances Out	(10,500)	(10,500)	(10,500)	-
Total Other Financing Uses	(255,500)	(255,500)	(230,500)	25,000
Net Change in Fund Balance	(34,026)	(109,626)	70,884	180,510
Fund Balance January 1, 2015	796,965	796,965	796,965	-
Prior Year Encumbrances	34,058	34,058	34,058	-
Fund Balance December 31, 2015	**$ 796,997**	**$ 721,397**	**$ 901,907**	**$ 180,510**

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, 2015

	Original Budget	Final Budget	Actual	Variance Over/(Under)
Revenues:				
Income Taxes	$ 1,218,260	$ 1,218,260	$ 1,321,797	$ 103,537
Miscellaneous	45,740	45,740	49,627	3,887
Total Revenues	1,264,000	1,264,000	1,371,424	107,424
Expenditures:				
Current:				
Public Safety				
Personal Services	1,296,835	1,387,835	1,387,138	697
Supplies, Materials and Other	24,787	125,787	125,474	313
Total Security of Persons and Property	1,321,622	1,513,622	1,512,612	1,010
Net Change in Fund Balance	(57,622)	(249,622)	(141,188)	108,434
Fund Balance January 1, 2015	389,238	389,238	389,238	-
Prior Year Encumbrances	1,356	1,356	1,356	-
Fund Balance December 31, 2015	**$ 332,972**	**$ 140,972**	**$ 249,406**	**$ 108,434**

CITY OF URBANA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015

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.

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	$ 205,427	$ (48,757)
Supplemental Investment Fund Change	(1,970)	-
Revenue Accruals	(36,112)	(17,076)
Expenditure Accruals	(28,939)	28,406
Other Financing	(10,500)	(44,648)
Encumbrances	(57,022)	(59,113)
Budget Basis	$ 70,884	$ (141,188)

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

Last Two Years (1)

	2014	2013
City's Proportion of the Net Pension (Asset)/Liability		
Traditional Plan	0.020529%	0.020529%
Combined Plan	0.009907%	0.009907%
City's Proportionate Share of the Net Pension		
Traditional Plan	$ 2,476,029	$ 2,420,102
Combined Plan	(3,815)	(1,040)
City's Covered-Employee Payroll	$ 2,561,683	$ 2,208,115
City's Proportionate Share of the Net Pension (Asset)/Liability as a Percentage of its Covered-Employee Payroll	96.51%	109.55%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		
Traditional Plan	86.45%	86.36%
Combined Plan	114.83%	104.56%

(1) Information prior to 2013 is not available.

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

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

Last Two Years (1)

	2014	2013
City's Proportion of the Net Pension Liability	0.1441624%	0.1441624%
City's Proportionate Share of the Net Pension Liability	$ 7,468,214	$ 7,021,161
City's Covered-Employee Payroll	$ 2,784,088	$ 2,828,327
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	268.25%	248.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.20%	73.00%

(1) Information prior to 2013 is not available.

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

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

Last Three Years (1)

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

(1) Information prior to 2013 is not available.

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

Last Five Fiscal Years (1)

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

(1) Information prior to 2011 is not available.

Charles E. Harris & Associates, Inc.
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

City of Urbana
Champaign County
205 S. Main Street
Urbana, Ohio 43078

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Urbana, Champaign County, (the City) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 15, 2016. We noted the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Charles E. Harris & Associates, Inc.
June 15, 2016

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CITY OF URBANA
CHAMPAIGN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2014-001	City had an unrecorded liability at December 31, 2014.	Yes	No longer valid.

Dave Yost • Auditor of State

CITY OF URBANA

CHAMPAIGN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 16, 2016

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